方大炭素
FANGDA CARBON

2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

CONTENTS

About Fangda Carbon

Company Profile

Fangda Carbon is primarily engaged in the research, development, production and sales of graphite and new carbon materials. The Company has been ranked as one of the world's premier suppliers of carbon products for consecutive years, maintaining a leading position in the carbon products industry. The Company has evolved into a globally prominent production and supply base for high-quality carbon products, as well as an R&D hub for nuclear-related carbon and graphite materials.

The Company's product portfolios comprise four main series. Its flagship products include ultra-high power, high-power and general-power graphite electrodes; ultra-microporous carbon bricks, high-thermal conductivity ultra-microporous carbon bricks, microporous carbon bricks, semi-graphitic carbon bricks, high-thermal conductivity carbon bricks, high-corrosion resistance carbon bricks, graphite bricks and ultra-high conductivity graphite bricks for blast furnaces use; graphitic cathode carbon blocks and graphitized cathode carbon blocks for aluminum electrolysis use; as well as various other products such as carbon bricks for submerged arc furnaces, graphite anodes for magnesium electrolysis and medium-to-fine structured graphite. Moreover, its offerings also encompass new carbon material products, including special graphite products, carbon/graphite materials for nuclear power, graphene and its downstream derivatives, activated carbon for supercapacitors, high-end graphite anode materials for lithium-ion batteries and carbon/carbon composites; along with basic raw materials for carbon products manufacturing, such as coal-based needle coke, low-sulfur calcined petroleum coke and coal tar pitch. Many of these products have filled domestic gaps and broken international monopolies. They are widely used in metallurgy, new energy, chemicals, machinery, healthcare and other sectors. The products are sold across over 30 provinces, autonomous regions, and municipalities in China, and exported to more than 60 countries and regions worldwide.

Fangda Carbon Headquarters in Lanzhou

Corporate Culture

Philosophy

Fangda Carbon always promotes the corporate culture of "Party building as the soul" of Fangda Group. Guided by the purpose and principles of the Communist Party of China (the Party), Fangda Carbon runs businesses in line with the policies and requirements of the Party and the state, and steers corporate development with Party-building culture, thereby maintaining the correct political direction and strong development momentum.

The "Five Alignments" Principle

Fangda Carbon follows the principle that business development must align with the requirements of General Secretary Xi Jinping and the CPC Central Committee, with laws and regulations, with market-oriented principles, with the policy of beneficial to society, and with the commitment to employee well-being.

Corporate Values

Run business to create value for the country, for the enterprise, and for the employees.

Corporate Mission

Take from society and give back to society.

Corporate Slogan

Plan with foresight and forge enduring foundation.

Corporate Spirit

People first, integrity first.

Corporate Principles

Law-abiding and compliance, fairness and justice, integrity first, unity for win-win outcomes.

Corporate Policies

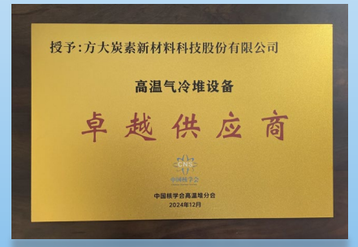
Obey the Party's command, care for employees, govern the enterprise by law.

Corporate Honors

Honors	Awarded by
Top 100 Private Enterprises in Gansu for 2025	Gansu Federation of Industry and Commerce
China Red Cross Medal of Dedication	Red Cross Society of China
Chairman Unit of China Carbon Industry Association	China Carbon Industry Association (CCIA)
“Outstanding Supplier” for High-Temperature Gas-Cooled Reactor (HTGR) Equipment	HTGR Division, Chinese Nuclear Society
2025 National Graphite Electrode Pioneer Enterprise Award	BAIINFO
2025 National Graphite Electrode Export Excellence Award	BAIINFO
2025 Global Graphite Electrode Excellence Brand Award	ICCSINO
The achievements of the “Optimization and Application of Automated Forming System for Graphite Electrode” received the Second Prize for Workers’ Technological Innovation of CMMBWTA, and the Second Prize for Workers’ Technological Achievements of Gansu Provincial Metallurgy, Machinery and Building Materials Industry	China Machinery, Metallurgy and Building Materials Workers Technical Association (“CMMBWTA”) Gansu Provincial Metallurgy, Machinery and Building Materials Industry
“LongBrand” Certification for Fangda Carbon’s Graphite Electrode Products	Gansu Administration for Market Regulation
The Maintenance Team of Processing Workshop No. 3 of Fangda Carbon was honored as an “Innovative Team of Lanzhou City”.	Lanzhou Federation of Trade Unions

Top 100 Private Enterprises in Gansu for 2025

China Red Cross Medal of Dedication



“Outstanding Supplier” for High-Temperature Gas-Cooled Reactor (HTGR) Equipment

01 Uphold Integrity, Govern with Compliance

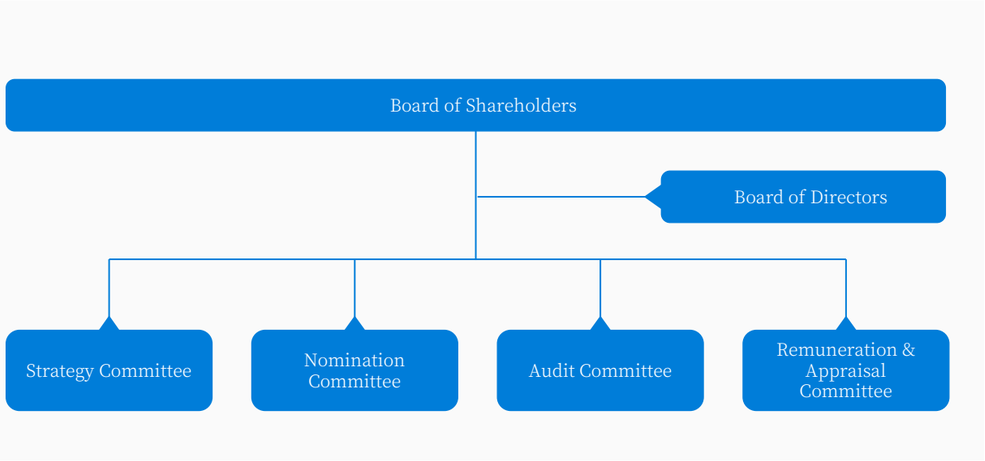
Fangda Carbon consistently regards integrity and compliance as the cornerstone of its sound development. Therefore, the Company keeps refining its corporate governance framework and systematically integrates the concept of sustainable development into its business operations and management to actively fulfill the social responsibilities. On this basis, the Company consistently strengthens the development of governance mechanisms and enhances its ESG governance capabilities. In terms of integrity, Fangda Carbon strictly adheres to business ethics and clean operation requirements. These initiatives motivate the Company to achieve standardized, high-quality, and sustainable development, and help it establish a stable and responsible corporate image.

Corporate Governance

The Company strictly complies with the requirements of laws, regulations and normative documents such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and the *Code of Corporate Governance for Listed Companies*. Tailoring governance to its specific context, Fangda Carbon continually optimizes its governance structure and internal control policies, strengthens accountability for information disclosure and enhances operational transparency.

Governance System and Structure

The Company develops and regularly updates its *Articles of Association* and governance policies, operating under a clear structure that includes the Shareholders' Meeting, Board of Directors and Management. The Board of Directors oversees four specialized committees, Strategy Committee, Nomination Committee, Audit Committee and Remuneration & Appraisal Committee. Each is governed by detailed operational rules. The Audit Committee performs the functions of a Supervisory Board as stipulated under the *Company Law of the People's Republic of China*. During the reporting period, the Company held 3 Shareholders' Meetings, reviewing 21 proposals, 11 Board Meetings, reviewing 37 proposals, 2 special Independent Directors' Meetings and 9 meetings of the specialized committees.



Governance Structure of Fangda Carbon

The Company's Board of Directors comprises 7 non-independent and 4 independent directors. The independent directors play a vital role in key areas such as corporate strategy formulation, senior management appointments, financial audit and internal controls. By fulfilling their duties independently, they uphold a decision-making process characterized by efficiency, standardization, and scientific rigor. The independent director system effectively safeguards the transparency and fairness of corporate governance. In addition, the Company places strong emphasis on board diversity. Currently, female directors represent 36% of the Board of Directors. During election processes, candidate selection is carefully evaluated against multiple dimensions, including gender, age, cultural and educational background, professional expertise, skills and length of service, to achieve a diversified board composition aligned with the Company's practical needs.

Information Disclosure Management

The Company strictly adheres to its *Information Disclosure Management Policy*, enhancing the accuracy, completeness and transparency of disclosures. The Company publishes periodic financial reports, including quarterly, interim and annual reports, containing detailed financial data, operational performance and future outlook of the Company. Timely announcements are issued for material events to ensure prompt and accurate information dissemination. The Company utilizes multiple channels such as its official website, disclosure platforms and media publications to ensure that all shareholders have equal access to corporate information. In 2025, 126 Chinese announcements and related documents were disclosed on the Shanghai Stock Exchange website, along with several English announcements on the SIX Swiss Exchange website and its official website, fully fulfilling the Company's information disclosure obligations.

Investor Relations Management

The Company places high importance on investor relations management. The Company has established and strictly adheres to the *Fangda Carbon Investor Relations Management Policy*, safeguarding investor interests, particularly minority shareholders and strengthening investor confidence. To keep investors informed of operational developments and material events, the Company maintains open communication through its official website, new media platforms, hotline, email and fax, as well as via shareholders' meetings, investor briefings, roadshows, analyst conferences, site visits and discussion sessions. These efforts ensure responsive handling of inquiries and careful consideration of investor feedback. During the reporting period, the Company conducted 225 investor engagement activities, held 3 earnings conferences, and co-organized the "I Am a Shareholder" on-site research forum with China Galaxy Securities, during which investors visited Fangda Carbon's facilities. This initiative was recognized with a commemorative cup awarded by the Shanghai Stock Exchange.

ESG Governance System

Fangda Carbon has integrated ESG principles into its corporate strategy and management system. The Company has established a three-tier governance framework of "Board Decision-Making – Management Coordination – Functional Implementation". Each tier maintains distinct responsibilities to ensure that ESG-related impacts, risks and opportunities are fully identified and prudently managed throughout business decision-making.

Governance Structure

The Board of Directors, as the supreme decision-making body, reviews long-term strategy, major investments, annual plans and ESG disclosures, retaining ultimate accountability for sustainability matters including climate change. Management team, led by the General Manager, implements Board resolutions and strategic initiatives, incorporates climate considerations into daily operations, regularly reports on sustainability progress to the Board of Directors and its committees, and submits an annual written report. Functional departments and business units, as the executive level, carry out specific sustainability tasks and provide routine updates and special reports to management.

Guided by this governance structure, the Company continues to advance sustainability management across environmental, social and governance pillars and has established the following overall goals:

Environmental

Promote green manufacturing, establish garden-style facilities, achieve ultra-low emissions, reduce energy consumption and improve efficiency.

Social

Safeguard employees' rights, ensure workplace safety, contribute to community welfare, and fulfill social responsibilities.

Governance

Improve internal control and risk management systems, enhance transparency in information disclosure, protect investors' rights, and ensure compliant and stable operations.

The Company actively advances ESG capacity building across all levels of its organization. Personnel at each level possess corresponding professional skills and competencies, with extensive theoretical knowledge and solid practical experience in areas such as the carbon industry, financial management and compliance management. They also maintain a comprehensive understanding of energy conservation, carbon reduction and energy transition. Members of the Board of Directors and its specialized committees demonstrate strategic foresight, industry insight and risk management capabilities, enabling them to stay abreast of macro policies and industry trends. This ensures that sustainability-related risks and opportunities, including those stemming from climate change, are fully considered in decision-making process, facilitating the formulation of forward-looking sustainability strategies. Management possesses extensive operational experience and resource integration skills, allowing it to effectively translate sustainability strategies into actionable plans. All functional departments and production units have the necessary professional skills and technical operational abilities to ensure corporate policies are implemented effectively in daily operations. Through specialization and collaboration by employees at all levels, the Company has established a professional competency system covering the entire "strategy–execution–supervision" chain, enabling effective response to climate-related challenges from macro policy to practical implementation.

