

2024

Environmental, Social and Governance (ESG) Report



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About the Report

Introduction

Welcome to the 2024 Environmental, Social and Governance (ESG) Report of Shenzhen Capchem Technology Co., Ltd. ("Capchem") (hereinafter referred to as the "Report"). Since 2020, the Company has been disclosing its performance in sustainability and social responsibility. In 2023, the Company upgraded the social responsibility report to ESG report. In 2024, we disclosed our ESG report on a continuing basis with reference to the index of *Self-Regulatory Guidelines No.17 for Listed Companies on Shenzhen Stock Exchange - Sustainable Development Report (for Trial Implementation)* during the preparation process.

Reporting Boundaries

The Report covers the period from January 1, 2024 to December 31, 2024 (hereinafter referred to as the "Reporting Period"). To ensure the completeness of the Report, part of content may go beyond the Reporting Period. Unless otherwise specified, the Report covers Shenzhen Capchem Technology Co., Ltd., its subsidiaries with consolidated financial reports, and its holding companies.

Basis of Preparation

The Report is compiled in accordance with *Self-Regulatory Guidelines No. 17 for Listed Companies on Shenzhen Stock Exchange – Sustainable Development Report (Trial Implementation)*, *General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)*, *the Global Reporting Initiative Standards (GRI Standards)*, *the Sustainability Reporting Standards (Version 2021)*, *Sustainability Accounting Standards Board Standards (SASB Standards)*, *the UN Sustainable Development Goals (SDGs)*, *the Morgan Stanley Capital International Environmental, Social and Governance ("ESG") Rating (MSCI ESG Rating)*, and the *Basic Framework of Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0)*.

Reporting Principles

Materiality

The Company identifies material issues in the context of the industry it operates in and the characteristics of the business, among other things, and expects to short-, medium- and long-term impact on the Company's business model, business operations, development strategy, financial situation, operating results, cash flow, financing methods and costs, as well as whether the performance of the Company on the respective issues will have a significant impact on the economy, society and the environment.

Impartiality

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

Quantification

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

Consistency

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

References

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

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

Sources of Information

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

Confirmation and Approval

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

Access and Response to the Report

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

Message From Chairman



Johnson Qin
Chairman

“

In 2024, China's economic development continues to improve, and residents' living standards are also on the rise, electronic chemicals and functional materials industry market size growth is stable. Capchem abides by the business philosophy of "Professional, Excellent, Solid and Thorough (STEP)", rooting itself in its main business, penetrating into the fields of new energy vehicles, consumer electronics, urban rail transit, biomedicine, digital infrastructure, photovoltaic energy storage, industrial manufacturing, etc., and is committed to seeking breakthroughs in the development and creating a bright future with electronic chemicals and functional materials.

Based on the United Nations Global Compact (UNG), the United Nations Sustainable Development Goals (UN SDGs), standard guidelines of domestic and foreign organizations and issues of high concern to all parties, Capchem is actively exploring the road to sustainable development. In 2024, Capchem has carefully constructed the "GROW" sustainable development model based on the consideration of the coordinated, fair and efficient development of enterprises, with the four pillars of "Governance" "Responsibility" "One-earth" and "Win-win", leads the sustainable development of the Company and enhances the corporate image with excellent environmental, social and corporate governance practices.

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Integrating ESG Principles to Safeguard Sustainable Governance (Governance)

Capchem actively responds to the United Nations Sustainable Development Goals (SDGs) and deeply integrates the concept of sustainable development into the Company's business operation system and various governance aspects. In 2024, the Company has continued to carry out sustainable development work based on the *Sustainable Development Policy of Capchem*, identified and sorted out 27 material issues and carried out double materiality assessment work in response to the demands and expectations of various stakeholders.

Capchem also takes the interests of all shareholders into account, actively improves internal management, focuses on building a professional and diversified Board of Directors, gradually improves the decision-making level of the boards of directors of its subsidiaries, and gradually implements compliance management and the construction of a culture of business ethics as well as risk management, so as to escort the efficient operation of the Company by means of sound corporate governance. In 2024, the Company successfully realized that 100% of its suppliers had signed *Integrity Agreement* or *Integrity Clause*. The participation rate of anti-corruption training for all employees of the Company reached 100%, and the signing rate of the Commitment Letter of Integrity reached 100%.

Leading with Responsible Operations to Achieve Excellence (Responsibility)

Capchem regards responsible operation as the foundation of sustainable development, adheres to the bottom line of safety, takes innovation as the driving force, and endeavors to create high-quality products and high-level customer service. Capchem adheres to the customer-centered approach, empowers quality management with digitalisation, continues to explore key technologies and develop green alternatives in the field of electronic chemicals and functional materials, continues to implement intellectual property protection mechanisms, and strives to output products and services that are highly consistent with customer needs.

Capchem also adheres to the operation concept of safety first, controls safety risks at source, carries out annual identification of chemicals and formulates compliance registration plans, fully implements the management of the whole life cycle of chemicals, and continuously promotes the reduction and substitution of hazardous chemicals. At the same time, based on a comprehensive health and safety management structure, the Company links occupational health and safety performance to the management's salary assessment mechanism, promotes the construction of the risk control system and safety informatization, and implements safety education and culture at all levels to build a solid safety bottom line.

Advancing Dual Carbon Goals to Practice Green Production (One-earth)

Capchem actively combats the global climate change, formulates and implements the dual-carbon target of "Operational carbon peaking by 2029, Operational carbon neutrality by 2049", focuses on the development concept of "Four Green", namely green products, green processes, green factories, and green industries, vigorously promotes energy saving and emission reduction, continuously optimizes "waste water, waste gas, solid waste" and resource management, and steadily moves forward on the road of low-carbon sustainable development. Based on a sound ESG management structure and environmental management strategy, the Company actively carries out energy saving and consumption reduction work such as green power procurement, implements environmental compliance management and conducts compliance audits regularly. The Company also strictly controls the emission and disposal of pollutants in the course of production and operation, and continuously optimizes the use of resources and energy in all aspects of production to ensure that business development and ecological environment protection go hand in hand. 90.9% of stable operating bases have obtained the ISO 14001 environmental management system certification by 2024.

Pursuing Win-Win Cooperation to Build Harmonious Communities (Win-win)

Capchem regards win-win cooperation as its unchanging pursuit. The Company insists on constructing a competitive supply chain, continuously improves the whole life cycle management system of suppliers, and actively promotes the deployment of digital systems to digitally empower green and resilient supply chain. The Company also regards high-quality talents as the core element of the enterprise's continuous progress, constructs a diversified, inclusive and energetic workplace environment, improves the cadre management system, continues to deepen the performance assessment process, and responds to the expectations of the employees through meticulous care initiatives and a diversified and smooth communication mechanism.

Capchem has also always been keen to give back to the community and has closely integrated the concept of social responsibility with its organizational development strategy. In 2024, the Company invested RMB 2.6137 million to continue to participate in and carry out various public welfare and charitable and community exchange activities, to continue to deepen the emotional connection with the communities at home and abroad, and to benefit the community through practical actions.

Looking into the future, Capchem will continue to carry the reputation forward, anchored in the strategic vision of "Green Drives Sustainable Business", deploying sustainable development strategies around the four pillars of governance, responsibility, one-earth, win-win, and working together with all partners to create a new chapter of green, harmonious and sustainable future.

About Capchem

Shenzhen Capchem Technology Co., Ltd. ("Capchem") is committed to becoming a leading global enterprise specialized in electronic chemicals and functional materials. Established in 1996, Capchem was listed on the Shenzhen Stock Exchange (stock code: 300037) in 2010, with its headquarter in Shenzhen, China.

Since establishment, Capchem has been committed to creating a better future with electronic chemicals and functional materials. Its main products include battery chemicals, organic fluorine chemicals, capacitor chemicals and semiconductor chemicals, and they are widely used in the fields such as new energy vehicles, consumer electronics, urban rail transit, biomedicine, digital infrastructure, photovoltaic energy storage and industry manufacture.

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

The Company is headquartered in Pingshan District, Shenzhen. In order to quickly respond to customer demand and product supply, The Company has production bases spreading across Guangdong, Jiangsu, Fujian, Hubei, Hunan, Tianjin, Chongqing and other provinces and municipalities, as well as in Poland, the United States and other countries. At present, Capchem has 25 wholly-owned (holding) subsidiaries such as Huizhou Capchem, Nantong Capchem, Sanming Hexafluo. Capchem also has wholly-owned (holding) subsidiaries in Hong Kong Special Administrative Region China, the United States, Poland, Singapore, South Korea, as well as branches in Japan to serve customers in time.

 **20+** Sites Worldwide

 **4,000+** Employees

Mission

Electronic Chemicals and Functional Materials for a Better Future

Vision

To Become a Global Leader of Electronic Chemicals and Functional Materials

Core Value

"Innovation for Application"

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

"Progress with Integrity"

Safety & Compliance, Sharing, Globalization, Sustainability

 Head office  Research institute  Production base  Wholly owned/holding company

* This map is a schematic diagram, please refer to the actual map



Business Philosophy

Solid Excellent

Thorough Professional

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

S Solid

Execute effective integration of industrial chain around the main business

T Thorough

Achieve economies of scale and cost-advantage while upgrading products

E Excellent

Foster advantages in technology, quality, market and service

P Professional

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

ESG Highlights in 2024

Economic Performance



Operating income

RMB **7,846.79** million

Net profit

RMB **952.09** million

Earnings per share

RMB **1.26** per share

Total assets

RMB **17,623.19** million

Weighted average return on equity

9.97%

Environmental Performance



Environmental investment

RMB **34.05** million

90.9%

of operating bases have obtained the ISO 14001 environmental management system certification

Carbon dioxide emissions

2,878,063.71 tCO₂e¹

Consumption of purchased green electricity

11,207,181.05 kWh

Water reuse rate

38%

Integrated recycling of general waste

69.90 ton

Social Performance



R&D investment

RMB **424.42** million

R&D investment as a percentage of total revenue

5.41%

Cumulative domestic and international patent granted

543 patents

Cumulative investment in ensuring occupational health and safety

RMB **55.45** million

Total workforce

4,197

Percentage of female employees

24%

Employee training hours

Over **173,000** hours

Corporate Governance



Number of independent directors

3

Number of female directors

1

Coverage of integrity and compliance training

100%

Signing Rate for Suppliers' *Integrity Agreement* or *Integrity Clause*

100%

Number of board meetings

9

Directors participation rate

100%

¹ For detailed statistical definitions, please refer to the appendix: ESG Quantitative Performance Table



Governance

Capchem regards governance as the key to securing sustained corporate growth and long-term prosperity. By following the concept of sustainable development and taking a sound and efficient governance structure as its foundation, Capchem continues to integrate a culture of compliance and integrity into the blood and bones of the Company and continuously improves the level of privacy and information security protection so as to inject strong kinetic energy into the Company's sustainable operation with high-quality governance.

ESG Management

- Built a "**GROW**" Sustainable Development Strategy
- Identified **27** material ESG issues and conducted a double materiality assessment for the ESG issues
- Linked performance of the Company's ESG issues to the senior management's remuneration evaluation system

Corporate Governance

- Held **6** general meetings of shareholders, **9** Board of Directors meetings and **8** supervisory board meetings
- Awarded "AA" rating by Huazheng ESG Rating and received "**A**" grade for information disclosure from Shenzhen Stock Exchange for three consecutive years
- Completed a total of **147** information disclosure documents such as meeting resolutions, periodic reports, profit distribution and other significant matters, and completed the management of insider information **5** times
- Carried out **5** performance briefings, **1** investor reception and responded to **72** interactive questions from investors on social media sites such as "Easy Interactive", with a **100%** response rate

Business Ethics

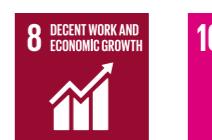
- **Zero** corruption-related cases, and **zero** lawsuits arising from corrupt practices, unfair competition and antitrust practices of the Company or its directors, officers, and employees
- **100%** of the Company's employees enrolled in anti-corruption courses and **100%** have signed the *Commitment Letter of Integrity*
- **100%** of the Company's suppliers signed *Integrity Agreement or Integrity Clause*

Risk Management

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

Information Security

- Capchem and its subsidiaries, Huizhou Capchem and Nantong Capchem, obtained ISO 27001 Certification



ESG Management

Capchem adheres to the concept of sustainable development, builds an ESG strategy in line with the Company's development, continuously improves our governance system, and deeply integrates ESG management into all aspects of our operations. The Company strives to promote sound operations, practice social responsibility, and improve governance to achieve the goal of sustainable development.

ESG Strategy

Capchem adheres to the strategic vision of "Green Drives Sustainable Business", establishes strategic goals based on our own business development, forms a top-down "ESG Strategic House" and actively explores the road of sustainable development. Capchem carefully constructs the "GROW" Sustainable Development model, which is based on the principles of "Governance", "Responsibility", "One-earth"

and "Win-win", combined with a strong strategic support, highlighting our vitality in corporate governance, social responsibility, environmental protection and value chain symbiosis. Capchem looks forward to collaborating with all partners, promoting growth together, and working together to create a new chapter of a greener, more harmonious and sustainable future.

ESG Strategic House: "GROW" Growth Model, symbolizing the company's continuous expansion and advancement towards a sustainable development path.



ESG Strategic House

ESG Governance

Capchem has deeply integrated the concept of sustainable development into the Company's business operation system and various governance aspects, establishing a three-tier ESG governance structure covering the "decision-making level, management level, and executive level". Led by strategic decisions made at the board level, with overall planning and coordination by the ESG Management Office, and specific tasks implemented by the ESG Task Force,

the Company has formed a well-connected and efficient governance chain, improving the top-down responsibility transmission and supervision mechanism. Additionally, Capchem has formulated the *Capchem Sustainability Management System*, clarifying the responsibilities of each level within the Company in ESG governance to ensure the effective implementation of ESG management strategies.

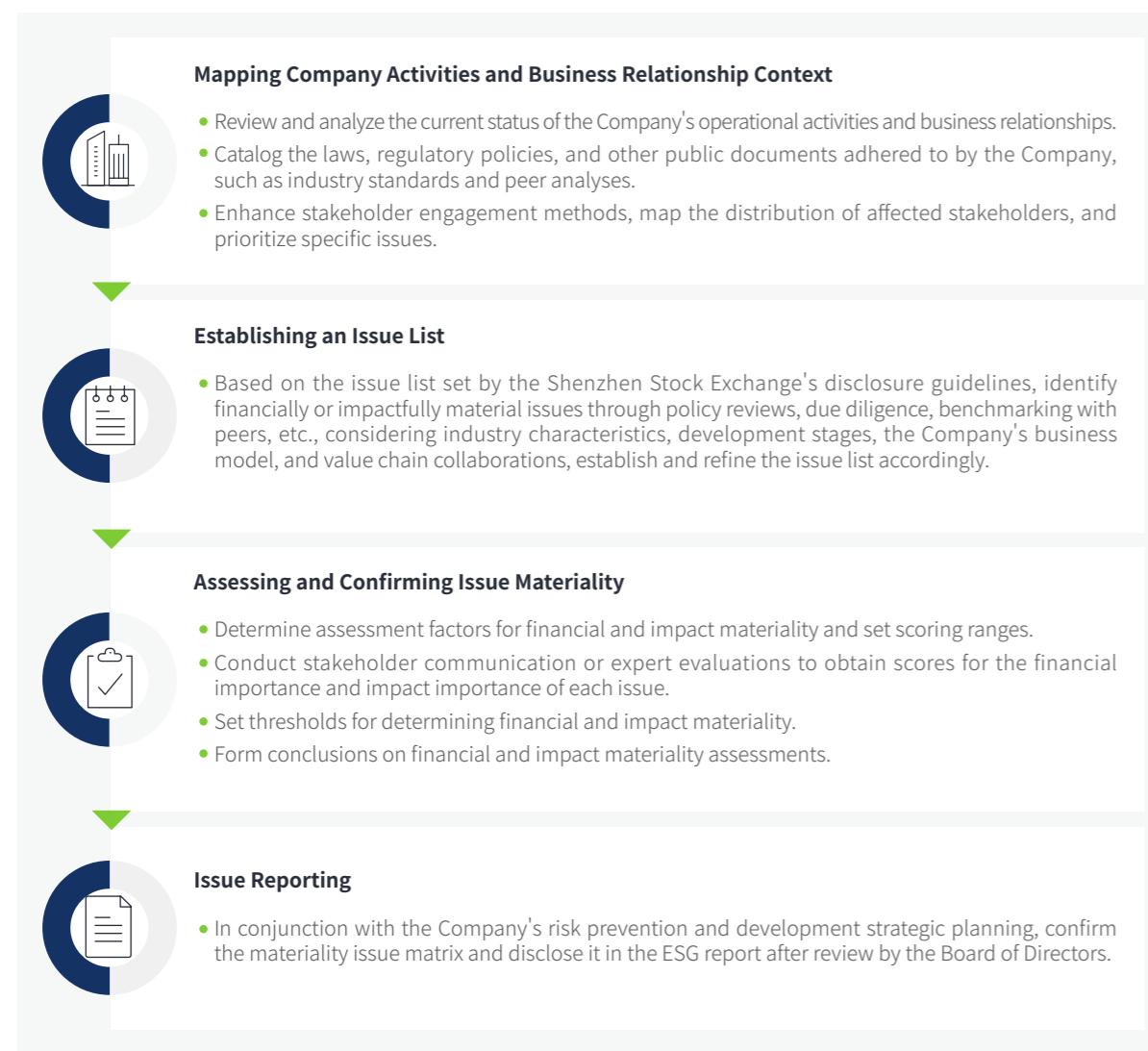


Capchem ESG Governance Structure and Responsibilities

ESG Issue Dual Materiality Assessment

Managing ESG materiality issues serves as the foundation for Capchem in carrying out ESG strategy, risk and opportunity management, and information disclosure. In 2024, to further clarify and timely adjust the focus of our ESG management efforts, Capchem conducted a dual materiality assessment building upon our past work.

Based on our business characteristics and industry development trends, and conducting in-depth exchanges to fully understand the opinions of various stakeholders, Capchem has conducted a dual materiality assessment of identified ESG issues and analyzed and identified in-depth the ESG materiality issues that are closely related to the Company's sustainable development from both financial and impact materiality dimensions.



Analysis Process for Materiality Issues

In 2024, Capchem identified 27 materiality issues, including 9 environmental issues, 12 social issues and 6 corporate governance issues. By integrating the results of both impact and financial materiality, Capchem formed a materiality issue matrix. For Capchem, issues of financial materiality include combating climate change, environmental compliance management, occupational health and safety, and supply

chain security. Based on the identification of materiality issues, we continuously refine the *Capchem Sustainable Development Policies*, enhance the Company's ESG management level, and encourage suppliers and partners to adhere to and refer to our sustainable development policy, jointly advancing sustainable development across the industry.



Capchem has continued to improve our management responsibility and indicator system for ESG materiality issues. The Company has incorporated the performance of key issues such as environmental compliance, occupational health and safety, and chemical safety into the executive compensation evaluation system, and is gradually linking other critical ESG performance metrics to compensation mechanisms. Furthermore, relying on the general manager's responsibility system under the board of directors' management, employee performance incentive plans, and an ESG performance-

aligned evaluation mechanism, Capchem fully mobilizes the enthusiasm of management and employees to jointly advance the Company's ESG management and sustainable development.

Meanwhile, in 2024, the RBA management system was introduced to the headquarters of Capchem and the bases in Huizhou, Nantong, Sanming, Tianjin and Jingmen to effectively enhance the social responsibility management capability (refer to the product quality section for details).

Stakeholder Communication

Capchem has always aimed to establish strong cooperation and mutually beneficial relationships, partnering with internal and external stakeholders to build win-win sustainable partnerships. The Company's primary stakeholders include investors, regulators, customers, employees, suppliers and partners, communities and the

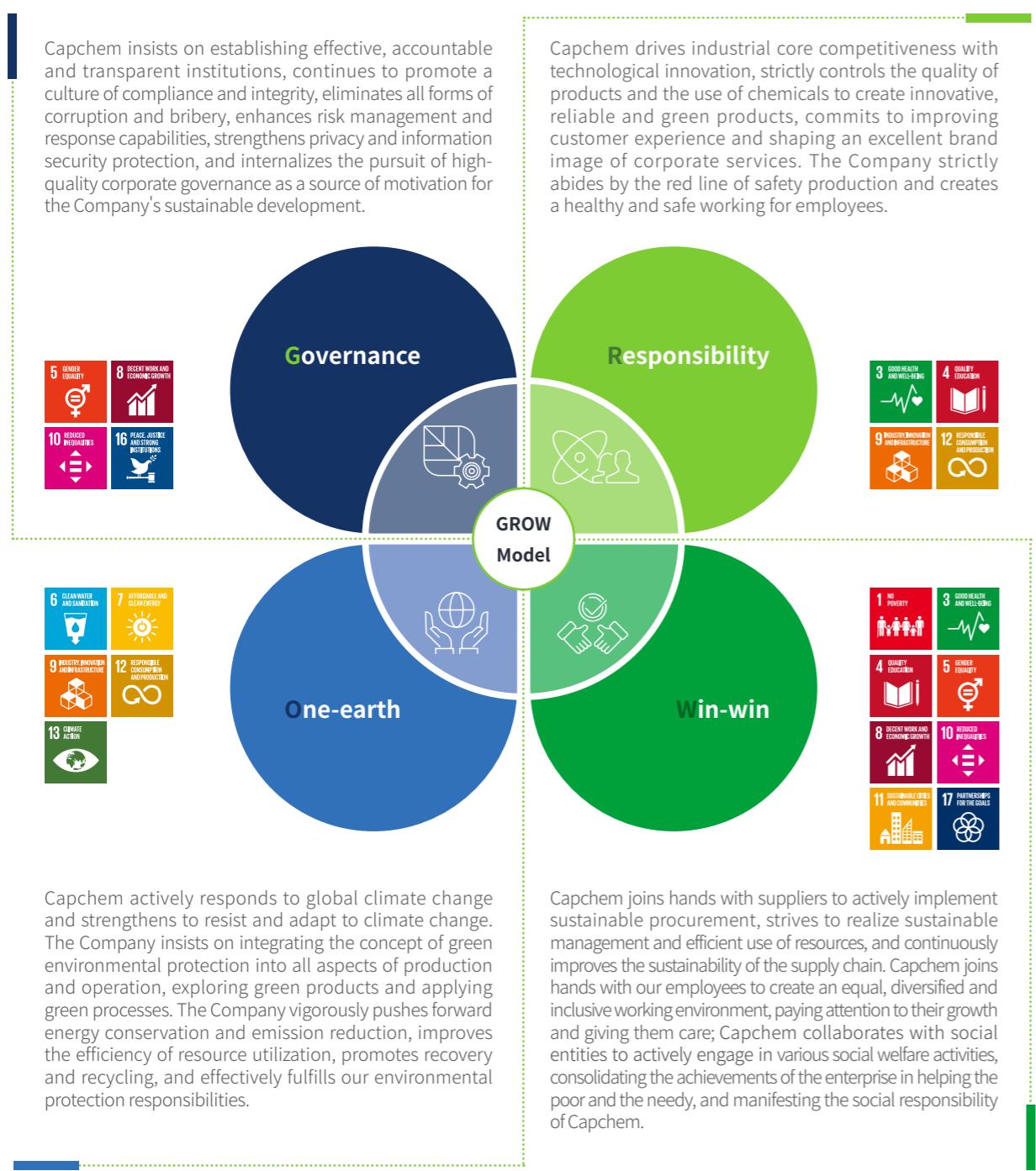
public, as well as the media. During the Reporting Period, Capchem actively built bridges for communication with stakeholders, enhanced exchanges and understood the demands and expectations of each stakeholder group towards the Company's development, and responded positively through concrete actions.

Stakeholders	Issues of Key Concerns	Communication Approaches
Investors 	Corporate Governance Risk Management and Compliance Operation Anti-Commercial Bribery and Anti-Corruption Anti-Unfair Competition Stakeholder Communication	Investor Research Activities General Meetings of Shareholders Performance Presentation Meeting Roadshow Company Announcements Interaction Platform Hotline Email
Regulators 	Corporate Governance Risk Management and Compliance Operation Anti-Commercial Bribery and Anti-Corruption Anti-Unfair Competition Stakeholder Communication Due Diligence Equal Treatment of Small and Medium-sized Enterprises Environmental Compliance Management Combating Climate Change Energy Utilization Pollutant Emissions Waste Treatment Water Resource Utilization Chemical Safety Ecosystem and Biodiversity Conservation	Occasional Communication Information Disclosure Company's Official Website

Stakeholders	Issues of Key Concerns	Communication Approaches
Customers 	Green Product Safety and Quality of Products and Services Customer Service and Satisfaction Innovation-driven Data Security and Customer Privacy Protection	Hotline Customer Visit Sales and Customer Service Coordination Satisfaction Survey Email WeChat Official Account Company's Official Website
Suppliers and Partners 	Supply Chain Security Due Diligence Innovation-driven Risk Management and Compliance Operation Anti-Commercial Bribery and Anti-Corruption Equal Treatment of Small and Medium-sized Enterprises Stakeholder Communication	Supplier Management Training Business Visit Company's Website WeChat Official Account Hotline Complaint Reporting
Employees 	Employee Rights, Interests and Benefits Employee Career Development Occupational Health and Safety Risk Management and Compliance Operation Anti-Commercial Bribery and Anti-Corruption	Staff Assembly Employee Seminar Executive Meeting with Employees Employee Activities Employee Satisfaction Survey Complaint Reporting
Community and Public 	Pollutant Emissions Waste Treatment Ecosystem and Biodiversity Protection Social Contribution Circular Economy Rural Revitalization	Report and Complaint Public Welfare Activities Community Exchange Activities
Media 	Combating Climate Change Green Product Circular Economy Rural Revitalization Social Contribution Innovation-driven	Public Welfare Activities Media Reporting Public Open Day

UN SDGs Performance and Response

Capchem actively responds to the United Nations Sustainable Development Goals (SDGs), enhances our ability to fulfill our responsibility for sustainable development, and makes every effort to build a more sustainable future, demonstrating our corporate commitment and mission.



UN SDGs Performance and Response

Corporate Governance

Capchem anchors its strategy on the eight "Persistences", the Company takes into account shareholders' rights and interests and corporate benefits, focuses on building a perfect governance system and structure, actively responds to investors' concerns and needs, and carries out information disclosure in a standardized, timely and complete manner, so as to steadily move forward on the road of sustainable development.



Corporate Governance

Based on the *Company Law of the People's Republic of China*, the *Guidelines for Self-Regulation of Listed Companies of the Shenzhen Stock Exchange (No. 2)-Standardized Operation of Listed Companies on GEM Board* and the internal guidelines of the *Articles of Association*, Capchem actively improved its internal management in the interests of all shareholders and performed its management duties

by holding a number of internal meetings in order to escort the efficient and standardized operation of the Company. During the Reporting Period, the Company held a total of 6 general meetings of shareholders, 9 board meetings and 8 supervisory meetings. For details of the governance responsibilities of the "three meetings" of the Company, please refer to the *Articles of Association*.²



Corporate Governance Structure of Capchem Company

Building a Professional and Diverse Board of Directors

The Board of Directors of the Company has established four specialized committees to provide advice and recommendations for decision-making, including the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and Sustainable Development Committee, ensuring the professionalism of the Board of Directors' deliberation and decision-making.

Capchem attaches great importance to the diversified construction of the Board of Directors and takes into full consideration of the educational background, professional skills, management experience and competence of the selected talents, and is determined to build up a Board of Directors and a team of senior talents with a forward-looking perspective and senior professional skills. During the Reporting Period, the Board of Directors³ of the Company consisted of 9 directors from

different professional fields and occupational backgrounds such as accounting, law, chemical industry and risk management, including 3 independent directors and 1 female director.

Capchem also conducts training programs on corporate compliance governance through internal study and external organizations such as CITIC Securities Company Limited, so as to promptly stay updated on the latest policy dynamics and cutting-edge knowledge in the industry and empower the construction of the Board of Directors of the Company. During the Reporting Period, Capchem organized the chairman and general manager of the Company to participate in the online training on the topic of reform of the independent director system, which provided guidelines and directions for the Company to improve the construction of the Board of Directors.

Organizing directors and senior management to participate in Shenzhen Jurisdiction Listed Company Directors and Supervisors Training

In October 2024, Capchem organized the directors and senior management of the Company to participate in the 2024 Shenzhen Jurisdiction Listed Company Directors and Supervisors Training in order to lay the organizational foundation for enhancing the endogenous constraints of corporate governance and promoting the high-quality development of the Company.

² For details, please refer to the *Articles of Association of Capchem*: <https://static.cninfo.com.cn/finalpage/2023-11-30/1218480159.PDF>

³ For the composition of the board of directors of Capchem, please refer to the *Environmental, Social and Governance report of the Company in 2023*

Improving the Operation of the Board of Directors of Subsidiaries

Capchem implements the pursuit of excellence in governance into the management decisions of its subsidiaries. Based on the internal system of *Rules of Procedure of the Board of Directors of Subsidiaries*, the Company assists and guides important subsidiaries to improve the operation process of their boards of directors, and provides support for the promotion of independent and standardized operation of the boards of directors of important subsidiaries.

At the same time, the Company helps subsidiaries to make up for their weaknesses in management decisions by carrying out programs such as on-site exchanges of independent directors of subsidiaries, and gradually strengthens the awareness of compliance and ability to fulfill responsibilities of subsidiaries. During the Reporting Period, Capchem has assisted and guided the boards of directors of more than 10 subsidiaries to complete important matters relating to corporate governance and information disclosure.

Capchem Independent Directors Go to Subsidiaries to Exchange Projects on the Ground

In September 2024, the Company organized the independent directors to go to the subsidiaries of Jiangsu Hicom, Nantong Capchem, Nantong Top and other subsidiaries to carry out the practical work.

The Company's independent directors conducted field research and on-site exchanges, giving full play to their supervisory and guiding roles in the process of corporate governance, and ensuring the smooth implementation of field research on the Company's major investment, production and construction projects.



Group photo of independent directors' field exchange in Jiangsu

During the Reporting Period, by virtue of good corporate governance, Capchem won the *2023 Golden Bull Most Valuable Investment Award*, *2023 Golden Bull Golden Trust Award*, *Top 20 Listed Companies in the Greater Bay Area in Governance*, *Top 20 Listed Companies in the Greater Bay Area in Green Governance* and other awards. The Company has been awarded AA rating by CSI ESG, and has received the A grade for information disclosure from the Shenzhen Stock Exchange for three consecutive years.



Information Disclosure and Investor Relations Management

Based on relevant laws and regulations such as the *Shenzhen Stock Exchange GEM Listing Rules*, the *Guidelines for Self-Regulation of Listed Companies of the Shenzhen Stock Exchange (No. 2)-Standardized Operation of Listed Companies on GEM Board* and the internal system guidelines of the *Information Disclosure Management Policies*, Capchem has been progressively improving the quality of information disclosure and transparency of the Company.

Capchem also addresses the disclosure requirements of major matters and transactions and implements the confidentiality work of directors, supervisors and insiders in an orderly manner. During the Reporting Period, the Company completed a total of 147 documents for disclosure of information such as resolutions of meetings, regular reports, profit distribution and other material matters, and completed the management of insider information on 5 occasions.

Capchem also attaches great importance to investor relations. Relying on the *Management Systems for Investor Relations*, the Company has continuously strengthened interaction with shareholders and investors through diversified communication channels to create long-term returns for investors. During the Reporting Period, the Company organized and carried out 5 performance briefings, 1 investor reception, and answered 72 interactive questions from investors on social media websites such as "Easy Interaction", with the interactive response rate of investors reaching 100%.

During the Reporting Period

The interactive response rate of investors reaching

100%

Business Ethics

Capchem has always been integrity-based, actively implementing compliance management and business ethics culture construction work, and insisting on a high level of compliance governance to benefit all stakeholders.

Fight Corruption and Advocate Probity

Capchem strictly abides by the laws and regulations related to business ethics and follows internal regulations such as the *Anti-Corruption Regulations*⁴ and the *Protection and Incentives Measures for Whistleblowers*⁵ to carry out anti-corruption and compliance management, and resolutely eradicates any form of corruption, bribery, money laundering and fraudulent and malpractice behaviors and comprehensive compliance assurance mechanism integrating cultural promotion and

integrity audits has been established, embedding the integrity concept of "daring not to corrupt, being unable to corrupt, and having no desire to corrupt" deeply into the minds of all employees. During the Reporting Period, the Company formulated and issued the *Code of Business Ethics*⁶, which sets out clear requirements for the ethical behavior of all employees⁷ and suppliers of Capchem and its subsidiaries.

Anti-Corruption and Compliance Management

In respect of anti-corruption and integrity, the Audit Committee and Compliance Committee under the Board of Directors of the Company are in overall charge of the Company's anti-corruption and compliance management and supervision, while the Audit and Supervision Department and the Compliance Office serve as the executive agencies to escort the Com-

pany's compliance and clean operation. During the Reporting Period, the Company did not have any corruption-related violations⁸, nor did it have any lawsuits arising from corruption, unfair competition, antitrust and monopoly by the Company or its directors, management or employees.



⁴ <https://www.capchem.com/viewfilebizce/178293329028532240/%E6%96%B0%E5%AE%99%E9%82%A6%EF%BC%9A%E5%8F%8D%E8%85%90%E8%B4%A5%E6%9D%A1%E4%BE%8B.pdf>

⁵ <https://www.capchem.com/viewfilebizce/1782933290469871616/%E6%96%B0%E5%AE%99%E9%82%A6%EF%BC%9A%E4%B8%BE%E6%8A%95%E4%BA%BA%E4%BF%9D%E6%8A%A4%E5%92%8C%E5%A5%96%E5%8A%B1%E5%8A%9E%E6%B3%95.pdf>

⁶ <https://www.capchem.com/viewfilebizce/178293329066280960/%E6%96%B0%E5%AE%99%E9%82%A6%EF%BC%9A%E5%95%86%E4%B8%9A%E9%81%93%E5%BE%B7%E8%A1%8C%E4%B8%BA%E5%87%86%E5%88%99.pdf>

⁷ All employees: including full-time and part-time employees, temporary employees (including outside directors, supervisors and outside consultants, etc.)

⁸ Including situations where directors, management personnel, or employees are dismissed or disciplined due to commercial bribery or embezzlement, investigated by competent authorities, or have contracts with business partners terminated or not renewed.

Supervision Department

Audit Committee

It is one of the four professional committees established by the Board of Directors of the Company in accordance with the resolution of the General Meeting of Shareholders and is directly responsible to and reports to the Board of Directors.

- Supervise, evaluate and coordinate internal and external audits, including guiding and supervising the establishment and implementation of the internal audit system, organize and conduct internal audit meetings, and report to the Board of Directors on the progress and quality of the internal audit work and the major issues identified.
- Review of the Company's financial disclosure and material connected transactions.

Audit and Supervision Department

Corporate Oversight Operations Executive, which carries out internal anti-corruption and compliance audit oversight under the direction of the Audit Committee.

- Focusing on the Company's control needs for supervision, internal control, risk management, and project settlement, formulate the overall audit and monitoring strategy of Capchem and optimize the Company's integrity system and internal control mechanism.
- Identify, analyze and develop contingency plans for risks that may occur during operations.
- Organize and carry out compliance anti-corruption audits covering all the Company's operations on a three-year cycle, make recommendations and follow up on corrective actions based on the results of the audits and inspections.
- Collect, analyze, follow up, investigate and process reported information.

Capchem Anti-Corruption and Compliance Management Structure

During the Reporting Period, the Company systematically organized the audit process of the Audit and Supervision Department, and added management audit and management supervision links to accurately control the Company's audit plan, management project program, implementation of the audit project and subsequent rectification of issues, so as to ensure that the Company carries out compliance management efficiently.

Reporting Complaints and Whistleblower Protection

In order to strengthen the clean construction and anti-corruption work, Capchem has established a diversified and sound reporting and complaint mechanism and communication channels, and has stipulated the scope and requirements for reporting cases. The Company cordially invites employees, suppliers and other stakeholders to report anonymously or in real name to

promptly reflect the irregularities and disciplinary behaviors of the Company in the course of daily operation, so as to build a clean business ecology together. During the Reporting Period, the Company conducted investigations and dealt with the relevant incidents based on the tip-offs and rectified the internal control issues identified in the course of the investigations.



Capchem report processing flow

Management Department

Compliance Committee

The leading organization of the Company's compliance management work consists of members of the Company's EMT, directors of headquarters units and general managers/chairmen of subsidiaries.

- Follow the guidelines of laws and regulations, study, decide, deploy, guide and coordinate the compliance management of the Group.
- Consider the Company's compliance management policy, objectives and master plan.

Compliance Office

The executive body of the Company's compliance management is composed of the deputy director of the Compliance Committee, the heads of the headquarters units and the heads of compliance management of the subsidiaries.

- Organize the formulation and improvement of various compliance management systems and regulations.
- Organize and carry out the promotion of compliance culture and supervision and inspection work, report compliance risks and improvement plans to the Compliance Committee, and urge departments to implement corrective actions.

The Company also strictly abides by the *Protection and Incentives Measures for Whistleblowers* internal regulation, according to the case to give effective real-name whistleblowers and cooperative units of up to 200,000 cash awards, and through the specialized handling of reported evidence, strict confidentiality of reported information to protect whistleblower information, to eliminate any form of retaliation.

Channels for complaints and reporting

-  Wechat Official Account: Integrity Capchem
-  Tel: +86 0755-89923410
-  Email: audit@capchem.com
-  Internal OA Platform:AU-05 Integrity Reporting
-  Address: Audit and Supervision Department, 20/F, Capchem Science and Technology Building, Changye Road, Pingshan District, Shenzhen, China
-  Zip code: 518118
-  Visits: support for whistleblowers to make appointments to visit and report

Promotion of a Culture of Anti-Corruption and Compliance

Capchem enriches the kernel of anti-corruption and compliance management with diversified training and cultural propaganda work. The Company has listed anti-corruption and compliance training as an annual mandatory training course in the Capchem Management College, organized training for the Anti-Fraud Alliance of Guangdong Enterprise Internal Control Association, and continuously outputs anti-corruption and compliance culture concepts through the media of OA, WeChat, company bulletin boards and multi-media platforms.

The Company also strictly implements the integrity supervision mechanism for leading cadres, and urges leading cadres to perform their duties and responsibilities by carrying out cadres' duty review and exit integrity audit programs, so as to create a clean and upright business environment. During the Reporting Period, 100% of the Company's employees signed the *Commitment Letter of Integrity* and 100% enrolled in anti-corruption courses, with a total of 2,434 hours of integrity training conducted throughout the year.



Type of activity	Activities
Audit projects	<ul style="list-style-type: none"> Organize and conduct integrity audits of directors and supervisors, and comprehensively evaluate the connected transactions and authenticity of conflict-of-interest activities and seriousness in dealing with failure to declare truthfully and irregularities. Integrity audit program for suppliers.
Training and cultural promotion	<ul style="list-style-type: none"> Using the Capchem Management College as a platform, include integrity training as one of the contents of the induction training for new employees. Actively participate in offline monitoring training of authoritative organizations, and integrate and learn from excellent compliance monitoring and risk response cases of peers. Organize the swearing-in of executives and the signing of the Commitment Letter of Integrity. Organize integrity campaigns and sign integrity pledges at the launch of investment projects. Publish clean and sunny practice and illegal cases through the OA and WeChat public number from time to time.

Anti-Corruption and Compliance Culture Efforts by Capchem in 2024

Capchem also puts high standard requirements on suppliers' clean management. The Company sends out holiday integrity reminders and integrity notification letters from time to time, and requires 100% of its suppliers to sign *Integrity Agreement* or *Integrity Clause*, so as to jointly maintain a clean and healthy business environment. During the Reporting Period, the Company carried out

integrity audits involving suppliers on integrity compliance, comprehensively sorted out and evaluated the situation of integrity management and system construction of the Company's procurement business chain, and put forward specific rectification suggestions on the construction of our supply chain integrity system based on the audit results.

Anti-Unfair Competition

In accordance with the *Civil Code of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China* and other laws and regulations, as well as the regulatory requirements of the various regulatory bodies, Capchem strictly guards against the risks of undue competition and behaviors such as infringement of trade secrets, false publicity, unlawful disclosure, and the implementation of monopoly.

Capchem has formulated and continuously improved internal systems such as the *Business Secret Management Rules*, *Confidential Personnel Management System*, *Confidential Area Management System*, *Confidential Assets Management System*, etc., and the Confidentiality Office has coordinated the Company's confidentiality management work, clarified the definition of the Company's trade secrets, confidentiality requirements, the scope of protection, etc., and set up strict confidentiality authorization approval process. In addition, the Company requires confidential personnel to sign confidentiality agreements and carry out confidentiality awareness training, and at the same time implements strict hierarchical control mechanisms for confidential areas and assets, and implements classified labeling, physical protection

and technical control measures to ensure that the Company's trade secrets are not infringed upon.

In addition, the Company has formulated and continuously optimized internal systems such as the *Compliance Management System*, *Press and Publicity Management Measures*, *External Information Reporting Management Measures*, *Contract Management System*, etc., and the Legal Affairs and Compliance Department, the Brand Culture Group and the Board of Directors' Office have organized and carried out the management of the Company's compliance management, press releases and publicity announcements, and conducting rigorous reviews of business processes. At the same time, the Company formulates and implements the process of press and publicity and external announcement release to avoid the implementation of monopoly, false publicity, illegal disclosure and other risks, and to ensure that the Company operates in a compliant manner.

During the Reporting Period, there were no litigation incidents and regulatory penalties related to infringement of trade secrets, false publicity, disclosure violations, or implementation of monopoly.

Risk Management

Risk management is one of the key areas to ensure the longevity of an enterprise. Capchem continuously improves its internal risk management structure, implements risk identification, supervision, response process and internal training, and strictly controls possible risks in its daily operation to ensure the vitality and competitiveness of the enterprise.

Internal Control

Capchem strictly complies with the laws, regulations and regulatory requirements of the locations where it operates, and deploys internal and external measures to identify, assess, respond to and supervise corporate risks from the top down. The Company has constructed and continuously improved the "three lines of defense" risk management structure, and at the same time set up the Legal Affairs and Compliance Department as the risk management department, and the Audit Committee, the Audit and Supervision Department, the external independent directors, and the auditing organization as the risk supervision department to escort the Company's risk management work.



Capchem's "Three Lines of Defense" Risk Management System

Risk management process	Bright spot initiative
Risk identification	<ul style="list-style-type: none"> Every year, the Legal Affairs and Compliance Department of Capchem organizes various business and functional departments to conduct risk identification. The types of risks identified include business ethics risk, safety and environmental protection risk, product quality risk, accounting and tax risk, labor and employment risk, intellectual property risk, trade control risk, overseas operation risk, corporate governance risk, privacy protection risk, and information security risk.
Risk assessment	<ul style="list-style-type: none"> Businesses and functions systematically identify the various issues that may arise in the course of the Company's operations, categorize and grade the risks according to their frequency and impact on the Company, and formulate corresponding risk contingency plans and response plans by taking into account the risk level, response cost, processing time and other factors.
Risk response	<ul style="list-style-type: none"> Based on the Company's risk identification and risk assessment, each business and function continuously optimize internal systems and control processes, and organize and implement risk response and preventive measures in accordance with the risk response plan.
Improvement	<ul style="list-style-type: none"> Each business and functional department synthesizes internal and external audit observations and enhancement and improvement recommendations, and combines them with the unit's risk management practices to continuously improve the unit's risk management ability, and to continuously reduce and address risks.

Capchem's Risk Management Initiatives

Risk Oversight and Culture Promotion

Internally, the Compliance Office deploys compliance risk management system, special training, management experience exchange and other cultural publicity work, continues to instill management awareness and coping strategies in the employees, improves staff risk awareness, and ensures the effectiveness of the implementation of the compliance risk system and management requirements. Meanwhile, the Audit Committee of the Company coordinates the risk supervision work, and the independent directors of the Company actively participate in the corporate governance and risk management and control process, and put forward risk enhancement and improvement suggestions to ensure the smooth implementation of the Company's major projects.

Externally, the Company's various professional committees work with third-party auditing institutions to carry out business-wide risk identification and internal control audits, sort out and form internal control risk lists, and invite third-party professional consulting institutions on a regular or irregular basis to carry out training programs such as interpretation of laws and regulations, process optimization, and other training programs to provide direction and guidance for the improvement of the Company's management effectiveness.

Information Security

Capchem attaches great importance to corporate and personal information security and privacy protection. In accordance with the *Data Security Law of the People's Republic of China*, *General Data Protection Regulation (GDPR)* and other laws and regulations at home and abroad, as well as the *Information System Security Management Rules*, *Business Secret Management Rules* and other internal system guidelines, and combined with the needs of the enterprise's internationalized development and the industry's best practices, the Company has constructed a comprehensive information security and privacy protection management system, and the Confidentiality Office has cooperated with various departments and subsidiaries to implement information security management initiatives to protect the integrity, confidentiality and transparency of the enterprise's business data at home and abroad.

In order to ensure the safety and security of the Company's and customers' information assets, Capchem regularly iterates information security and data protection technologies, implements and regularly tracks the effectiveness of privacy and security measures such as access control, computer asset encryption, virus protection, and so on, and builds a high wall of information security protection for the Company's stable operation.

Information security management initiatives	Description of information security management initiatives
Access control	<ul style="list-style-type: none"> Deploy Internet behavior management systems such as network access, guest reservation, AD domain control, etc. and implement normalized access control.
Computerized asset encryption	<ul style="list-style-type: none"> Restrict the access of unauthorized personnel, use and storage of confidential documents within the Company by deploying a file encryption system.
Virus protection	<ul style="list-style-type: none"> Actively promote the iteration of the Company's network protection technology, and prevent possible network viruses through the Tianqing anti-virus software system.
Emergency drill	<ul style="list-style-type: none"> Attack and defense drills: Invite third-party professional security service providers to carry out attack and defense drills on a regular basis, so as to dig out the potential risk points of IT assets and implement corrective actions. Phishing Email Drill: Invite third-party professional security service providers to carry out phishing email drills on a regular basis to effectively strengthen the awareness of information security and privacy protection of employees in various departments.

The Company continues to promote the information security culture, organizes and plans information security training covering all employees, and ensures that the importance of information security is deeply rooted in people's minds by sharing information security cases and management requirements. During the Reporting Period, the Company organized information security training for all employees, as well as a special training session on preventing phishing.

At the same time, Capchem implements the high standard requirements for information security and privacy into the management of suppliers. The Company requires 100% of core material suppliers to sign confidentiality agreements to continuously improve the level of information security management of suppliers, and jointly maintain the overall data security of the industry chain.

Capchem is committed to building a compliant and effective information security system, and actively cooperates with customers to carry out information security-related audits. The Company carried out ISO 27001 system review and successfully passed the annual audit by a third-party organization in 2024, and during the Reporting Period, the scope of the certification of the system has covered Shenzhen Capchem, Huizhou Capchem and Nantong Capchem. At the same time, the Company carried out IATF 16949 certification and successfully passed the annual re-audit of the third-party certification body. During the Reporting Period, there was no information leakage incident and complaint related to violation of customers' privacy and loss of customers' data in Capchem.



02

Responsibility

Responsible operation is the foundation of Capchem's sustainable development. The Company continuously expands our green product portfolio, drives process upgrades through R&D innovation, emphasizes intellectual property protection, creates a safe and healthy production and operation environment, and provides green and reliable product and service solutions. In daily operations, we adhere to a customer-centric philosophy, actively respond to customer needs, and continuously improve our service system to enhance customer service quality and satisfaction.

Capchem Research Institute

Innovation-driven

- R&D input of **RMB 424.42 million**
- Conducted **314** R&D and intellectual property training sessions
- Accumulatively obtained **543** domestic and international patent granted and **262** registered trademarks

Product Quality

- First pass yield of finished products reached **99.5%**
- Implemented the SRM system for systematic supplier management, raising raw material qualification rates to **96.8%**
- **No** major quality accidents occurred
- Quality management training covered **9,418** person-times with a total training duration of **30,400.25 hours**

Chemical Safety

- Implemented a reduction plan for SVHCs
- Conducted PFAS identification across the group's entire product line, actively sought **PFAS alternatives**, and continuously monitored PFAS proposal developments

Occupational Health and Safety

- Cumulative investments in occupational health and safety amounted to **RMB 55.45 million**
- **Eight** operating production bases have obtained ISO 45001 certification, with a coverage rate of **72.7%**
- **No** general or more severe work safety accidents, suspected occupational diseases, or confirmed occupational disease cases occurred
- Conducted **544** emergency drills and **565** safety training sessions, with **100%** coverage of production employees and a total training duration of **118,474 hours**

Customer Services

- Overall customer satisfaction score of over **90** for years
- Customer complaint handling rate reached **100%**
- **No** cases of customer privacy breaches occurred



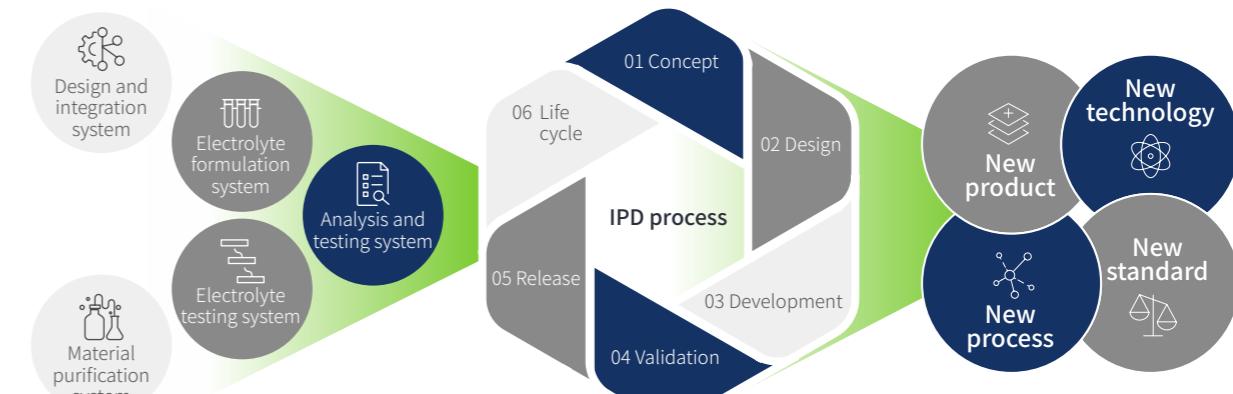
Innovation-driven

Capchem is committed to becoming a leading global enterprise specialized in electronic chemicals and functional materials. The Company continuously optimizes its R&D innovation strategy and management system, builds a highly efficient R&D team, and drives the collaborative and innovative development of the industrial chain and supply chain with high proportion of R&D investment and scientific R&D management. At the same time, Capchem continuously deepens the protection of intellectual property rights, providing abundant vitality for the Company's R&D innovation and achievement protection.

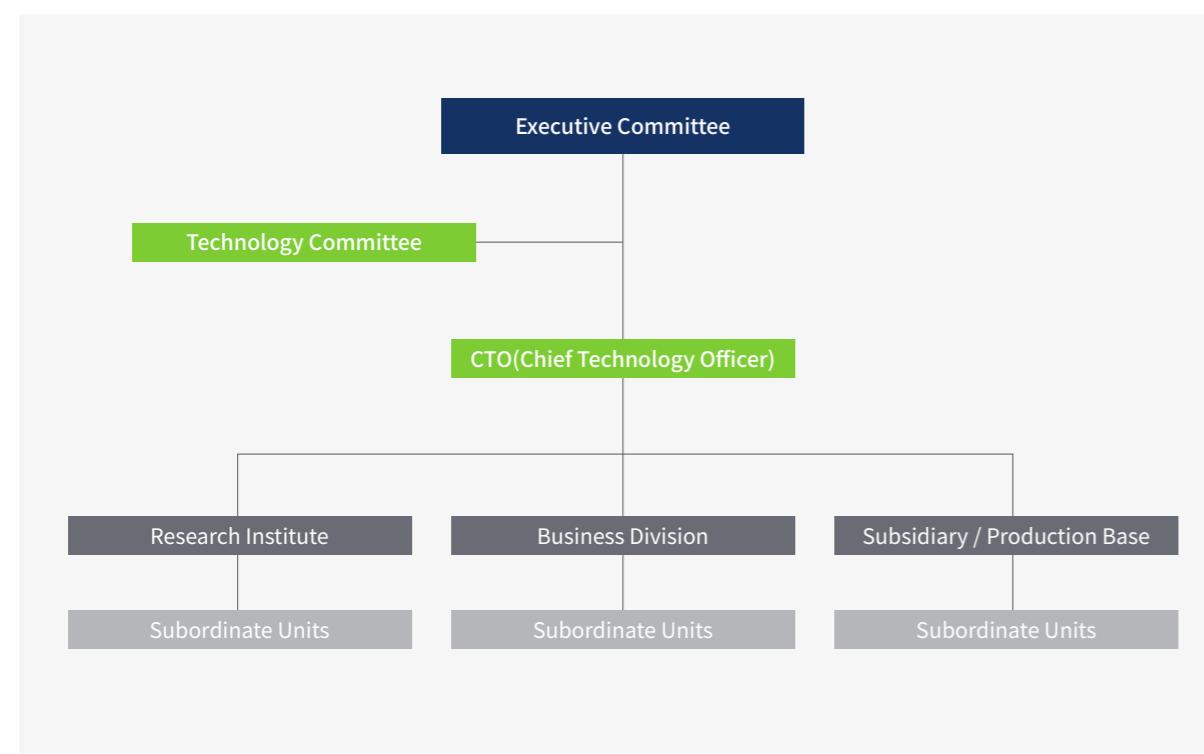
Research and Development Innovation

Capchem attaches importance to the construction of R&D and innovation system. The Company has established a R&D management structure with the Executive Committee as the leader, the Technical Committee as the support, and the CTO as the management, with research institutes, business divisions, subsidiaries, production bases and various subordinate departments, which collaborate to carry out

the work of product R&D, product technical support, testing and validation as well as information management, and so on. During the reporting period, Capchem further optimised the organisational structure of the research institute to provide stronger organisational guarantee for promoting the Company's high-quality development in the fields of electronic chemicals and functional materials.



Capchem's R&D innovation mechanism



R&D Management Structure

In 2024, Capchem further integrated the resources of the technical research platform, focused on the four management objectives of *frontier exploration, product development, product quality control and intellectual property enhancement* and the four major research and development directions, striving to break through the key technologies in the field of electronic chemicals and functional materials, and realize a unified route for the transformation of research results and engineering technologies.



In 2024, Capchem further optimised the evaluation and incentive mechanism for R&D personnel around the three dimensions of performance appraisal, promotion channel and project evaluation method to enhance the fairness and impartiality of the evaluation and incentive for R&D personnel. During the reporting period, a total of 99 R&D personnel of Shenzhen Capchem received R&D incentives.

During the reporting period

a total of **99**

R&D personnel of Shenzhen Capchem received R&D incentives



Training on the topic of *Quality knowledge and skills*



Training on the topic of *Analysis and investigation of electrolyte discolouration*



Training on the topic of *Lithium supplements and Energy Storage Battery Industry Dynamics*

Capchem's R&D Personnel Evaluation and Incentive Mechanism

Establishing a R&D project point system based qualification standard

Allocate project credits based on factors such as project complexity, scale, innovation, and the participation and contribution of R&D personnel, providing a more objective and quantifiable method for assessing the contributions and capabilities of R&D personnel.

Expanding career advancement pathways

The existing five-tier career advancement pathway has been expanded to eight tiers. The difficulty levels between each tier have been rationally planned to better reflect the capabilities of R&D personnel and further optimize their career advancement opportunities.

Reforming the project evaluation methods

The project evaluation method has been reformed from grading at the project initiation stage to grading at the project acceptance stage, with project levels now linked to project points. This change emphasizes the importance of project outcomes and more accurately assesses the contributions of R&D personnel to the projects.

Capchem provides perfect and comprehensive internal and external training for R&D personnel, offering professional knowledge support for R&D personnel to burst out with innovative ideas and programme thoughts.

Training content for R&D staff

Systematic Training

- Training on ISO 50001 Energy Management System
- Training on ISO 45001 Occupational Health and Safety Management System
- Training on ISO 14001 Environmental Management System
- Training on IECQ QC 080000 Hazardous Substance Process Management System

Business Management Training

- Quality Management Training

Professional Training

- Product Performance-Related Training
- Industry Development Trend Training
- Laboratory Management Training

R&D Innovation Intelligent System

LIMS System (Laboratory Information Management System)

- The Laboratory Information Management System (LIMS) is an integrated inspection quality management system that consolidates sample submission, analysis, method development, data feedback, and data monitoring.
- It helps control inspection quality and efficiently advance the progress of R&D projects.

MES System (Manufacturing Execution System)

- The MES system is an integrated manufacturing system that consolidates data monitoring and traceability throughout the entire production process, including production orders, manufacturing, packaging, filling, and shipping.
- It provides convenience for traceability and problem identification, ensuring the accuracy of the production process.

RDM System (Research and Development Management System)

- The RDM System is a smart project management system that relies on the Advanced Product Quality Planning (APQP) project management process. It strictly controls the entire process from project initiation, planning, execution, monitoring to acceptance.
- This system helps improve R&D efficiency and ensures the quality of R&D products.

Capchem Analysis and Testing Centre was accredited by CNAS

In August 2024, Capchem analysis and testing centre passed the review of laboratory accreditation by the China National Accreditation Service for Conformity Assessment (CNAS). As the technical support department of the Company's R&D, Capchem Analytical Testing Centre has led the construction of the Group's integrated analytical testing platform, which provides accurate and efficient technical support for R&D work, and helps product development and quality control.



CNAS accreditation certificate of Capchem analysis and testing center

Capchem actively engages in exchanges and cooperation with ecosystem partners. By participating in industry cluster associations and exchanging insights with industry peers, the Company effectively grasps the cutting-edge development trends of the industry. This collaborative approach not only helps Capchem accurately capture industry dynamics but also jointly propels the development of the entire industry chain, accelerating the goal of achieving a green transformation.

Shenzhen New Energy Storage Industry Association

- In April 2024, Capchem joined the Shenzhen New Energy Storage Industry Association as a Vice President unit.
- The Shenzhen New Energy Storage Industry Association was jointly initiated by leading and backbone enterprises in the electrochemical energy storage sector in Shenzhen, as well as top-tier universities and research institutions. It is dedicated to promoting the development of the new energy storage industry in Shenzhen.

The National Advanced Battery Materials Industry Cluster

- In October 2024, Capchem also joined the National Advanced Battery Materials Industry Cluster as a Vice Chairman unit.
- The National Advanced Battery Materials Industry Cluster aims to integrate resources in the advanced battery materials sector and coordinate efficient collaboration among government, industry, academia, research, finance, and application. By leveraging the cluster's innovative development capabilities, it seeks to cultivate a world-class advanced manufacturing cluster.

Jingmen Capchem Participated in China Carbon Footprint Research Science and Technology Service Corps Project Launch and Lithium Industry Innovation Discussion Meeting

In September 2024, Jingmen Capchem participated in China Carbon Footprint Research Science and Technology Service Corps Project Launch and Lithium Power Industry Innovation Discussion Meeting.

At the meeting, representatives of various enterprises participated in the discussion on enterprise innovation and development under the dual-carbon target, shared their practices and plans for carbon reduction and green development, and exchanged and discussed technological innovations, paths to reduce carbon footprints, and sustainable development strategies for the lithium industry.



China Carbon Footprint Research Science and Technology Service Corps Project Launch and Lithium Industry Innovation Discussion Meeting

The Company collaborates with renowned universities and research institutions to deepen the integration of industry, academia, and research. Committed to the efficient integration of technology R&D, talent cultivation, and the transformation of R&D achievements, Capchem contributes to the development of new quality productive forces.

Participated in the formation of *Power Battery Key Core Technology Tackling Consortium*

In June 2024, Capchem participated in the formation of *Power Battery Key Core Technology Tackling Consortium* to carry out joint research around the key technology bottlenecks of power batteries for new energy vehicles, and to promote the sustained and healthy development of new energy automobile industry.

During the reporting period, Capchem actively participated in the standard setting, empowered the industry's new quality productivity through the accumulation of rich industry experience, boosted the industry's high-quality development, and led and accelerated the standardisation of the industry.

In January 2024, the group standard *T/CI 291-2024 Lithium Hexafluorophosphate Electrolyte Containing Temperature-Sensitive Special Additives* drafted by Capchem was formally approved and released for implementation.

In March 2024, the group standard *T/CAAMTB 187-2024 Organic Electrolyte for Sodium-ion Batteries*, which Capchem participated in drafting, was formally approved and released for implementation.

Participated in the formulation of three group standards: *Technical Requirements for Electrolyte of Lithium Battery for Low Altitude Vehicles*, *Methods for Analysing Purity and Impurities of Lithium Bis (Fluorosulfonyl) Imide (LiFSI)*, *Technical Requirements for Polymer Electrolyte for Solid State Batteries*.

In December 2024, the group standard *TCIESC 77-2024 Industrial Lithium Difluoro-Oxalate Borate*, which Capchem participated in drafting, was formally approved and released for implementation.

In August 2024, the group standard *T/CIET 624-2024 Technical Specification for Electrolyte for Lithium-ion Batteries*, which Capchem participated in drafting, was formally approved and released for implementation.

Capchem was awarded

2024 Overseas Layout Pioneer

Capchem was awarded

Top 100 Shenzhen Industry Leaders 2024

Capchem entered the list of

2024 Global Fluorine Chemical Industry TOP 20

enterprises issued by China Fluorine Silicon Organic Materials Industry Association

Sanming Hexafluo was ranked

96th in the list of Top 100 Fujian Manufacturing Private Enterprises in 2024

Sanming Hexafluo won the title of

China Petroleum and Chemical Industry Technology Innovation Model Enterprise

in 2024

Dr.Yunxian Qian won the

Fresh New Talent Award

in the second *Cluster Fresh New Award* of the Advanced Battery Materials Cluster



Intellectual Property Rights (IPR) Protection

Capchem organically integrates the IPR protection with the Company's business management objectives, and follows the intellectual property management policy of "Forward-Looking Layout, Scientific Management, Strict Protection and Efficient Operation". From the dimensions of institutional improvement, risk monitoring and management, and awareness enhancement, it improves the standardization and efficiency of the Company's intellectual property management work.

The Company has set up a brand management committee at the group level to further strengthen the protection

and management of the Company's brands. In addition, the Company has upgraded the Intellectual Property Management System Platform (IPMS), which further protects R&D and innovation through regular tracking and synchronization of patent information and data.

Capchem regularly carries out intellectual property training to strengthen employees' understanding of intellectual property regulations and requirements, enhance their awareness of intellectual property protection and risk awareness, and improve the intellectual property quality and ability of employees in R&D departments and various positions.

Training Objectives	Training topics	Frequency of training
Training Camp of Capchem Bangjing Program	Intellectual property basics training	Once per year
Business Unit Functions and Business Backbone	Intellectual Property Risk Awareness Training	Once per year
Subsidiaries and Operating Units	Intellectual property basics training Practical training in intellectual property	Once per quarter
R&D departmental units	Patent Layout Training	Once per month
Intellectual Property Department	Practical training in intellectual property	1-2 times per month

The theme lecture of Construction of Intellectual Property Compliance System for Scientific and Creative Enterprises

On the 24th World Intellectual Property Day, Capchem Research Institute invited intellectual property experts to hold a seminar on *Construction of Intellectual Property Compliance System for Scientific and Creative Enterprises*, aiming at promoting the construction of the Company's intellectual property management, enhancing the staff's awareness of intellectual property rights, and helping to protect innovation.