To ensure the effective integration of sustainability principles into business decision-making, the Company embeds ESG management requirements into the entire process of strategy implementation, major transaction decisions and risk management. For key decision-making matters such as major investments, technological upgrades and M&A, the Company implements an ESG pre-assessment mechanism to conduct comprehensive sustainability impact evaluations. Projects failing to meet standards are subject to a "one-vote veto", preventing risks at source while identifying green development opportunities. Furthermore, the Company has established an ESG risk identification and tiered management mechanism, maintaining a dynamically updated ESG risk list. Through risk alerts, performance evaluations and internal audits, the Company strengthens oversight throughout the process, forming a closed-loop system for sustainability management.

In 2025, the Audit and Legal Department led a multi-department sustainability risk due diligence covering the entire business chain, including production, operations, supply chains and engineering construction. Through regular inspections, targeted verifications and third-party evaluations, the Company identified ESG related risks and established a tiered control and continuous monitoring mechanism to ensure timely handling and effective management of these risks. During the reporting period, no major sustainability-related negative incidents occurred.

Information Reporting and Supervision System

To ensure timely access to sustainability-related information, the Company has established a multi-tiered and multi-channel information reporting system. Operating under the principles of "tiered responsibility, centralized management and periodic and ad-hoc reporting", information is reported from production units and functional departments to management. Data is automatically collected and visualized through information systems, facilitating timely aggregation and sharing. The timeliness and accuracy of reporting are incorporated into performance evaluation indicators, providing a reliable data foundation for sustainability decisions.

In terms of supervision and management, the Company sets sustainability targets and annual plans in line with national policies and development plans, focusing on environmental protection, energy conservation, work safety and technological innovation. It actively promotes green factory development, environmental technology upgrades and pollutant control. A comprehensive internal control system and multi-level supervision mechanism covering production operations, environmental protection and safety have been established and continuously refined. This mechanism ensures clearly defined responsibilities, standardized procedures and efficient operations within the decision-making, authorization and risk control frameworks. The Company regularly monitors and assesses progress toward sustainability goals to promptly review achievements, identify gaps and drive improvement. Metrics related to safety, environmental protection, risk control, cost reduction and efficiency enhancement are integrated into departmental and individual performance evaluations, with results linked to incentives and accountability. This reinforces responsibility and promotes the ongoing advancement of sustainable development capabilities.

Business Ethics Governance

The Company upholds the principles of integrity and ethical conduct, continuously improving its anti-bribery, anti-corruption and fair competition management systems. A full-process management mechanism has been established, covering system development, risk identification, supervision, reporting and training, ensuring that all business activities are conducted in compliance with laws and regulations.

In terms of governance structure, the Company has developed a systematic anti-bribery and anti-corruption framework. This multi-level governance structure involves oversight and decision-making by the Board of Directors, overall arrangements by management, and execution coordinated by departments, such as the Discipline Inspection Department and the Audit and Legal Department. The structure enables a closed-loop management of integrity-related risks identification, control and supervision. Meanwhile, the Company has also established compliance systems to prevent unfair competition, explicitly prohibiting acts of unfair competition, such as false advertising, monopolistic conduct and infringement of trade secrets. These systems are reinforced through policies, supervision, inspections and training to ensure that all business practices comply with legal and regulatory requirements.

Specialized risk assessments targeting bribery and corruption are conducted regularly, focusing on high-risk areas such as procurement, engineering, sales and logistics. Potential risks are systematically identified and targeted control measures are implemented for dynamic risk management. Unannounced inspections are carried out periodically to strengthen compliance in key operational areas, continuously enhancing the risk prevention capabilities.

In terms of reporting and supervision, the Company has established multiple reporting and complaint channels, including hotlines, emails, complaints box and forum feedback, all of which accept both named and anonymous submissions. The Audit and Legal Department centrally receives, categorizes and processes the reporting information. Upon receipt, the Company, led by the Audit and Legal Department and in coordination with the Discipline Inspection Commission, reviews the content within three business days and conducts investigations, actions, and feedback in accordance with established procedures, ensuring a confidential, standardized, and efficient end-to-end supervision mechanism. The Company has formulated the *Fangda Carbon Work Institution on Reporting of Discipline Inspection and Supervision,* which stipulates that whistleblowers' information security is strictly protected and any form of retaliation is prohibited, to safeguard their legitimate rights and interests.

The Company conducts regular anti-bribery and anti-corruption training for directors, management and all employees, with a focus on key positions such as procurement, engineering and marketing. In 2025, the Company held integrity-themed sessions titled "Learning from Cases, Strengthening Defenses against Corruption" for personnel in sales, procurement, production management, recruitment and logistics. These sessions incorporated policy publicizing and case studies to continuously strengthen employees' integrity awareness and risk prevention capabilities. During the year, all 11 directors at the Company received anti-bribery and anti-corruption training, with a coverage rate of 100% for both groups. In addition, more than 4,890 operational staff received the training, reaching over 98% of all operational employees.

2025

11 directors received anti-bribery and anti-corruption training — **100%** coverage

more than **4,890** operational staff received the training — over **98%** of all operational employees

Fangda Carbon Integrity-Themed Sessions Titled "Learning from Cases, Strengthening Defenses Against Corruption"

During the reporting period, no incidents of commercial bribery or corruption were recorded. No directors, management members or employees were dismissed or disciplined for such conduct, and no related investigations, contract terminations or legal proceedings occurred. The Company has consistently upheld the baseline of compliant operations, with no lawsuits or significant administrative penalties arising from unfair competition practices.

Stakeholder Engagement

The Company maintains regular and diverse communication channels to engage with stakeholders on an ongoing basis, actively understanding and addressing their concerns regarding business developments and operational performance. Based on its business nature, industry trends and operational conditions, the Company has identified key stakeholders, including shareholders and investors, government and regulatory bodies, employees, customers, suppliers and local communities. Their expectations and needs are integrated into the Company's operational management.

Category of Stakeholders	Top Six Topics Concerned	Communication Channels
Shareholders and investors	Corporate governance Stakeholder engagement Product quality and safety Technological innovation and R&D Anti-bribery and anti-corruption Anti-unfair competition	Shareholders' meetings Investor briefings and roadshows Site visits Discussion sessions Company official website Hotlines, email, fax, etc.
Government and regulatory bodies	Emissions management Environmental management Resource and energy use Addressing climate change Product quality and safety Occupational health and safety	Company official website Regular communication Information disclosure Press release/announcement
Employees	Circular economy Emissions management Employment and labor management Employee compensation and benefits Employee development and training Occupational health and safety	Workers' congress General Manager open day Seminar Employee forum Complaint box and whistleblowing email Employee activities
Customers	Customer service and satisfaction Product quality and safety Technological innovation and R&D Data security and privacy protection Occupational health and safety Supply chain management	Regular visits Satisfaction survey Customer complaints Company official website Hotlines, email, fax, etc.
Suppliers	Supply chain management Equal treatment to small and medium-sized enterprises Occupational health and safety Product quality and safety Technological innovation and R&D Customer service and satisfaction	Online communication On-site survey and assessment Routine visits Suppliers' conference
Local communities	Environmental management Social welfare Rural revitalization Circular economy Ecosystems and biodiversity conservation	Public welfare activities Media communication Visit and survey

Materiality Assessment

The Company regularly conducts corporate-wide assessments of material sustainability topics to evaluate their impact on the Company's sustainable development and the level of stakeholder concern. This process provides a scientific basis for targeted management and strategic decision-making. The process consists of the following steps:

Step 1: Analyze Context of Operations and Business Relationships

The Company systematically reviews its business activities and management activities. Through management interviews, the Company gains insight into the operations, management practices, workforce, products, services and the market environment. Meanwhile, the Company conducts a comprehensive analysis of its current sustainability status, opportunities and challenges by integrating internal and external policies, risk assessment reports and ESG standards. Building on this, the Company maintains active communication and collaboration with internal and external stakeholders, fostering trusted, mutually beneficial relationships to support shared development and long-term value creation.

Step 2: Create a List of Topics

The Company analyzes macro-policies, laws and regulations of the locations where it operates to ensure topics identified align with regulatory directives and international sustainability best practices. With reference to the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)*, the *Guidelines No.4 of Shanghai Stock Exchange for Self-Regulatory of Listed Companies—Compilation of Sustainable Development Reports (Revised January 2026)* and other dominant domestic and foreign sustainability standards, the Company benchmarks against industry leaders in topic selection and prioritization to create a list of material topics. In 2025, 22 topics closely linked to the Company's business development were identified.

Step 3: Assess and Confirm Material Topics

The Company assesses and prioritizes sustainability topics based on two dimensions: impact materiality and financial materiality. Impact materiality focuses on whether the Company's performance on a topic could significantly affect the economy, society or environment. Financial materiality assesses whether a topic is reasonably expected to have a substantial influence on the Company's business model, operations, strategy, financial condition, performance, cash flows or cost of capital over the short, medium or long term[1].

The assessment incorporates regulatory requirements, risk assessment methods, operational realities and feedback from stakeholders and experts. This process establishes clear criteria and a method for prioritizing impacts, risks and opportunities. The resulting materiality assessment supports strategic decision-making and resource allocation.

During the impact assessment of each topic, the Company conducts a comprehensive assessment based primarily on its scale, scope, irremediability and likelihood of occurrence.

Factor	Description
Impact scale	Refer to the severity of the impact, which is classified as high, moderate and mild.
Impact scope	Refer to the extent of the impact, which is classified as extensive, moderate and limited.
Irremediability	Refer to the difficulty of reversing or remediating an impact once it has occurred. This concept applies solely to negative impacts and is classified as follows: difficult to remedy, remediable with effort (requiring time and resource investment) and relatively easy to remedy.
Likelihood	Refer to the probability of the occurrence, which is classified as very likely, likely and unlikely.

When evaluating risks and opportunities associated with each topic, the Company conducts a comprehensive evaluation based on their potential impact and likelihood of occurrence:

Factor	Description
Impact degree	Refer to the degree of the impact of a risk or opportunity, which is classified as high, moderate or mild.
Likelihood	Refer to the probability of occurrence of a risk or opportunity, which is classified as very likely, likely and unlikely.

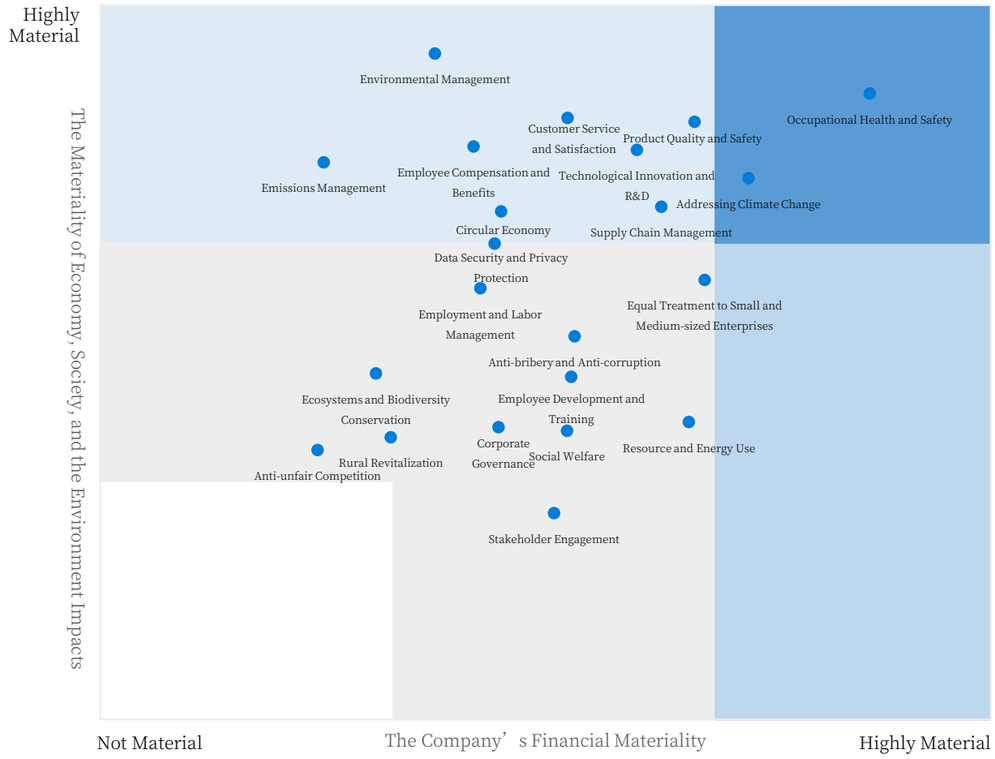
[1] For the purpose of strategic planning and resource allocation, the time horizons are defined as follows: short-term for within one year, medium-term for 3 to 5 years and long-term for over 5 years.