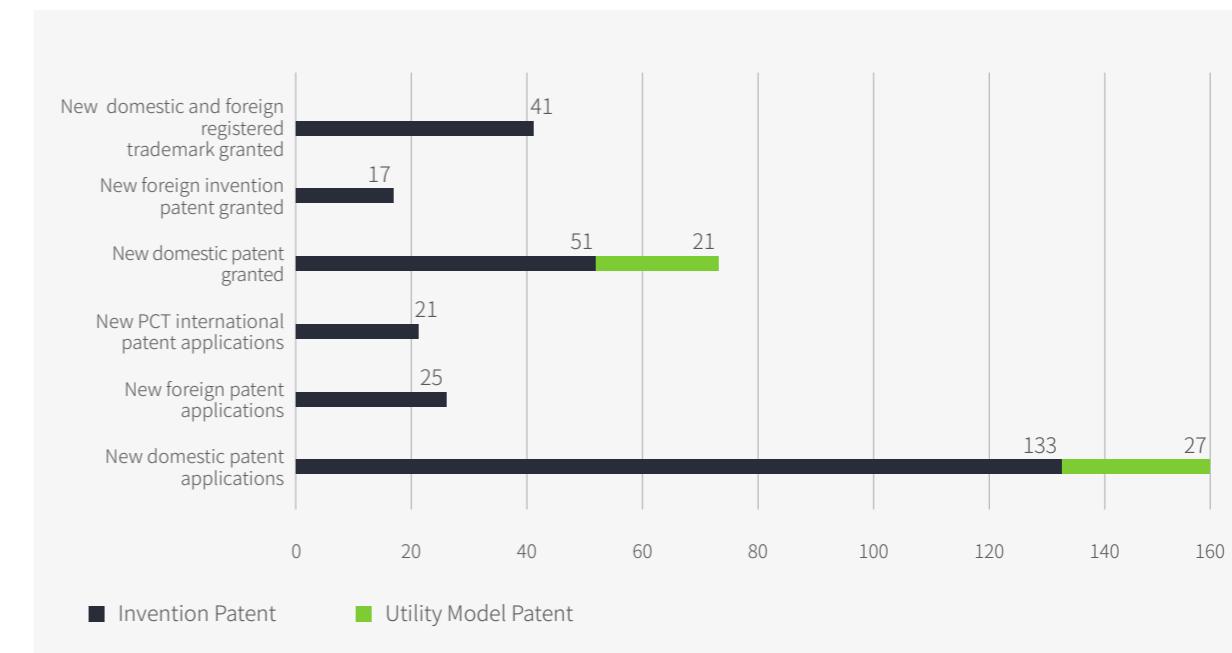
At the lecture, experts from Shenzhen Intellectual Property Expert Committee explained the overview of corporate IPR compliance system, system construction, risk management and other contents through knowledge training and case sharing, helping employees to deeply understand the IPR compliance system, IPR compliance requirements and practice focus.



Capchem's Construction of Intellectual Property Compliance System for Scientific and Creative Enterprises Theme Lecture

Registered Trademarks, Patent Granted, Patent Applications in 2024

From 1st January 2024 to 31st December 2024



Capchem's R&D Laboratory

Product Quality

Adhering to the philosophy of *Responsibility*, Capchem consistently upholds the quality policy of *accurately understanding customer needs, strictly implementing quality standards, continuously improving quality services, ensuring the success of the first delivery in every time, and pursuing perfect customer satisfaction*. The Company has established a Capchem quality management ecosystem, winning customer trust through high-quality products and superior services.

Quality Management System

Capchem focuses on perfecting our quality management system to achieve efficient operations and management. The Company has established a quality management structure supported by the Quality Assurance Center, Business Department Quality Control, Quality Control in Supply Chain, and Base Quality Control. Each department's responsibilities are clearly defined to collaboratively support and oversee the Company's quality management activities. The Quality Assurance Center is responsible for formulating quality management strategies and plans in line with the Company's operational strategic goals. The Business Department Quality Control proposes requirements for quality strategy planning based on the actual needs of their respective products. Quality Control in Supply Chain is tasked with overseeing the quality of suppliers and raw materials, while the Base Quality Control implements production control and ensures compliance testing at the base level.



Capchem Quality System

Capchem has established a systematic regulation including *Non-Conforming Product Control Procedure, Internal Audit Procedure, Customer Complaint Management Procedure, Regulation on Quality Incident Escalation and Accountability Management*, etc. In 2024, the Company responded positively to the internal and external changes by adding a new *Business Continuity Management Handbook* and revising the *BCM Business Continuity Management Procedures*.

We have established a BCM system with recovery and effective response capabilities, optimized resource allocation, and formulated emergency response and recovery strategies to avoid the impact of emergencies on product quality to the greatest extent possible. In addition, the Company continues to enhance ESG management capability in the integrated management base, introduces RBA management system, strengthens social responsibility management capability, and strengthens the international competitiveness of Capchem.

Capchem Assisted Subsidiaries to Obtain Various Quality Management System Certifications

In 2024, Capchem assisted our subsidiaries in completing the introduction of quality management system to improve the quality management level of the subsidiaries, enhance market competitiveness as well as promote supply chain co-operation and common prosperity. In addition, the Company helped Capchem Poland to communicate with the certification body, provided certification information and supported the Capchem Poland's on-site audit online. 2024, Capchem Poland successfully passed the formal certification audit of IATF 16949 and the supervision audit of ISO 9001.

Capchem Introduced RBA Management System in Many Bases

In addition to the headquarters of Capchem, the Company introduced RBA management system in Huizhou, Nantong, Sanming, Tianjin and Jingmen bases in 2024. Through standardized system construction, the Company will strengthen our social responsibility management capabilities in protecting labor rights and interests, safeguarding occupational health and safety, promoting environmental protection and ensuring business integrity, so as to build a more competitive brand image of Capchem.

Capchem continuously refines our quality system assessment mechanism to achieve dynamic monitoring of quality management effectiveness. The Company has established key quality indicators such as raw material qualification rates, first-pass yield of finished products, and customer complaints, and conduct monthly or annual quality assessments. We also require responsible departments to focus on analyzing the causes of substandard items, formulate corresponding corrective action plans, and continuously elevate the overall level of quality management.

Huizhou Capchem Quality Review and Performance Incentives

In 2024, Huizhou Capchem adjusted the indicators such as product qualification rate and shipping inspection qualification rate through management review and organized ten key product quality improvement projects in a targeted manner based on the review. Huizhou Capchem determined the improvement objectives, tasks and plans by analyzing the historical quality data of our products and combining them with the needs of the market and customers.

Huizhou Capchem regularly tracks the achievement of product quality targets and carries out the assessment of lean management work, through the establishment of departmental performance bonus packages and lean management special awards for departments and employees with excellent performance incentives to fully stimulate the departments and employees to carry out quality enhancement work enthusiasm.

Digital Enabled Quality Management Systems

Capchem actively promotes the digital transformation of product quality management and realizes accurate control of quality data in the whole chain from suppliers to clients by building a comprehensive information platform. The Company has deployed a variety of information systems including CRM, SRM, LIMS, MES, OA and SAP to build a complete digital quality management system. The quality of products is guaranteed from the quality control of raw materials, dynamic monitoring of production process, product inspection and sales data analysis.

In 2024, Capchem introduced SRM system to systematically manage the quality of raw materials, and continued to

carry out special supplier quality improvement projects to strengthen the quality of raw materials, increase the qualification rate of raw materials to 96.8%, and strengthen the quality management capability of suppliers. In addition, the Company continues to improve the whole chain of semiconductor product packaging traceability control, optimize the quality of statistical analysis of the process, and further enhance the digital capacity of quality management. Through the synergistic operation of the system, the Company identifies problems and takes effective improvement measures to reduce the defective rate of products and enhance customer satisfaction.

Quality System Construction

Capchem comprehensively safeguards the quality of our products through a combination of internal and external audits. The Company follows the standards of ISO 9001 and IATF 16949, and regularly implements internal audits of our quality management system to assess our compliance, adequacy and effectiveness, with the aim of grasping the current status of the system and promoting continuous optimization. Meanwhile, the Company introduces third-

party organizations to carry out audits, and during the Reporting Period, the Company has obtained a number of authoritative certificates, such as ISO 9001 Quality Management System, IATF 16949 Automotive Quality Management System, QC 080000 Hazardous Substance Process Management System and CNAS National Laboratory Management System.

ISO 9001 Quality Management System	IATF 16949 Automotive Quality Management System	QC 080000 Hazardous Substance Process Management System	CNAS National Laboratory Management System	BCM Business Continuity System
Shenzhen Capchem	Shenzhen Capchem	Shenzhen Capchem	Shenzhen Capchem	Shenzhen Capchem
Huizhou Capchem	Huizhou Capchem	Huizhou Capchem	Huizhou Capchem	Jingmen Capchem
Nantong Capchem	Nantong Capchem	Nantong Capchem	Nantong Capchem	Sanming Hexafluo
Suzhou Novolyte	Suzhou Novolyte	Tianjin Capchem	Tianjin Capchem	Huizhou Capchem
Jingmen Capchem	Jingmen Capchem	Sanming Hexafluo	Tianjin Capchem	Nantong Capchem
Sanming Hexafluo	Sanming Hexafluo	Huizhou Capchem	Tianjin Capchem	Tianjin Capchem
Hunan Fluopont	Tianjin Capchem	Jingmen Capchem		
Jiangsu Hicomer	Jiangsu Hicomer			
Tianjin Capchem	Capchem Poland			
Fujian Heptafluo				
Capchem Poland				
Nantong Top				

Capchem Quality System Construction

Quality Management Enhancement

Whole Process, Full Life Cycle Quality Management

Capchem implements full-process, full-life-cycle quality management, covering six dimensions: system, R&D, process, supplier, customer quality management and continuous improvement management. Through process optimization and technological innovation, Capchem is committed to providing customers with high-quality products and services, and driving the sound operation and sustainable development of the whole process.

Quality System Management

- Implement annual quality objective performance evaluations, internal audits, external system audits, and management reviews to ensure the suitability, adequacy, and effectiveness of the quality management system.

R&D Quality Management

- Leveraging actual R&D scenarios and integrating the APQP development process, utilize quality management tools such as Design Matrices, DFMEA, PFMEA, and Special Characteristic Management. By establishing five major quality gate checks, research and development quality is assured.

Supplier Quality Management

- Implement full lifecycle quality management of suppliers through supplier qualification audits, small-batch trials, PPAP, abnormal situation handling, performance evaluations, change control, special improvements, rectifications, and exits.
- Require all raw material suppliers to sign *Quality and Environmental Protection Agreements*, *Environmental Compliance Declarations*, and *Environmental Controlled Substances Survey Forms* to ensure supplier products meet EU RoHS, REACH, and customer requirements.

Customer Quality Management

- Establish a dedicated customer service team comprising quality, technical, and sales professionals, committed to providing customized solutions and continuously enhancing customer satisfaction.

Continuous Improvement Management

- Practice lean management principles by initiating QCC improvement projects, TPM (Total Productive Maintenance) for all-employee equipment management, and team building, to enhance employees' quality awareness and innovation capabilities, thereby elevating overall quality standards.

Capchem Product Life Cycle Quality Management

Product Testing and Non-conformity Management

Capchem strictly abides by the norms of *Incoming Inspection Procedure*, *Production Process Inspection Procedure* and *Finished Product Inspection Procedure* to inspect materials in each production process to ensure that the materials meet the quality standards and customer requirements. In order to further strengthen product quality management, in 2024, the Company established the process documents of *Management of Non-conforming Material Handling*,



Capchem Product Testing Process



Supplier Quality Management and Enhancement

Capchem carries out differentiated management of suppliers of different grades based on the management methods of evaluation, access, grading classification and elimination in the *Supplier Management Procedure and Systems*. The Company attaches importance to quality management in the supplier admission and performance evaluation stages, and continuously optimizes the evaluation mechanism and assessment indicators based on standards such as CSR, VDA6.3 and IATF 16949. Furthermore, Capchem conducts daily monitoring of suppliers' basic qualifications, performance, EHS, CSR and continuous improvement, and formulates an annual on-site audit plan for suppliers

covering quality management elements such as system operation and process control. For key suppliers that fail the audit, Capchem supports and continuously follows up the suppliers' improvement measures through online training, technical benchmarking or on-site stationing to achieve the improvement of suppliers' delivery quality.

During the Reporting Period, Capchem provided a total of 24 quality-related trainings for core material suppliers, covering 299 individuals, which was a significant improvement compared to 2023.

Quality Culture Building

Perfect quality culture construction provides inexhaustible power for the efficient operation of Capchem's quality system. In order to continuously enhance the effectiveness of the Company's quality management, the Company actively integrates internal and external resources, optimizes the quality management training program, and improves the theoretical knowledge and practical operation skills of the staff in product quality management.

Capchem carried out a series of quality management training in the current year, covering quality improvement tools, operation specifications, supplier quality management, system standards, etc., covering 9,418 person-times, with a total of 30,400 hours of training, and a per capita training time of 3.23 hours.

Capchem Improvement Proposal University Hall Activity

Capchem has built a mature and perfect improvement proposal management system, formed a proposal publication, evaluation, incentive and promotion mechanism covering all employees, and encouraged employees to deeply participate in company management.

In October 2024, Capchem successfully organized the Improvement Proposal University Hall activity, in which each subsidiary chose the best 2-3 proposals to share and publish, and the Company unified the evaluation and incentive to promote the application of excellent improvement concepts and improvement methods. At the end of this Reporting Period, Capchem has initiated and passed 3,854 improvement proposals, and we work together with our subsidiaries to achieve refined product quality management.



Capchem Improvement Proposal Covers Dimensions

Capchem Quality Month Activities

In active response to the call to Strengthen Quality Support and Jointly Build a Quality-Oriented Country and enhance the overall quality level, 10 units including Shenzhen Capchem and Huizhou Capchem jointly organized a series of exciting and fruitful Quality Month activities in 2024. Among them, the Quality Wins at Capchem quiz attracted 16,031 participants, the Quality is Imperative activity utilized quality tools more than 60 times, the Quality Stories at Capchem collection received 55 excellent stories, the Improvement University activity submitted 14 outstanding proposals, and the risk identification activity identified 72 risk points and completed improvements.



At the end of this Reporting Period, Capchem has not experienced any recalls due to product quality issues. In addition, the Company always adheres to the high standard and strict control of product quality and empowers industrial development with quality. At the end of this Reporting Period, Shenzhen Capchem won the Shenzhen Mayor's Quality Award (Nomination Award), Huizhou Capchem won the Huizhou City Quality Award, and Sanming Hexafluo won the Sanming City Quality Award.

Sanming Hexafluo won the 2024 Sanming City Quality Award

Sanming Hexafluo introduced the model of performance excellence management to continuously improve our competitiveness and market position by clarifying strategic objectives, optimizing internal management processes, cultivating high-quality talents, establishing an excellent brand image, promoting the construction of corporate culture, and promoting the innovative development of the Company, with the aim of becoming a global leader in the green fluorine chemicals and fluorine materials industry.



Sanming Hexafluo Won the 2024 Sanming City Quality Award

Chemical Safety

Capchem is sure that strict chemical safety control is the key cornerstone for enterprises to move forward steadily and fulfil their social responsibilities. Adhering to the operation concepts of green development and safety first, Capchem has always pursued the chemical safety management policy of accurately identifying risks, reducing harmful effects, and eliminating safety and environmental hazards, and has improved the chemical safety management system of Capchem, practiced the concept of green chemistry, and built the foundation of sustainable development.

Chemical Management System

Adhering to the principles of risk control at the source and strict management, Capchem has formulated and continuously improved internal regulations such as the *Environmental Management Substance Control Procedure*, *Environmental Substance Management Guidelines*, *Supplier Environmental Compliance Declaration*, and *Supplier Environmental Management Substance Survey Form*, to standardize the full lifecycle management of all chemicals,

substances, products, and finished goods in the production process. Furthermore, in 2024, Capchem improved the *Capchem Hazardous Substance Management Standard* based on laws and regulations, industry standards, and international conventions. This standard guides the identification of hazardous chemicals in all products and forms an internal hazardous substance management ledger and list.

Domestic laws, regulations and standards

- *Law of the People's Republic of China on Work Safety*
- *Regulations of the People's Republic of China on the Administration of Controlled Chemicals*
- *Regulations on the Safe Management of Hazardous Chemicals*

- *Identification of Significant Sources of Hazardous Chemicals*
- *Implementation Guidelines for the Investigation and Management of Hidden Accidents in Hazardous Chemical Enterprises*
-

International laws and regulations, international conventions and standards

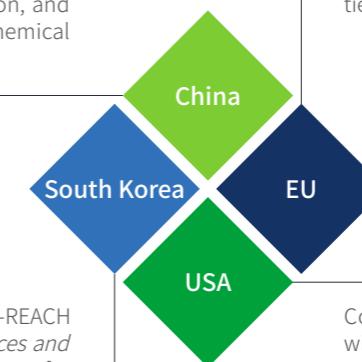
- *EU RoHS (Restriction of Hazardous Substances, Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment)*
- *GHS (Globally Harmonized System of Classification and Labelling of Chemicals)*
- *EU REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)*
- *EU Batteries and Waste Batteries Regulation (EU) 2023/1542*
- *USA TSCA-PBT (Toxic Substances Control Act)*
- *European Union POPs Regulation (EU) 2019/1021*
- *Proposed REACH restrictions issued by the European Chemicals Agency (ECHA)*
- *REACH ANNEX XVII Entry 79 (EU 2024/2462)*
-

In our production and operational processes, Capchem exercises strict management over all chemicals to comply with internal policies and relevant laws, regulations and industry standards of customer countries. The Company conducts annual chemical identification and formulates compliance registration plans in accordance with the *Regulations*

In accordance with the relevant regulations of the *Measures for the Administration of Registration of New Chemical Substances*, identify and carry out the registration, simplified registration, and regular registration processes for new chemical substances.

on *New Chemical Substances Compliance Declaration and REACH Registration*. It collaborates with internal and external professional teams to regularly review, inspect, and disclose the regulatory registration status of all chemicals in compliance, ensuring the legality of chemical use and export.

Comply with the requirements of the EU REACH Regulation, and conduct compliant registrations of chemicals exported to the EU under different tiers based on actual tonnage.



File reports in accordance with Korea's K-REACH (*Korean Registration of Chemical Substances and Evaluation Act*). Conduct formal registrations for pre-registered substances whose high-tonnage transition period is about to end to ensure the compliance of products exported to South Korea.

Conduct compliant declarations in accordance with the requirements of USA TSCA-PBT in the United States to meet the TSCA's reporting requirements for new chemical substances and avoid compliance issues in the trade chain.

Procurement Evaluation Preparation

- Require regular third-party testing of supplied materials by raw material suppliers and share the test results
- Conduct occasional surveys of all suppliers, continuously monitor the introduction of hazardous substances, and conduct investigations and controls on prohibited and restricted substances
- Ensure that all products from suppliers comply with the EU RoHS restrictions on ten key hazardous substances, as well as the requirements of relevant regulations and industry standards in the customer's country

Research and Development Design Evaluation Preparation

- Environmental Impact Assessment
- Safety Pre-assessment
- Occupational Hazard Pre-assessment
- Facility Design for Control Safety in Construction Project
- Facility Design for Control Occupational Hazard in Construction Project
- Other Regulatory Approval Documents

Evaluation Preparation Before Trial Production

- Review of the Trial Production Plan
- Verification of the Implementation of Various Measures

Preparation for Pre-production Evaluation

- Completion of Environmental Protection Acceptance for Construction Projects
- Safety Acceptance Evaluation
- Evaluation of Occupational Disease Hazard Control Effectiveness

Capchem's Preparation for Chemical Safety Assessment at Various Stages

Full Life Cycle Management of Chemicals

Capchem fully implements the full life cycle management of chemicals, focusing on three key dimensions: risk identification, reduction and substitution of hazardous chemicals, and chemical safety assurance. By establishing a *one document, one label* management mechanism, the Company strictly controls the entire process of *production, transportation, operation, storage, use, and waste treatment* for different types of chemicals, forming an efficient closed-loop management mechanism to reduce the potential risks and adverse effects of chemicals.

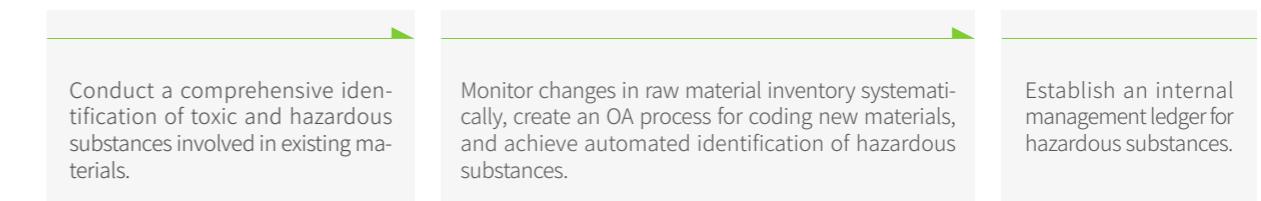
Production	<ul style="list-style-type: none"> Obtain safety production licenses promptly upon completion of the trial production phase at the new base. Timely adjust safety production licenses according to production plans at in-service hazardous chemical production bases to ensure their validity.
Transportation	<ul style="list-style-type: none"> Collaborate across departments to develop emergency response plans for logistics and transportation. Inspect and supervise the qualifications and documents of incoming vehicles according to chemical transportation requirements.
Operations	<ul style="list-style-type: none"> Promptly update the scope of business and personnel information on hazardous chemical business licenses to ensure their validity.
Storage	<ul style="list-style-type: none"> Conduct safety evaluations and organize fire protection inspections to ensure storage sites meet safety requirements. Regularly inspect storage sites, strictly prohibit incompatible storage, and avoid exceeding storage quantities or varieties.
Usage	<ul style="list-style-type: none"> Conduct regular inspections of on-site usage to correct violations. Regularly organize emergency drills for chemical spills and implement training and safety education for operators.
Waste Treatment	<ul style="list-style-type: none"> Strictly adhere to the management requirement of classified collection and specialized storage for chemical waste, and entrust qualified third-party units for regular transfer and treatment.

Capchem Full Life Cycle Management of Chemicals



Chemical Risk Identification

Capchem attaches great importance to the identification of hazardous substance risks in materials. The Company has formulated the *Identification of Hazardous Substances (HS) in Managed Materials* and established comprehensive process specifications, conducting hazard assessments on multiple critical aspects, including the introduction of products and raw materials.



Capchem integrates chemical management requirements into our supplier management system. Besides conducting supplier compliance checks during the introduction of new materials and the selection of raw material supply chains, the Company also requires relevant suppliers to conduct regular third-party testing on the supplied materials and promptly share the test results, in order to monitor the effectiveness of hazardous substance management.

Harmful Chemical Reduction and Substitution

Capchem consistently adheres to the development philosophy of environmentally friendly products, continuously and systematically reducing and eliminating hazardous chemicals, and is committed to providing customers and society with high-quality, eco-friendly, and healthy products. The Company exercises strict control over substances of very high concern (SVHCs) and environmentally hazardous substances in core processes such as research and development, registration, and production. By formulating phase-out plans for SVHCs, Capchem gradually reduces or substitutes highly hazardous chemicals and promotes the certification of substitute substances at the client end. The Company actively responds to and complies with the EU REACH regulations, especially in the face of the PFAS (per- and polyfluoroalkyl substances) restriction proposal. Capchem swiftly has conducted an investigation of all group products, identifying relevant exemption categories and their applicable periods based on different product characteristics. Meanwhile, the Company continuously monitors the management dynamics of the PFAS proposal regarding other PFAS chemicals.

Capchem's Initiatives for the Elimination of SVHCs

- The Company has eliminated trichlorotrifluoroethane (f113) and prohibited the use of ethylene glycol monomethyl ether and N,N-dimethylacetamide in our products.
- The Company has developed a new material, SCT2584, which partially replaces 1,3-propanedisulfate (1,3-PS), and this new product has already achieved mass production. Additionally, new materials are being developed to gradually replace ethylene glycol monoethyl ether acetate, and at the end of the Reporting Period, these have been submitted for customer certification.
- Sanming Hexafluo has developed a new type of fluorinated surfactant, which serves as an environmentally friendly alternative to PFOS and PFOA.

Chemical Safety

Capchem has established a comprehensive chemical safety management and control mechanism covering research and development, design, procurement, pilot production, and full-scale production. This mechanism focuses on risk identification for key materials such as new chemical substances, environmentally controlled substances (including SVHCs and hazardous substances), and toxic chemicals. The Company has implemented advanced systems such as DCS, PLC, SIS, and GDS, which possess production operation and alarm control functions. In response to potential risk events such as chemical leaks, fires, and explosions, Capchem has developed emergency response plans and equipped employees with complete personal protective equipment and emergency materials to ensure their health and safety.

Capchem continuously strengthens risk management and

control while fulfilling our environmental protection and social responsibilities. In 2024, the Company obtained routine environmental management registrations for the new chemical substances perfluoroisobutyronitrile and hexafluoroisobutylene, further enhancing our differentiated competitive advantage in the market.

Additionally, the Company has formulated *SDS and Label* according to laws, regulations, and relevant requirements, clearly outlining the hazardous characteristics, usage specifications, precautions, and emergency handling methods for various chemicals. This provides normative guidance for the entire process of chemical use, enabling downstream clients to use chemicals correctly and safely, thereby safeguarding the occupational health and safety of both clients and employees.

Management Initiatives

Operational Specification

Detailed Description

- A management system for chemicals has been developed to strictly regulate the use, storage and disposal of chemicals.



Detailed Description

- MSDS short cards have been prepared for each reagent.



Detailed Description

- There are operational SOPs for each type of experiment.



Management Initiatives

Personal Protective Equipment

Detailed Description

- The laboratories are equipped with PE gloves, nitrile gloves, activated carbon masks, half masks and goggles. For hydrofluoric acid, the laboratories are equipped with full body suits and full-face masks.

Management Initiatives

Emergency Materials

Detailed Description

- According to the hazardous characteristics of the chemicals used on-site, an emergency medical kit is equipped to store the appropriate medicines needed for emergency disposal.



Management Initiatives

Training and Emergency Drill

Detailed Description

- Regular safety inspections are conducted, potential safety hazards are reported and rectified, and safety training and emergency drills are organised on a regular basis.



Capchem organizes chemical safety-related training on a regular basis to strengthen operators' awareness of their capabilities, improve their ability to use and manage chemicals, and gain a good grasp of emergency response methods.

Capchem carried out chemical management training

In order to strengthen employees' awareness of chemical safety and ensure that operators correctly grasp the characteristics of chemicals and use them in a standardized manner, Capchem has launched chemical management training for all employees, including chemical purchasers, business operators, persons in charge of the using departments, safety officers and users. The requirements for the purchase, operation, use, storage and management of entry/exit of precursor chemicals and explosive chemicals are explained in detail to ensure the compliant use of chemicals and the stable operation of the Company.



Capchem Chemicals Management Training



Occupational Health and Safety

Capchem has always regarded work safety as the lifeline, red line, and bottom line of our development. It firmly establishes the safety development concept of *people-oriented and life supremacy*, emphasizing source management by selecting green materials, green processes, and technological equipment. The Company continuously invests in improving the working environment, provides and utilizes high-standard personal protective equipment, and conducts routine occupational health examinations to prevent and control occupational hazards, thereby ensuring employees' occupational health. Capchem is dedicated to utilizing advanced technology and scientific management methods to create intrinsic safety throughout the entire process, chain, and lifecycle of electronic chemicals and functional materials.

Governance

Capchem strictly complies with laws and regulations such as the *Work Safety Law of the People's Republic of China* and has established a five-tier management structure consisting of the Board of Directors - Executive Committee - EHS Management Committee - EHS Center - Subsidiaries, providing robust organizational support for intrinsic safety throughout the entire production and operation process, chain, and lifecycle.

Capchem emphasizes linking occupational health and safety performance with management compensation assessment mechanisms. We have established and improved a comprehensive EHS responsibility system for all employees, ensuring that each individual fulfills their specific duties, with accountability implemented at all levels. All staff work together to advance occupational health and safety management efforts.

Board of Directors

- The highest leading organ of the Company's work safety

Executive Committee

- Organization of strategic planning for work safety
- Responsible for guiding and making decisions on the Company's work safety and occupational health work

EHS Management Committee

- Deploy and direct work safety
- Organize and implement strategic planning for work safety and solving major work safety problems

EHS Centre

- Assist the EHS Management Committee to manage the work safety of the bases

Subsidiaries

- Be responsible for the safety production management of the Company in compliance with laws, regulations, and headquarters' requirements

Capchem's Five-Tier Occupational Health and Safety Management Structure

In strict accordance with the relevant laws and regulations such as the *Work Safety Law of the People's Republic of China*, *Occupational Disease Prevention and Control Law of the People's Republic of China* and the requirements of the ISO 45001 System Standards, and in conjunction with the actual development of the Company's production and operation, Capchem has continued to improve our occupational health and safety manuals, procedures and systems, including the

EHS Operation Control Procedure, the *Legal and Regulatory Compliance Assessment Management Procedure*, the *Hazard Identification, Risk Assessment, and Control Procedure*, the *Accident Incident Investigation Management Procedures*, and the *Occupational Disease Protective Equipment Management System*. The Company implements OHS responsibilities at each level through a clear and effective internal management mechanism.

System	Update 2024
<i>Procedures for Identification of Hazard, Risk Assessment and Control</i>	Based on the root causes of external accidents, the safety risk control level has been updated in order to improve risk control.
<i>Procedures for Managing the Investigation of Accident Incidents</i>	In order to identify the root causes of accidents, learn lessons and disseminate them across within the Company, the requirements for accident investigation reports were updated in 2024 to require root cause analyses of accidents in accordance with tools and methods such as the accident tree, event tree and 5WHY analysis.
<i>EHS Accident (Incident) Classification and Management System</i>	Based on the commissioning and operation of overseas bases, as well as the updating of relevant regulations and policies and external accident experiences, in order to do a better job of front-end preventive management and implement the main responsibility of EHS of each base, the grading standards of EHS accidents (incidents) have been revised to unify the grading standards of the Company's internal accidents and incidents.

Capchem Occupational Health and Safety Production System Documents (Part)

Strategy

Capchem upholds the people-oriented development concept, builds the occupational health and safety management policy of *Compliance with laws and regulations, life above all; Safety first, with prevention as the focus; People-oriented, striving for green excellence; Scientific management for continuous improvement*, and builds comprehensive and multi-level occupational health and safety management system that is collectivized and integrated to closely control all links in the chain of production, storage, use, operation, transport and waste treatment involved in the production and operation of the Company, and to effectively guarantee the safety and order of business operations.

Safety Management	Occupational Health
<ul style="list-style-type: none"> Systematized Operation Safety Risk Control Safety Information System Construction Safety Culture Construction 	<ul style="list-style-type: none"> Green Product Design Standardized Engineering Design Systematized Identification and Management of Occupational Hazards High-Specification Provision of Personal Protective Equipment (PPE)

Core Consideration Dimension of Capchem Occupational Health and Safety Management

Impact, Risk and Opportunity Management

Safety Risk Management System

Capchem firmly established the concept of risk-based EHS management, imported the relevant elements of the chemical process safety management (PSM) system, and embedded the requirements of production safety standardization, safety risk classification and control, and safety hazard investigation and management. Using professional tools and methods such as Hazard and Operability Analysis (HAZOP) and Job Safety Analysis (JSA), Capchem carries out safety risk assessment on a regular basis, systematically identifies the risks and safety hazard involved in materials, processes, equipment, personnel operations, etc. During the Reporting Period, we have formulated control or improvement measures for 100% of the identified risks and achieved 100% closed-loop rectification of potential hazards.

Risk Content	Risk Management Content	Risk Control Measures
R&D Risks 	<ul style="list-style-type: none"> R&D Project Introduction Risk Management Risk Management for Laboratory & Pilot Run 	Pioneering: <ul style="list-style-type: none"> Four New (New Products, New Processes, New Equipment, New Materials) Introduction Risk Management System Pilot Production Risk Assessment and Its Control Measures Strengthen the Systematic Safety Management of Laboratories, Small - Scale Trials & Pilot Runs
Process Risks 	<ul style="list-style-type: none"> New Process Introduction Risk Management Process Safety Risk Assessment Change Risk Management 	Process: <ul style="list-style-type: none"> Process Safety and Reliability Verification Regular HAZOP Analysis Change Management
Production Risks 	<ul style="list-style-type: none"> Key Equipment and Instrument Risk Management Utility Engineering Risk Management Operational Risk Management Special/Special - Type Operation Risk Management Startup and Shutdown Risk Management 	Produce: <ul style="list-style-type: none"> Normalized Risk Identification, Hazard Source Control and Improvement Application of Safety Informatization Implement Chemical Process Safety Management (PSM)
Packing, Storage and Transportation Risks 	<ul style="list-style-type: none"> Sample Transportation Risk Management Product Transportation Risk Management Product Packaging Risk Management 	Packing: <ul style="list-style-type: none"> Hazardous Goods Packaging and Transportation Safety Management System Regular and Irregular Inspections and Reviews
Product Risks 	<ul style="list-style-type: none"> Customer Use Risk Management 	Pay: <ul style="list-style-type: none"> MSDS Compilation Product Safety Use Training and Guidance
Workplace Risks 	<ul style="list-style-type: none"> Site Selection Risk Management Occupational Health Management 	Place: <ul style="list-style-type: none"> Scientific General Layout Workplace Environment Control

Capchem 6P Safety Risk Control Principles



Safety Informatization

Capchem emphasizes the empowerment of technology to solidify the construction of safety information systems. In 2024, the Company invested nearly 5 million yuan to enhance projects across our bases, including risk monitoring and early warning, management of major hazard sources, intelligent inspections, risk classification control and hidden danger rectification, as well as the

construction of cybersafety training spaces. By leveraging information technology, Capchem improves the timeliness, accuracy, and efficiency of risk monitoring and early warning, risk classification control and hidden danger rectification, and employee safety awareness and skills at production bases, safeguarding the Company's safe production.

Huizhou Capchem Industrial Internet + Hazardous Chemical Safety Production Information System

In October 2024, on the basis of the original *Industrial Internet + Hazardous Chemical Safety Production* informatization system, Huizhou Capchem increased the functions of setting management, background algorithms and applications for personnel positioning, and further improved the function setting of personnel positioning from the actual application scenarios, and enhanced the level of intelligence of personnel management. It also improved the efficiency of personnel management and strengthened the informatization and refinement of all-round safety risk management of major hazardous sources, major risk source points and personnel.

Personnel Positioning Aggregation Setting Management

- Configure and manage aggregation parameters based on real-time conditions, including settings for aggregation radius threshold, aggregation duration threshold, and aggregation level based on the number of people.
- Design monitoring areas and silent area rules for the management of aggregation zones.

Personnel Positioning Aggregation Backend Algorithm

- The backend program analyzes the real-time locations of personnel and calculates whether aggregations occur and their levels.
- Based on the tracking and compression of aggregation cores, determine if there are changes in the personnel within the aggregation data.
- Provide timely reminders for aggregation information.

Personnel Positioning Aggregation Application

- Create and summarize records for display, and implement a keyword quick search function.
- Handle aggregation alarms and implement closed-loop management.
- Display aggregation trajectories and timestamps in a 3D model.

Phase II Construction of Capchem's *Industrial Internet + Hazardous Chemical Safety Production* Informatization System



Protection Against Occupational Diseases

Capchem has formulated and complied with the whole process control system, including the *Occupational Disease Hazard Monitoring and Evaluation Management System*, the *Workers' Occupational Health Monitoring and File Management System*, and the *Occupational Disease Protection Facility Maintenance and Inspection System*, so as to ensure that the risks and potential hazards of occupational diseases are effectively monitored and scientifically evaluated.

At the end of the Reporting Period, Capchem has completed occupational hazard factor testing for all existing production and operation projects, with 100% of the test results being qualified. Additionally, 100% of newly hired, current, and departing employees in positions exposed to occupational hazard factors have undergone occupational health examinations. For those with occupational contraindications, 100% have been transferred to other positions. Furthermore, there have been no suspected or confirmed cases of occupational diseases.

The Company has established regulations such as the *Occupational Disease Protection Articles Management System*, the *Occupational Disease Hazard Emergency Rescue and Management System*, and the *Emergency Plan for Employee Occupational Health Disposal*, to strengthen dynamic monitoring and early warning management of occupational hazards.

Capchem places great emphasis on organizing protective knowledge training, regularly maintaining and upgrading process equipment, providing and supervising the correct use of protective equipment by employees, and improving emergency monitoring and management mechanisms. These measures are aimed at minimizing occupational health risks and providing employees with a safe and healthy working environment.

Safety Culture Construction

Establishment of Work Safety Responsibility System

Capchem continuously refines our work safety responsibility system, strengthening the implementation of responsibilities at all levels and effectively reducing the probability of work safety accidents. In accordance with relevant work safety laws, regulations, and standards, the Company clarifies the work safety responsibilities of relevant personnel based on the nature, characteristics, and job content of each link and position. Additionally, we regularly reinforce responsibility

awareness through educational training and management assessments, establishing and improving a comprehensive work safety responsibility system where *everyone has a responsibility, each performs their own duties, and each bears their own responsibilities*, extending from management to frontline employees.

Identification	<ul style="list-style-type: none"> By consulting regulations such as the <i>Classification Catalogue of Occupational Hazard Factors</i> and <i>Occupational Exposure Limits for Hazardous Agents in the Workplace</i>, harmful factors generated during production and operation are identified using methods such as table lookup, empirical judgment, and analogy.
Management	<ul style="list-style-type: none"> When developing new products and introducing new materials, low-toxicity or non-toxic substances are selected. Automatic alarm devices and emergency ventilation facilities, such as gas monitoring alarms and leakage interlock exhaust systems, are installed in areas involving toxic or highly toxic substances. Additionally, shower and eyewash stations, first-aid materials, and other necessary equipment are provided. Workplaces with occupational hazard factors undergo comprehensive periodic testing, and the results are publicly disclosed on a regular basis. The EHS Center organizes quarterly cross-checks to investigate and rectify potential occupational health hazards across all units. All newly hired employees who will be exposed to occupational hazard factors must undergo pre-employment occupational health examinations and receive three-level safety training. Regular occupational health management training is conducted to enhance personnel's professional competence. Personal protective equipment is issued, and various instruments, equipment, and emergency materials required for chemical production and disposal are provided.
Signing of EHS Responsibility Letter	<ul style="list-style-type: none"> From the principal leaders of each company to frontline employees, work safety responsibility agreements are signed at every level, clearly defining the safety targets and responsibilities for each position.
Strengthening Education and Training	<ul style="list-style-type: none"> Capchem formulates and implements comprehensive work safety education and training plans for all employees, effectively implementing the work safety responsibility system.
Strengthening Management Assessment	<ul style="list-style-type: none"> Capchem links work safety responsibilities to employee performance, establishing and implementing supervision and assessment mechanisms for work safety responsibilities. Based on the results of employee safety assessments, the Company evaluates and assigns safety performance.
Sharing of Experiences and Practices	<ul style="list-style-type: none"> Best practices and positive experiences from annual work safety efforts are shared and promoted throughout the entire group.

Capchem Occupational Disease Hazards Identification and Management Initiatives

Capchem's Initiatives to Implement the Work Safety Responsibility System

Safety Training and Cultural Promotion

Capchem has established a three-tier safety education system comprising *factory-level, workshop-level, and team-level*. Targeted safety training is conducted for all employees. Through initiatives such as having principal leaders deliver safety lectures, organizing Safety Month activities, 119 Fire

Safety Day events, and Woodpecker Safety Specials, safety education and promotion are implemented progressively at each level. These efforts aim to enhance employees' safety awareness, risk identification abilities, and response capabilities, jointly fostering Capchem's safety culture.

Factory- Level	<ul style="list-style-type: none"> Emphasize the importance and necessity of work safety for the Company's long-term development. Provide an overview of the Company's work safety situation, including production characteristics, factory equipment distribution, work safety targets, and major tasks for the year.
Workshop- Level	<ul style="list-style-type: none"> Organize the study of work safety system documents, safety operation regulations, and emergency response procedures relevant to different job levels and positions.
Team- Level	<ul style="list-style-type: none"> Based on the specific circumstances of each job role, we further enhance job responsibilities and arrange for seasoned veteran employees to provide demonstrations of safe operational practices.

Capchem's Three-Tier Safety Education System

Capchem continuously monitors changes in policies and regulations, refining the themes and content of our safety and health education programs. The Company explores diverse methods for promoting and implementing these programs, constantly enriching our safety culture. During the Reporting Period, Capchem conducted a total of 565 safety training sessions, achieving 100% coverage among production employees. The total training duration amounted to 118,474 hours, and 544 emergency drills were held.

During the Reporting Period

The safety training coverage rate for production employees in Capchem

100%



Capchem Occupational Health and Safety Training

In 2024, Capchem held the theme training of the *Occupational Disease Prevention and Control Law Awareness Week*, inviting experts in occupational disease prevention and control to give lectures, interpreting the core points of the *Occupational Disease Prevention and Control Law* in depth and explaining the requirements of occupational health management norms in detail, which covered all the employees who are exposed to occupational hazards within the Company, and a total of 3,562 employees participated in the training. In addition, the Company launched the theme training of *A Safety Lesson by the Principal in Charge* for all employees, which covered the basic knowledge of safety laws and regulations, the Company's safety management requirements, and accident warning education.



Capchem Safety Occupational Health and Safety Training Series

Capchem Safety Production Activity Month

During the Work Safety Month, Capchem organized a *Six Ones* special campaign, which included: *having the principal responsible person deliver a safety lecture, conducting a special campaign to address specific work operations, organizing a process safety diagnosis, carrying out a comprehensive safety hazard inspection, implementing equipment management improvements, and conducting a comprehensive safety emergency drill*. The headquarters research institute, production bases, and ongoing projects also launched various unique activities. For example, the Shenzhen headquarters held fun safety activities, safety cartoon and essay contests. Sanming Hexafluo, Nantong Capchem, and Tianjin Capchem organized skills competitions. Jingmen Capchem provided accident consequence simulation activities. These activities enabled employees to apply their safety knowledge in practice, combining theoretical learning with hands-on experience, effectively enhancing their safety awareness and deeply embedding the concept of safety into every aspect of the Company's operations.

Reporting System for Safety Hazard

In 2024, Capchem implemented a dual prevention mechanism and refined the incentive system for reporting safety hazards, rewarding employees who actively report potential risks to foster a corporate safety culture where *everyone is a safety officer*. The Company strictly enforces a closed-loop rectification process to ensure that every

reported hazard is addressed promptly and effectively, building a solid defense for the Company's safe production and operations. At the end of Reporting Period, a total of 20,180 safety hazards have been reported, with a rectification rate of 100%.

Indicators and Targets

Capchem remains steadfast in advancing our occupational health and safety management efforts, employing multi-dimensional and comprehensive measures and strategies to ensure the successful achievement of this year's occupational health and safety targets. These endeavors lay a solid foundation for the Company's stable operations and the well-being of our employees.

Short- and Medium-Term Goals	Long-Term Goals
<ul style="list-style-type: none"> The Total Recordable Incident Rate (TRIR) decreasing annually Zero occupational diseases Zero fire and explosion incidents Zero government penalties or citations 100% job transfer for employees with occupational contraindications 	<ul style="list-style-type: none"> 100% physical examination rate for employees exposed to hazards 100% compliance rate for workplace hazard factor detection in relevant positions Zero accidents, zero injuries

Capchem's Occupational Health and Safety Targets

At the end of Reporting Period, a total of 8 operating production bases have obtained ISO 45001 certification, with a coverage rate of 72.7%. Additionally, in accordance with local regulatory requirements and their respective industry characteristics, the production bases have actively applied

for Work Safety Standardization enterprise assessment and certification. At the end of Reporting Period, 5 sites have passed the second-level Work Safety Standardization assessment and certification, while 4 sites have passed the third-level assessment and certification.

At the end of Reporting Period:

Occupational Health and Safety Targets	<ul style="list-style-type: none"> No occurrence of general or more severe work safety accidents No suspected or confirmed cases of occupational diseases No work-related fatalities
System Certification	<ul style="list-style-type: none"> Obtained ISO 45001 certification: 8 operating production bases have obtained ISO 45001 certification, with a coverage rate of 72.7% Obtained second-level Work Safety Standardization assessment and certification: 5 Obtained third-level Work Safety Standardization assessment and certification: 4
Safety Investments	<ul style="list-style-type: none"> Cumulative investment amount: RMB 55.45 million
Cultural Promotion and Implementation	<ul style="list-style-type: none"> Number of safety training sessions: 565 Coverage rate among production employees: 100% Total training hours: 118,474 hours Number of work safety training and emergency drills: 544

Customer Service

Capchem adheres to the customer-centric service philosophy, continuously enhancing our customer service management system by leveraging digital and intelligent systems. We standardize service processes, innovate service models, deeply explore customer needs, and efficiently respond to customer requests. By actively increasing the frequency of customer communication, Capchem comprehensively upgrades customer experience, shapes an exceptional enterprise service brand image, and achieves mutual benefit and long-term development with our customers.

Customer Service Management System

Capchem is committed to building a perfect customer service management system. The Company has formulated management regulations and processes such as the *Management of Customer Grading and Classification*, *Management of Customer Visits*, the *Management of Customer Technical Solutions*, the *Management of Customer Special Needs*, the *Customer Satisfaction Survey and Follow-up*, the *Staff Training*, *Internal Evaluation and Continuous Improvement Mechanism*, etc., to realize standardized operation of customer service.

Based on business layout, Capchem builds a global marketing network and service system. With the innovative products, the advantage of nearby supply, international quality, professional temperature-controlled logistics and warehousing of hazardous chemicals, and on-site services, the Company creates an all-round and three-dimensional product life cycle service for our customers. Capchem accurately connects with and efficiently meets the diversified needs of customers, and strongly enhances the market competitiveness of the Company's products and services.

Customer Service Capability Enhancement

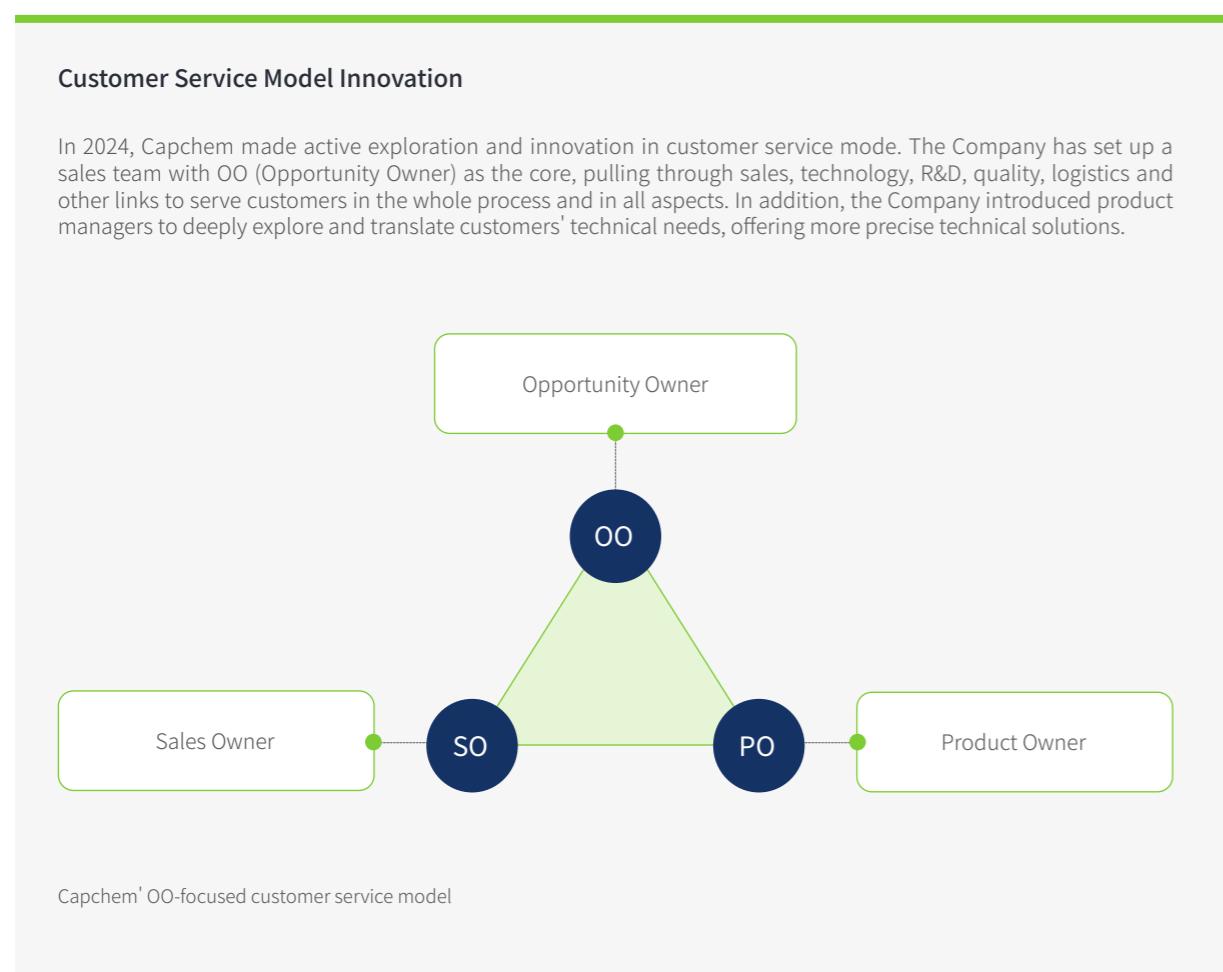
Digital Enablement and Customer Needs Perception

Capchem is dedicated to refining our customer-centric 360-degree management system, deeply expanding the application scenarios of intelligent digital systems in customer service to achieve precise perception of customer needs. The Company has established a series of information platforms, including CRM, SRM, LIMS, DCS, MES, PLC, and SAP, enabling data integration and information sharing between CRM, ERP, and OA systems. This has created a unified management platform that integrates archives, business opportunities, sales, and other processes. In 2024, Capchem is actively advancing the upgrade assessment of our CRM system and planning technological upgrading and renovation schemes based on business development needs, laying the foundation for providing higher-quality, more efficient, and more precise customer service.



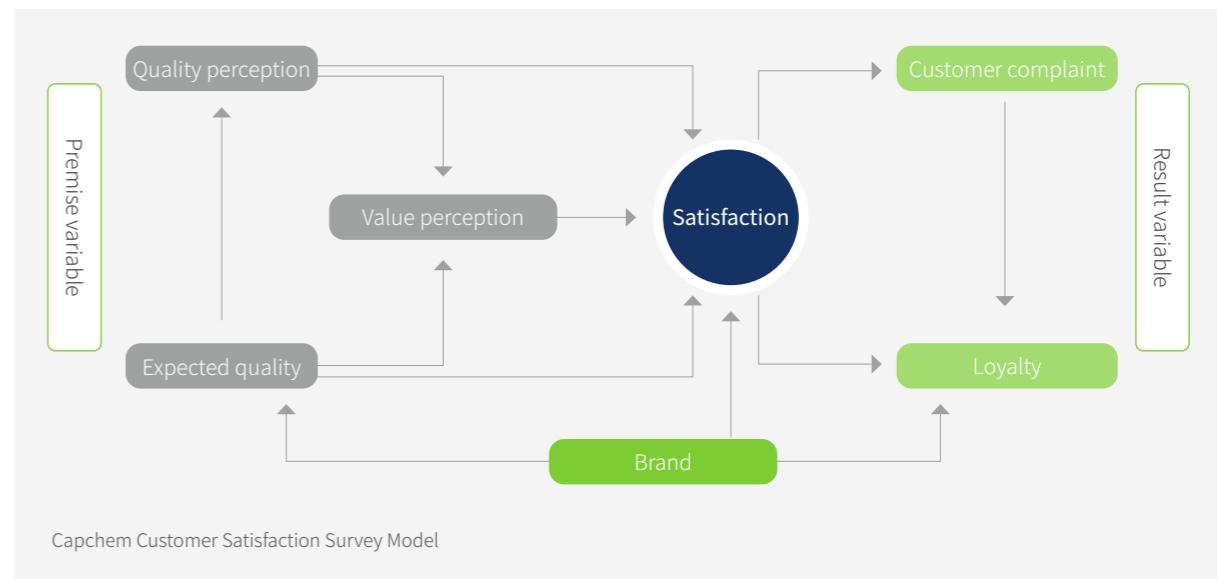
Customer Grading and Differentiated Services

Capchem employs a scientific and reasonable segmentation model to classify and manage our customers, accurately providing customized strategies and differentiated services. During the customer needs identification stage, the Company innovates our management model and optimizes the business opportunity management process, utilizing a project development mechanism and fostering a team collaboration model to enhance the conversion rate of business opportunities. In the product delivery stage, Capchem aims for operational excellence by optimizing delivery processes, improving operational efficiency, ensuring the commitment and execution of supply chain orders, and providing high-quality technical support. These efforts optimize customer experience and enhance satisfaction.



Customer Experience and Satisfaction Enhancement

Through continuous exploration and improvement, Capchem has formed a set of customer satisfaction evaluation system which is customer-centred and highly operable. The Company has formulated *Management of Customer Satisfaction and Engagement* to guide the customer satisfaction survey and management, and based on the analysis results, to understand the current and future needs and expectations of customers, review the inadequacy of the Company's current management and make timely adjustments, and to continuously improve the satisfaction and fit of the Company's customers.



In order to continuously optimize the quality of products and customer services and enhance customer satisfaction, Capchem has formulated short-term, medium-term and long-term enhancement plans and set up corresponding indicators and target systems. The Company is committed to providing customers with a high-quality full-process service experience and creating an excellent brand image of Capchem through the improvement of the service system, optimization of the whole process mechanism, digital empowerment and other enhancement initiatives.

Target Period	Promotion Plan	Goals
Short-term Goals (2025)	<ul style="list-style-type: none"> Adopt a customer-centric approach, setting internal customer satisfaction metrics from the perspective of customer concerns to drive the backend supply chain, production bases, and functional centers to meet customer needs. Establish product managers to evaluate customer needs and improve products, offering personalized customized products and solutions to customers. Develop and implement end-to-end management strategies for clients. Continuously optimize processes and drive marketing transformations centered around customers to enhance internal operational efficiency. 	<ul style="list-style-type: none"> Achieve a satisfaction score of ≥ 90 for top customers. Ensure process compliance of $\geq 80\%$.
Medium-term Goals (2026-2027)	<ul style="list-style-type: none"> Comprehensively optimize the entire pre-sales, sales, and after-sales process and management mechanism for customers, enhancing full-cycle management of customer service and satisfaction. Rebuild the Customer Relationship Management (CRM) system to support efficient business operations and improve customer service. Expand the marketing network by establishing subsidiaries in South Korea and Japan, adding key customer representatives at various bases and client sites. 	<ul style="list-style-type: none"> Ensure process compliance of $\geq 95\%$. Maintain a customer satisfaction score of ≥ 90.
Long-term Goals (2028-2030)	<ul style="list-style-type: none"> Establish additional sample bases/production lines (in Suzhou and Huizhou) to further improve the delivery efficiency of samples and small-batch orders. Develop marketing networks in Poland and the United States to provide sales and technical services to customers, meeting the needs of renewable energy development in Europe and the United States as well as the overseas expansion of domestic enterprises. 	<ul style="list-style-type: none"> Achieve a timely sample delivery rate of 100%. Ensure a perfect order fulfillment rate of $\geq 90\%$ based on standard delivery times (globally).

Capchem Customer Service Enhancement Programme

In 2024, the Company innovatively adopted the online questionnaire mode to collect customers' needs and expectations. In addition to the questionnaires, the Company also conducted statistical analyses on operating performance, quality, delivery and customer evaluation for the sampled customers to measure the quality of the Company's products and services, analysed low-scoring items and formulated improvement measures. At the end of the Reporting Period, the Company's overall customer satisfaction score remained above 90 for many consecutive years.



Team Professional Capacity Building

Capchem focuses on the improvement of customer service quality, and according to the type of personnel serving customers, it has set up a competence certification system for marketing, technical service and customer service sequence, and clarified the qualification standard and competence model framework for each position. At the same time, the Company builds online course system with the *Capchem Management College*, combines with offline expert training, rotating practice and teachers with apprentices, etc., to build a differentiated ability to improve the system.

Customer Service Empowerment Programme

In 2024, Capchem tailored a comprehensive training programme for the sales team with Opportunity Owner as the core. Through systematic training and practice, account managers and product managers understand customer needs more effectively and provide more precise and personalized solutions. During the Reporting Period, Capchem conducted a total of 16 product and marketing skills training sessions by combining online and offline methods.

At the end of Reporting Period, Capchem had conducted 16 customer service-related trainings, with a total of 1,379 hours of employee training.

Customer Communication and After-sales Service

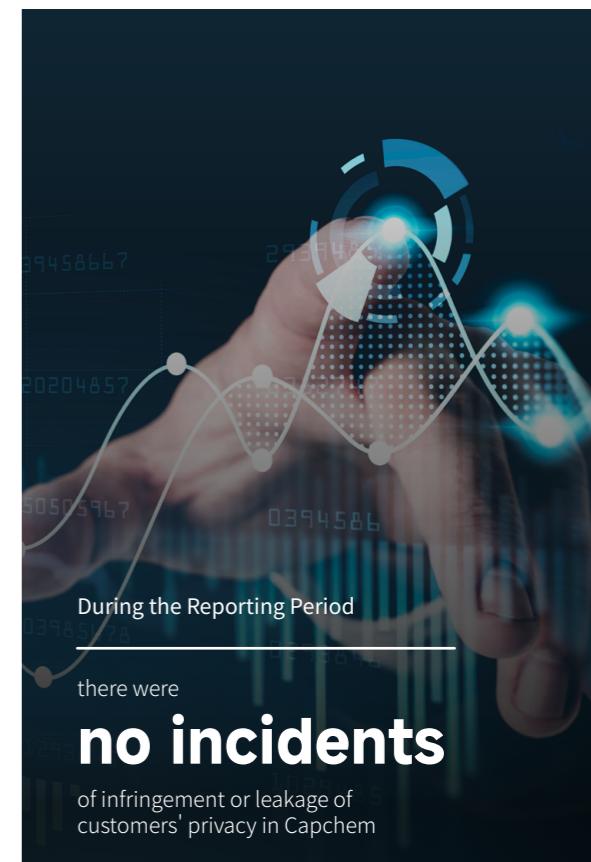
Customer Privacy Protection

Capchem strictly follows the laws and regulations of the countries and regions in which it operates, such as the *Personal Information Protection Law of the People's Republic of China*, the *Personal Information Protection Management System*, and the *ISO 27001 Information Security System*, etc., and has formulated a series of internal systems, including the *Trade Secrets Management System*, to ensure the effective protection of customers' privacy in all aspects of business interactions.

Capchem actively promotes the upgrading of SAP system authority management, refining user authority based on system functions and business modules, and flexibly deploys system roles according to demand, so as to enhance the security of customer privacy system. As our overseas business expands, the Company has signed confidentiality agreements with international clients to safeguard mutual data security. Additionally, Capchem Poland has obtained TISAX certification, reinforcing the client data protection system in accordance with international standards and establishing a robust defense for client data protection in our global business footprint.

With the *Capchem Management College*, the Company offers courses on trade secret protection for all employees and integrates the awareness of privacy protection into employees' onboarding education. In daily work, the Company strictly implements data desensitization and approval process, online and offline confidentiality authority management, the Company's confidentiality office regularly organizes and carries out internal information security implementation audits; the brand commissioner regularly carries out publicity data inspection to minimize the risk of customer privacy leakage.

During the Reporting Period, there were no incidents of infringement or leakage of customers' privacy in Capchem.



Customer Complaint Management

Capchem has established a perfect after-sales service system and customer complaint management mechanism. The Company formulates the management system of *Customer Complaint Handling* and starts *Customer Complaint Handling Procedure* immediately after receiving complaints, and efficiently responds to and solves customers' needs through the closed-loop management process. Capchem promises to respond to customer problems within 0.5 days and take relevant measures within 24 hours.

Based on the actual business, Capchem focuses on the main business divisions and builds a diversified management target system including larger and above customer complaints, general and below customer complaint rate and total customer complaint loss amount. The Company dynamically optimizes the closed-loop management mechanism of customer complaints to ensure timely response and efficient resolution of customer demands, and makes every effort to ensure the implementation of customer management objectives.



03

One-earth

Capchem insists on integrating the concept of green environmental protection into all aspects of production and operation. The Company actively participates in the global climate change action, seizes the opportunity, focuses on the development concept of "Four Green", vigorously promotes energy saving and emission reduction, continuously optimizes the waste water, waste gas, solid waste and resource management, practices green and low-carbon operation, and effectively fulfills its environmental protection responsibility.

The "Four Green" Concept

- Sanming Hexafluo built the **first** thousand-ton class perfluoroisobutyronitrile production line in China
- Huizhou Capchem and Sanming Hexafluo were awarded **the Green Factory**

Combating Climate Change

- Published the dual carbon target of "Operational carbon peaking by 2029, Operational carbon neutrality by 2049" and **the carbon neutral action plan**
- Conducted climate risk and opportunity identification and assessment
- Eight** products gained ISO 14067 certificate

Optimizing the Energy Structure

- Implemented **29** carbon reduction projects throughout the year, reducing **6,959 tons** of carbon
- Realized **100%** green power usage by Suzhou Novolyte, and gradually increased the proportion of green power usage by Nantong Capchem, Jingmen Capchem, Huizhou Capchem, and Sanming Hexafluo

Environmental Compliance Management

- 90.9%** of stable operating bases obtained the ISO 14001 certificate
- Investments in environmental protection amounted to **RMB 34.05 million**

Emissions and Waste

- Achieved hazardous waste and wastewater reduction targets
- Recycled **69.90 tons** of general waste

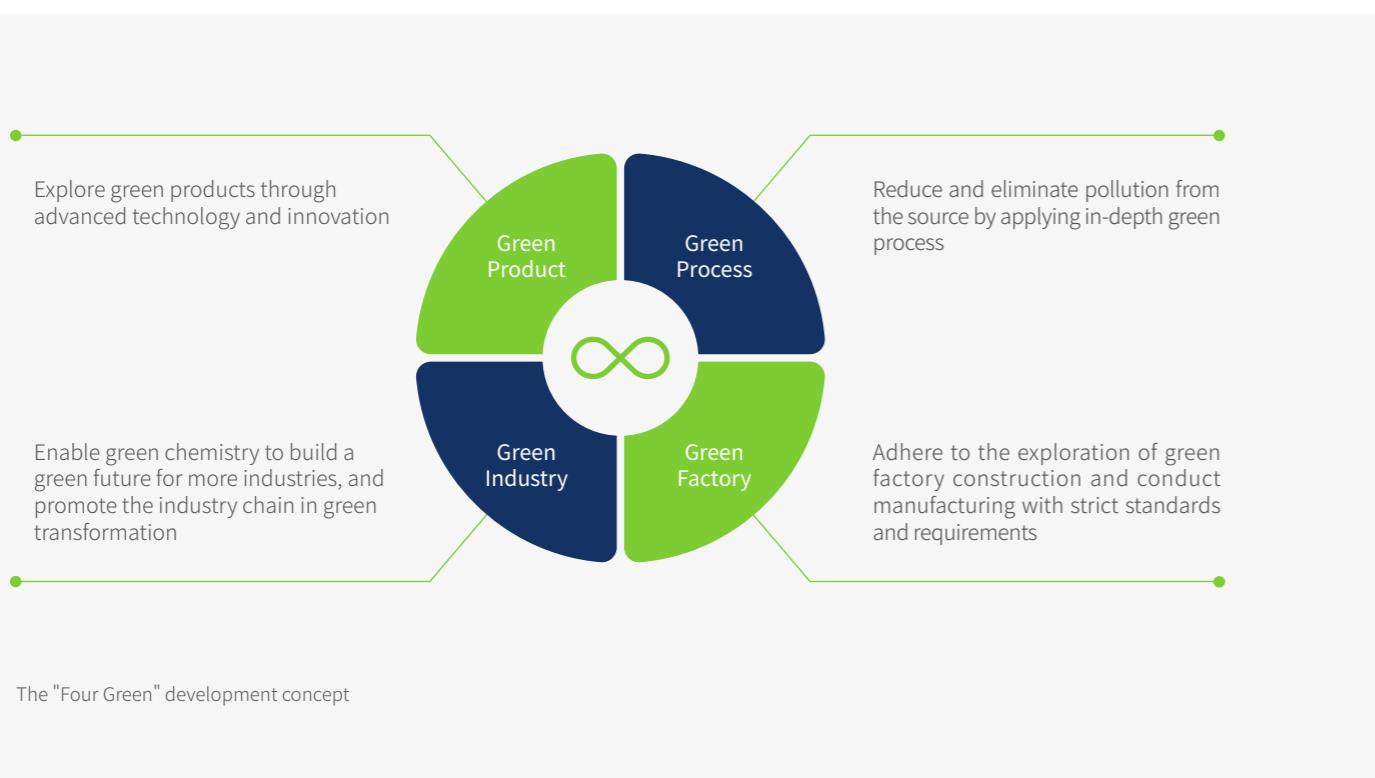
Resource and Ecological Protection

- Water reuse reached **363,862 tons**.
- Water reuse reached **38%**



The "Four Green" Concept

Sustainable development and operation is the eternal proposition of Capchem. In the process of product life cycle management, Capchem continues to practice the "Four Green" development strategy of "Green Product, Green Process, Green Factory, Green Industry", drive green development with scientific and technological innovation, and promote global sustainable transformation.