The Company has established a systematic risk management framework and has incorporated ESG topics such as occupational health and safety and climate change into this framework. In daily operations, the Company conducts regular risk inspections in key areas and critical business lines, periodically reviews major risks and monitors their evolving trends, evaluates the effectiveness of risk control measures, and continuously optimizes risk response strategies. In 2025, the Company identified the following major ESG risks:

Major ESG Risk Description	Responses and Main Financial Impacts
Production safety risks	Responses: The Company has implemented an occupational health and safety governance system, which includes a comprehensive employee safety responsibility system, regular inspection mechanism, feedback mechanism and responsibility adjustment processes to strengthen daily supervision and control. The Company conducts thorough identification of operation safety risks, with a focus on strengthening preventive and in-process controls. Upholding the principle of "safety is a shared responsibility", the Company makes efforts to consolidate foundational safety management and enhance occupational health and safety training to raise awareness and self-management capabilities among employees. Financial impact: In 2025, the Company's expenditures on production safety were RMB 5.34 million.
Climate-related risk	Responses: The Company continues to advance energy conservation and emissions reduction initiatives, increases investment in product R&D and develops more efficient and low-carbon production technologies. Financial impact: For details, refer to Section "Addressing Climate Change".

Step 4: Disclose Materiality Information

The Company discloses its material topics assessment using a dual-materiality matrix based on financial materiality and impact materiality. Among the topics assessed, the "Occupational health and safety" and "Addressing Climate Change" were identified as having both financial and impact materiality.



Matrix for Assessment of Material Topics

02

Pursue Low-Carbon Development, Advance Green Transformation

Lucid waters and lush mountains are invaluable assets. Guided by the development principle of “treating the ecological environment like life”, Fangda Carbon pursues an environmental objective of “firmly advancing the environmental upgrades goal for decades and remaining compliance with advanced international standards”. To this end, the Company has continuously improved the environmental management system, implemented energy conservation and emission reduction measures, and actively tackled climate change. By taking these actions, the Company pushes forward ecological civilization development with high levels of social responsibility, transforming its facilities into garden-style factories.

Environmental Compliance Management

Regarded environmental management as a key component of strategies of the Company, Fangda Carbon continues to improve environmental management system and environmental management skills, ensures the implementation of environment-friendly measures and minimizes the potential environmental impacts of our business activities, striving to build an eco-friendly corporate.

Environmental Management System

The Company strictly complies with laws and regulations including the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution,* and the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*. In addition, the Company has deepened the development of environmental management system, building an environmental governance framework with clear rights and responsibilities, and efficiency.

As the primary responsible person for environmental management of the Company, the Chairman is responsible for review and supervision of environmental concerned strategic planning, policy making, goal setting and executive management. To ensure the smooth implementation of environmental protection practices, the Company has set several specialized departments, including Safety and Environmental Protection Department, Safety and Security Department, Safety and Environmental Protection Equipment Department, Equipment Power Department, and Administration Offices. Under the Safety and Environmental Protection Department, an Environmental Management Division staffed by the Division Head, environmental protection technicians and environment monitors is responsible for the daily management and implementation of environmental protection practices. At subsidiary level, an Environmental Protection Committee is established based on operational needs, supported by an Environmental Protection Office as daily working body. The Committee is responsible for developing, reporting and implementing plans and proposals for environmental protection projects, as well as unified supervision, management, and evaluation of environmental protection practices. Each subsidiary is equipped with full-time (part-time) environmental protection technicians or project leaders in charge of implementing national environmental protection policies, laws, regulations and institutions, conducting green production, performing daily maintenance of environmental protection facilities, and supervising environmental management of production workshops.

Environmental System Certification

The Company continuously advances environmental management system certification and conducts annual surveillance audits. During the reporting period, Fangda Carbon, Chengdu Carbon Material, Meishan Rongguang, and Fangda C-Chem have obtained ISO 14001 Environmental Management System Certification. The scope of certification covers R&D, production and management of graphite electrodes, carbon bricks, carbon paste and new carbon materials of the Company.

Environmental Management System Certification for the Company and Some of the Subsidiaries

Environmental Risk Management

For environmental risk management, the Company regularly assesses environmental risk, identifies potential hazards, systematically identifies risk areas, and implements corrective measures in accordance with the *Fangda Carbon Management Measures for Major Ecological and Environmental Accident Hazards and other internal policies*. In 2025, Hefei Carbon revised the *Response Plans for Environmental Emergencies of Hefei Carbon Co., Ltd*. The revision placed an emphasis on comprehensive update of identification and assessment of environmental hazardous substances, effectiveness of environmental risk prevention, control and emergency measures, improvement of emergency response mechanism and storage of emergency supplies and equipment. The revision improved the accuracy and depth of environmental risk assessment, and approved by experts, ensuring the risk management measures are evidence-based and practical.

Environmental Emergency Management

In accordance with results of risk assessment and available resources of the Company, each subsidiary has formulated and improved environmental emergency management system, developed response plans, which are submitted to local environmental protection departments for filing. These actions have regulated risk identification and assessment, deployment of emergency resources, and response procedures. The Company organizes drills on a regular basis to build abilities to respond to environmental emergencies, ensuring prompt response, proper solutions and closed-loop management upon time of occurrence, and minimizing environment impacts.

During the reporting period, the Company experienced no major environmental incidents, and was subject to no major administrative penalties or criminal liabilities from relevant ecology and environment authorities.

Addressing Climate Change

As the leading enterprise in the industry, Fangda Carbon is fully aware of its responsibilities in the face of global climate changes. The Company actively advances the national strategic goal of "carbon peaking and carbon neutrality" and green and low-carbon development through concrete actions, and is dedicated to building an enterprise driven by technological innovation, resource efficiency and environmental friendliness.

Governance

The Company has established a three-tier governance structure consisting of the Board of Directors, management, and the executive level, ensuring the effective management, supervision and implementation of climate-related impacts, risks and opportunities. Based on effective governance structure and supervision system, the Company implements climate-related strategies to lower potential impacts that climate-related risks have on the Company and capitalize on climate-related opportunities, advancing its sustainable development. For the details about the governance, refer to the section headed "ESG Governance System" in this report.

Strategy

With global low-carbon transformation, the demands of high-performance carbon materials in industries such as iron and steel, metallurgy, chemical engineering and new energy have increased. Therefore, carbon industry gradually emphasizes high-performance, low-carbon and intelligent development. And technological innovation, R&D of new carbon materials, applications of environment-friendly technologies and intelligent manufacturing have become the significant driving forces of the industry.

The Company draws on climate change scenarios issued by internationally recognized authorities to conduct a comprehensive assessment of potential risks and opportunities resulted from policy environments, market demands, and technological trends under various scenarios. During the assessment, the Company takes into account business characteristics, operating models, regional distinctions, as well as multiple uncertainties like the natural environment, policies, and markets. In this way, we analyze the potential impacts of climate-related physical and transition risks on strategies, business models, and supply chains over the short, medium, and long term. Based on the results, we adjust strategies and business models according to the actual situation. As graphite electrodes and blast furnace carbon blocks constitute a main value driver, the Company continues to develop carbon-, graphite-, and graphene-related solutions for the new energy sector. Adhering to green manufacturing and refined production, we have developed an overall strategy that prioritizes new carbon materials. To flexibly respond to changes in market demand, our graphite electrode products are dominated by ultra-high-power, large-specification models, and supplemented by high-power ones and other specifications. The Company continuously sharpens market competitiveness by optimizing product structure, improving product quality, and refining after-sales services.

The Company' s main businesses include the R&D, production, and sales of key raw materials essential for manufacturing graphite electrodes, monolithic carbon blocks, and isostatic graphite. We assess the potential environmental impacts of the Company' s procurement, production, sales, and other business activities from all aspects. In general, the graphitization process for traditional synthetic graphite electrodes consumes a significant amount of energy and may have a negative impact on the environment. In contrast, new energy and low-carbon materials, such as graphene and carbon-carbon composites, can be applied in the new energy sector. Adoption of these new materials helps enhance energy utilization and reduce greenhouse gas (GHG) emissions, thereby contributing to environmental protection. We attach great importance to low-carbon and green development. By formulating climate-related transition plans in a timely manner, monitoring progress toward climate-related targets, and pursuing green practices throughout product development, production, and operation, we aim to build up the Company' s capabilities to address climate risks and seize transition opportunities at various stages of development. During the reporting period, the Company actively optimized processes for energy conservation and consumption reduction, promoted waste recycling, and intensified the control over pollutant emissions. At the same time, the Company increased investment in product R&D to explore more efficient and low-carbon production technologies. By integrating technological innovation and green manufacturing, the Company continuously enhances product performance and mitigates the environmental impact of production, thus underpinning the journey to sustainability.

Types of Climate-Related Risks and Opportunities		Description of Climate-Related Risks and Opportunities	Time Frame	Impact on Strategies and Decisions
Physical risks	Acute risks	Extreme weather events, such as typhoons, heavy rainfall, and floods, may cause drainage issues at plant areas, short circuits in power distribution facilities, and moisture damage to raw materials, potentially suspending key processes like roasting and graphitization. Besides, heavy rainfall and ice-snow events may obstruct roads around plants, thus hindering the transportation of finished electrodes and delaying delivery to customers. Low-temperature conditions may cause pipeline freezing and blockage, thereby restricting natural gas supply and subsequently impacting production.	Short term	The Company has established dedicated emergency plans for natural disasters, including contingency measures for extreme weather events. Based on meteorological forewarning grades, we activate different tiers of emergency responses with clearly defined command structures, division of responsibilities, and actions.
		Prolonged high-temperature conditions during summer may trigger equipment overheating and shutdowns, and increase the risk of heatstroke among employees, thereby affecting operational efficiency and safety.	Short term	During summer periods of high temperatures, the Company conducts heatstroke prevention and cooling measures, carries out emergency drills for high-temperature workstations, provides adequate heatstroke prevention equipment and medications, and distributes summer uniforms and health beverages to employees. In addition, the labor union organizes a "Cooling Relief" campaign to provide chilled herbal tea in the canteen and deliver it to high-temperature workstations, thereby effectively ensuring the safety and health of employees during summer operations.
	Chronic risks	Climate change may lead to fluctuations in temperature and humidity, accelerate equipment aging and corrosion, increase maintenance frequency, and cause abnormal energy volatility, thereby disrupting production continuity.	Medium to long term	The Company continuously strengthens equipment operation management and conducts regular equipment maintenance to guarantee the stable operation of key production facilities. In addition, the Company intensifies equipment insulation measures and optimizes energy scheduling to bolster operational resilience.
Transition risks	Policy and legal risks	As policies and regulations become increasingly stringent under the "Dual Carbon" goal, failure to comply with relevant requirements may expose the Company to risks such as reputational damage or financial penalties. Meanwhile, stricter policies may compel enterprises to invest more in new energy sources or implement energy-saving upgrades to existing equipment, thereby raising energy costs.	Medium to long term	The Company promotes clean production, upgrades environmental protection equipment, and launches technological transformation projects in alignment with regulatory requirements. Furthermore, the Company continuously optimizes the energy mix and enhances environmental control standards to ensure compliance in production and operation, and general control over energy costs.
	Technical risks	Amidst the transition to a low-carbon economy, the Company faces two types of core technological risks for anode materials and graphene products as follows: • Graphitization for traditional artificial graphite anodes is highly energy-intensive, incurring significant energy costs in a large proportion to the total expenses. Under the "carbon peaking and carbon neutrality" policy, environmental compliance costs continue to rise, which drives up the production costs of anode materials. • Intensified technological iteration and competition have highlighted values of scale in the anode materials industry. New-generation anode technologies, such as silicon-based anodes and hard carbon, threaten to substitute traditional artificial graphite.	Medium term	In the field of anode materials, the Company advances R&D of high-end graphite anode materials to enhance their profit margins. In the graphene sector, the Company focuses on core techniques such as thermal and electrical conductivity, optimizes mass production processes for slurries and powders to reduce costs, and enriches application scenarios including lithium batteries and thermal management systems for large-scale finned devices.
Opportunities	Market opportunities	The market expansion opportunities for new energy and low-carbon materials lie in the growing demand for anode materials, graphene products, graphite electrodes, and other new materials in sectors such as new energy vehicles, energy storage, and energy conservation and emission reduction.	Long term	For graphite electrodes, the Company engages in the R&D of high-power electrode products to reduce electrode consumption and energy use per unit of steel output. For anode materials, the focus is on preparation processes for anode materials characterized by low costs, long recycled life, and low expansion under high compaction. For graphene, efforts are directed toward promotion and evaluation of conductive slurries, thermal dissipation slurries, and related products across various industries to achieve industry-wide application.