Green Product

Capchem puts "efficient use of resources, energy conservation, environmental protection, and healthy and safe production" through the whole life cycle management of products, and promotes green transformation and low-carbon development with high-quality green products.

Our main products include battery chemicals, organic fluorine chemicals, capacitor chemicals, and semiconductor chemicals, which are widely used in new energy vehicles, consumer electronics, urban rail transportation, biomedicine, digital infrastructure, photovoltaic energy storage, and industrial manufacturing.

Battery chemicals

- Mainly includes lithium-ion battery chemicals (including lithium-ion battery electrolyte, additives, new lithium salts, carbonate solvents), supercapacitor chemicals, primary lithium battery chemicals, which are widely used in new energy automobile battery, digital battery, and other battery products.

- Carbonate is the main material for electrolyte of lithium-ion battery in new energy industry. Capchem converts the carbon dioxide to carbonate through the Ethylene Oxide to Carbonate Solvents Integrated Process (ECOSIP™). In 2024, Huizhou Capchem's Carbonate Solvent Expansion Project was formally put into operation, with an annual output of 100,000 tons of carbonate solvent and 50,000 tons of ethylene glycol co-production.

Organic fluorine chemicals

- Mainly includes fluorinated pharmaceutical and pesticide intermediates, fluororubber vulcanizing agents, fluoropolymer modified comonomers, fluorinated surfactants, fluorinated gases for power insulation, etc., which are widely used in end-consumption fields such as pharmaceuticals, pesticides, automobiles, electric power, electronics, and machinery.

- Capchem empowers reliability in the pharmaceutical and healthcare sectors through its high-quality inhalant anesthetic intermediates.
- Capchem enables immersion cooling for green data centers with its high performance fluoride liquid Boreaf

Capacitor chemicals

- Mainly includes aluminium electrolytic capacitor chemicals, aluminium foil chemicals, tantalum capacitor chemicals and functional materials, etc., which are widely used in the fields of capacitor aluminum foil processing, aluminum electrolytic capacitors, and solid-state capacitors.

- Capchem has made breakthroughs in high pressure resistance and long service life, Capchem strives to properly solve the main issues related to high voltage, long service life and high temperature resistance of capacitors in products such as new energy vehicles, and smart homes.

Semiconductor chemicals

- Mainly includes high-purity chemicals and functional chemicals, which are widely used in display panels, solar photovoltaic, integrated circuits and other fields.

- With more than 20 years of technical accumulation and innovative processes in fine electronic chemicals, Capchem helps its customers realizing green and sustainable development goals by improving its product quality and supply stability.

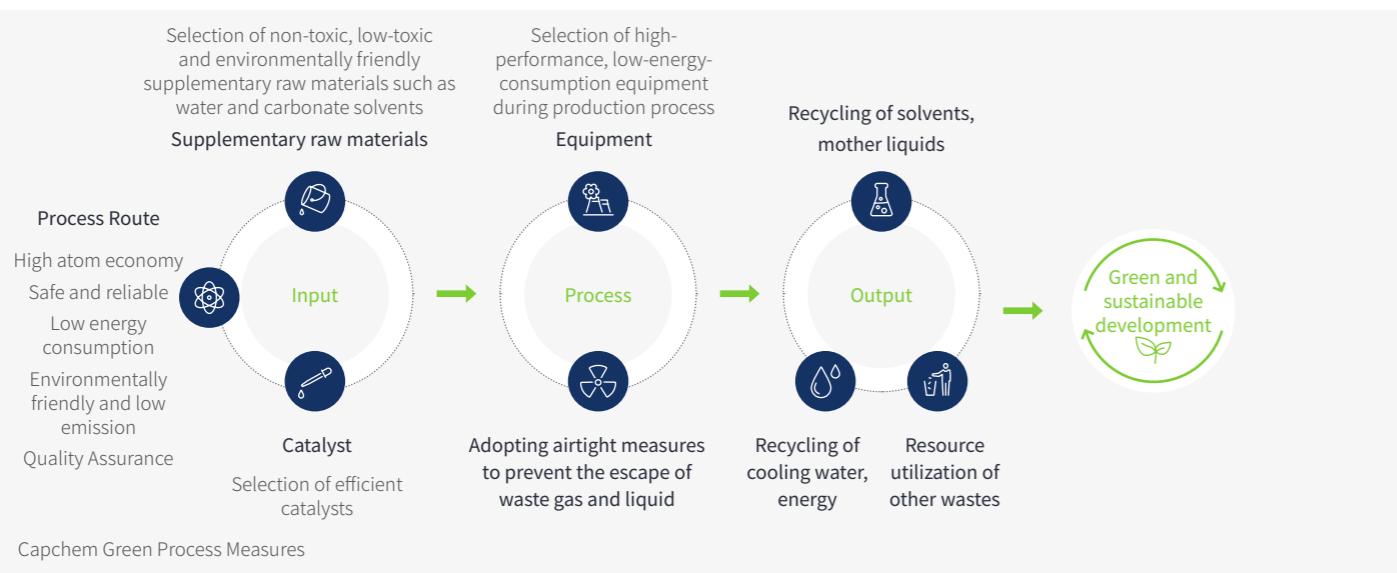
Sanming Hexafluo has built the first thousand-ton perfluoroisobutryonitrile production line in China.

Sanming Hexafluo has built the first 1,000-ton Perfluoroisobutryonitrile (PFIBN) production line in China and put it into trial production. As a new generation of low GWP (Global Warming Potential) environmentally friendly power insulating gas, PFIC can reduce the greenhouse effect by more than 98% compared with sulfur hexafluoride, and provide a greener solution for high-voltage power transmission and substation systems such as gas-insulated switchgear.

In order to further enhance the green element of its products, the Company strives to realize the reduction, resourcefulness and harmlessness of raw materials through green product design and optimization of manufacturing processes. In terms of raw material supply, the Company requires its raw material suppliers to use environmentally friendly, recyclable and reusable packaging materials as much as possible, and actively assists its suppliers to carry out energy-saving and carbon-reducing actions.

Green Process

Capchem fully integrates the concept of environmental protection in new product development and production process, and reduces the emission of carbon dioxide and pollutants by advanced green process, so as to realize the unity of economic benefits and environmental benefits.



Green Factory

Capchem actively practices the dual-carbon strategy and continues to promote the construction of green factories based on the principles of "Intensification of land use, harmlessness of raw materials, cleanliness of production, resourcefulness of waste, and low-carbonization of energy" to improve the Company's green manufacturing level. During the Reporting Period, the Company identified 29 technical reform projects, with a total investment of more than RMB 5 million, reduced carbon emissions by a total of 6,959 tons, achieving the goal of reducing carbon emission intensity by 5%.

Intensification of land use
<ul style="list-style-type: none"> In new construction, reconstruction or expansion projects, we rationalize the layout of the plant, optimize the process, improve the ratio of land input to output, the allocation of land and the efficiency of land use in accordance with national laws and regulations and the regulatory policies of the project location, and continuously improve the degree of intensification of land use
Cleanliness of production
<ul style="list-style-type: none"> Optimize the transportation mode of incoming materials and reduce the carbon emission of transportation Optimize tub washing process and reduce raw material consumption Optimize production mixing and refining time to save energy consumption Continuously carry out high consumption equipment update and automation upgrade, and optimize production process
Harmlessness of raw materials
<ul style="list-style-type: none"> Guided by the concept of green development, we continuously minimize the use of toxic and hazardous substances and reduce the impact of raw materials on products and the environment by continuously promoting the green substitution and reduction of toxic and hazardous raw materials (refer to <i>Chemistry safety</i> section for more details)
Low-carbonization of energy
<ul style="list-style-type: none"> Continue to increase the proportion of clean energy use Construct solar street lamps

At the same time, the Company further explores the construction of "zero-carbon factory", taking the new project of Nantong Capchem as a pilot, and realizes energy saving and emission reduction through material and equipment selection, solar photovoltaic and other measures in accordance with the group standard of *Zero-Carbon Factory Evaluation Specification* issued by China Energy Conservation Association.

As of the end of the Reporting Period, Huizhou Capchem and Sanming Hexafluo were awarded the *Green Factory*, and Capchem Science and Technology Building was awarded the two-star rating for the Green Building Evaluation Label.

As of the end of the Reporting Period

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two-star rating for the Green Building Evaluation Label

Green Industry

With science and technology innovation as the driving force, Capchem continuously explores the potential of green process innovation and provides safer, more efficient and greener solutions for the upgrading of the green industrial chain through product technology innovation.

Capchem has participated in the compilation of *Carbon Management Guideline for Battery Manufacturing Companies (T/CIET 265-2023)*, *General principles for green enterprise evaluation* (T/CIET 237-2023), *Quantitative methods for carbon footprint of products - Electric vehicle lithium ion batteries* and many other standards.

Industry for application (Encouraged)	Product advantage
Green energy	<ul style="list-style-type: none"> Capchem produces battery chemicals, capacitor chemicals and organic fluorine chemicals used in solar inverters. The perfluoropolyether lubricants and vacuum pump oil produced by Capchem are widely used in the fields of chemical industry, electronics, electrical appliances and machinery. In addition, the vulcanized fluorine rubber products have excellent properties such as resistance to compression and deformation, chemical corrosion and thermal stability. Sanming Hexafluo continues to promote environmentally friendly power insulation containing fluorine gas and other green products (refer to the "Green Product" section for more details).
New materials	<ul style="list-style-type: none"> Huizhou Capchem has completed the ionic liquid catalyzed carbon dioxide synthesis carbonate industrial plant, realizing the green comprehensive utilization of greenhouse gas carbon dioxide. The solid-state battery materials and binder, which are subject to applied research and market operation by Shenzhen Xinyuanbang, have entered the stage of sample delivery and cooperative testing for other categories of solid electrolytes, in addition to the solid electrolyte that has realized stable mass production. One of the additives in the electrolyte of lithium battery produced by Capchem, FEC additive, can help improving the electrical performance of lithium battery, which is useful in promoting electrolyte stability, flame retardancy, and overcharge protection,
Information industry	<ul style="list-style-type: none"> Capchem's dispersion agents for solid capacitors are water-based, eco-friendly polymers, which can help capacitors improve performance and reduce energy consumption, and is used in new energy vehicles, industrial power supplies, notebook computers, TVs and other fields. Capchem's supercapacitor chemicals are mainly applied to supercapacitors. Supercapacitors are characterized by high discharge power, wide applicable temperature range and long cycle life, and are widely used in smart meters, wind power generation, hybrid vehicles, high-speed railways and other fields. Fluoropolyimide (FPI) and its core monomers produced by Capchem are widely used in the fields of digital infrastructure, new type display, separation membrane and liquid crystal materials.

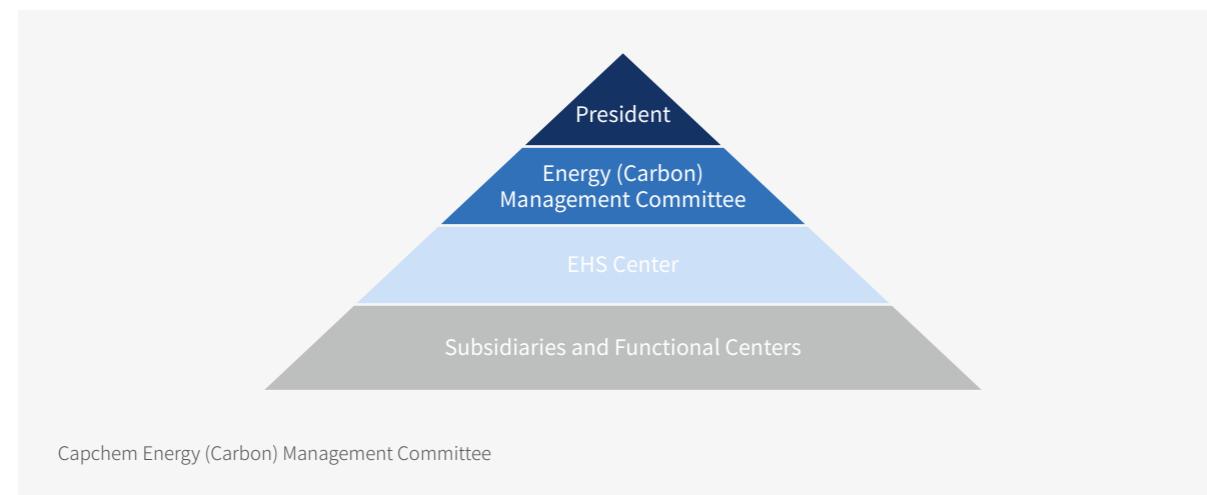
Combating Climate Change

On the path towards carbon neutrality, Capchem unwaveringly pushes forward the green and low-carbon transformation of its own operations, continuously strengthens its ability to cope with climate risks, and seizes climate-related opportunities, and is committed to becoming a practitioner of clean and low-carbon transformation of energy. In accordance with the guidelines and requirements of the the *Self-Regulatory Guidelines No.17 for Companies Listed on Shenzhen Stock Exchange - Sustainable Development Report (for Trial Implementation) (Exposure Draft)*, the Company has conducted a systematic identification and assessment of climate-related risks and opportunities in the following four aspects: governance, strategy, impact and risk and opportunity management, and indicators and targets, providing guidance for the Company to carry out further climate actions.

Governance

In terms of climate change governance, Capchem has incorporated climate-related impacts, risks and opportunities into the important considerations of the Company's business strategy, established the Energy (Carbon) Management Committee at the level of the board of directors, with the president as the director, based on a "top-down, headquarters-

driven base" model. The Company has formulated *the Capchem Energy (Carbon) Management System and the Greenhouse Gas Emission Management System* and other management systems to comprehensively manage greenhouse gas emissions in the course of production, purchasing and office operations.



In selecting members of the Energy (Carbon) Management Committee, the Company emphasizes the inclusion of personnel with professional backgrounds and knowledge related to climate change and energy management, to assist the Company in better promoting the implementation of work related to combating climate change. In addition, the Company conducts climate change related training for the Board of Directors, the Energy (Carbon) Management Committee and the EHS Center every year to ensure that they have sufficient professional knowledge and ability, and to continuously improve their professional knowledge and in combating climate change.

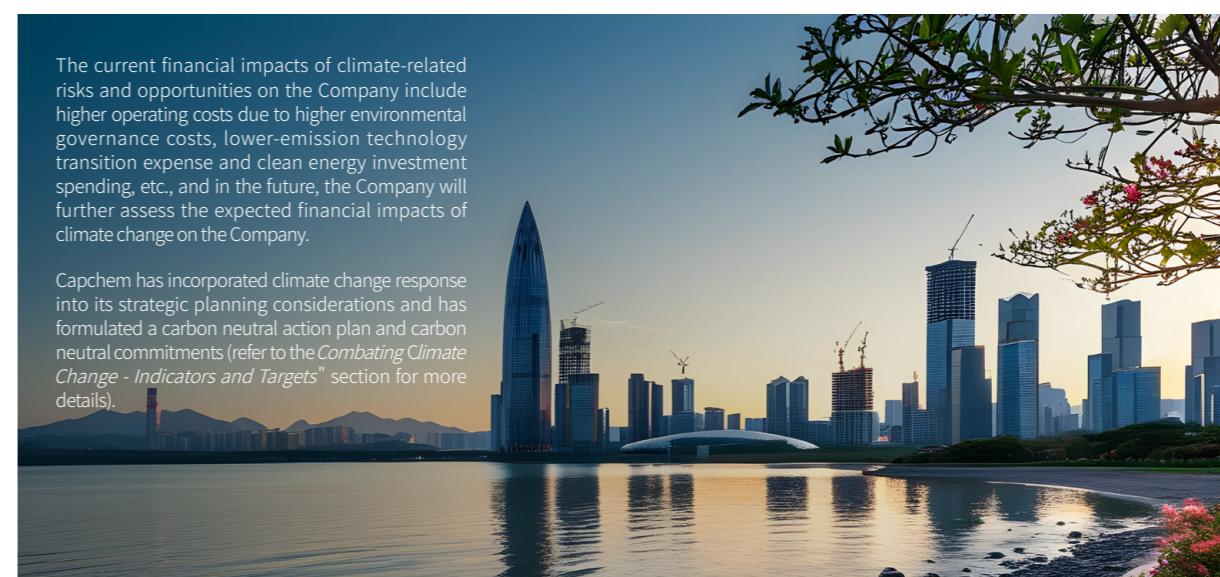
In order to strengthen the communication and management of climate change issues, the Company comprehensively grasps the greenhouse gas emissions and energy management work of each base by building an energy and carbon management system and conducting EHS monthly meeting, monthly assessment, quarterly work bulletin, etc. The EHS center at the headquarters, as the office of the Energy (Carbon) Management Committee, provides guidance on energy saving and carbon reduction work of each base, so as to promote the implementation of work related to the response to climate change at each base.

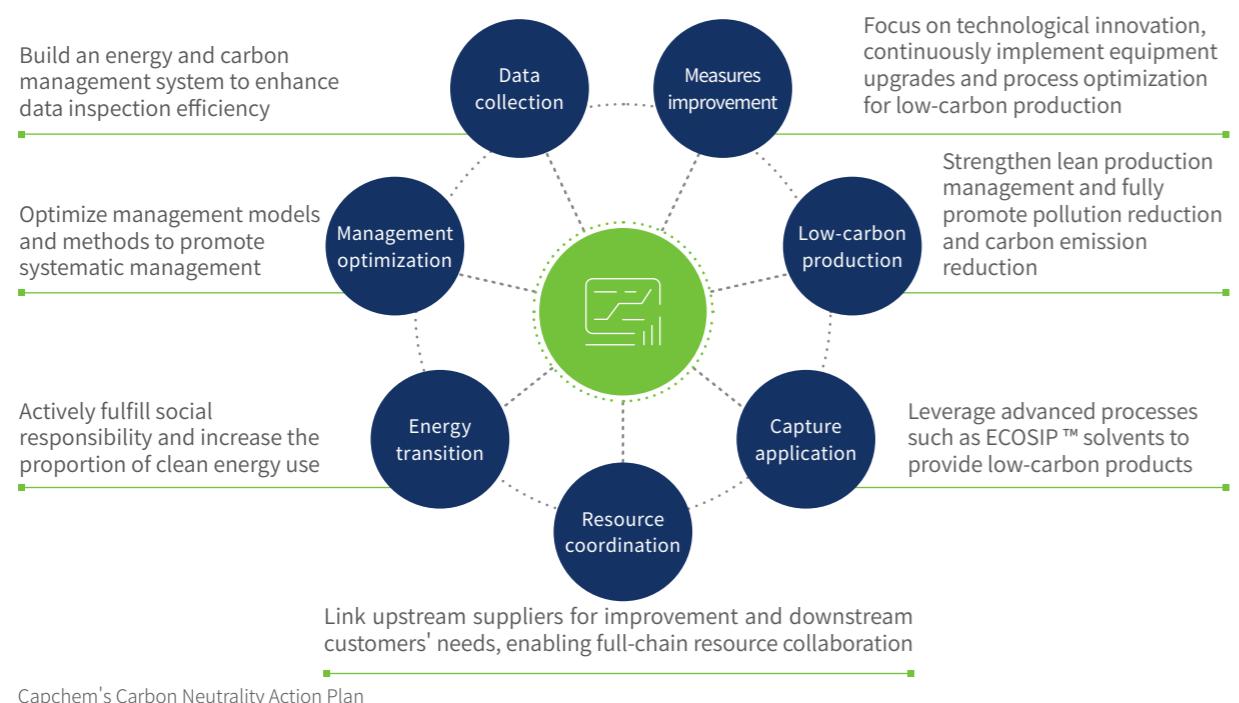
Strategy

Capchem has been deeply aware of the challenges of climate-related risks and opportunities for its own operations, and based on the Company's development strategy, it has made great efforts to promote internally-driven green development, coordinated the implementation of measures to enhance management capacity, optimize energy structure, strengthen supplier carbon management, and push forward low-carbon rating and certification. The Company insisted on integrating the green and low-carbon concepts into all aspects of its production and operations to make a greater contribution to achieving the "dual-carbon" goal and promoting climate governance.

In 2024, the Company carried out a climate risk and potential opportunity identification exercise, assessing how climate risks and opportunities affect the value chain and the timeframe of the impacts, as well as the current financial impact of climate-related risks and opportunities.

Type of risk	Risk description
Physical risk	<ul style="list-style-type: none"> Acute physical risks refer to the generation of weather-related events such as storms, floods, droughts or heat waves. The associated extreme weather events may cause business model-related impacts such as depreciation of the Company's fixed assets and loss of labor, as well as value-chain-related impacts such as causing transportation difficulties and supply chain disruptions. Chronic physical risks arise from long-term changes in climate, including changes in precipitation and temperature, which may lead to sea level rise, reduced water availability, loss of biodiversity and changes in soil productivity. These chronic risks may have business model-related impacts on companies such as direct loss of assets and increased operating expenses.
Transition risk	<ul style="list-style-type: none"> Climate transition risks refer to the risks that companies face in transitioning to a low-carbon economy, including policy, legal, technological, market and reputational risks. These transition risks may result in business model-related impacts such as higher operating costs and reputational damage to the Company, as well as value chain-related impacts such as reduced supply chain stability.





Capchem's Carbon Neutrality Action Plan

The Company continuously promotes carbon management, tracks and manages carbon emissions from its own production and operations and value chain, as well as the entire life cycle of its products, and promotes green and low-carbon production and operations on all fronts through direct or indirect mitigation measures such as optimizing energy and carbon management, promoting energy-saving technological reforms, increasing the use of renewable energy, and promoting decarbonization of the value chain.

Greenhouse Gas Emission Inventory

- Conduct quarterly greenhouse gas emission inventory for Scope 1 and Scope 2, and assess the implementation of energy-saving and carbon-reduction plans as well as carbon management at each base. Timely absorb and transform effective practices, and implement focused improvements through internal horizontal coordination.
- Conduct annual greenhouse gas inventory and verification for Scope 1, Scope 2, and Scope 3.

Product Carbon Footprint Inspection

- As of the end of the reporting period, 8 products have obtained ISO 14067 product carbon footprint certification, including Huizhou Capchem's electrolyte category, Sanming Hexafluo's electrolyte category, Nantong Capchem's specific model electrolyte, and Jingmen Capchem's specific model electrolyte.

Capchem Carbon Inventory and Product Carbon Footprint Certification Measures



Building an energy management platform

Huizhou Capchem has built an energy management platform to monitor energy use in real time and in a refined way, providing data support for dynamic monitoring and improvement of energy saving work.

Energy and carbon management system

Capchem has built a group-based energy and carbon management system, which links the data collection of suppliers and improves the level of carbon inventory work. By connecting with SAP and other systems, the platform realizes automatic acquisition of data and automatic inventory, and is capable of delivering standardized inventory reports and centralized analysis and display.

Promoting energy-saving technologies

Capchem's production bases have carried out a series of energy-saving technological reform measures to reduce carbon emissions in the production process (refer to *Green Process* section for more details).

Increasing use of renewable energy

The Company actively carries out green power procurement to increase the use of clean energy and effectively reduce greenhouse gas emissions from purchased electricity (refer to *Optimization of Energy Structure* section for more details).

Advancing value chain decarbonization

Focusing on promoting green, clean and sustainable development, the Company actively cooperates with upstream and downstream industrial partners, conducts research and counseling on the current status of carbon management of suppliers, gathers various resources to meet customer needs, and promotes collaborative low-carbon development of the industry with "whole-chain carbon reduction".

Carbon capture and utilization

Sanming Hexafluo cooperated with relevant units to build 158 acres of carbon sequestration forest. Huizhou Capchem absorbed and utilized 60,000 ton of carbon dioxide by ECOSIP™ throughout the year.

Capchem Carbon Reduction Measures

In order to improve the Company's adaptability to climate-related risks and opportunities, and to grasp the favorable potential development opportunities, the Company actively combated climate change and cooperated with its downstream customers to provide advanced low-carbon products in accordance with their demand for green and low-carbon products. The Company continues to increase the sales of its products and enhance the competitiveness of customers' products in the marketplace by conducting self-research or collaborative research and development and innovation, as well as providing advanced low-carbon products (refer to *Innovation-driven drive* section for more details).

Impact, Risk and Opportunity Management

The Company identifies climate risks and opportunities with significant potential impacts, sorts out their specific types, and evaluates the timeframe of the impacts, taking into account its own business characteristics, internal and external development environments, and expert opinions. The Company comprehensively evaluates the impact of the risks and opportunities on the business model and corporate strategy, value chain and financial position, identifies and evaluates the degree of impact and likelihood of climate-related risks and opportunities based on its operational continuity.

The Company develops response strategies based on identifying climate risks and opportunities, with the Energy (Carbon) Management Committee as the leader, regularly tracking the progress of climate-related actions and plans, carrying out annual assessments of greenhouse gas emission reduction targets, and continually exploring working mechanisms to optimize the management of climate-related risks and opportunities.

Currently, the Company is focusing on opportunities based on providing low-carbon services and products, improving resource utilization, developing a circular economy, and enhancing its brand image. Firstly, by increasing the effective supply of green products to meet the market demand for green products, the Company's performance will be enhanced. Secondly, by reducing operating costs through energy saving, carbon reduction and emission reduction, the Company's competitiveness will be enhanced. Thirdly, by recycling and utilizing, the Company will reduce the consumption of resources and carbon emissions, thus saving costs. Fourthly, by actively combating climate change, the Company will enhance its corporate reputation and attract investors and customers.

Unified management

Be responsible for the day-to-day coordination and management by the EHS Center to ensure the progress and effectiveness of management; evaluate and resolve major issues by the Energy (Carbon) Management Committee to ensure the accuracy and authority of the resolution.

Regular identification

Establish relevant management systems, regularly identify and update laws and regulations and risk opportunities for carbon management and energy management, and conduct annual reviews.

Maintaining Focus

Always sort and record carbon management dynamics, customer requirements, etc., to grasp market and customer dynamics and industry trends.

Occasional exchange

Actively participate in exchanges and sharing with government, industry and client organizations to understand the latest developments and concerns in carbon management and identify risks and opportunities.

Indicators and Targets

In order to mitigate and adapt to the impacts of climate change, Capchem has set up climate-related targets in accordance with the national "Dual-Carbon" goals. The Company tracks and manages the effectiveness of climate action in conjunction with the Company's production capacity planning and green power procurement planning, etc.



During the Reporting Period, the greenhouse gas emissions of Capchem were as follows:

Indicator	Unit	2024
Total greenhouse gas emissions (excluding greenhouse gas removals)	tCO ₂ e	2,878,063.71
Carbon dioxide removal	tCO ₂ e	68,627.37
Scope 1 greenhouse gas emissions (excluding GHG removals)	tCO ₂ e	67,378.19
Scope 2 greenhouse gas emissions (excluding greenhouse gas removals)	tCO ₂ e	307,185.64
Scope 1 and Scope 2 greenhouse gas intensity (including greenhouse gas removals)	tCO ₂ e	0.39
Total Scope 3 greenhouse gas emissions (excluding greenhouse gas removals)	tCO ₂ e	2,572,127.24
Purchased goods and services	tCO ₂ e	2,455,783.73
Scope 3 greenhouse gas (excluding greenhouse gas removals)	tCO ₂ e	54,833.62
Upstream transportation and distribution	tCO ₂ e	697.26
Business travel	tCO ₂ e	3,021.90
Employee commuting	tCO ₂ e	48,551.32
Downstream transportation and distribution	tCO ₂ e	9,239.41

Capchem has implemented a series of greenhouse gas emission reduction measures, and details of the implementation of the emission reduction measures and the amount of greenhouse gas emission reduction are set out in the *Green Process* section. During the Reporting Period, Capchem did not involve in carbon credits and did not participate in voluntary greenhouse gas emission reduction projects.

⁹ With the base year of 2024, the scope of GHG emissions covered by the target is Scope 1 and Scope 2 GHG emissions (including GHG removals). When setting the target, the following factors were taken into account in setting the GHG target and reviewing the annual target: In consideration of the technology of the GHG inventory and many other factors that may affect the data of the base year, the Company need to re-calculate the base year in the event that the change in the Company's overall emissions (carbon dioxide equivalent) is greater than 5% ($\pm 5\%$) of the significance limit when comparing the base year based on changes in the following circumstances: (1) structural changes in reporting or organizational boundaries (e.g., mergers or acquisitions) (1) structural changes in reporting or organizational boundaries (e.g., mergers, acquisitions, or divestitures), or (2) changes in calculation methodologies or emission factors, or (3) the discovery of one or more cumulative errors that are material.

¹⁰ The scope of GHG emissions covered by the target is scope 1 and scope 2 GHG emissions

Optimizing the Energy Structure

Capchem is committed to the use of cleaner energy and efficient energy utilization to promote the realization of green and low-carbon development. The Company has established a relatively complete energy (carbon) management system and set up a specialized Energy (Carbon) Management Committee (refer to *Combating Climate Change* section for more detail), which is responsible for coordinating various energy management activities and overseeing the achievement of energy use targets.

The Company has formulated the *Capchem Energy (Carbon) Management System* in accordance with the laws and regulations relating to the use of energy in the country and the place of operation. The Company is committed to reducing energy use and actively carried out internal energy reviews, including an external energy audit of our Huizhou Capchem and a survey on energy utilization. The Company has implemented a number of targeted energy consumption management measures to enhance operational energy efficiency according to the product categories.

- Battery chemicals: Carrying out the renovation of automatic control of equipment, implementing hot water recycling, optimizing process energy saving, strengthening energy consumption management, etc.
- Organic fluorine chemicals: Upgrading equipment automation and optimizing production
- Capacitor chemicals: Optimizing key energy-consuming equipment
- Semiconductor chemicals: Optimizing production equipment

The Company also adopted measures including building an energy management platform, improving the utilization rate of renewable energy sources and energy-saving technological renovation to comprehensively promote the optimization of the energy structure.