In the current year, the Company did not identify any material financial effect from climate-related physical risks. Acute risks may have certain effects on the Company's daily operations and the working environment of operational personnel, and the associated expenditures could impact items such as administrative expenses, safety production costs, and employee welfare expenses. Chronic risks may disrupt the normal operation of the Company's production equipment, and the related maintenance costs could affect items such as administrative expenses. The Company will continue to monitor the potential financial impacts of climate-related physical risks in the future. Regarding climate transition risks, the Company recognizes that technical risks may have a certain financial impact in the current period, but the impact cannot be identified separately. In 2025, the Company's total research and development expenditure amounted to RMB 65.6024 million, which already covered technology exploration and innovation projects undertaken to address climate-related technology risks. To effectively respond to technical risks, the Company actively conducts research and development of low-carbon and environmentally friendly technologies, continuously advances the study of high-end graphite anode materials, and explores potential application scenarios for graphene products, which may have impacts on research and development expenses, administrative expenses, and other related items. Regarding climate-related opportunities, the Company has identified market expansion opportunities for new energy and low-carbon materials, which may impact items such as operating revenue and accounts receivable. The Company will continue to explore research and development and application scenarios for graphite electrodes, anode materials, and graphene products to seize market opportunities. In 2025, the Company's revenue from carbon products amounted to RMB 3,309.3339 million.

Upon assessment, the Company identified no sustainability-related risks or opportunities that would have a material impact on its financial positions, operating results, or cash flows for the upcoming year. Additionally, this report contains forward-looking statements related to climate issues. These statements reflect the judgments, assumptions, and expectations of the Company during report preparation, and involve uncertainties to some extent. Actual results may be influenced by various factors such as the economic environment, policy and regulatory changes, market conditions, and limitations in data or methodologies. Therefore, the forward-looking statements in this report should not be interpreted as commitments, guarantees, or predictions of the Company's future performance, achievements, or results.

Management of Impacts, Risks, and Opportunities

The Company monitors the impacts of climate-related risks on its business and financial performance on an ongoing basis, and includes them into the comprehensive risk management system. Complying with the *Procedures for Hazard Identification, Risk Evaluation and Risk Control* and the *Procedures for Environmental Factor Identification and Evaluation*, the Company organizes all units to conduct environmental factor identification, hazard identification, and risk assessment every year. In response to identified hazards and environmental factors, we implement qualitative or quantitative assessments in accordance with the *Risk Assessment Standards*, followed by hierarchical and categorized management and control.

Following a management process of "identification - assessment - monitoring - forewarning - rectification", the Company conducts all-round identification and assessment of environmental factors, hazards, social issues, and climate-related risks on an annual basis, and makes prompt adjustments to response strategies. During assessment, we regularly review the relevance and impact of sustainability-related issues on the Company's long-term strategic targets, so as to align matters with high risks with business development. The Company implements systematic analysis of potential financial risks or opportunities due to various matters, and quantifies their impact magnitude and likelihood of occurrence. Meanwhile, we consider the urgency of external factors such as changes in policies and regulations, updates of industry standards, and technological advancements. We also assess the Company's management performance and resource allocation regarding these issues, as well as their positive or negative impact on the environment and society. Based on the assessment results, the Company prioritizes safety, environmental protection, occupational health, and production and operation as issues with higher risks. We formulate targeted response strategies and management measures, oversee and assess climate risk management, and ensure the effectiveness and adaptability of these management measures.

Metrics and Targets

In active response to the national strategic goal of "Carbon Peaking and Carbon Neutrality", the Company pushes forward the green and low-carbon transformation. As a National Green Factory, Fangda Carbon participates in the formulation of industry standards on environmental protection. Meanwhile, by establishing an energy management system and promoting the development of a product carbon footprint management system, the Company continuously enhances energy utilization and carbon emission management.

To effectively advance and oversee climate change-related initiatives, the Company has set up a GHG emission reduction target. Specifically, we will continue the efforts in carbon reduction and pollution control, and lower total Scope 1 and Scope 2 GHG emissions by 2030, striving to establish a benchmark for producing carbon products in a green and low-carbon manner. This target is qualitative in nature and applies to Fangda Carbon and its subsidiaries. The Company has implemented multiple energy-saving and emission reduction initiatives. We carried out various technological transformation projects of environmental protection. By promoting energy-saving technologies such as waste heat recovery and intelligent temperature control, as well as enhancing refined management of energy consumption and emissions, we endeavor to ensure the achievement of emission reduction targets.

Guided by the "Carbon Peaking and Carbon Neutrality" goal and driven by energy conservation and emission reduction initiatives, the Company has renovated equipment for clean production and environmental protection. By implementing clean production plans and renovating environmental protection equipment, the Company has improved environmental management capabilities and developed a green carbon ecosystem. During the reporting period, we did not participate in the performance management of the national carbon emissions trading market, nor were we involved in the use of carbon credits or any registration or trading related to the China Certified Voluntary Emission Reductions (CCER) Scheme. Looking forward, the Company will keep abreast with policy updates in the national carbon market and emission reduction mechanisms. Taking into account industry requirements and our business operations, we will assess the feasibility of involvement in relevant mechanisms in a timely manner.

Case: Fangda Carbon Cooperated with the Key University to Tackle a Globally Pioneering Green Metallurgy Technology and Facilitate the "Dual Carbon" Goal Across the Carbon Industry

In December 2025, Fangda Carbon entered into a cooperation agreement with a key university in Beijing to jointly launch a R&D project on the gas-based shaft furnace direct reduced iron (DRI) for electric arc furnace smelting and separation. This cooperation focuses on a globally pioneering green metallurgy application scenario, making breakthroughs in cutting-edge technologies for electric arc furnace smelting and separation of DRI. The project not only holds the potential to overcome common technological bottlenecks in the low-carbon transformation of the steel industry, but also aims to expand the application of core carbon products. It can help us inject momentum to the green industry upgrading. Pursuant to the agreement, both parties will verify the feasibility of the technical approach for efficiently melting solid DRI in electric arc furnaces to produce high-quality molten iron. We will accurately assess key indicators such as energy consumption, energy utilization, metal recycling rate, carbon emissions, and molten iron quality. Ultimately, we strive to provide a low-carbon, clean, and premium iron solution to electric furnace steelmaking. Compared with traditional steelmaking processes, the technical approach for electric arc furnace smelting and separation of DRI is projected to reduce carbon dioxide emissions by approximately 75%. In combination with clean energy sources and technologies such as green power and hydrogen-based DRI, this approach will facilitate "zero-carbon" steelmaking and provide a robust foundation for China's "Dual Carbon" goal.

Case: Fangda Carbon Integrates Energy Conservation and Emission Reduction Projects to Build a New Paradigm for Sustainable Development

Fangda Carbon has always regarded cost reduction and efficiency improvement as a core driver to enhance corporate competitiveness. From energy management and equipment maintenance to production scheduling, the Company implements refined management practices across the board, continuously optimizes the energy structure, and reduces greenhouse gas emissions, providing strong support for sustainable development. In 2025, the Company continued to advance waste heat utilization projects, using the residual heat generated by production equipment for winter heating and hot water supply, effectively reducing scope 1 greenhouse gas emissions by approximately 5,016 tons of carbon dioxide equivalent. At the same time, the Company actively carried out a high-energy-consumption motor replacement project. In 2025, a total of 207 high-energy-consumption motors were retired and replaced, saving approximately 159.68 ten thousand kilowatt-hours of electricity and reducing scope 2 greenhouse gas emissions by approximately 791 tons of carbon dioxide equivalent. Through these measures, Fangda Carbon not only improved energy efficiency and production management, but also effectively reduced greenhouse gas emissions, further demonstrating the Company's strategic commitment and industry-leading role in green, low-carbon transformation and sustainable development.

Pollutant Management

Fangda Carbon places great emphasis on the management of pollutant emissions. The Company has established the *Management Measures for Pollution Prevention and Control of Fangda Carbon* and other pollutant management policies, and conducts self-monitoring in strict compliance with the technical standards and regulatory requirements for environmental monitoring. We promptly upload monitoring results to environmental protection platforms, so as to fulfill our corporate responsibilities in ecological and environmental protection. During the reporting period, the Company witnessed sound construction and operation of pollution prevention facilities. Pollutant emissions comply with total emission volume requirements and relevant emission standards. No significant administrative penalties or criminal liabilities were incurred due to pollutant emissions, and the emissions did not cause major impacts on employees, local community residents, or other stakeholders. Moreover, the Company's environmental monitoring plans and risk management measures were free of major deficiencies.

Waste Gas Management

Primary and characteristic atmospheric pollutants generated during the Company's production include sulfur dioxide, nitrogen oxides, and particulate matter. These waste gases mainly stem from dispensing, mixing, roasting, graphitization, machinery processing, and other processes. For atmospheric pollutants generated during various processes, the Company adopts targeted measures as follows to ensure compliant emissions:

- Dispensing, mixing, and forming: We use bag filters, electrostatic precipitators, and black-carbon absorbers to purify atmospheric pollutants at this stage such as particulate matter, so as to ensure compliant waste gas emissions.
- Roasting: We adopt different measures based on the characteristics of primary and secondary roasting to treat atmospheric pollutants such as particulate matter, sulfur dioxide, nitrogen oxides, so as to reduce their emission concentrations. During primary roasting, exhaust gases from annular roasting furnaces are first treated through a two-stage tar electrostatic precipitator, then purified by carbon powder, and finally discharged through roasting smoke pipes in compliance with standards. Electrostatic precipitators and other equipment are also installed to reduce waste gas emissions. Those generated from car-bottom roasting furnaces are purified through incinerators and desulfurization and denitrification processes. During secondary roasting, we treat waste gases from tunnel kilns through bag filters, wet electrostatic precipitators, as wells as desulfurization and denitrification processes, and emit them through the outlet of the tunnel kiln in compliance with standards.
- Graphitization: For atmospheric pollutants such as sulfur dioxide at this stage, we deploy wet electrostatic precipitators, bag filters, and other equipment for purification, so as to reduce their concentrations.
- Machinery processing: For particulate matters at this stage, bag filters are used for purification.
- Heat medium furnace system: For nitrogen oxides generated from the heat medium furnace system, low-nitrogen burners are employed for effective treatment.

In addition, the Company adopts a combination of tarp covering, stacking in bags, water spraying for dust suppression, and enclosures in construction areas to control dust spread from easily dispersed materials stored during construction. During the year, Fangda Carbon continued to advance the low-nitrogen retrofitting project for heat medium furnaces and the graphitization gas treatment project. These efforts effectively reduced nitrogen oxide emission concentration and unorganized raphitization gas emission, and improved on-site operating environment.

In 2025, the Company and its subsidiaries set up atmospheric pollutant reduction targets based on respective circumstances as follows:

Company Name	Atmospheric Pollutant Reduction Targets	Completion of the Target
Fangda Carbon	We establish environmental protection targets and metrics at the beginning of each year. The overall environmental targets for 2025 are set as follows: dust emissions less than 36.2 tonnes, nitrogen oxides (including those from thermal oil boilers) less than 206.5 tonnes, sulfur dioxide less than 215.5 tonnes, and particulate matters less than 16 tonnes. Each unit reviews the total pollutant emissions quarterly with reference to inspection reports, so as to contain emissions within the limit specified by the Company. Atmospheric pollutant emissions are under effective control, and environmental protection equipment is performed well.	In 2025, the annual emissions of dust, nitrogen oxides (including those from thermal oil boilers), sulfur dioxide and particulate matters amounted to 35.82 tonnes, 137.71 tonnes, 139.54 tonnes and 13.85 tonnes, respectively. Atmospheric pollutant reduction targets were all achieved.
Fushun Carbon	Strengthen the operational efficiency of environmental protection equipment and reduce pollutant emissions, so as to contain the annual emissions of particulate matters, nitrogen oxides and sulfur dioxide within 20 tonnes, 40 tonnes, and 30 tonnes, respectively.	In 2025, the annual emissions of sulfur dioxide, nitrogen oxides and particulate matter amounted to approximately 14.97 tonnes, 9.83 tonnes and 13.18 tonnes, respectively. Atmospheric pollutant reduction targets were all achieved.
Meishan Rongguang	Enhance the operational efficiency of environmental protection equipment and increase the dosage of treatment chemicals, so as to maintain atmospheric pollutant emissions below the current national limits.	In 2025, the annual emissions of particulate matters, sulfur dioxide and nitrogen oxides amounted to approximately 0.45 tonnes, 9.86 tonnes and 7.92 tonnes, respectively. All emissions were below the permitted limits and complied with the current national standards.
Hefei Carbon	Establish emission reduction targets for major atmospheric pollutants and decrease their emissions through the following measures. For particulate matters: Regularly replace bag filters and clean the corona wires inside tar electrostatic precipitators. For sulfur dioxide: Maintain the pH value of desulfurization slurry. For nitrogen oxides: Ensure the daily operation of denitrification treatment facilities. For benzopyrene: Regularly clean the corona wires inside tar electrostatic precipitators and replenish the carbon powder in the carbon powder adsorption system.	In 2025, Hefei Carbon actively implemented atmospheric pollutant governance measures. The annual emissions of particulate matter, nitrogen oxides and sulfur dioxide amounted to 1.771 tonnes, 5.359 tonnes and 8.076 tonnes, respectively. Atmospheric pollutant reduction targets were all achieved.
Chengdu Carbon Material	Strengthen the lifecycle management of environmental protection equipment, so as to conform pollutant emissions to regulatory standards.	A deep treatment project for roasting gas from car-bottom roasting furnaces was implemented. Following its completion and operation, atmospheric pollution control achieved excellent results. In 2025, the emissions of particulate matters, sulfur dioxide and nitrogen oxides were reduced by 57%, 62% and 46% respectively compared to 2024. This subsidiary lowered atmospheric pollutant emissions and achieved emission reduction targets.

Wastewater Management

The Company strictly complies with laws and regulations on water pollution prevention and control and has formulated internal wastewater management policies to advance water pollution prevention and control. We have developed wastewater treatment and recycling systems for tiered utilization of water resources to minimize the potential impact of wastewater discharge from production and operation on the surrounding environment.

The Company's main sources of wastewater include industrial wastewater from circulating cooling equipment and domestic sewage. The main water pollutants include ammonia nitrogen and chemical oxygen demand (COD). First, industrial wastewater and domestic sewage are treated at the Company's wastewater treatment plant through processes such as flocculation, sedimentation, air flotation, filtration, and disinfection. Next, the water is either discharged into nearby rivers or reused. Some domestic sewage is discharged through municipal sewage pipelines. In strict accordance with the technical specifications for pollutant discharge permits, the Company formulates self-monitoring plans and regularly commissions qualified third parties to conduct environmental testing. Through these measures, the Company ensures that wastewater is discharged in line with environmental protection requirements, thereby promoting sustainable development.

Waste Management

Guided by the waste management principle of "Recycling, Reduction, and Harmless Treatment", the Company has established institutional documents such as the *Fangda Carbon Responsibility System for Solid Waste Pollution Prevention and Control*, the *Solid Waste Management Regulations*, and the *Hazardous Waste Management Regulations* to continuously refine its waste management system. By means of full-process management featuring classified collection, recording traceability, and compliant transfer, we ensure that every treatment stage for all kinds of wastes, from generation and temporary storage to transfer and final disposal, meets national and local requirements on ecological and environmental protection. These efforts reflect our performance of environmental responsibilities and contribution to the development of a circular economy.

The Company's hazardous waste mainly includes waste electrostatic tar from electrostatic precipitators in annular roasting furnaces, laboratory waste liquids and discarded chemical reagents, waste liquids generated during the operation of online wastewater monitoring equipment, and carbon powder replaced on a routine basis in the carbon powder adsorption system. Non-hazardous waste primarily consists of discarded refractory blocks from repairing roasting furnaces, scrapped materials at processing and packaging workshops, waste steel from equipment maintenance and renovation, or auxiliary units, construction debris, and domestic waste.

For different types of waste, the Company adopts targeted management measures to minimize environmental impact and resource wastage. For hazardous waste, priority is given to resource recovery measures, including reusing carbon powder from regular replacement in the carbon powder adsorption system for roasting, and recycling waste tar burned in tar burners to reduce natural gas consumption. For hazardous waste that cannot be recycled or reused, we regularly entrust qualified third parties to dispose of all the hazardous waste for legitimate and harmless treatment. For non-hazardous waste, we classify and place it in designated areas. We hand over recyclable waste such as waste steel and scrapped materials to the Sales Department for unified resource recovery or processing. Domestic and construction waste is entrusted to responsible departments for regular removal and centralized treatment, ensuring that waste disposal complies with environmental regulations.

In 2025, the Company and its subsidiaries set up waste management targets based on respective circumstances as follows:

Company Name	Waste Management Targets	Completion of the Target
Fangda Carbon	Strictly adhering to the principle of "Recycling, Reduction, and Harmless Treatment", we carry out waste management in compliance with laws and regulations. In addition to standardized storage and disposal, we aim to establish a comprehensive management system featuring classified collection, clear labeling, complete recording, and compliant transfer. This practice ensures that every treatment stage from generation and temporary storage to transfer and final disposal meets national and local requirements on ecological and environmental protection. As such, we can mitigate environmental risks and fulfill our environmental responsibilities.	In 2025, we continuously advanced waste management efforts and complied with national and local laws and regulations on ecological and environmental protection during waste disposal. Waste management targets were all achieved.
Fushun Carbon	Strengthen the maintenance of furnaces, reduce the consumption of refractory blocks, and ensure there are no more than five furnace chambers requiring medium-level repairs.	In 2025, a total of three furnace chambers underwent medium-level repairs, which reduced waste emissions by 110 tonnes. Waste management targets were all achieved.
Meishan Rongguang	Reuse waste tar through tar burners, so as to reduce natural gas consumption.	In 2025, a total of 257 tonnes of waste tar was generated and then reused in house. Waste management targets were all achieved.
Hefei Carbon	Continuously optimize processes for higher material utilization and fewer leftover materials. For end-of-life disposal, transform waste into energy sources and dispose of non-recyclable waste in a compliant manner. In supply chain management, require suppliers to use environmentally friendly packaging materials, and encourage upstream and downstream partners to minimize logistics and packaging waste. Regarding recycling initiatives, refine the waste classification and recycling system, and strengthen closed-loop management of recyclable materials.	In 2025, the generation of rectification (distillation) residues decreased by 52.48 tonnes compared to 2024, and the recovery rate of non-hazardous waste increased to approximately 85%, with the recovery rate of recyclables such as paper, plastic, and metal over 90%.

Case: Fueling the Circular Economy by Transforming Electrostatic Tar into a Resource

In traditional carbon materials production, we have been facing the challenges of high disposal costs and huge environmental risks when dealing with electrostatic tar, a hazardous waste generated during roasting. Going beyond the conventional waste treatment mindset, Fangda Carbon promotes the concept of a circular economy by transforming electrostatic tar into a valuable resource. Through innovative technological upgrades and resource utilization, the Company sells the electrostatic tar generated during roasting to qualified hazardous waste management entities, thus effectively addressing the challenges associated with hazardous waste disposal. In 2025, the Company sold a total of 2,382.5 tonnes of electrostatic tar, generating revenue over RMB 3.12 million. This innovative approach not only resolved the persistent challenge of hazardous waste disposal, but also hewed a sustainable path abounding with both environmental and economic benefits. As a result, we made contribution to ecological civilization and the circular economy.

Energy Management

Fangda Carbon ISO 50001 Certification

Fangda Carbon complies strictly with laws and regulations such as the *Energy Conservation Law of the People's Republic of China*. The Company has established an energy management system, adopted multiple measures to enhance energy usage efficiency. Meanwhile, the Company continuously promotes the use of clean energy, and integrates the concept of energy conservation and carbon reduction into all aspects of production and operations. Acknowledging the significance of scientific and standardized energy management, Fangda Carbon has obtained ISO 50001 Energy Management System certification and successfully passed the GB/T 23331 Energy Management System certification. These certifications cover the entire production process and key energy consumption stages of carbon products, including graphite electrodes and carbon blocks, achieving full coverage of all primary production units. This provides a robust foundation for the Company's energy conservation, carbon reduction, and its transition toward green, low-carbon development.

The Company's energy consumption during the production process primarily stems from key processes across the entire workflow, including roasting, graphitization, forming, machining, and utility systems. The main types of energy utilized are electricity, natural gas, and diesel. To advance energy conservation, the Company implements equipment upgrades, optimizes production processes, and recover waste heat for reuse. These initiatives promote progress in three areas, i.e. technological innovation, improved management practices, and optimizing the energy mix. This enables the Company to continuously explore energy-saving pathways that align with its operational energy profile.

Technological Innovation

The Company employs high-efficiency, energy-saving equipment and drives technological innovation to optimize energy usage. The Company has implemented automatic temperature control systems in its kilns and furnaces. By employing waste heat recovery and the cascading use of energy, the Company has successfully achieved waste heat utilization for heating purposes. Specifically, waste heat from tunnel kilns and calcining furnaces is used to heat thermal oil boilers and generate self-produced steam, supporting the maintenance of environmental protection equipment and heating water for employee showers. The Company optimizes electricity load scheduling in production by reducing power consumption during peak periods. This initiative not only enhances energy efficiency but also lowers operational energy costs.

Management Enhancement

The Company has established an energy management and control system. By enforcing energy consumption quotas and managing peak/off-peak electricity usage, the Company ensures efficient energy use. The Company is continuously refining production planning and enhancing the central coordination of energy management, and arranges production in a rational manner to reduce energy waste from equipment start-ups and idling. For lighting, while ensuring adequate illumination, the Company implements seasonal adjustments to streetlight operating hours to reduce unnecessary energy consumption. Additionally, the Company further raises employee awareness of energy conservation and reduces energy waste by posting energy-saving signs, using energy-efficient lighting, and equipping high-power motors with variable-frequency drives.

Energy Mix Optimization

The Company actively promotes the utilization of clean energy sources, increasing the proportion of natural gas, hydropower, solar energy, and other clean energy sources in its overall energy mix. Meanwhile, the Company is systematically phasing out outdated equipment, improving equipment energy efficiency, and exploring pathways to conserve energy and reduce carbon emissions. Through optimizing production processes and enhancing equipment efficiency, the Company reduces energy consumption through scientific and systematic management.