The Company actively engages in green power procurement to increase the use of cleaner energy. In 2024, approximately 50% of the electricity used in the Company's electrolyte production came from green power, and the production of battery chemicals accounted for more than 70% of the Company's total annual production. The use of cleaner energy substantially greatly reduced conventional energy use and carbon emissions in the Company's core business. Among them, the lithium battery electrolyte production of Suzhou Novolyte and Nantong Capchem has already realized 100% green power utilization; Jingmen Capchem, Huizhou Capchem and Sanming Hexafluo have also realized part of the green power utilization. Capchem Poland has increased the use of clean energy by installing solar panels, effectively reducing the greenhouse gas emissions generated by purchased power. By installing solar panels to increase the use of clean energy, we have effectively reduced the greenhouse gas emissions generated by purchased electricity.



The Company integrates energy-saving inspections into quarterly EHS audits, and regularly informs each base of its energy use and progress in implementing energy-saving and carbon reduction measures through inspection reports and quarterly carbon management reports. In addition, the Company also promotes the efficiency of energy use by optimizing the production process, improving the efficiency of raw material use and reducing energy consumption in warehousing.

The Company continues to enhance the energy management awareness and skills of its employees, and through systematic

training and target management, ensures that people at all levels are actively involved in the practice of energy saving and consumption reduction.

As of the end of the reporting period, Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Jingmen Capchem and Suzhou Novolyte had obtained ISO 50001 Certification, of which Nantong Capchem, Jingmen Capchem are production bases of obtaining ISO 50001 Certification in 2024, which provided standardization and normative support for the Company's continuous optimization of energy management.



Energy management system certificates of Capchem's production bases

Environmental Compliance Management

Capchem strictly abides by the laws, regulations and policies related to environmental protection of the country and the location of production bases, insists on choosing more environmentally friendly raw materials, adopting cleaner processes, using more energy-saving equipment, realizing green development with technology empowerment, reasonably controlling resources and energy consumption, and optimizing waste management.

Governance

The Company has formulated Environmental management regulations such as the *Environmental Factors Identification and Evaluation Control Program*, the *Pollution Control Procedures and Emergency Response Plan for Sudden Environmental Incidents* following the concept of "People-oriented, striving for green excellence". Meanwhile, the Company has set up an EHS management structure with clear division of roles and responsibilities, responsible for decision-making, supervision and management of EHS-related issues, including pollutant discharge, waste treatment and water resource utilization.

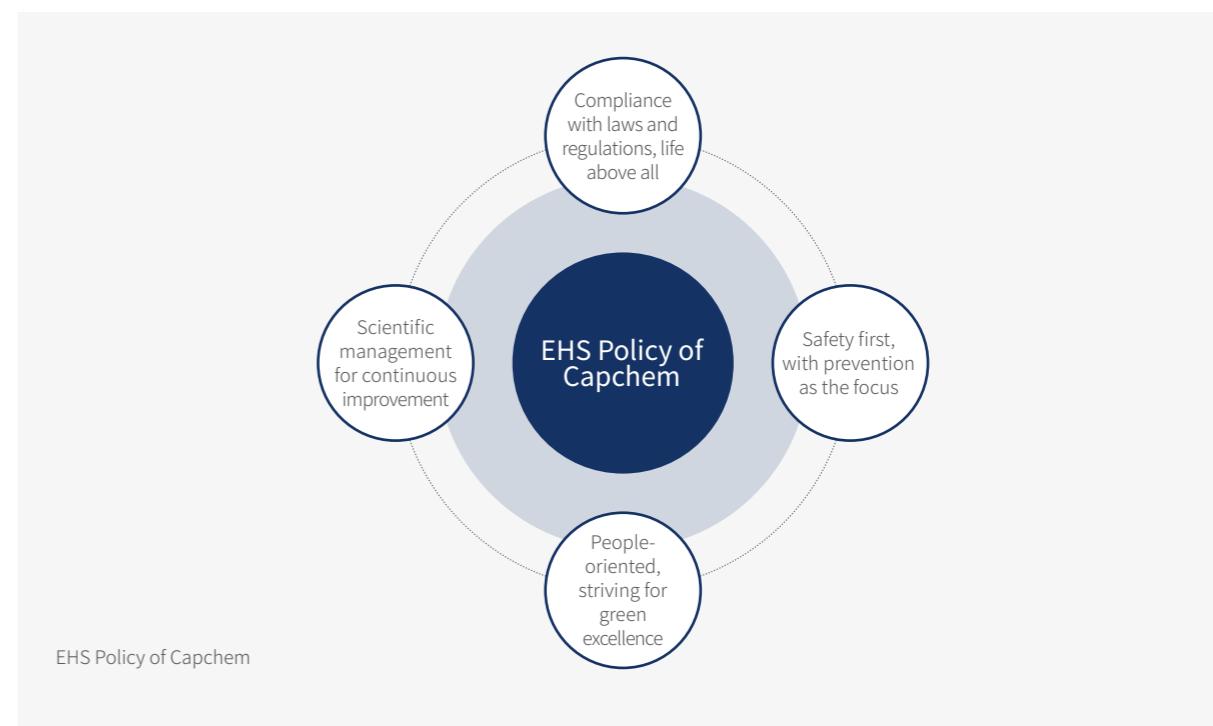
The Board of Directors, as the highest leading organization of the Company's operation and EHS management, is responsible for making major decisions on environmental protection and supervising environmental protection work; the Executive Committee under the Board of Directors is responsible for coordinating the promotion and implementation of environmental protection work. Under the leadership of the Board of Directors and the Executive Committee, the EHS Management Committee is responsible for implementing all environmental protection decisions and tasks, deploying and guiding the Company's environmental protection work, formulating environmental protection policies and guidelines, and organizing and carrying out environmental protection audits and evaluations, etc. The EHS Center is responsible for assisting the EHS Management Committee in supervising and managing the environmental protection work of the production bases, and the implementation of environmental protection related work by the production bases.



The Company attaches importance to environmental performance management and has formulated the *EHS Reward, Punishment and Performance Evaluation Management System*. The board of directors of each production base supervises and evaluates the environmental protection work of each unit in the current period through quarterly meetings and semi-annual or annual work inspections. At the same time, the Company links the performance of EHS issues with the evaluation of the remuneration of executives and incorporates the environmental performance into the performance index system of the management and each level unit.

Strategy

In order to address the impacts, risks and opportunities related to environmental compliance, Capchem has formulated an EHS management policy and an environmental management strategy, and continues to empower environmental compliance management through the minimization and resourcing of "waste water, waste gas, solid waste" and the adoption of cleaner production processes.



During the Reporting Period, the Company formulated a list of environmental compliance risks by comparing with regulations, policies and standards, and carried out various initiatives to continuously strengthen the Company's ability to manage environmental compliance risks.

Risk category	Risk description
Policy and Regulatory Risks	The Company's global operations face stricter policy and regulatory pressures in the medium to long term due to the compliance risks associated with the accelerated updating of domestic and international regulations and increased enforcement.
Business impact risk	Failure to comply with regulatory requirements for environmental protection in the course of production and operation may result in the Company facing administrative penalties for environmental compliance and affect the Company's reputation.
Financial risk	Financial risks such as high operating costs of pollution prevention and control facilities in the course of production and operation.
Competition risk	Downstream customers are demanding more and more environmental management from the Company, and the Company may face the risk of not being able to fully meet customers' requirements on environmental management and environmental performance.

During the Reporting Period, all production bases of the Company have implemented various daily management work of environmental management in accordance with statutory requirements, and self-monitoring of environmental impacts in accordance with regulations. Meanwhile, the Company carries out environmental compliance audits for all operating sites every year, including compliance checks of laws and regulations, integrity checks of the environmental management system and internal environmental management system, and monitoring and auditing of environmental protection emissions, etc. The Company has compiled a standardized assessment form for the construction and operation of environmental pollution prevention and control facilities, and carried out a standardized assessment of the construction and operation of environmental pollution prevention and control facilities of the bases, and formulated corresponding improvement plans to promote the improvement of the management level of pollutant discharge and disposal. While preventing environmental compliance risks, the Company actively carries out environmental compliance awareness raising and capacity building. In 2024, the Company has conducted a total of 139 environmental compliance trainings at all bases, with a total duration of 12,957 hours, covering all

employees of the Company's production departments, and the contents of the trainings include environmental laws, regulations and standards, operation and management of environmental pollution prevention and control facilities, and environmental management system.

In terms of emergency management of environmental emergencies, the Company has actively signed the *Emergency Rescue Mutual Assistance Agreement for Environmental Pollution Sudden Incidents* with relevant enterprises and national hazardous chemical emergency rescue bases and other professional forces, so as to consolidate its own emergency response capability for environmental emergencies.

In addition, the Company has formulated corresponding emergency response plans for specific situations such as chemical leakage, hazardous waste leakage, environmental emergencies derived from production safety accidents, etc., and regularly conducts internal and external special drills and training.

In 2024



the Company has conducted a total of

139

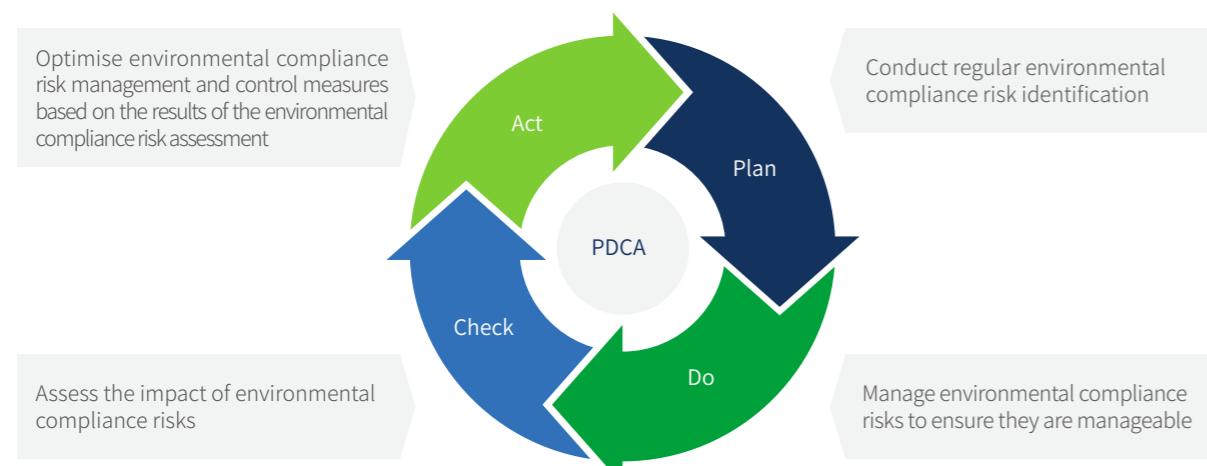
environmental compliance trainings at all bases

with a total duration of

12,957 hours

Impact, Risk and Opportunity Management

In accordance with environmental protection regulations and standards and the requirements of ISO 14001 and other risk management requirements, the identification and assessment of environmental compliance risks are comprehensively integrated into the Company's strategic decision-making and daily operation management.



Environmental Compliance Risk Management Process of Capchem

At the same time, the Company has formulated the "4R" control principle for the whole life cycle from research and development to waste disposal, based on the compliance risk, good impact risk, financial risk and market competition risk related to the environment.



4R Control Principles for Environmental Protection Throughout the Life Cycle

Indicators and Targets

During the Reporting Period, Tianjin Capchem and Fujian Heptafluo obtained ISO 14001 environmental management system certification. As of the end of the reporting period, a total of 90.9% of stable operating bases have obtained the ISO 14001 environmental management system certification. The bases that had not yet passed the certification also strictly followed the ISO 14001 standard in carrying out their environmental management work and actively carried out the relevant certification system audits. During the Reporting Period, the Company has not been penalized by the competent authorities for violating the relevant laws and regulations on environmental management, nor has it been affected by pollutant emissions on its employees or local community residents.

During the Reporting Period

the Company's investment in environmental protection amounted to

RMB 34.05 million

Emissions and Waste

Capchem strictly complies with the pollutant emission standards of the country and the place where it operates, formulates compliant and efficient management and disposal processes for all kinds of emissions and wastes generated in the course of production and operation, and endeavors to minimize the impact of emissions and wastes on the environment.

Pollutant Emissions

Capchem strictly controls the emission and disposal of pollutants during the production and operation process, implements green production at source to reduce the generation of pollutants, and continuously optimizes the management and governance of waste water, waste gas, solid waste to ensure that all wastes are discharged and disposed of in a compliant manner.

The Company has formulated a perfect internal management system for pollutant emissions during production and operation, and further revised the *Hazardous Waste Management Systems* according to the audit requirements of suppliers to clarify the emission limits and disposal requirements of various pollutants. At the same time, the Company continues to minimize the emission of pollutants and reduce its environmental impact through source reduction, process control and end-of-pipe management.

Pollutant types	Major management systems	Main emissions types	Treatment methods
Waste water	The <i>Pollution Control Procedures</i>	Industrial wastewater, domestic sewage	<ul style="list-style-type: none"> Water reuse or discharge to standards through biological, chemical and other wastewater treatment processes
Waste gas	The <i>Pollution Control Procedures</i>	Nitrogen oxides (NO _x), particulate matter (PM), sulfur oxides (SO _x), volatile organic compounds (VOCs), odor, sulfuric acid mist, hydrochloric acid mist, non-methane total hydrocarbons, etc.	<ul style="list-style-type: none"> Recycling through absorption, condensation, regenerative combustion, etc. or meeting emission standards
Hazardous waste	The <i>Hazardous Waste Management Systems</i>	Waste organic solvents, waste filter cartridges, waste packaging materials, waste activated carbon, waste molecular sieves, production waste liquids, wastewater treatment sludge, organic resin wastes, distillation residues, waste mineral oil, incineration residues, etc.	<ul style="list-style-type: none"> Entrust third-party qualified organizations to carry out harmless treatment; Some hazardous wastes are treated by incineration

Shenzhen Capchem

Upgrade the laboratory's waste gas treatment method to a two-stage treatment system with activated carbon and liquid spraying to reduce the environmental pollution caused by exhaust gases.

Jiangsu Hicomer

Enhance the wastewater treatment process by adding IC treatment technology, micro-electrolysis, as well as RO and ultrafiltration processes, further reducing the pollutant content in the wastewater and ensuring that the effluent reaches a level suitable for recycling.

Pollutant optimization measures

Hunan Fluopont

Upgrade the waste gas treatment process to a membrane and resin process to reduce Volatile Organic Compounds (VOCs) emissions.

Sanming Hexafluo

Treat wastewater through the new process of desalination by negative pressure evaporation to, reducing the amount of hazardous waste generated and improving the quality of wastewater discharge.

In 2024, the Company conducted an assessment of the construction and operation of pollutant control facilities at each of its sites (refer to the *Environmental Compliance* section for more details).

During the Reporting Period, the Company did not incur any environmental violations or administrative penalties related to the discharge of pollutants. The emission reduction targets for each pollutant discharge and the annual achievements are as follows:

2024 Target	Achievement in 2024
Decrease in wastewater discharges per unit of product year-on-year, using 2023 as the base year	 Target achieved
↓ 5%	
Hazardous waste emissions per unit of product year-on-year with 2023 as the base year Decrease of	 Target achieved
↓ 5%	

Waste Treatment

The Company has established a perfect waste management system, taking "minimization, resourcefulness and harmlessness" as the principle, while reducing general waste emissions, it continues to optimize its packaging materials, implement recycling and reuse measures, improve the recycling rate of waste, and contribute to the development of circular economy.

- The Company actively promotes the concept of circular economy and reduces waste emissions by optimizing testing methods and adopting environmentally friendly reagents.
- The Company replaced some of the raw material galvanized barrels packaging incoming material with tank truck incoming material, achieving a reduction of approximately 7.5 tons of waste galvanized barrels per month.

General waste discharge

876.46 Ton

Capchem Waste Emission and Recycling Volume

General waste discharge intensity

0.001 Ton/RMB 10,000 in revenue

Total recycling of general waste

69.90 Ton

Capchem conducted the "empty plate" campaign

During the Reporting Period, the Company carried out the "empty plate" campaign, launching the initiative of "civilized dining and food saving" to all employees, which not only reduced the consumption of food resources and the generation of food waste, but also cultivated the staff's awareness of saving and sense of social responsibility, and enabled the staff to develop a sense of thrift and frugality in daily life and work.

Resource and Ecological Protection

Capchem continuously optimizes the water consumption structure of its production process to reduce its dependence on water resources and minimize the risk of soil and groundwater pollution from its production operations. Meanwhile, the Company continues to pay attention to biodiversity protection, taking ecological impacts into account from factory site selection to production operations to ensure synergy between business development and biodiversity protection.

Water Resource Utilization

Capchem is committed to reducing the dependence on water resources for its production and operations, and has implemented multiple measures to reduce the use of water resources based on the principles of reducing water consumption and enhancing the efficiency of water resources utilization. During the Reporting Period, the Company formulated the *Water Conservation Management System* and continued to explore the potential for water conservation and recycling in production, and promoted the innovation and application of water-efficient production process. In 2024, we carried out water resources consumption analysis in all our subsidiaries and bases, promoted the best water-efficient process, and reduced the use of water resources through alternative water use, with the Company's total amount of water reuse amounting to 363,862 tons.



Water-saving technological transformation

- Optimize the production wastewater treatment process, and convert the existing wastewater into tap water that can reach the use standard after treatment, and reuse it for the domestic water of the base.

Water reuse measures

- Collect steam condensate, reprocess it and recycle it; Collect steam condensate and equipment jacket circulating water to realize water reuse.

Reducing water consumption

- Reduce production water consumption by optimizing the drum cleaning process.

Meanwhile, the Company pays great attention to soil and groundwater protection, and systematically evaluates soil and groundwater and regularly monitors the monitoring points during the stages of soil and water environment assessment, construction and post-commissioning of the project.

During the Reporting Period, the water resources used by the Company were from municipal water supply, and there was no significant impact on water resources in terms of water intake, water consumption and wastewater discharges, and there were no incidents of pollution related to soil and underground water bodies. In the future, the Company will further assess the water risks of its existing operations and set targets for water conservation.

Ecosystem and Biodiversity Conservation

The Company has always been highly concerned about the impact of its operational activities on biodiversity, and strictly abides by the *Environmental Protection Law of the People's Republic of China*, the *People's Republic of China Soil Pollution Prevention and Control Law*, the *People's Republic of China Water Pollution Prevention and Control Law* and the *People's Republic of China Solid Waste Pollution Prevention and Control Law*, as well as the relevant laws, regulations and policies of the locations where it operates, and strictly abides by the ecological red line.

During the site selection and construction phase of the plant, the Company gives priority to areas with low ecological impact through environmental surveys and investigations, and tries to adopt low-impact construction methods, such as steel structures, to minimize interference with local biological habitats. In the production and operation stage, the Company reduces the negative impact of its production activities on the natural environment by optimizing the energy structure, gradually reducing its reliance on traditional energy sources and introducing advanced pollution control technologies.



Capchem conducts biodiversity assessment for investment projects

During the early stages of project implementation, the company conducted environmental impact assessments to minimize potential impacts on the ecological environment. For example, the company's investment projects in the United States are located in areas with wetlands, which are home to an aquatic protected animal. The company supported relevant departments to adopt wetland mitigation methods and seek more suitable habitats for the protected species.



At the same time, the Company has strengthened the ecological environment assessment of project sites to ensure that business activities not cause irreversible impacts on local ecosystems. The Company takes ecological environmental protection as an important basis for decision-making and ensures that the need for biodiversity conservation is fully taken into account in the course of business development.

During the Reporting period, all the Company's production bases were not located in important ecological function zones or ecologically sensitive and fragile areas. For factories and bases that may have potential impact on the ecological environment, the Company has carried out relocation measures and stopped the production of relevant hazardous chemicals to further minimize ecological risks.

04

Win-win

Win-win is always the constant pursuit of Capchem. The Company insists on building a supply chain ecology with a responsible attitude, attaches importance to talent development and incentive, and makes every effort to protect the rights and benefits of employees. We also actively participate in public welfare and charitable activities to give back to the community with practical actions, showing the responsibility and commitment of Capchem.



Responsible Supply Chain

- **100%** of core material suppliers have achieved ISO 9001 Quality Management System certification, and all have signed the *Human Rights Compliance and Conflict-Free Minerals Declaration*. Over **91%** of core material suppliers have completed the signing of CSR agreements
- Capchem has provided **24** quality-related trainings to core material suppliers, covering **299** individuals, marking a significant improvement compared to 2023
- ISO 14067 system trainings have been conducted for **91** core material suppliers
- Capchem safeguards labor rights and occupational health and safety, conducting irregular supplier audits
- A due diligence management procedure for responsible mineral supply chains has been established

Human Rights of Employees

- The total workforce was **4,197**, with **669** new hire
- **80%** of local employees in Capchem Poland
- Absence of labor violations such as child labor and forced labor

Talent Development and Incentive

- The average number of training hours per employee over **41 hours**
- **100%** of employees receiving performance appraisals

Employee Rights, Interests and Benefits

- The Company cumulative investment in promoting the well-being of its employees amounted to **RMB 41.2074 million**
- The satisfaction survey of the Company covered **100%** of full-time and part-time employees, and the employee satisfaction was rated "**Good**"

Community Contributions

- During the Reporting Period, Capchem invested a cumulative total of **RMB2.6137 million** in support of social welfare causes
- At the end of 2024, Sanming Hexafluo has donated to the Scholarship Fund for four consecutive years, with a cumulative donation of **RMB7.58 million**



Responsible Supply Chain

Capchem adheres to the core concept of "building a competitive supply chain and creating the optimal cost and service value for customers" and deeply integrates the Company's sustainable development strategy into the ESG management and practice of the supply chain to build a responsible, resilient, green and traceable responsible supply chain system. The Company works with suppliers and their upstream partners to promote the sustainable development of the whole industrial chain.

Governance

Capchem continues to improve our supply chain management system, and the Company has built a three-tier management structure for our supply chain and clarified the division of responsibilities at each level to ensure the stable operation and efficient management of the supply chain. In the procurement process, the Company strictly complies with the *Capchem Supplier Code of Conduct* and the *Supplier Code of Conduct Management System*, and makes reference to the *Due Diligence Management Procedures for Responsible Mineral Supply Chains* to formulate the *Management Supplier Social Responsibility System*, the *Supplier Code of Conduct for Responsible Procurement*, the *Due Diligence Management Policies for Capchem's Responsible Mineral Resources Supply Chains* and the *Supplier Policy for Responsible Procurement Investigations* to strengthen the supply chain's ESG management and ensure compliance of the entire procurement process.



Strategy

Based on the strategic layout of sustainable development, Capchem deeply integrates ESG management into the full life cycle management of the supply chain, conducts business in a responsible way, and fulfills the missions of environmental protection, human rights equality, conflict minerals and compliance governance. The Company fully identifies potential risks and opportunities, is committed to building a resilient, green and efficient responsible supply chain, and works with supply chain partners to achieve sustainable development.

Capchem builds a supplier full life cycle management system, continuously improves the supplier development, management and evaluation mechanism of the five core stages of "resource development-certification-evaluation-maintenance-elimination", and regularly conducts supplier ESG performance assessment to reduce supply chain risks.

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

Supplier Full Lifecycle Management Stage Process Table

Capchem fully integrates ESG elements into the full life cycle management of suppliers, regularly assesses suppliers' performance in dimensions such as Environmental Protection, Employee Rights, Interests and Benefits, Health and Safety, Conflict Minerals, and Compliance and Governance, and promotes suppliers' active fulfillment of their ESG responsibilities. In 2024, Capchem has achieved the goal that 100% of our core material suppliers have signed the relevant agreements and committed to complying with the Guidelines.

Environmental Responsibility

Green Product Design

- Suppliers are progressively transitioning to green raw materials and renewable energy, reducing negative environmental impacts from product design and production stages.

Environmental Compliance Management

- At the supplier onboarding stage, EHS management agreements are signed, and suppliers are encouraged to obtain relevant ISO system certifications.
- Regular supplier site audits are conducted to monitor their environmental performance, including pollution emissions and resource usage.

Carbon Emission Management

- Core suppliers are assisted in conducting carbon emission assessments, and customized capacity-building projects are supported to enhance their performance.
- A digital system is established for efficient carbon emission management.

Conflict Minerals

Supplier Whitelist

- A supplier whitelist is established with reference to RMI standards.

Conflict-Free Minerals Commitment

- 100% of core material suppliers have signed the *Human Rights Compliance and Conflict-Free Minerals Declaration*.

Due Diligence

- A responsible minerals supply chain due diligence management program is established, requiring relevant suppliers to conduct traceability and due diligence investigations.

Capchem Supply Chain ESG Management

Capchem has incorporated CSR signing into the supplier access conditions and carried out CSR supplemental signing work for the suppliers that have been admitted. At the end of the Reporting Period, the CSR agreement signing rate of the Company's core material suppliers exceeded 91%, and CSR audits of suppliers have been gradually launched.

Capchem continues to improve the construction of systems and standards related to responsible supply chains, and has built due diligence management procedures for responsible mineral supply chains, requiring relevant suppliers to carry out traceability and due diligence in accordance with the *Human Rights Compliance and Conflict-Free Minerals Declaration*. In addition, the Company continues to promote RMI certification of suppliers during the procurement process, sets up a white list, strictly avoids mineral resources in conflict areas, and highly respects and protects the rights and interests of laborers in the mining areas.

Labor Protection

Compliant Employment

- Child labor and forced labor are prohibited.
- Supplier audits are conducted on an irregular basis.

Protection of Labor Rights and Interests

- Anti-discrimination and anti-harassment policies are in place to safeguard labor rights and respect multiculturalism.
- Reasonable working hours, compensation, and benefits are guaranteed.

Health and Safety

- Occupational health and safety measures are provided.
- A comprehensive emergency management mechanism is established.

Compliance Governance

Business Ethics

- All suppliers sign *Integrity Agreements*.
- Suppliers and employees are encouraged to report corruption and fraud.
- Fair trade, advertising, and competition standards are upheld.

Intellectual Property

- Suppliers shall protect all intellectual property rights of Capchem.
- Suppliers shall respect the intellectual property rights of third parties.

Information Security

- Suppliers are required to sign a procurement framework agreement incorporating confidentiality requirements.
- Suppliers are required to properly safeguard Capchem information and comply with confidentiality agreement terms.

Conflict Minerals

- Locations of Conflict Minerals: Democratic Republic of the Congo (DRC), Rwanda, Uganda, Burundi, Tanzania, Kenya
- Types of Conflict Minerals: Gold (Au), Tantalum (Ta), Tungsten (W), Cobalt (Co), Tin (Sn), Lithium (Li)

Specific Actions

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

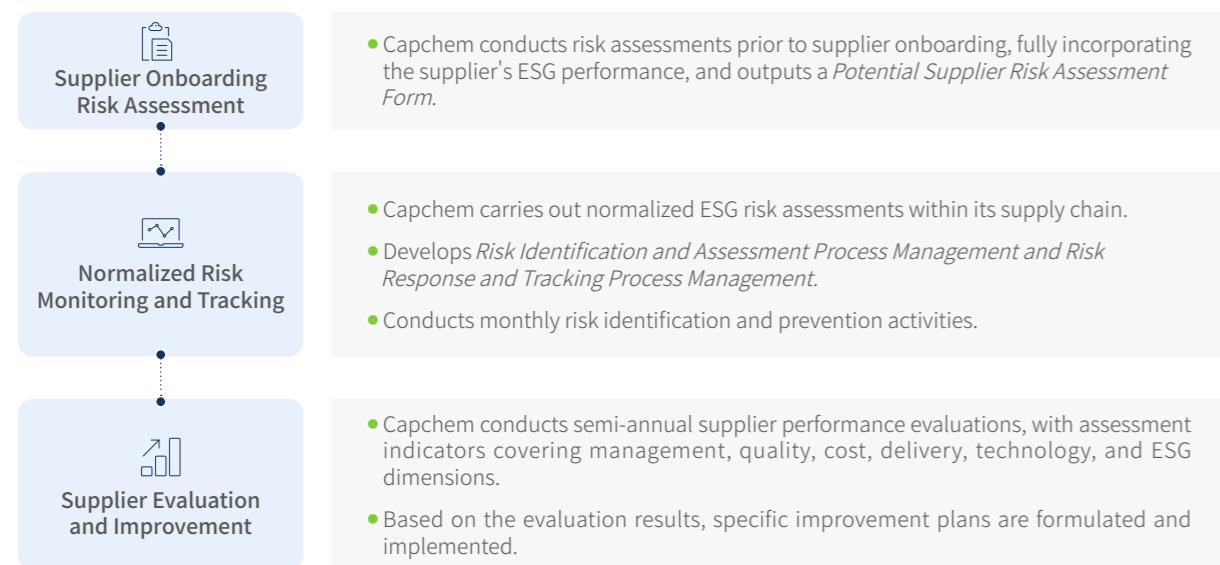
At the end of Reporting Period, 100% of Capchem core material suppliers have signed the *Human Rights Compliance and Conflict-Free Minerals Declaration* and ensured that the conflict minerals involved in the Company do not originate from anarchic armed forces or illegal smuggling channels, and are not mined or smuggled from illegal groups in conflict zones. The metals used by suppliers are also strictly excluded from minerals from Congolese veins that do not meet the "conflict-free" standards, as recognized by the United Nations Security Council.



Impact, Risk and Opportunity Management

Resilient Supply Chains

Capchem is committed to building and continuously optimizing a resilient supply chain system, guaranteeing that the supply chain can effectively cope with disruptions and quickly recover, in order to cope with the challenges brought about by the VUCA characteristics of the external environment. Combined with ESG management standards, the Company is continuously building a localized supply chain and intelligent transformation of the supply chain, and continuously strengthening the resilience of the supply chain, to ensure the continuity of the business of the Company and to develop new markets, so as to gain an advantage in the market competition. In addition, the Company continuously improves supply chain risk management mechanism, takes supplier access assessment as a starting point, carries out regular monitoring and tracking, and implements regular assessment and enhancement initiatives to effectively carry out supply chain risk control and response work.



Capchem Supply Chain Risk Management Mechanism

Furthermore, Capchem continuously improves risk identification and management within our supply chain, enhancing the flexibility and resilience of the supply chain through structural optimization. The Company also sets reasonable safety stock levels to ensure stable resource supply. Additionally, Capchem actively supports and treats small and medium-sized enterprises equally, thereby strengthening the diversity and stability of our supply chain and promoting mutual benefit across the value chain.