In 2025, the Company focused on continuously reducing comprehensive energy consumption per unit of product and improving clean energy utilization efficiency. The Company and its subsidiaries set energy management targets tailored to their operational needs. These goals included:

Company Name	Energy Management Targets	Progress
Fangda Carbon	Achieve a comprehensive energy consumption of 2.00 tonnes of standard coal per tonne for graphite electrodes, with process electricity consumption targets set at 4,320 kWh/t for normal-power, 4,300 kWh/t for high-power, and 4,150 kWh/t for ultra-high-power graphite electrodes.	Using the "14th Five-Year Plan" period as the baseline, Fangda Carbon has fully achieved all quantitative energy conservation targets. Among these achievements, the comprehensive energy consumption per unit of product continued to decline. The energy consumption of roasting furnaces decreased by 12.7% year-on-year. Waste heat recovery in the graphitization process saved 1,478 tonnes of standard coal annually, and the variable frequency drive retrofits at the compressed air station reduced electricity consumption by over 1.8 million kWh per year. Effective implementation of energy management, equipment upgrades, and waste heat utilization has steadily increased the clean energy share. Key energy consumption indicators outperform industry averages, leading to designation as a National-Level Green Factory, demonstrating significant achievements in energy conservation and carbon reduction.
Fushun Carbon	Establish specific energy consumption targets for each production process, track monthly performance against these targets, analyze reasons for any fluctuations in unit consumption, and implement performance assessments and incentives based on the achievement of these goals. For 2025, the natural gas consumption targets are set at 94 m^3/t for roasting, 24 m^3/t for impregnation, and 119 kWh/t for forming.	In 2025, actual natural gas consumption was 86.62 m^3/t for roasting and 22.48 m^3/t for impregnation.
Meishan Rongguang	Optimize electricity consumption structure, increase off-peak consumption to 52% to reduce costs.	In 2025, off-peak electricity consumption accounted for 54%, achieving the energy management target.
Fangda C-Chem	Increase off-peak electricity utilization by fully operating intermittent equipment during valley hours: ⩾30% utilization during production and ⩾28% during non-production periods; maximize the use of off-peak electricity for thermal oil heating to maintain asphalt temperature.	In 2025, the annual average off-peak electricity utilization reached 33.9%, achieving the energy management target.
Chengdu Carbon Material	Compared to the energy cost targets set for each production unit, the actual total energy cost performance shall exceed 100% of the planned target.	In 2025, Chengdu Carbon Material achieved an overall energy cost performance of 103.13% against the energy cost budgets allocated to individual production units, which translates to a 3.13% cost saving.

Case: Upgrading the Graphitization Process to Establish a New Production Model

The graphitization process is both the core determinant of the final product performance and a major focus for energy consumption and environmental compliance. In 2025, Fangda Carbon's Graphitization Plant established a dual-driven development strategy centered on "intelligent upgrades" and "green circular practices". Intelligent upgrades include introducing an advanced intelligent power delivery control system. The system effectively shortened the power delivery cycle, increased product qualification rates, and reduced labor intensity. This marks a key step toward digital and refined manufacturing in core production.

The plant established a highly efficient ultra-low emissions system that exceeds national standards. and pioneered a comprehensive waste heat recovery initiative. High-temperature waste heat from graphitization is used for system insulation and winter heating, saving approximately 1,478 tonnes of standard coal annually. This initiative has transformed the graphitization process from a purely "energy-consuming unit" into an "energy-contributing unit", establishing a new green production model centered on "energy conservation, consumption reduction, efficiency enhancement, and circularity".

Resource Management

Water Resource Management

The Company recognizes that effective water management is essential to sustainable development and prioritizes the efficient use and conservation of water resources. We have established a water consumption measurement and control system, which is continuously refined. We also promote water-saving technological retrofit projects and implement refined management to reduce water resource consumption and enhance water use efficiency.

Our production water is sourced exclusively from municipal supply, with no seawater use. The main water-consuming processes include graphitization furnace cooling and stockyard cooling, roasting insulation material cooling, make-up water for circulating water systems, and wet scrubbing for dust removal. Among these, the graphitization cooling is the largest consumer. To enhance the water efficiency, the Company has implemented the following technical upgrades and management measures focused on water conservation and recycling:

Water Resource Recycling and Reuse

Upgraded the reclaimed water reuse system, utilizing treated production wastewater for production cooling and plant area greening, thereby enhancing water resource recycling efficiency; recovered and reused water resources such as steam condensate and rainwater; and utilized recycled water for production at workshops.

Cooling System Optimization

Reduced the consumption of fresh water through retrofitting circulating water systems and upgrading cooling units.

Refined Water Use Control and Monitoring

Established a water use scheduling mechanism to dynamically monitor wastewater discharge volumes, strengthened water usage performance assessments, and conducted in-depth assessment of water-saving potential. Water meters were installed at each water-consuming process for independent measurement, with regular data verification against the main incoming plant water meter. This practice enables timely identification and resolution of pipeline leaks, thereby enhancing water resource utilization efficiency.

The Company continues to strengthen water reuse management. In 2025, Fangda Carbon reused over 2.4 million tonnes of reclaimed water, achieving a reuse rate of over 93%. The Company and its subsidiaries have established water resource management targets based on respective circumstances as follows:

Company Name	Water Resource Management Targets	Progress
Fangda Carbon	Taking the "14th Five-Year Plan" period as the baseline and 2025 as the target year, Fangda Carbon will strictly control the total volume of wastewater discharge, increase the rate of reclaimed water reuse, and reduce water consumption in production. In 2025, the Company's total wastewater discharge shall not exceed 200,400 tonnes.	As of the end of the reporting period, Fangda Carbon had successfully achieved its water conservation targets, with all quantitative metrics met. The reclaimed water reuse rate reached over 93%, representing a significant improvement compared to the baseline period. The total wastewater discharge amounted to 178,500 tonnes, 21,900 tonnes against the permitted limit, thereby achieving the annual target for controlling total wastewater discharge into water bodies. Following the retrofitting of the graphitization furnace cooling units, the production water consumption decreased by 42,300 tonnes year-on-year. The water consumption per unit of product continues to outperform the industry average, demonstrating the effective implementation and significant results of water-saving technological upgrades and management control measures.
Fushun Carbon	Fushun Carbon will establish water usage target values for each production process, track monthly water consumption performance, analyze causes of variations, and conduct assessments and provide incentives based on performance results. For 2025, the water usage targets are 0.1 m^3 per tonne of product for the forming process, 0.3 m^3 per tonne of product for the roasting process, and 0.2 m^3 per tonne of product for the impregnation process.	In 2025, the water consumption was 0.06 m^3 per tonne of product for forming, 0.19 m^3 per tonne of product for roasting, and 0.08 m^3 per tonne of product for impregnation. Water resource management targets were all achieved.
Fangda C-Chem	Collected rainwater will be prioritized for replenishing firefighting water reserves to reduce municipal water consumption. Treated wastewater will be conveyed to the calcination section of the needle coke plant for reuse. Steam condensate will be recovered and supplied to the needle coke plant to lower boiler water usage costs.	Fangda C-Chem has continuously strengthened its water resource management and implemented measures such as rainwater and steam condensate recovery to reduce water consumption. In 2025, a total of 8.32 tonnes of rainwater was recovered, and approximately 2.5 tonnes of steam condensate were reclaimed per hour during production, further advancing the implementation of management and control measures.

Paperless Office

The Company actively promotes the concept of a paperless office, dedicating efforts to reduce resource consumption and achieve a green transformation in office processes. By comprehensively adopting paperless office systems, the Company has effectively reduced the use of paper documents and encourages all employees to practice energy-saving and emission-reducing behaviors, implementing the environmental concept of with daily small actions. The Company emphasizes the principles of the circular economy in office environment management, encouraging employees to cultivate good habits such as turning off lights when not in use, conserving water, and properly sorting waste in their daily work. These practices foster a positive atmosphere of full participation and collective efforts to build a green office environment, driving the Company toward more sustainable and environmentally friendly development.

Biodiversity Conservation

Fangda Carbon consistently adheres to the development philosophy that "lucid waters and lush mountains are invaluable assets," and strictly complies with national and local ecological and environmental protection laws and regulations when carrying out production and operational activities. The Company's operations are located within an industrial park, and its production and operational activities have not significantly impacted ecosystems or biodiversity.

Building upon this foundation, the Company adheres to the principle of prudent management, proactively identifies and controls potential ecological risks, and prioritizes the biodiversity protection. During the site selection and expansion planning phases of projects, the Company strictly complies with relevant regulations such as the *Measures for the Management of Ecological Conservation Red Lines*. We hire professional survey agencies to conduct preliminary screenings and ensure that sites selected for new facilities or expansion projects are not located in areas designated as ecological conservation red lines, nature reserves, or ecologically sensitive zones.

During the phase-out of operations at older plant sites, the Company systematically ceased production and dismantled relevant facilities in stages adhering to the principles of "compliance with laws and regulations, and controllable risks". The Company promptly reported to local governments and regulatory authorities, properly disposed of hazardous waste, and prevented long-term impacts on the surrounding ecological environment.

During the reporting period, the Company did not own or leas any operational sites located within or adjacent to protected areas or biodiversity-rich regions.

03 Drive with Innovation, Lead with Quality

Technological innovation serves as the core engine driving high-quality development of enterprises, while excellent product quality, along with safe and stable operations, forms the foundation for their survival and growth. In 2025, the Company remains steadfast in its commitment to the goal of "serving the nation through industry and building a world-leading carbon enterprise." By deeply integrating into the development strategy of new quality productive forces and driving progress through both digital transformation and green manufacturing, we are dedicated to becoming a global leader in the research, development, and application of new carbon materials.

Innovation and R&D

Fangda Carbon consistently adheres to a market-oriented approach, continuously optimizes its product portfolio, and rationally allocates resources. The Company regards scientific and technological innovation as its core engine, continuously increasing investment in research and development (R&D) and talent cultivation. It actively promotes the transformation of scientific and technological achievements into practical productive forces, fully fosters new quality productive forces, and injects a constant stream of momentum into the enterprise's high-quality development. Through the continuous deepening of cost reduction and efficiency enhancement initiatives, the Company consistently strengthens its core competitiveness, achieving steady growth in market share. Technological innovation has become the core driving force enabling Fangda Carbon to advance steadily in a complex market environment and maintain its leading position in the industry.

Innovation Management System and R&D Platform

As a National High-Tech Enterprise, a leading enterprise in the National Sci-Tech Trade Innovation Base, a Technological Innovation Demonstration Enterprise of Gansu Province, and a backbone enterprise in Gansu's strategic emerging industries, Fangda Carbon has established and continuously improved a R&D management system tailored to the process characteristics of carbon products. The Company has formulated normative documents such as the Design and Development Control Procedure and the Scientific Research Project Management System, which clarify comprehensive management requirements covering the entire process from demand identification, solution design, and prototype trial production to mass production.

Fangda Carbon has established core R&D platforms, including a National-level Enterprise Technology Center, a Postdoctoral Research Station, a National-level Carbon New Materials Engineering (Research) Center, and the Gansu Province Carbon Materials Industrial Design Center. In terms of industry-university-research collaborative innovation, Fangda Carbon has jointly established the "Fangda Carbon Nuclear Graphite Research and Development Center" with Tsinghua University, focusing on basic research and application-driven development of nuclear-grade graphite materials. In cooperation with the University of Science and Technology Beijing, the "Fangda Carbon Blast Furnace Carbon Block Research and Development Center" has been established. The center is dedicated to achieving breakthroughs in the longevity technology of blast furnace carbon blocks. Additionally, in partnership with Lanzhou University, the "Fangda Carbon Graphene Research Institute" has been established to conduct original research on graphene materials, new energy materials, and thermal management. Furthermore, the Company actively participates in the Belt and Road Initiative, engaging in R&D cooperation on nuclear graphite and new carbon materials with universities and scientific research institutions in BRICS countries and cities within the Lanzhou-Xining Urban Agglomeration. These efforts aim to build a globally competitive hub for carbon materials.

In October 2025, Fangda Carbon's provincial-level Carbon New Materials Engineering Research Center received a "Good" rating in the operational evaluation organized by the Development and Reform Commission of Gansu Province. The evaluation results demonstrate the center's outstanding performance in technological innovation and achievement transformation, fully highlighting its scientific research capabilities and leadership role in the carbon materials industry. The center has undertaken three major national science and technology projects and six provincial initiatives. It has led or participated in formulating over ten national and industry standards and has achieved multiple technological breakthroughs in key fields such as nuclear-grade graphite, ultra-high-power graphite electrodes, and graphene.