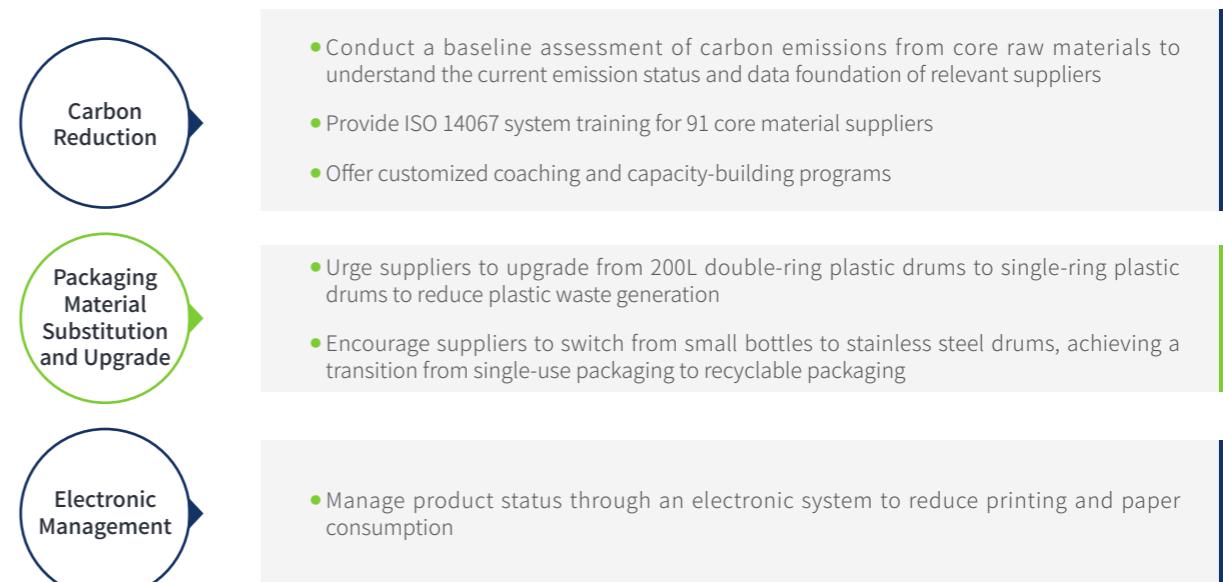
Huizhou Capchem

Supply Chain Risk Identification and Management	<ul style="list-style-type: none"> Supplier onboarding risk assessments and daily risk monitoring. Develop BCM business continuity management procedures and conduct risk assessment and management of critical resources and activities. Adopt risk-specific disposal measures for higher-risk projects. Dynamically improve the contingency plan by combining RTO (Recovery Time Objective) and the Company's development requirements.
Supply Chain Structure Optimization	<ul style="list-style-type: none"> The Company establishes a diversified supply chain to shorten the transport distance and save transport time by supplying nearby, speeding up the response of the supply chain and improving the agility of the supply chain.
Rationalize Safety Stocks	<ul style="list-style-type: none"> Based on the production and sales situation of each supplier and each base, the Company will set up reasonable safety stocks with suppliers and internally to ensure continuous and stable supply in the supply chain in case of material shortage or emergency demand.
Supply Chain Cooperation and Industry Synergy	<ul style="list-style-type: none"> Ensure a stable supply of strategic resources by deepening strategic cooperation with suppliers through long-term cooperation agreements and regular reviews of the reasonableness of production capacity and other measures. Treat the SMEs partners with respect and equality, safeguard the rights and interests of SMEs and support their development.¹¹

Capchem Resilient Supply Chain Key Initiatives

Green Supply Chain Construction

Capchem actively responds to the United Nations' Sustainable Development Goals by focusing on the construction of a green supply chain, demonstrating our commitment to sustainable development through concrete actions. The Company conducts an inventory of carbon emissions for core raw materials (accounting for 80% by quality), identifies carbon reduction potential within the value chain, and is dedicated to enhancing suppliers' carbon emission management capabilities. This aims to achieve carbon reduction across Capchem's value chain and promote our green and low-carbon transformation. Furthermore, the Company actively practices the concept of circular economy by encouraging suppliers to adopt green packaging materials and promote their recycling. Additionally, we implement electronic management to reduce paper consumption and minimize unnecessary resource wastage.



Capchem Green Supply Chain Construction Initiative

¹¹ During the Reporting Period, Capchem was not involved in any situation where the balance of accounts payable (including bills payable) exceeded RMB30 billion or accounted for more than 50% of total assets

Digital Empowerment Supply Chain Management and Traceability

Capchem actively promotes the deployment of digital systems, building and continuously upgrading ERP, SRM, and OA systems. By leveraging digital technology, we conduct in-depth analysis of procurement and quality data, and regularly generate management reports to support supply chain traceability, management, and improvement. Additionally, we embed ESG management processes into the SRM system, tapping into the potential of digitization to continuously empower ESG management. Through functional upgrades, we achieve efficient control and evaluation of supplier agreement signing, site audits, and performance assessments, strengthening the digital empowerment of the supply chain.

Indicators and Targets

Capchem is committed to building a sustainable supply chain ecosystem, fully supporting suppliers to improve ESG performance, consolidating the results achieved in supply chain management, and working with partners to promote industrial development.



Human Rights of Employees

High-quality talents are the core elements to promote the continuous progress of enterprises. Capchem empowers every employee with the talent development concept of "Participate·Develop·Undertake·Share", and is committed to constructing a diversified, inclusive and energetic workplace environment, so as to move forward side by side with the employees and create a bright future together.



Capchem Talent Development Concept

Employee Selection and Recruitment

Taking the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other laws and regulations applicable to both domestic and overseas operations as guidelines, and taking into account the UN Sustainable Development Goals (SDGs), the *Universal Declaration of Human Rights (UDHR)*, and the guiding principles of the Responsible Business Alliance (RBA), Capchem has continued to optimize the "*Capchem CSR Management Handbook*" internal management systems, to lay a solid institutional foundation for building a solid employment relationship.

In terms of talent selection, Capchem adheres to the employment principle of "Prioritize virtue, combining morality and competence". Combined with the changes in the market environment and the company's development needs, Capchem recruits talents through diversified channels such as social recruitment, campus recruitment and school-enterprise cooperation, so as to support the optimization and improvement of the company's organizational efficiency and ensure the sustainable development of the enterprise.

In the Reporting Period, the Company continued to carry out regular social recruitment activities, and welcomed every like-minded quality talent to join us with an open attitude. The Company also gradually deepens the cooperation with domestic chemical and chemical colleges and universities, with rich experience to help students to become successful, and contribute to the prosperous development of the chemical industry.

Capchem also takes quality talents as the source of power to accelerate the Company's global industrial layout and internationalization process. The Company follows the concept of internal talents, and in the process of preparing for the construction of its plants in the United States and Poland, it has continued to attract and build a team of talents with global vision and cross-cultural communication skills through internal mobilization, technical assistance and third-party co-operation, so as to effectively shorten the cycle of plant completion and commissioning, and to promote the construction of overseas factories and high-quality development. Capchem also pays great attention to the employment and career development of local staff in its overseas subsidiaries. As of the end of the Reporting Period, the proportion of local staff in Poland reached 80%.

Diversity and Equal Employment

Capchem always puts the rights and interests of employees in the first place, keeps its commitment to providing equal employment opportunities and safeguarding employment compliance, and continues to optimize its internal human resources management, and is committed to providing every employee with opportunities and platforms to give full play to his or her talents.

The Company firmly stands against and unequivocally opposes any form of illegal employment practices, including, but not limited to, the use of child labor and forced labor. The Company announces zero tolerance for any discrimination and harassment based on race, gender, skin color, religious belief, age, nationality, and physical condition. In the Reporting Period, neither child nor forced labor employment was found at the Company.



Equal Employment Opportunity

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



Employment Compliance

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

Talent Development and Incentive

Employee development is the key to the shaping of corporate culture. The Company always focuses on the long-term development of employees, focusing on the three dimensions of "incentive, development and culture", providing employees with diversified training and development opportunities, motivating employees to constantly break through, and realizing a win-win between personal value and corporate goals.

Staff Training

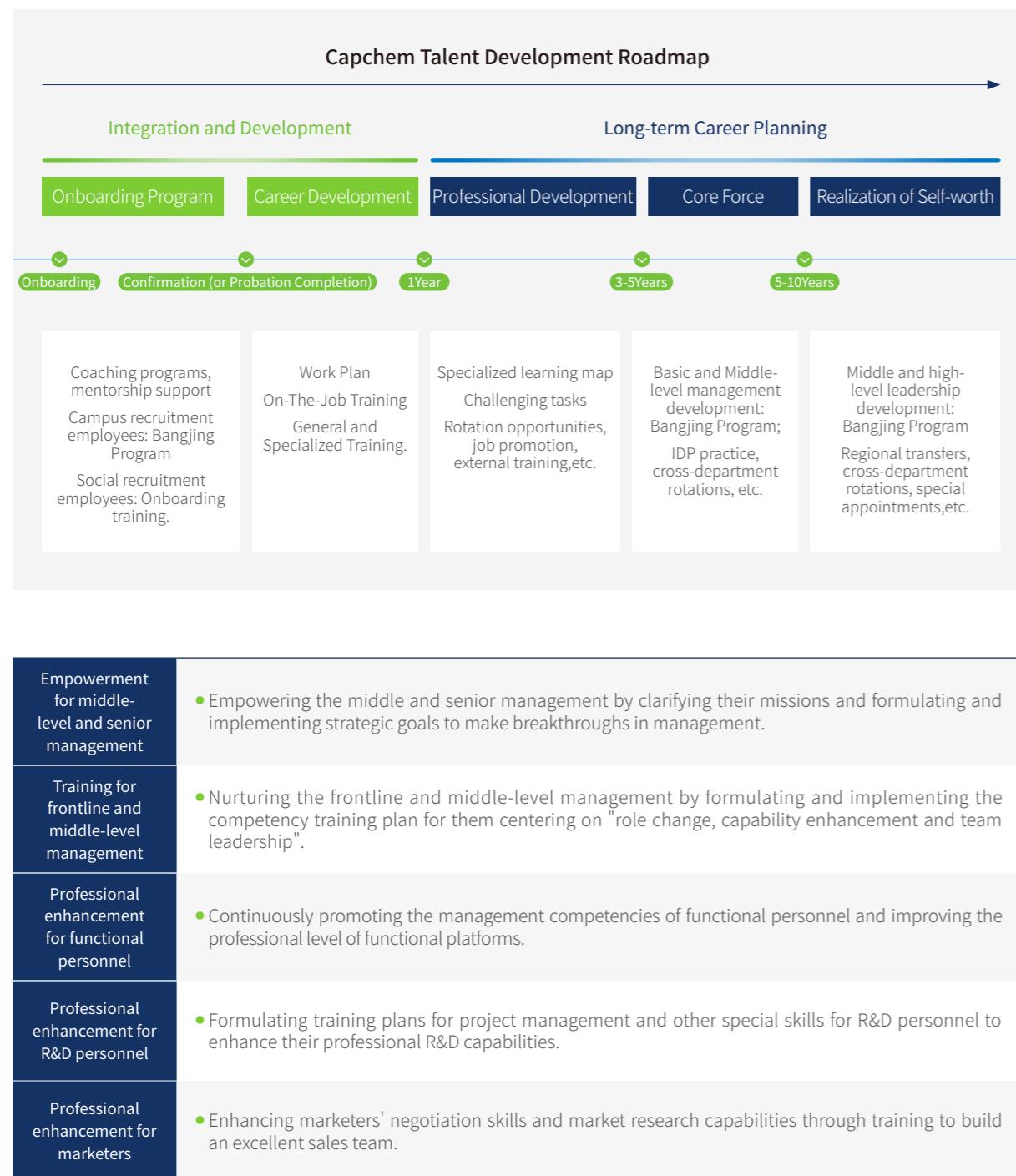
Based on the requirements of the management system such as *Employee Training Management Procedures* and *Internal Trainer Management Systems*, Capchem accurately dovetails with the overall strategic planning of the enterprise and the needs of employees in different positions at various stages of their growth, and through the combination of Capchem Management College and offline internal trainer teaching and training plans, it elaborately draws up a blueprint for the cultivation of the employees throughout their careers, thus ensuring the sustained and prosperous development of the enterprise.

课程名称	学时	学分	评分	操作
营销培训-团队建设与管理	0.5	0.5	4.8分	235人评价
营销培训-Electrolyte for EDLC	1	1	4.7分	170人评价
钓鱼邮件识别与防范技能培训	0.5	0.5	4.8分	3137人评价
VI使用规范培训(2024)	1	1	4.7分	425人评价
营销培训-走进电池化学品	2	2	4.8分	964人评价
从经营的视角看流程	2	2	4.9分	321人评价
知识产权第一课	2	2	4.9分	440人评价
汇联易费控系统全员操作培训	2	2	4.8分	5671人评价

Online courses of Capchem Management College

With the rich accumulation of practice, Capchem continues to expand the course reserve of its Capchem Management College, providing more than 3,000 high-quality training online courses for employees at different stages of growth, providing strong support for employee training and development. The Company also continues to promote the cultivation and development of internal trainers to build a professional team of teachers who are familiar with corporate strategy and culture, and possess rich practical experience and professional knowledge. As of the end of the Reporting Period, the Company had over 30 experienced and practical internal trainers.

In 2024, Capchem further clarified the Company's job portrait and established the system of matching the degree of human and job, closely focusing on the direction of growth and the required resources of the employees of each grade and position, and constructed a personalized path of development for each employee by means of employee ability assessment and performance analysis, etc., so as to continue to improve the job competence and professional level of the employees. During the Reporting Period, the Company invested a total of RMB 1.1761 million in training funds, and carried out a total of 173,000 hours of training, with an average of more than 41 hours of training per employee.



In 2024, the Company continues to carry out the "Capchem Series" training program, systematically assisting fresh graduates, functional staff, R&D staff, sales staff, and mid-level, middle and senior management in their career development and skill enhancement, to ensure that employees deeply understand and practice the Company's culture, and to build a highly professional and cohesive talent team.

Capchem Bangjing Program

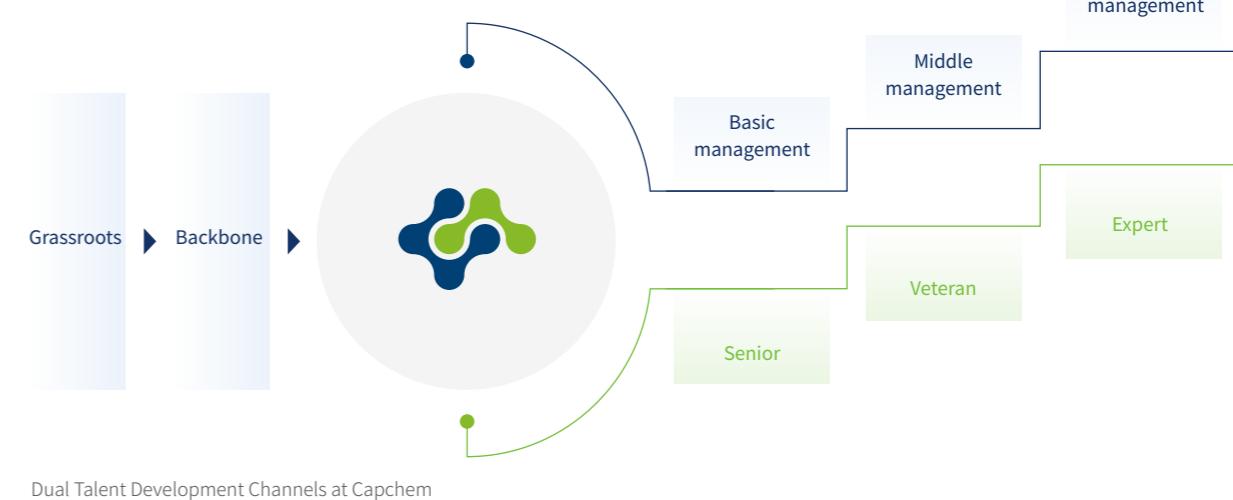
As of 2024, Capchem has successfully carried out fourteen Capchem Bangjing Program. The program combines the Company's business development direction and helps fresh graduates to quickly adapt to the Company's culture and working environment by carrying out activities such as quality development, centralized training and job practice.



14th Capchem Bangjing Program

Staff Development

In Capchem, the growth and development of talents never ends. Relying on the comprehensive qualification system and supporting career promotion system, the Company creates a vertical and horizontal talent development and professional ability enhancement channel for employees to promote the long-term development of the enterprise. For details of the qualification system and the composition of the development channels, please refer to the *2023 Environmental, Social and Governance (ESG) Report of Shenzhen Capchem Technology Co., Ltd.*



In 2024, the Company improved the multiple career development channels including 4 major sequences and 54 channels, built a competence certification system for the product manager channel and extended the standards of the R&D technology sequence according to the attributes of different businesses and sequences of talents as well as the requirements of the positions, gradually construct a differentiated talent management mechanism, and guided the professional channel personnel to build and improve their competence.

Capchem also takes the evaluation of employees' ability and the display of performance results as the core, promotes a clear and visible promotion path and a wide range of development opportunities for employees, helping employees to achieve a win-win situation in terms of their personal value and the development of the enterprise.

In 2024, the Company further improved its cadre management system, established and optimized the cadre selection and appointment management system, cadre succession management system, cadre parachute mechanism, strengthened the cadre integrity and discipline management mechanism, and safeguarded the continuous supply of top-level talents while realizing the management of cadres throughout their life cycle to ensure the continuity and stability of organizational operations.

Talent Incentives

From the perspective of employees' interests, the Company gradually builds a comprehensive talent management strategy integrating "Retaining talents with career, treatment and culture", and builds a scientific and efficient performance appraisal mechanism and diversified remuneration schemes for employees, so as to maximize the retention of high-quality talents in the enterprise. 2024, based on the comprehensive consideration of the external environment changes and internal business development needs, Capchem optimized the remuneration incentive system, aiming to fully stimulate the motivation and enthusiasm of employees to work and provide strong support for the sound development of business.

"Streamlining and efficiency, truthfulness and pragmatism" are the two main annual themes of Capchem's performance work in 2024. By refining the assessment criteria and focusing on the depth of the summary report, Capchem carries out innovation and optimization of the performance system, drives the business development and improvement of operational efficiency through performance, and lays a solid foundation for the promotion of the implementation of the Company's objectives and achievement of the objectives at all levels. A solid foundation has been laid to promote the implementation and achievement of the Company's objectives at all levels.



Capchem insists on sharing the fruits of corporate development with its employees, providing all employees with a mixed variable compensation plan that includes monthly performance awards, year-end awards and other items, and stimulating the intrinsic motivation of key and core talents through the equity incentive policy to make them become the core engine that promotes the lasting prosperity of the enterprise.

Employee Rights, Interests and Benefits

Adhering to the concept of "people-oriented", Capchem attaches great importance to the employee rights, interests and benefits, and pays close attention to the demands of employees through meticulous welfare and care initiatives and diversified and smooth communication mechanisms, and endeavors to build a warm and loving working environment to help employees achieve a harmonious integration of work and life.

Employee Benefits

Capchem regards employees as its most valuable assets. The Company strictly abides by the statutory welfare policies applicable to the place of operation and provides employees with comprehensive and attractive non-pay benefits by combining the actual needs of employees in their work and life, and helps employees to relax physically and mentally by carrying out the activities of "sending coolness" in summer, holiday condolences, labor competitions and psychological symposiums to stimulate the sense of belonging and work motivation of the employees. We provide employees with comprehensive and attractive non-compensation benefits.

Benefits	Holidays	Activities
Business Insurance Recruitment Transfer Holiday Sympathy	Paid Annual Leave Paid Leave of Absence Wedding Leave	Annual Meeting Carnival Reading Bonanza
Self-operated canteen/ meal subsidy Annual Physical Examination	Maternity Leave Breastfeeding Leave Travelling Leave	Interest Association Holiday Activities Physical Exercise
Single room dormitory/ room subsidy Telephone Subsidy	Parental Leave Nursing Care Leave Other Holidays	Birthday Party Team Building Other Activities

Capchem Employee Rights, Interests and Benefits System

Promoting Employee Mental Health

In September 2024, Fujian Heptafluo organized an employee psychological symposium. The event invited professional psychological counsellors to explain the importance of mental health and share effective psychological adjustment methods, aiming to promote employees' mental health and effectively enhance their work happiness and quality of life.



The scene of staff psychological symposium

Among them, humanistic care for female employees and employees in difficulty is an important part of the welfare culture of Capchem. The Company advocates gender equality in the workplace culture, and practical action to female employees to convey respect and care, including the establishment of mother and baby room and equipped with mother and baby related supplies. The Company is also always concerned about the living conditions of employees in difficulty, through visits and condolences, grants and other ways to solve the urgent needs of employees in difficulty.

In addition, Capchem also implemented human resources management and protection of employees' rights and interests by means of information technology, establishing and continuously optimizing its internal E-HR system during the Reporting Period. The system is based on the core functions of personnel, attendance and remuneration, and through automated process management and an intelligent independent service platform, it effectively enhances the management efficiency of the Company's managers and human resources practitioners while protecting the basic rights and interests of employees.



Employee Communication

Capchem understands the importance of democratic management and focuses on creating an open and inclusive corporate culture. The Company has taken many measures to open up the communication channels for employees and ensured that the opinions of employees can be known to the top management and effectively responded to in a timely manner through a combination of written and offline means. We also encourage employees to contribute to the Company's management and cultural development through Workers' congress, Labor Union Representatives Meeting, New Employee Executive Meeting and other channels, so as to incorporate their personal wisdom into every detail of the Company's development.

Main communication channels	Annual focus
Workers' Congress	Capchem gives full play to the bridge role of the Workers' congress to follow up and deal with the difficulties encountered by the worker in their work and life in a timely manner and realize the deep development of democratic management.
Labor Union Representatives Meeting	In 2024, the Labor Union Representatives Meeting became one of the core initiatives of democratic management in Capchem. Through the election of employee representatives, the Company's labor union takes the lead in collecting a wide range of employee proposals and opinions, and deploys enterprise development work around key issues such as employee welfare, working environment, career development and related systems.
New Employee-Executive Meeting	In 2024, Capchem organized a meeting with senior management for new employees to provide a platform for new college students to communicate directly with senior management, which effectively enhanced new employees' sense of belonging to the Company and sense of identity.

Employee Seminar

Capchem regularly holds new employee seminars, which focus on business and product knowledge, work adaptation, corporate culture awareness and career development planning for discussion, promoting good interaction and communication between employees, enhancing the sense of belonging and team cohesion of new employees, and encouraging each new employee to be full of enthusiasm to build a dream of excellence together.



Scene of Employee Seminar

The Company also continues to deepen the effectiveness of its democratic management through regular employee satisfaction surveys. In 2024, the Company conducted employee satisfaction surveys based on the actual needs of employees, with questionnaires scientifically designed, opinions collected and the results of the surveys analyzed in depth to identify problems in the operation process, and the results of the surveys were rectified in a timely manner and the results followed up. In Poland, the Company conducted a satisfaction survey for all employees in February 2024 and followed up the results of the survey to help ensure that employees of different backgrounds enjoy equal rights and benefits. At the end of the Reporting Period, the employee satisfaction survey covered all employees (including part-time employees), with the employee satisfaction rated "Good".

Community Contributions

Capchem always upholds the enthusiasm for back to society and closely integrates the concept of social responsibility with the development strategy of the organization. The Company continuously participates in and carries out various public welfare, charitable and community exchange activities in various fields such as education, culture and sports, and promotes the construction of people's livelihoods through public welfare and good deeds, and promotes the common prosperity of the enterprise and the community.

Rural Revitalization

Rural revitalization is of great significance for enhancing the well-being of local residents and promoting the sustainable and healthy development of the economy and society. Capchem focuses on the growth of young people and rural education, firmly believing that knowledge is a powerful tool for poverty alleviation. The Company continuously deepens educational assistance to support the rejuvenation of the country through science and education. Since 2022, Capchem has regularly supported outstanding students from poor families in Tiandong County through the "Education Assistance and Dream Realization" platform in Maluan and Tiandong. The Company has also contributed to the educational cause in the Guangdong-Guangxi region. Meanwhile, Capchem has established the "Capchem scholarship" to continuously support primary and secondary schools as well as universities, encouraging students to study diligently, innovate, and strive for progress. During the reporting period, the cumulative educational donations reached RMB 2.296 million.

Community Co-Prosperity

Capchem always keeps social welfare in mind. The Company pays close attention to and responds to the development needs of communities at home and abroad, promotes the well-being of residents with practical actions, boosts the prosperity of community education, culture and other fields, continues to deepen the emotional connection with the community, and realizes the unity of corporate benefits and social benefits.

Contributing to Educational Development

Capchem actively promotes the comprehensive development of community education and continues to stimulate the vitality of community education and help cultivate high-quality talents through donations to the Love Scholarship Fund and other means. During the Reporting Period, Sanming Hexafluo, a subsidiary of Capchem, donated RMB1.696 million to the Love Scholarship Fund, and the cumulative amount of donations for four years reached RMB 7.58 million.

During the Reporting Period

Capchem invested a cumulative total of

RMB 2.6137 million

in support of social welfare causes

Sanming Hexafluo carries out the donation of the Love Scholarship Fund for the fourth consecutive year

In August 2024, Sanming Hexafluo and its executives donated RMB1.696 million to Mingxi County Education Development Promotion Association to support the development of local education. Up to 2024, Sanming Hexafluo has donated to Mingxi County for four consecutive years, with a total donation of RMB7.58 million, which demonstrates the Company's corporate responsibility and commitment to "support the public welfare and give back to society with its achievements".

Jingmen Capchem Carries Out Education Scholarship Donation

Jingmen Capchem, which is committed to fulfilling its social responsibility, donated RMB 50,000 to Jingmen Duodao District Mingquan Elementary School, Petrochemical No.1 Primary School Wang Bing Shi School, respectively, to provide support and help for students, to take practical actions to encourage and support local students academically, which is the example of Jingmen District enterprise charity.



Jingmen Capchem Education Scholarship Donation Ceremony

Promote Community Harmony and Prosperity

Capchem is committed to stimulating the cultural vitality of the community through participation in community activities such as the Environment Day, achieving communication and interaction between enterprises and the community during the activities, and boosting the development of local cultural prosperity.



Huizhou City June 5 Environment Day

Improve the Allocation of Community Public Resources

Capchem has always been actively concerned about the construction of infrastructure in the nearby communities, giving full play to its own resource advantages, and joining hands with various stakeholders to contribute to the improvement of the local community activity environment and the construction of a harmonious and beautiful community.



Jingmen Capchem participated in the donation activity of Jingmen High-tech Zone - Duodao District

Overseas Community Building

As a responsible enterprise, Capchem continues to carry out overseas community construction and cultural exchange work, actively participates in local cultural and sports activities and community emergency drills, and donates protective helmets and other safety equipment to local departments, creating good economic benefits while contributing to the prosperity and development of local communities.

Football Tournament "Capchem Cup" in Poland

In June 2024, Capchem Poland sponsored and supported the fourth Capchem Cup football tournament, which was held to support local football clubs, fully demonstrating the spirit of the tournament "Energy, Sports and Nature" and effectively promoting community development.



The 4th "Capchem Cup" Football Tournament

Boris Charity Run

In October 2024, Capchem Poland took an active part in the Boris Charity Run, demonstrating corporate responsibility and commitment. The funds raised from the event will be used for the treatment of sick children.



Boris Charity Run

Enhancing Community Well-being

Capchem insists on promoting community well-being enhancement with practical actions, drawing closer to the community through material donations, carrying out caring and condolence activities, etc., and continuing to convey warmth and care.



Nantong Capchem organized the "Care for the Elderly with Five Guarantees" activities to respect the elderly

Donation of security equipment

In September 2024, Capchem Poland, in conjunction with the Poznań Municipal Fund for Environmental Protection and Water Management, donated helmets and other safety equipment to the Srem Regional Fire Department to ensure the safety of local rescuers and help improve the safety index of the local community.



Donation Ceremony of Capchem Poland

Safety Day activities

In 2024, Capchem Poland organized a safety day in the local community, helping nearly 100 people deepen their knowledge in the field of health and safety and environmental protection through fun projects such as water safety basics, CPR training, selection of personal protective equipment, spill response, and knowledge tests.



Capchem Poland Safety Day

Rescue and fire drills for high-risk facilities

In 2024, Capchem Poland assisted the Polish National Fire Agency in acting as an agent for regional fire fighting units to carry out rescue and fire fighting exercise activities in high-risk facilities, which optimized the evacuation process of the Company's employees while helping to improve the level of emergency response to major security incidents in the local community and helping to safeguard the safety of local residents.

Promoting industry technology research

In 2024, Capchem USA continued to fund the EES (Excellence Award in Electrochemical Energy Storage) Award. Launched in 2021 and sponsored by Capchem USA, the EES Award is presented to outstanding scholars who have made significant and original contributions to the advancement of research and development in the field of electrochemical energy storage, with the goal of promoting electrochemical energy storage research, advancing the energy transition, and helping the world achieve its carbon emission reduction and carbon neutrality goals.

Active participation in industry communication

In June 2024, Capchem was invited to participate in the SelectUSA Investment Summit 2024 and conducted a panel discussion on the topic of "Chinese Enterprises Operating and Investing in the U.S.". Capchem shared and exchanged information on the industry status and the direction of enterprise development.

Overseas community building activities carried out by Capchem during the Reporting Period

Appendix

ESG Quantitative Performance Table

Governance Data

Corporate Governance

	Disclosure indicator	Unit	2024
Number of meetings held	Number of shareholder meetings	/	6
	Number of board meetings	/	9
	Number of audit committee meetings	/	6
	Number of remuneration and appraisal committee meetings	/	2
	Number of strategy and sustainable development committee meetings	/	5
	Number of supervisory board meetings	/	8
Number of directors	Total number of directors	Person	9
	Number of independent directors	Person	3
	Number of female directors	Person	1
Investor communication	Number of investor receptions	/	1
	Number of regular result presentations	/	5
	Number of investor interaction questions answered	/	72
	Response rate of investor interactions	%	100

Anti-Corruption and Operation Compliance

	Disclosure indicator	Unit	2024
	Total number of participants in anti-corruption training	Person	4,197
	Rate of employee enrollment in anti-corruption training ¹²	%	100
	Total hours of anti-corruption training	Hours	2,434
	Signing rate of Commitment Letter of Integrity by employees	%	100

¹² The statistics here cover directors, management and junior staff.

	Disclosure indicator	Unit	2024
Corruption cases	Total number of confirmed incidents in which contracts with business partners were terminated or not renewed owing to corruption-related irregularities	Case	0
	Total number of incidents in which employees were dismissed or disciplined as a result of corruption that were confirmed	Case	0
	Cases of public litigation against organizations or their employees for acts of corruption during the Reporting Period	Case	0

Environmental Data¹³

Combating Climate Change

	Disclosure indicator	Unit	2024
	Total greenhouse gas emissions ¹⁴	tCO ₂ e	2,878,063.71
	Greenhouse gas removals	tCO ₂ e	68,627.37
	Scope 1 greenhouse gas emissions (excluding Greenhouse gas removals)	tCO ₂ e	67,378.19
	Scope 2 greenhouse gas emissions (excluding Greenhouse gas removals)	tCO ₂ e	307,185.64
	Total greenhouse gas emissions (excluding greenhouse gas emissions)	tCO ₂ e	2,572,127.24
Scope 3 greenhouse gas emissions (excluding greenhouse gas emissions)	Purchased goods and services	tCO ₂ e	2,455,783.73
	Upstream transport and distribution	tCO ₂ e	54,833.62
	Business travel	tCO ₂ e	697.26
	Employee commuting	tCO ₂ e	3,021.90
	Downstream transport and distribution	tCO ₂ e	48,551.32
	Solid and liquid waste disposal	tCO ₂ e	9,239.41
	Scope 1 and Scope 2 Greenhouse gas emission intensity (including Greenhouse Gas removals) ¹⁵	tCO ₂ e / RMB 10,000 in revenue	0.39
	Number of production sites that have been awarded the Green Factory	/	2

¹³ In 2024, we consolidate environmental data for Capchem Poland for the first time. However, considering the differences in local laws and regulations as well as the regulatory trends of each plant, the data on greenhouse gases, energy use, and packaging material use does not include Capchem Poland for the time being, and we will continue to improve the accuracy and comparability of the data statistics in the future to enhance the quality of disclosure of information. Unless otherwise noted, the statistical caliber of environmental performance includes Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem, Fujian Heptafluo, Capchem Poland, and Nantong Top.

¹⁴ Total GHG emissions include Scope 1, Scope 2 and Scope 3 GHG emissions, and the types of gases emitted include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and hydrofluorocarbons (HFCs); covering Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem, Fujian Heptafluo, and Nantong Top. The calculation of Scope 1, 2 and 3 greenhouse gas emissions refers to as the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions Other Industrial Enterprises (Trial)* published by the National Development and Reform Commission (NDRC) in 2015, and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories (2006 IPCC Guidelines)* published by the Intergovernmental Panel on Climate Change (IPCC).

¹⁵ Increase in green house gas intensity per unit due to market price volatility.

Optimizing The Energy Structure

Disclosure indicator	Unit	2024
Total integrated energy consumption ¹⁶	tec	101,951.36
Combined energy intensity ¹⁷	tec / RMB 10,000 in revenue	0.13
Natural gas	m ³	10,175,441.81
Diesel	kg	90,701.89
Gasoline	kg	114,088.61
Purchased steam	GJ	1,835,115.35
Purchased electricity	kWh	196,278,324.20
Clean energy consumption	Consumption of purchased green electricity	kWh
11,207,181.05		
Financial investment in energy efficiency and technological improvements	RMB million	5.25

Environmental Compliance

Disclosure indicator	Unit	2024
Investment in environmental protection	RMB million	34.05
Environmental violations or administrative penalties for environmental protection	/	0
Environmental compliance training and activities ¹⁸	/	139
Number of environmental compliance trainings and activities conducted	/	139
Total hours of environmental compliance training and activities	Hours	12,957
Environmental emergency response exercise ¹⁹	/	135
Number of participants in environmental emergency drills	Person-times	1,137
The percentage of stable operating bases have obtained the ISO 14001 environmental management system certification	%	90.9

Emissions and Waste²⁰

Disclosure indicator	Unit	2024
Total air pollutant emissions	Ton	34.28 ²¹
VOCs	Ton	11.50
Waste gas emissions	Ton	4.08
PM	Ton	16.30
NO _x	Ton	2.40
SO _x	Ton	

¹⁶ Calculated with reference to the *General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589-2020)*, covering energy types including natural gas, diesel, gasoline, purchased steam, purchased electricity; statistical caliber including Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem, Fujian Heptafluo, and Nantong Top.

¹⁷ Increase in combined energy intensity per unit due to market price volatility.

¹⁸ The statistical caliber of environmental compliance training and activities includes Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem, Fujian Heptafluo, and Nantong Top. We conduct environmental training for employees at each of our operating locations in accordance with domestic and international regulatory requirements, and the total number of environmental training sessions includes Capchem Poland, but due to differences in domestic and international regulations, the statistics on the total number of training sessions do not yet fully cover Capchem Poland.

¹⁹ During the Reporting Period, Capchem carried out a number of special activities to prevent leakage, and the number of environmental emergency drills carried out increased compared with previous years. The statistical caliber includes Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem, Fujian Heptafluo, and Nantong Top.

²⁰ The statistical caliber of emissions and waste includes Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem, Fujian Heptafluo, Capchem Poland and Nantong Top.

²¹ The increase in air pollutants was mainly due to the commissioning of the incinerator in Fujian Heptafluo.

Disclosure indicator	Unit	2024
Total wastewater discharge	Ton	601,361.96 ²²
Hazardous waste	Total hazardous waste discharge	Ton
	Hazardous waste intensity	Ton/RMB 10,000 in revenue
General waste	Total general waste discharge	Ton
	Total recycling of general waste	Ton
	General waste intensity	Ton/RMB 10,000 in revenue
Packaging material	Recycling of packaging material ²³	Ton

Resource and Ecological Conservation²⁴

Disclosure indicator	Unit	2024
Total municipal water withdrawals	Ton	1,467,917.30
Total water withdrawals	Ton	1,467,917.30
Total water consumption	Ton	866,555.34
Water consumption intensity	Ton / RMB 10,000 in revenue	1.10
Reuse of reclaimed water	Ton	363,862.00
Reuse rate of reclaimed water	%	38

Social Data

Occupational Health and Safety²⁵

Disclosure indicator	Unit	2024
Total investment in health and safety	Ten thousand RMB	5,545
Lost days due to work injuries	Hours	1,552
Total recordable occupational health and safety incidents ²⁶	/	20
The total recordable incident rate (TRIR) ²⁷	N/A	0.37
Work-related fatalities	/	0
Occupational disease cases	/	0
Cumulative investment in work-related injury insurance and safety production liability insurance	Ten thousand RMB	459.48
Personnel coverage of work-related injury insurance and safety production liability insurance	%	100
Proportion of operational production bases certified to the ISO 45001 System	%	72.7

²² The increase in the total amount of wastewater discharged was due to the commissioning of the Fujian Heptafluo Sewage Treatment Plant, which resulted in an increase in the amount discharged.

²³ The amount of packaging materials recycled was the amount of stainless steel drums recycled by Sanming Hexafluo, Nantong Capchem, Fujian Heptafluo and Nantong Top during the Reporting Period.

²⁴ The statistical caliber of resources and ecological protection includes Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem, Fujian Heptafluo, Nantong Top and Capchem Poland. The reuse rate of reclaimed water = the amount of reused reclaimed water / (total amount of reuse of reclaimed water + the total amount of wastewater discharged).

²⁵ The statistical scope includes Shenzhen headquarter and Huizhou Capchem, Sanming Hexafluo, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Nantong Top, Fujian Heptafluo, Tianjin Capchem and Capchem Poland.

²⁶ The recordable occupational health and safety incidents herein refer to the recordable injury incidents defined by the Occupational Safety and Health Administration (OSHA).

²⁷ In accordance with occupational safety and health management requirements, we conduct recordable injury statistics for incidents categorized into five levels of severity, and measure our occupational health and safety management performance using the Total Recordable Incident Rate (TRIR).

Disclosure indicator	Unit	2024
Number of emergency drills	Number of Times	544
Number of safety training sessions	Number of Times	565
Total number of safety training ²⁸	Hours	118,474

Responsible Supply Chain²⁹

Disclosure indicator	Unit	2024
Total number of suppliers	/	2,697
Number of suppliers from Chinese mainland	/	2,552
Number of suppliers from Hong Kong, Macao, Taiwan regions and oversea suppliers	/	145

Human Rights of Employees³⁰

Disclosure indicator	Unit	2024
Total number of employees	Person	4,197
New employees	Person	669
Number of employees by gender	Male employees	3,202
	Female employees	995
Number of employees by age	30 below (excl.30)	965
	30-50	2,947
	50 above (excl.50)	285
	Executive management Team (EMT)	9
Number of employees by rank	Other management (Basic-to-middle level, and middle-to-senior level)	453
	Frontline employees	3,735
Number of female employees by nationality	China	4,077
	Overseas	120
Percentage of female employees ³¹	%	24
	Board of directors (Shenzhen Capchem only)	11
Number of female employees by rank ³²	Executive management Team (EMT)	22
	Other management (Basic-to-middle level, and middle-to-senior level)	19
	Frontline employees	24

²⁸ We conduct safety production and occupational health training for employees at all operational sites in reference to domestic and international regulatory requirements. The total number of safety production and occupational health training sessions includes those conducted at Capchem Poland. However, due to differences in domestic and international regulations, the total training hours have not yet fully encompassed those at Capchem Poland.

²⁹ During the Reporting Period, the statistical scope of the total number of suppliers of the company was changed, and the relevant data scope was the suppliers that generated business and cooperation during the year.

³⁰ The figures here are the total number of full-time employees including Capchem Poland and Capchem Shenzhen.

³¹ Calculation formula: Percentage of female employees = (number of female employees/total number of employees in the respective category)*100%

³² Percentage = Female employees in the group / Total number of employees in the group

Disclosure indicator	Unit	2024
Employee turnover		
Active turnover rate ³³	%	6

Talent Development and Incentive

Disclosure indicator	Unit	2024
Total investment in training	RMB million	1.1761
Total hours for employees training	Hours	173,145.99
Training hours per employee ³⁴	Hours/Person	41.25
Training per employee by gender	Male employees	Hours/Person
	Female employees	Hours/Person
	Executive management team (EMT)	Hours/Person
Training per employee by rank	Other management (Basic-to-middle level, and middle-to-senior level)	Hours/Person
	Frontline employees	Hours/Person
Percentage of employees covered by training ³⁵	%	100
Employee promotion rate ³⁶	%	18.9
Percentage of employees accepting performance evaluation	%	100

Employee Rights, Interests and Benefits

Disclosure of indicators	Unit	2024
Total investment in employee care	RMB million	41,2074
Employee social insurance coverage	%	100
Percentage of employees entitled to variable performance-based pay	%	100

³³ Calculation formula: active turnover rate = active turnover / [(number of employees at the beginning of the period + number of employees at the end of the period) / 2] * 100%

³⁴ Calculation formula: Number of training hours per employee = Total number of training hours for employees / Total number of employees in each category

³⁵ Calculation formula: Percentage of employees trained in each category = (number of employees trained in each category/number of employees in that category)*100%

³⁶ Employee promotion rate: the proportion of full-time employees promoted by Capchem to all employees.

Community Engagement

Disclosure indicator	Unit	2024
Total investment in social welfare	RMB million	2.6137
Investment by charitable fields	Education donation	RMB million
	Support for disadvantaged groups	RMB million
	Others	RMB million
Voluntary services	Total hours	Hours
	Total participants	Person

Innovation-driven

Disclosure indicator	Unit	2024
R&D innovation training	Total number of training sessions	Number of Times
	Training hours per employee	Hours
	Number of employees trained	Person
R&D investment	Amount of R&D investment	RMB100 million
	R&D workforce	Person
	R&D investment as a percentage of total revenue	%
Patent and trademark Applications	Cumulative number of filed and accepted patent applications	Items
	Cumulative number of domestic patent applications	Items
	Cumulative number of foreign invention patent applications	Items
	Cumulative number of PCT international patent applications	Items
	Cumulative number of domestic patent granted	Items
	Cumulative number of foreign invention patent granted	Items
	Cumulative number of domestic and foreign registered trademark granted	Items
Number of patents for inventions applied to the main business	Items	404
	Total number of training sessions	Number of Times
	Training hours per employee	Hours
Intellectual property training	Number of employees trained	Person

Glossary

Nouns	Definitions
ESG	Environmental, Social and Governance
RBA	Responsible Business Alliance
GDPR	<i>General Data Protection Regulation</i>
AD domain control	The core service component of the Windows Server operating system, based on Active Directory (AD) technology, provides centralized authentication, permission management, and resource access control
SRM	Supplier Relationship Management, a system and process for managing and optimizing relationships with suppliers to ensure sustainability and efficiency
SVHCs	Substances of Very High Concern, chemical substances that pose a high risk and harm to human health or the environment
PFAS	Per-and polyfluoroalkyl substances, organic compounds with a series of carbon chains where hydrogen atoms are replaced by fluorine atoms and they are characterized by a large number of C-F bonds
LIMS	Laboratory Information Management System, an information management system that combines database based information technology with laboratory management requirements
MES	Manufacturing Execution System, a production information management system for the workshop execution layer of manufacturing enterprises
RDM	Research and Development Management system, a smart project management system that relies on the Advanced Product Quality Planning (APQP) project management process
CNAS	China National Accreditation Service for Conformity Assessment, a national accreditation body established and authorized by the Certification and Accreditation Administration of China in accordance with the provisions of the Certification and Accreditation Regulations of the People's Republic of China
IPMS	Intellectual Property Management System Platform, an integrated and digital system designed to manage intellectual property rights comprehensively, covering the entire lifecycle of intellectual property, including creation, registration, maintenance, and enforcement
SQE	Supplier Quality Engineer
BCM	Business Continuity Management, an integrated management process that enables organizations to recognize potential crises and associated impacts, and to develop response, business and continuity recovery plans
CRM	Customer Relationship Management, a strategy and set of tools designed to manage a company's interactions with current and potential customers, which involves using information technology to organize, automate, and synchronize sales, marketing, customer service, and technical support
OA	Office Automation, the integration of various technologies and software applications to streamline and automate routine office tasks and processes
SAP	System Applications and Products in Data Processing, a set of enterprise resource management software system, which provides reference opinions for the solution of enterprise management problems, and at the same time can make systematic planning for enterprise development
APQP	Advanced Product Quality Planning, part of the quality management system, a structured approach used to determine and develop the steps required to ensure customer satisfaction with a product
Design Matrix	A tool used in experimental design and statistical analysis to describe the combination method of factors (variables) and their levels (values) in an experiment
DFMEA	Design Failure Mode and Effect Analysis, a systematic approach used to identify and evaluate potential failure modes and their effects in the design phase
PFMEA	Process Failure Mode and Effect Analysis, a systematic approach used to identify and evaluate potential failure modes and their effects in the process phase
Special Characteristic Management	The process of identifying and managing critical characteristics that have a significant impact on product safety, regulatory compliance, functional performance or customer satisfaction

Nouns	Definitions
SPC	Statistical Process Control, it is a method of monitoring and controlling production processes through statistical analysis, aiming to ensure process stability and produce products that meet quality standards
DCS	Distributed Control System, it is an automatic system used to monitor and control industrial production process, which is used to monitor and control various parameters and equipment in the production process in real time
PLC	Programmable Logic Controller, a ruggedized computer designed for use in industrial environments to automate and control various processes and machines
PPAP	Production Part Approval Process, a standardized procedure used in the automotive and manufacturing industries to ensure that production parts meet specified quality and performance requirements before mass production begins
RoHS	<i>Restriction of Hazardous Substances</i>
REACH	<i>Registration, Evaluation, Authorization and Restriction of Chemicals</i> , a European Union regulation that aims to improve the protection of human health and the environment from the risks posed by chemicals
QCC	Quality Control Circle, a team of employees who meet regularly to identify, analyze, and solve quality-related problems to improve quality
TPM	Total Productive Maintenance, a comprehensive, approach to maintaining and improving the integrity of production and quality systems through proactive and preventive maintenance strategies
MRB	Material Review Board, a committee responsible for reviewing and making decisions on non-conforming materials or products
EHS	Environment, Health and Safety
CSR	Corporate Social Responsibility
GHS	<i>Globally Harmonized System of Classification and Labeling of Chemicals</i>
TSCA-PBT	<i>Toxic Substances Control Act-Persistent, Bioaccumulative, and Toxic</i>
POPs	Persistent Organic Pollutants, organic compounds that are resistant to environmental degradation, can bioaccumulate, and pose significant health and environmental risks
ECHA	European Chemicals Agency, the agency responsible for the implementation of the REACH regulation and other chemical-related regulations in the European Union
HS	Hazardous Substances, refer to substances that can cause harm or adverse effects on human health, ecological environment, property, etc. under certain conditions
PFOS	Perfluorooctane Sulfonate, a type of perfluorinated chemical known for its environmental persistence and toxicity
PFOA	Perfluorooctanoic Acid, a type of perfluorinated chemical used in the production of non-stick coatings and other products, known for its environmental persistence and toxicity
SIS	Safety Instrumented System, a system designed to monitor safety-critical process variables and take appropriate action to prevent or mitigate hazardous events
GDS	Gas Detection System
MSDS	Material Safety Data Sheet, commonly known as the Chemical Safety Technical Specification, and internationally referred to as the Chemical Safety Information Card.
PSM	Process Safety Management, a systematic approach to preventing or mitigating the consequences of catastrophic releases of toxic, reactive, flammable, or explosive chemicals and highly hazardous substances in industrial processes
HAZOP	Hazard and Operability Analysis, a systematic and structured method used to identify potential hazards and operational issues in industrial processes and systems by examining deviations from design parameters
JSA	Job Safety Analysis, a procedure used to identify and mitigate hazards in specific job tasks by breaking down a job into steps and analyzing each step for potential hazards
Table lookup	A method of visualizing the occupational hazards that exist and arise in a company through a table of risk factors applicable to the chemical industry

Nouns	Definitions
Empirical judgment	A method for visually identifying occupational disease hazards of evaluation objects based on relevant professional knowledge and practical work experience
Analogy	A method of analogy using occupational health testing, monitoring and statistical analysis information of the same or similar works that have been completed and put into operation
ERP	Enterprise Resource Planning, an integrated software system that helps businesses manage various operations, including finance, supply chain, manufacturing, and human resources, by centralizing data and processes to enhance efficiency and decision-making
OO	Opportunity Owner
SO	Sales Owner
PO	Product Owner
TISAX	<i>Trusted Information Security Assessment Exchange</i> , an assessment and exchange mechanism for information security in the automotive industry, developed by the German Association of the Automotive Industry (VDA) and administered by the ENX Association
ECOSIP™	Ethylene Oxide to Carbonate Solvents Integrated Process
GWP	Global Warming Potential
FPI	Fluorinated Polyimide, a type of fluorinated chemical used in various industrial applications
NO _x	Nitrogen oxides, a group of harmful gases that are primarily composed of nitric oxide (NO) and nitrogen dioxide (NO ₂)
SO _x	Sulfur oxides, a group of compounds that includes sulfur dioxide (SO ₂) and sulfur trioxide (SO ₃)
PM	Particulate Matter, a mixture of solid particles and liquid droplets suspended in the air, which can vary in size and composition.
VOCs	Volatile Organic Compounds, a group of carbon-containing chemicals that easily evaporate at room temperature
IC treatment technology	Internal Circulation treatment technology, a type of anaerobic wastewater treatment system that enhances the efficiency of treating high-strength industrial wastewater by utilizing internal circulation to improve mixing and mass transfer, resulting in better removal of organic pollutants and the production of biogas
RO	Reverse Osmosis, a water purification technology that uses a semipermeable membrane to remove ions, molecules, and larger particles from water, effectively producing purified water by applying pressure to overcome osmotic pressure
VUCA characteristics	Volatility, Uncertainty, Complexity and Ambiguity
RTO	Recovery Time Objective
EES Award	Research Excellence Award in Electrochemical Energy Storage, an award that recognizes and supports mid-career scientists (10-20 years from their last degree) who have demonstrated excellence in research in the field of electrochemical energy storage and are affiliated with the ACS Energy & Fuels Division
EMT	Executive Management Team
PCT	<i>Patent Cooperation Treaty</i>
ODS	Ozone-Depleting Substances, chemicals that contribute to the depletion of the stratospheric ozone layer, leading to increased ultraviolet radiation reaching the Earth's surface
HAPs	Hazardous air pollutants
TRIR	Total Recordable Incident Rate, a metric used to measure the number of work-related injuries and illnesses that occur within a certain period. It is often used to assess the safety performance of a workplace
PSIC	Process Safety Incidents Count
PSTIR	Process Safety Total Incident Rate
PSISR	Process Safety Incident Severity Rate

Indicators Index

The Shenzhen Stock Exchange Listed Company Self-Regulatory Supervision Guidelines No. 17 - Sustainable Development Report (Trial) Indicators Index

Contents	Headings
Article 20	The "Four Green" Concept Combating Climate Change
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Article 32	Resource and Ecological Protection
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Article 38	Chapter on Win-Win Responsible Operation Chapter
Article 39	Community Contributions
Article 40	Community Contributions
Article 41	Innovation-driven
Article 42	Innovation-driven
Article 43	N/A
Article 44	Chapter on Win-Win
Article 45	Responsible Supply Chain
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Article 47	Product Quality
Article 48	Customer Service
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Article 51	Sustainable Governance Chapter
Article 52	ESG Management Responsible Supply Chain
Article 53	ESG Management
Article 54	Business Ethics
Article 55	Business Ethics
Article 56	Business Ethics

GRI Content Index

Statement of use	Capchem has reported the information cited in this GRI content index for the period 2024.1.1 to 2024.12.31 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundations 2021

GRI Standards	Disclosure	Headings
GRI 2: General Disclosure 2021	2-1 Organizational details 2-2 Entities included in the organization's sustainability reporting 2-3 Reporting Period, frequency and contact point 2-4 Restatements of information	About the Report
		Not applicable

GRI Standards	Disclosure	Headings
GRI 2: General Disclosure 2021	2-5 External assurance 2-6 Activities, value chains and other business relationships 2-7 Employees 2-8 Workers who are not employees	Independent Assurance About Capchem Human Rights of Employee Responsible Supply Chain Occupational Health and Safety
	2-9 Governance structure and composition 2-11 Chair of the highest governance body 2-12 Role of the highest governance body in overseeing the management of impacts 2-13 Delegation of responsibility for managing impacts 2-14 The role of the highest governance body in sustainability reporting	ESG Management ESG Management ESG Management ESG Management About Capchem Message From Chairman Governance
	2-16 Communication of critical concerns 2-18 Evaluation of the performance of the highest governance body 2-22 Policy commitments 2-27 Compliance with laws and regulations 2-28 Membership associations	ESG Management ESG Management ESG Management No major compliance penalties during the Reporting Period Innovation-driven
	2-29 Approach to stakeholder engagement 3-1 Process to determine material issues 3-2 List of material issues 3-3 Management of material issues	ESG Management ESG Management ESG Management
GRI 3: Substantive issues 2021	201-1 Direct economic value generated and distributed 201-3 Defined benefit plan obligations and other retirement plans	2024 Quantitative Performance Table Employee Rights, Interests and Benefits
	203-1 Infrastructure investments and services supported 203-2 Significant indirect economic impacts	Community Contributions Community Contributions
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Responsible Supply Chain
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken	Business Ethics Business Ethics Business Ethics
GRI 206: Undue Competitive Behaviour 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During the Reporting Period, None
GRI 301: Materials 2016	301-2 Recycled input materials used 301-3 Reclaimed products and their packaging materials	Emissions and Waste Emissions and Waste
	302-1 Energy consumption within the organization 302-2 Energy consumption outside of the organization 302-3 Energy intensity	Optimizing the Energy Structure ESG Quantitative Performance Table
GRI 302: Energy 2016	302-4 Reduction of energy consumption	The "Four Green" Concept 2024 Quantitative Performance Table
	302-5 Reductions in energy requirements of products and services	The "Four Green" Concept

GRI Standards	Disclosure	Headings
GRI 303: Water Resources and Wastewater 2018	303-1 Interaction between organisations and water as a shared resource	Resource and Ecological Protection 2024 Quantitative Performance Table
	303-2 Management of water discharge-related impacts	
	303-3 Water withdrawal	
	303-4 Water discharge	
	303-5 Water consumption	
	305-1 Direct (Scope 1) GHG emissions	
	305-2 Energy indirect (Scope 2) GHG emissions	
GRI 305: Emissions 2016	305-4 GHG emissions intensity	Combating Climate Change 2024 Quantitative Performance Table
	305-5 Reduction of GHG emissions	
	305-6 Emissions of ozone-depleting substances (ODS)	
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	
	306-1 Waste generation and significant waste-related impacts	
	306-2 Management of significant waste-related impacts	
	306-3 Waste generated	
GRI 306: Waste 2020	306-4 Waste diverted from disposal	Emissions and Waste 2024 Quantitative Performance Table
	306-5 Waste directed to disposal	
	308-1 New suppliers that were screened using environmental criteria	
	308-2 Negative environmental impacts in the supply chain and actions taken	
	401-1 New employee hires and employee turnover	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	
GRI 401: Employment 2016	403-1 Occupational health and safety management system	Occupational Health and Safety
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety
	403-3 Occupational health services	Occupational Health and Safety
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety
	403-5 Worker training on occupational health and safety	Occupational Health and Safety
	403-6 Promotion of worker health	Occupational Health and Safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety
	403-8 Workers covered by an occupational health and safety management system	Occupational Health and Safety
	403-9 Work-related injuries	Occupational Health and Safety
	403-10 Work-related ill health	Occupational Health and Safety
GRI 402: Labour Relations 2016	404-1 Average hours of training per year per employee	Talent Development and Incentive
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Development and Incentive
	404-3 Percentage of employees receiving regular performance and career development reviews	Talent Development and Incentive
	405-1 Diversity of governance bodies and employees	Human Rights of Employee

GRI Standards	Disclosure	Headings
GRI 406: Anti-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Human Rights of Employee
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	NA
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	NA
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	NA
GRI 411: Aboriginal Rights 2016	411-1 Incidents of violations involving rights of indigenous peoples	NA
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Community Contributions
	413-2 Operations with significant actual and potential negative impacts on local communities	NA
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Responsible Supply Chain
	414-2 Negative social impacts in the supply chain and actions taken	Responsible Supply Chain
GRI 416: Client Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Product Quality Chemical Safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Product Quality
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labeling	Customer Service
	417-2 Incidents of non-compliance concerning product and service information and labeling	NA
	417-3 Incidents of non-compliance concerning marketing communications	NA
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information Security

SASB Content Index

Topic Metric	Topic Metric	Code	Headings
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	RT-CH-110a.1	Combating Climate Change ESG Quantitative Performance Table
	Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	RT-CH-110a.2	Combating Climate Change
Air Quality	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO _x , (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	RT-CH-120a.1	Emissions and Waste ESG Quantitative Performance Table

Topic Metric	Topic Metric	Code	Headings
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable and (4) total self-generated energy	RT-CH-130a.1	Combating Climate Change Optimising the Energy Structure ESG Quantitative Performance Table
Water Management	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	RT-CH-140a.1	Resource and Ecological Protection ESG Quantitative Performance Table
	Number of incidents of non-compliance associated with water quality permits, standards and regulations	RT-CH-140a.2	None
	Description of water management risks and discussion of strategies and practices to mitigate those risks	RT-CH-140a.3	Resource and Ecological Protection
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	RT-CH-150a.1	Emissions and Waste ESG Quantitative Performance Table
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	Not applicable
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	RT-CH-320a.1	Occupational Health and Safety ESG Quantitative Performance Table
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	RT-CH-320a.2	Occupational Health and Safety
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency	RT-CH-410a.1	The "Four Green" Concept Combating Climate Change Responsible Supply Chain
Safety & Environmental Stewardship of Chemicals	(1) Percentage of products that contain Globally Harmonised System of Classification and Labelling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	RT-CH-410b.1	Chemical Safety
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	RT-CH-410b.2	Chemical Safety
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-410c.1	Not applicable
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	RT-CH-530a.1	Environmental Compliance Management
Operational Safety, Emergency Preparedness & Response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	RT-CH-540a.1	Occupational Health and Safety
	Number of transport incidents	RT-CH-540a.2	None

Independent Assurance



Independent Assurance Statement

Introduction

TÜV Rheinland (Shanghai) Co., Ltd., a member of TÜV Rheinland Group (hereinafter "TÜV Rheinland" or "We"), was entrusted by Shenzhen Capchem Technology Co., Ltd. (hereinafter "Capchem" or the "Company") to conduct an independent third-party assurance of Capchem's 2024 Environmental, Social and Governance Report (hereafter, the "Report" or "ESG Report"). The sustainability information disclosed in the report was for the financial year ended December 31, 2024.

Responsibilities

Capchem is not only responsible for the preparation of sustainability reports and the collection and submission of sustainability information in accordance with applicable reporting standards, but also has the obligation to implement and maintain effective internal control of information and data to support the report compilation process.

TÜV Rheinland is a global service provider that provides CSR and sustainability services in more than 65 countries, with experienced and technical expertise in the areas of environment, CSR, sustainability and stakeholder engagement. TÜV Rheinland Assurance team follows the TÜV Rheinland Global Business Ethics Compliance Policy and Procedures, covering the principles of integrity compliance and conflict of interest. Therefore, our assurance services are guided by the principles of independence and impartiality. We are not involved in the writing and preparation of Capchem's reports. It is the duty of TÜV Rheinland to carry out independent assurance in accordance with the assurance engagement agreement and the agreed scope of the assurance work and to make independent and impartial judgements.

Assurance Standard

The assurance work was undertaken in accordance with the AccountAbility AA1000 Assurance Standard (AA1000AS v3), the Type 1 and Moderate level for the sustainability information disclosed in the report.

Assurance Objectives

The purpose of the assurance engagement was to provide an independent verification perspective for Capchem's management and stakeholders concerned about Capchem's sustainability information and performance on whether the report adhered to the AA1000AP (2018) AccountAbility Principles, including Inclusivity, Materiality, Responsiveness and Impact, as well as the verification of sustainability information disclosure.

Assurance Criteria

The following assessment criteria were used in undertaking the work:

- Self-Regulatory Guidelines No. 17 for Listed Companies - Sustainability Report (Trial) of the Shenzhen Stock Exchange
- IFRS 1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS 1)
- Sustainability Accounting Standards Board Standards (SASB Standards)
- Global Reporting Initiative (GRI) Standards of the Global Sustainability Standards Board (GSSB)
- Adherence to the AA1000 AP AccountAbility Principles, i.e., *Inclusivity, Materiality, Responsiveness, and Impact*

Methodology

Our assurance activities and procedures include:

- Inquiring management and those personnel responsible for collecting and aggregating ESG performance information to understand the management processes, systems, and controls for ESG performance information.

Independent Assurance



- Reviewing and assessing the availability, adequacy, and relevance of performance information based on sampling principles.
- Applying analysis program to assess the accuracy of the information available for performance data.
- Collecting and examining the supporting evidence of available performance information to assess the extent to which the relevant evidence and information related to the scope of the assurance in the sustainability report supports and adheres to the AA1000AP AccountAbility Principles.

Limitations

TÜV Rheinland planned and executed the verification in accordance with the scope of the assurance agreed upon in order to obtain all the information, evidence and necessary explanations to provide the basis for the conclusion of the assurance in accordance with the moderate level of AA1000AS v3.

The information and performance data relating to the assurance is limited to the disclosure of the contents of this report. Our assurance work did not include financial report and its financial data, as well as other information not related to the topic of sustainability.

Conclusions

Based on the above assurance procedures and methodology performed and the evidence obtained, we conclude that there are no instances or information that would be contrary to the following statements:

- Capchem's 2024 ESG Report and performance information are in adherence to the AA1000AP AccountAbility Principles and align with the information disclosure requirements of Self-Regulatory Guidelines No. 17 for Listed Companies - Sustainability Report (Trial) of the Shenzhen Stock Exchange.
- Capchem has implemented processes to collect and aggregate performance information related to materiality issues within the reporting boundary, and management practices have shown that the company conducted dual-materiality analysis and evaluation of issues.
- The ESG-related information and performance disclosed in the report have been assessed and supported by documentary evidence.

TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision on Capchem based on this Assurance Statement.

Adherence to the AA1000AP AccountAbility Principles

Inclusivity

Capchem's key stakeholders include investors, regulators, customers, employees, suppliers and partners, the media, as well as communities and the public who are disproportionately affected by greenhouse gas emissions. The company understood the opinions of stakeholders through meetings and interviews with key stakeholders in business activities and sorted out and evaluated the impact materiality of ESG issues based on the characteristics of business operations, industry development trends, and regulatory policy requirements (such as the disclosure guidelines of the Shenzhen Stock Exchange).

Materiality

The evidence showed that Capchem has implemented a materiality analysis process, which included qualitative and quantitative analysis to analyse the identified ESG issues from both impact materiality and financial materiality, and to incorporate expert opinions. The materiality matrix showed that topics that are both financially materiality and impact materiality include occupational health and safety, supply chain security, climate change and environmental compliance. The Board of Directors of the company reviewed and approved the results of the assessment of the issue of dual materiality.

Responsiveness

Capchem's communication channels with various stakeholders are diverse, including investor research, public information disclosure, customer service and customer visits, supplier audits and training, employee satisfaction surveys, whistleblowing and complaint mechanisms, community welfare, etc. Evidence showed that in 2024, Capchem has built the "GROW" sustainability model and clarified the company's ESG strategy.

The report disclosed data on key performance indicators (e.g., greenhouse gas emissions (including Scope 1, 2, and 3



emissions), energy consumption, pollutant emissions, water use, workplace injuries, supply chain, employee training, etc.), as well as targets and indicators for materiality issues, and the achievement of targets to response stakeholders' concerns.

Impact

Evidence indicated that in 2024, Capchem's risk management types covered safety and environmental protection, product quality, labour and employment, intellectual property, business ethics, privacy protection and information security, etc. Each key functional department conducted risk classification and assessment for the above-mentioned risk areas and took relevant measures in combination with the internal control mechanism to control the risks related to its own operations and value chain business. The company released a carbon neutrality action plan.

The report disclosed the results of the analysis of the impact, risks and opportunities of material topics, including the scope of impact, the level of impact, etc. Evidence showed that in 2024, Capchem identified climate physical and transition risks, and took countermeasures to reduce the climate impact of its own operations and supply chain in combination with methods such as supply chain business continuity analysis.

Daniel Pan

Technical Manager of Corporate Sustainability Services
TÜV Rheinland (Shanghai) Co., Ltd
Shanghai, China, March 4, 2025



Readers Feedback Form

Thank you for your time to read the 2024 Capchem ESG Report. In order to better provide valuable information to you and other stakeholders, and to enhance the capacity and performance of Capchem's ESG management, we welcome your comments and suggestions on the Report.

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

Investors Regulators Customers Employees Suppliers Industry associations External experts Media Others

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

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

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

Environmental responsibility:

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

Social responsibility:

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

Corporate governance responsibility:

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

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

Clarity:

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

Accuracy:

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

Completeness:

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

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

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

6. Other comments and suggestions:

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

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

-Email: capchem@capchem.com



Capchem Official
WeChat Account



Capchem Official
Website



Capchem Official
Video Account



Capchem LinkedIn
Overseas Homepage



Capchem Vision
WeChat Signal



Stock code: 300037.SZ