Carbon New Materials Engineering Research Center has undertaken

3
major national science and technology projects

6
provincial initiatives

It has led or participated in formulating over
10
national and industry standards

R&D Investment and Talent Team Development

Fangda Carbon regards R&D investment as a strategic commitment, directing both financial and human resources toward strategic and cutting-edge technological fields. In 2025, the Company continued to increase its R&D investment, reaching RMB 65.6024 million.

the Company's R&D investment reaching RMB
65.6024 million

In terms of building an R&D talent team, the Company leverages its postdoctoral research workstation to attract top scientific talent to conduct in-house research and pursue cutting-edge technological studies. The Company has established career development pathways and incentive mechanisms for R&D personnel, actively motivating their enthusiasm and creativity through measures such as patent rewards, technical allowances, and project-based profit sharing. Meanwhile, the Company places emphasis on collaborating with universities and research institutes to jointly cultivate specialized technical talent, thereby building a solid talent reserve for the high-quality development of the carbon materials industry.

In 2025, the Company employed 436 full-time R&D personnel, accounting for 11.98% of the total workforce. This formed a well-structured, highly skilled, and dynamic R&D team.

R&D Activities and Breakthroughs in Core Technologies

Fangda Carbon possesses first-class R&D and production capabilities for carbon products. The Company is actively expanding the application of carbon products in fields such as nuclear power, new energy, and graphene-based new materials. This expansion is primarily driven by graphite electrodes and blast furnace carbon blocks, forming a diversified and highly competitive product portfolio.

In 2025, the Company conducted a total of 18 scientific research projects, including 5 government-level technology projects and 13 self-selected internal projects. The R&D focus is closely aligned with national strategic priorities and industry development trends, primarily encompassing key areas such as performance enhancement of large-format ultra-high-power graphite electrodes, long-life blast furnace carbon block technology, nuclear-grade graphite for fourth-generation nuclear power plants, critical carbon materials for solid-state batteries and hydrogen storage/energy storage, and the scaled application of graphene.

In terms of major technological breakthroughs, the Company has achieved multiple "zero-to-one" innovations. In the field of nuclear-grade carbon materials, the Company not only supplied the core "boron-containing carbon in-core components" for the world's first fourth-generation nuclear power plant, i.e. the Huaneng Shandong Shidao Bay High-Temperature Gas-Cooled Reactor. This achievement broke long-standing foreign monopolies. Besides, the Company has continued to innovate on this foundation. The extrusion-molded boron-containing graphite developed by the Company has been successfully applied in the Fujian Xiapu Demonstration Fast Reactor project. These outcomes were honored with the Second Prize in the Gansu Province Industrial Innovation Achievement Competition. Additionally, the Company was awarded the title of "Outstanding Supplier" by the Chinese Nuclear Society. During the reporting period, the Company also hosted a dedicated inspection and coordination visit by the technical team of the China Initiative Accelerator-Driven System (CIADS), a national major scientific and technological infrastructure project. The Company's R&D and manufacturing capabilities in the field of nuclear-grade carbon materials have received high recognition from the national-level expert team.

In the field of graphene new materials, the Graphene Research Institute jointly established by the Company and Lanzhou University has achieved significant results. Its independently developed products, such as graphene hemostatic dressings, graphene thermal pastes, and graphene electric heating blankets, were awarded the "Outstanding Scientific Research Achievement Innovation Award" at the 26th China International High-Tech Fair, marking new progress in the Company's efforts to commercialize graphene applications.

The Company's R&D activities have yielded substantial results. In 2025, the Company obtained 11 newly granted patents, including 2 invention patents and nine utility model patents. As of the end of the reporting period, the Company held a cumulative total of 89 valid patents. These patented technologies are widely applied in production practice, significantly enhancing product performance, production efficiency, and resource utilization. For instance, to address common industry-wide challenges in carbon production, the Company developed a "Paving Device" and a "Mold Bottom Heating Device for Forming", both of which have been granted national utility model patents. These innovations effectively resolve technical bottlenecks related to the uniformity of paste laying and the control of forming temperature, thereby improving product consistency and qualification rates. These devices exemplify the Company's efforts to transform traditional processes through intelligent and precise technological upgrades.

In 2025

the Company obtained **11** newly granted patents

Including **2** invention patents and nine utility model patents

9 utility model patents

Case: Fangda Carbon Honored with the 2025 Global Graphite Electrode Excellence Brand Award

In November 2025, Fangda Carbon was awarded the "2025 Global Graphite Electrode Excellence Brand Award" at the 16th International Needle Coke and Carbon Materials Industry Upgrade Summit. As a key participant in this forum, Fangda Carbon actively engaged in discussions on topics such as "high-end needle coke production processes" and the "circular economy of carbon materials", conducting in-depth dialogues with enterprises across the upstream and downstream industrial chain. Through strategic collaborations with needle coke producers and R&D institutions specializing in anode materials, the Company has promoted the establishment of a collaborative innovation mechanism spanning from raw material supply to end-user applications. This mechanism provides the industry with a pathway to demonstrate how to overcome resource constraints and enhance the resilience of the industrial chain. Leveraging sustained technological investment and product quality improvements, the Company has developed high-end, large-scale graphite electrode products tailored to international market demands, which have already entered overseas markets such as Europe and Southeast Asia. The Company continues to advance its efforts in high-end material development, smart manufacturing, and the circular economy, exploring the establishment of a product lifecycle management system.

Award Ceremony at the 16th International Needle Coke and Carbon Materials Industry Upgrade Summit

Digital Empowerment and Green Transformation

To meet the demands of the times and enhance its core competitiveness, Fangda Carbon has accelerated the digital transformation, focusing on building a "5G + Digital Twin" smart factory. By introducing advanced information technologies and automated equipment, the Company has achieved intelligent management across the entire production process. Following a comprehensive review of existing production equipment, technological process, and operational management systems, the Company has formulated a detailed automation upgrade plan based on industry development trends and its strategic goals. This plan is designed for developing or introducing advanced automated intelligent control systems in a systematic, phased, and targeted way. In March 2025, Fangda Carbon signed a strategic cooperation agreement with XtalPi to introduce AI technology for building a vertical large-scale model and a digital twin system. This initiative aims to create an "AI + Industry" application paradigm, based on which we can further improve production efficiency and product quality, and innovate business models, thereby achieving intelligent upgrading of the Company.

As a leading enterprise in the carbon industry, Fangda Carbon recognizes the role and environmental impact of traditional carbon products within the industrial chain. The Company actively responds to the national "carbon peaking and carbon neutrality" strategy and promotes the green and low-carbon transformation of core products like graphite electrodes through continuous technological innovation and product upgrading. Driven by technological innovation, the Company has successfully developed high-performance graphite electrode products with excellent conductivity and high-temperature resistance. These products significantly enhance energy utilization efficiency in metal or non-metal smelting processes for electric arc furnace steelmaking, silicon, and white phosphorus, effectively reducing the carbon emission intensity of the downstream steel industry. Through the output of green metallurgy technology, Fangda Carbon has upgraded its products from "steelmaking consumables" to functional carriers that enable efficient operation and energy conservation & carbon reduction in electric furnaces. The Company has also engaged in deep strategic cooperation with leading new energy enterprises such as Contemporary Amperex Technology Co., Limited (CATL) to jointly explore innovative applications of carbon materials in the fields of energy storage and energy materials, building a zero-carbon energy ecosystem.

Fangda Carbon has consistently maintained its position as one of the world's high-quality carbon product suppliers for many consecutive years. The Company has accumulated over 50 scientific and technological achievements at or above the provincial/ministerial level and received 44 national/provincial/ministerial awards, including 12 national silver awards and 22 high-quality product awards in the metallurgy sector.

The Company has accumulated

50 scientific and technological achievements at or above the provincial/ministerial level

44 national/provincial /ministerial awards

12 national silver awards

22 high-quality product awards in the metallurgy sector

Case: Participation in the Major National Science and Technology Infrastructure - CIADS Project

Fangda Carbon undertook the research, development, and production task for the "boron-containing graphite", a core material for the nuclear reactor of the China Initiative Accelerator Driven System (CIADS) - a major national science and technology infrastructure project. This project employs the world's first accelerator-driven subcritical reactor system, representing a pioneering achievement both in China and globally. The boron-containing graphite manufacturing process and high-precision CNC machining solutions independently developed by the Company were highly commended by the expert review panel. Fangda Carbon has successfully completed the R&D and supply of boron-containing graphite for the 200MW high-temperature gas-cooled reactor and the 600MW demonstration fast reactor project, both of which have passed engineering validation. To ensure project advancement, Fangda Carbon allocates core technical personnel and dedicated funding. Through these concrete actions, the Company has fulfilled its responsibility for technological innovation and contributed to China's nuclear power industry.

Product Quality and Work Safety

Quality is the lifeline of an enterprise, and safety is the red line for development. Upholding the value that "quality is the lifeline of development", Fangda Carbon has established a modern quality and work safety assurance system. Guided by international standards and empowered by digital technologies, the system involves participation from all employees across all processes. Through nearly two decades of continuous restructuring, transformation, and high-quality development, Fangda Carbon has etched "Made in China" in the carbon industry onto the global industrial map.

Building a Quality Management System

The Company has established a comprehensive quality management system (QMS) in accordance with the ISO 9001 standard to ensure the high-quality output of products and services. At the operational level, the Company sets up an independent quality management department responsible for the implementation, supervision, quality inspection, and quality improvement of the QMS. On the production front line, the Company implements a quality management model where "everyone is a quality inspector", ensuring that quality responsibilities are assigned to every position and every process. By establishing a quality accountability system, the Company clearly defines the quality duties and authorities of personnel at all levels, creating a comprehensive quality accountability network that spans horizontally across all functions and vertically throughout every tier of the organization.

The Company has developed and issued a Quality Manual, Procedure Document, and Work Instructions, specifying quality requirements and operational processes for all stages. The Quality Manual outlines the Company's quality policy and objectives, defining the scope of the QMS and the interaction of the processes. The Procedure Document details the workflows and methods for various quality activities, while the Work Instructions provide specific guidance for operations. Fangda Carbon's QMS has been verified by the China Quality Certification Center (CQC) with certificate. To ensure the ongoing suitability and effectiveness of the system, the Company undergoes third-party surveillance audits by the certification body annually and a complete recertification audit every three years, ensuring continuous compliance with international quality management standards.

Fangda Carbon and its subsidiaries—Fushun Carbon, Meishan Rongguang, Hefei Carbon, Fangda C-Chem, and Chengdu Carbon Material—have all obtained ISO 9001 Quality Management System Certification. The certification scope covers the R&D and production of graphite electrodes, carbon blocks, carbon pastes, and new carbon materials (such as carbon felt and carbon plates for fluorine generation).

Quality Management System Certificate for the Company and Certain Subsidiaries

Refining Quality Management System and Process

Fangda Carbon has established a quality management system covering the full product lifecycle. For production process control, the Company sets quality control points within the processes. We have formulated management measures such as the *Quality Control Point Management Procedure* and the *QMS Operation Management Assessment Procedure* to conduct real-time monitoring and inspection of key processes, ensuring products meet quality standards. The production process for graphite electrodes includes forming, roasting, graphitization, processing, and packaging. For each part of the process, the Company establishes relevant documents such as process quality control points to ensure the product is under control at every stage. By introducing advanced production equipment and testing instruments, the Company enhances the level of automation in production and the accuracy of inspections, reducing the impact of human factors on product quality.

In the finished product inspection stage, the Company continuously improves the finished product inspection system by formulating procedural documents like the *Quality Inspection Control Procedure and the Failed Products Control Procedure*. Every batch of products undergoes strict testing and inspection, and only qualified products are released for sale. The Company has established a quality traceability system that records information throughout the product lifecycle, including raw material sources, production processes, and inspection records. This enables rapid identification of root causes and timely corrective actions should any quality issue arise. Simultaneously, the Company has formulated quality responsibility traceability management systems, such as the *Quality Incident Management Procedure* and the *Quality Discrepancy Management Procedure*, to ensure strict accountability for quality problems.

The Company has established a standardized customer feedback and complaint handling mechanism, strictly defining the handling process and responsibilities according to the relevant clauses set out in the "Customer Satisfaction Control Procedure" of its *Procedure Document*. In 2025, all received customer complaints were effectively resolved through prompt on-site investigations, technical communication, and dedicated follow-up. For after-sales service, the Company adheres to the systematic requirements outlined in the *Fangda Carbon Market Service Management Procedure*, ensuring standardized and timely responses to customer needs. We are committed to continuously improving customer satisfaction through a closed-loop management process of "complaint receipt - complaint verification - follow-up investigation - root cause analysis and correction - follow-up verification".

Operating Quality Management Mechanism

Fangda Carbon ensures the effective operation and continuous improvement of the QMS through measures including internal audits, personnel capacity building, technological equipment upgrades, data-driven decision-making, and customer communication/feedback. The Company builds a multi-layered audit system comprising monthly QMS audits, regular issue-oriented audits, and second-party audits. We regularly conduct internal audits to identify weaknesses and develop corrective measures. Employees are regularly organized to participate in QMS training to enhance quality awareness and operational skills. The Company continuously invests in advanced production equipment and precision testing instruments to increase production automation and inspection accuracy. Leveraging big data projects, we establish a quality data statistical analysis system for the regular collection and analysis of quality data, enabling timely identification of quality fluctuation trends and the implementation of preventive measures. A comprehensive customer communication mechanism is in place to understand customer needs through channels such as regular visits and satisfaction surveys, transforming customer feedback into drivers for quality improvement.

Regarding quality culture development, the Company promotes themed activities like "Quality Month" and skills competitions to foster an atmosphere where "everyone is a quality inspector" and encourages frontline employees to proactively identify and improve quality issues. We insist on treating customer needs as the source of quality improvement and have established a rapid response mechanism for continuous product optimization. Quality indicators are integrated into the performance evaluation system, with recognition and incentives for quality contributors and strict accountability for quality issues, ensuring the quality culture translates from concept into habitual practice. Digital tools such as information systems, data dashboards, online inspection, and quality traceability platforms are utilized to achieve real-time visualization of quality data, monitorable production processes, and early warnings for quality risks, constructing a modern quality management model characterized by "digital empowerment and intelligent quality control".

During the reporting period, no major liability incidents related to product or service quality occurred.

Case: Fangda Carbon's "LongBrand" Certification Demonstrates Quality and Brand Strength

In 2025, the high-power and ultra-high-power graphite electrode products independently developed by Fangda Carbon successfully obtained the "LongBrand" Certification of Gansu Province. This certification is jointly guided by multiple provincial departments and involves rigorous review across multiple dimensions including corporate strategy, social responsibility, technological innovation, and quality control. This recognition represents external authorities' high acknowledgment of the Company's excellent product quality, comprehensive management system, and continuous innovation capability. It marks a significant milestone for the Company in shaping the brand through quality and driving high-quality development.

Launch Ceremony for the First Batch of Products Certified under Gansu Province's "LongBrand"

Strengthening Work Safety Management

Work safety is a top priority in the Company's fulfillment of social responsibility. Fangda Carbon strictly complies with laws and regulations including the *Law of the People's Republic of China on Work Safety* and establishes a work safety management system centered on a dual-prevention mechanism involving graded control over risks, and identification and governance of hazards. The Company implements a top-down work safety responsibility system, under which dedicated and part-time safety management personnel are designated for regular safety risk assessments and hazard inspections, so as to ensure the safe operation of equipment and facilities and the continuous improvement of the working environment. During the reporting period, no general or above-level work safety accidents occurred.

In 2025, leveraging national campaigns such as the "Work Safety Month" and "Fire Safety Awareness Month", the Company intensively carried out a series of safety promotion, education, and drill activities. By organizing launch meetings, displaying safety slogans, holding flag-raising ceremonies for safety, and screening safety warning videos, the Company fostered a safety culture where "everyone prioritizes safety, and everyone knows how to respond to emergencies". During these campaigns, the Company systematically conducted specialized activities including workplace hazard identification competitions, safety publicity and consultation days, emergency response drills, and comprehensive hazard inspections. Every primary-level unit also organized activities tailored to their specific characteristics, such as safety sharing sessions, knowledge contests, debates, and on-the-job training, effectively enhancing all employees' safety awareness and emergency response capabilities.

For details on governance, strategy, management of impacts, risks and opportunities, as well as metrics and targets related to occupational health and safety, please refer to the section "Occupational Health and Safety".

Data Security and Privacy Protection

In the era of the digital economy, protecting data security and personal privacy is crucial for a company to operate in compliance with laws and regulations and to earn customer trust. Fangda Carbon places significant emphasis on information security management, integrating data security and privacy protection into overall corporate risk management framework. Through multiple measures such as establishing policies, investing in technology, and strengthening training, the Company builds a secure and reliable information environment to safeguard the information rights of the Company, the customers, and the employees. The Company's vehicle information registration and inquiry platform has completed the Network Security Level Protection (NSLP) Level 2 filing in accordance with the *Cybersecurity Law of the People's Republic of China* and the *Administrative Measures for the Graded Protection of Information Security,* thereby enhancing data security protection for specific business systems with compliant technical and management standards.

The Company has established a governance structure for data security and privacy protection with clearly defined responsibilities. According to the Company's *Information System Management Procedure*, the Information and Automation Department serves as the primary department responsible for information security management, overseeing the planning, implementation, supervision, and assessment of information security across the Company. This procedure clearly delineates the division of responsibilities for information security between the Information and Automation Department and various business units. Concurrently, key positions such as Information Security Managers are established to ensure security management requirements are effectively implemented. At the policy level, the *Information System Management Procedure* stipulates security requirements for the full data life-cycle management, including collection, storage, use, processing, transmission, provision, disclosure, and deletion. A dedicated section within the procedure also outlines specific requirements for the protection of personal and customer privacy information, ensuring the Company strictly adheres to relevant laws and regulations such as the *Personal Information Protection Law of the People's Republic of China* in business activities.

The Company implements multi-layered technical protection measures to construct a robust technical barrier for the information systems and data assets. At the network perimeter, the Company deploys security devices and software such as firewalls, security gateways, and antivirus programs to effectively guard against external network attacks. For core business systems and critical data, the Company enforces stringent access control policies, adhering to the principle of least privilege to ensure only authorized personnel can access corresponding data. The Company establishes a combined regular and ad-hoc data backup mechanism and conducts periodic tests on the integrity and availability of backup data. Regarding privacy protection, systems storing sensitive data, such as customer information and employee personal data, receive enhanced protection with additional encryption and access controls. Any retrieval or use of sensitive personal information must undergo a strict internal approval process and be duly recorded.

The Company organizes employee participation in information security training to enhance company-wide data security awareness. In 2025, the Company conducted information security training for employees in key positions, covering topics including data security policies and regulations, secure operating procedures, common security threats, and preventive measures. This enabled employees to understand the importance of data security and master basic security protection skills. The Company also continuously reinforces employees' data security awareness through internal communications and case studies. During the reporting period, the Company experienced no data security incidents nor any violations involving the leakage of customer or employee personal privacy.

Supply Chain Management

Fangda Carbon regards the supply chain as an ecosystem for co-creating value and is committed to building a secure, robust, and responsible supply chain system. In management practices, the Company not only focuses on the timeliness and cost-effectiveness of supply but also integrates supply chain ESG risks into comprehensive risk management. We regularly identify supply chain risks and opportunities, and formulate control objectives and response measures. Besides, we promote collaborative and sustainable development across the upstream and downstream segments of the industry chain to ensure the continuity of our core business and the stability of product quality.

Full Lifecycle Management Suppliers

For the purpose of establishing a systematic supply chain management policy framework, the Company has formulated and strictly implemented policy documents such as the *Supplier Management Procedure*, the *Blacklist Management Procedure*, the *New Raw Material Trial Use Management Procedure*, and the *Procurement Process Control Procedure*. In supply chain development, the Company adheres to the principles of "Quality First, Quantity Second, Price Third" and "Equal Emphasis on Service". We implement dynamic management of suppliers and establish long-term strategic cooperative partnerships with excellent suppliers through measures like enhanced communication and regular evaluation.

Onboarding Review

The Company comprehensively audits suppliers' qualification documents (including business licenses, system certification certificates, special industry permits, and agency certificates) as well as their production capacity, financial status, and litigation history. The Company refrains from cooperating with suppliers established for less than five years or those involved in litigation. For key critical suppliers, additional on-site research and evaluation are conducted.

Trial Assessment

The Company implements a rigorous process of "sample testing, small-scale trial, pilot-scale trial, and batch qualification" to ensure the quality and consistent compliance of new raw material supplies.

Cooperation Control

Throughout the entire process of daily contract signing, production, transportation, warehousing, and settlement with suppliers, the Company strictly complies with relevant national laws and regulations and establishes emergency response plans to prevent risks and losses to society and enterprises. Suppliers found to engage in malicious bidding, collusion, unfair competition, failure to execute contracts after being awarded, or non-performance after contract signing are immediately blacklisted and restricted from collaboration, so as to fully safeguard the stability of the Company's supply chain.

The Company places high importance on the dynamic evaluation of suppliers. Every year, we comprehensively assess suppliers across multiple dimensions including qualification and reputation, production scale, supply guarantee capability, product quality, price level, service level, and environmental and social responsibility performance. Unqualified suppliers are removed to continuously optimize the supplier base. During the procurement process, the Company includes "three-system certification" (Quality Management, Environmental Management, Occupational Health and Safety Management) into the supplier evaluation scope, guiding the supply chain towards a green and sustainable transformation.

Supply Chain Risk Prevention and Supply Assurance

The Company has established a supply chain risk management framework with the core objectives of preventing supply disruptions, ensuring quality stability, controlling overall costs, and promoting sustainable development across the entire chain. To address market fluctuations, the Company establishes robust mutual guarantee and joint guarantee mechanisms with core suppliers:

- Supply Chain Resilience: By signing long-term strategic agreements with core suppliers and establishing a cooperation model of "one primary supplier plus one to two backup suppliers" for key materials, the Company mitigates the risk of supply chain disruption due to unforeseen circumstances.

- Information Sharing: The Company utilizes the carbon sector's big data platform to share supply information, enabling a flexible model combining centralized procurement and autonomous procurement.

- Early Warning Mechanism: The Company establishes a regular financial and operational early warning mechanism, and monitors the operational status of the supply chain in real-time through data systems, with daily and specialized supervision conducted by functional departments such as audit and market management, to promptly identify and prevent potential risks.

Through strategic investment and collaborative innovation, the Company proactively strengthens the foundation of the supply chain, building long-term, secure supply assurance and competitive advantages. Fushun Fangda High-Tech Materials Co., Ltd., a company invested by the Company, leverages high-quality local petroleum coke resources to provide the Company with stable and high-quality calcined petroleum coke raw materials. This effectively ensures the supply security of the Company's main raw materials, reduces the risk of raw material quality fluctuations, and enhances supply chain autonomy and control. The Company's subsidiary, Fangda C-Chem, provides the Company with a stable supply channel for high-quality needle coke, breaking the previous dependence on imported raw materials for high-end carbon products and significantly enhancing the Company's competitiveness and supply chain security in the high-end carbon products sector. At the same time, the Company actively cooperates with industry chain partners to explore ways to improve overall efficiency through management innovation and technological application.

Case: Exploring Supply Chain Digital Transformation Paths with Professional Logistics Partners

To enhance supply chain operational efficiency and resilience, in December 2025, Fangda Carbon conducted a specialized exchange with professional logistics partners to jointly explore paths for supply chain digital transformation based on big data, intelligent scheduling, and smart warehousing technologies. The two parties focused on optimizing bulk raw material procurement logistics and finished product shipment systems. Key discussions centered on how to use digital means to improve transportation efficiency, implement refined inventory management, and reduce comprehensive logistics costs, thereby enhancing the supply chain's responsiveness and risk resilience.

Conduct specialized exchanges with professional logistics partners

04 Attract Talents, Nurture Well-Being

Consistently adhering to the core value of "running business for the benefit of the nation, the enterprise, and the employees", Fangda Carbon regards talents as its most valuable asset. The Company fosters a fair and transparent employment environment, continuously improves the welfare and compensation systems, optimizes employee communication and feedback mechanisms, and establishes personalized career development paths. We are committed to building a high-caliber, multi-skilled talent team, providing solid human resources support for achieving the goal of becoming a "world-leading carbon enterprise".

Talent Acquisition and Employment Management

Fangda Carbon thoroughly implements the principle of "development for employees, development relying on employees, and development achievements shared with employees". Endeavoring to build a "well-being security network" covering the entire employee lifecycle from compliant recruitment at the source, equal and diverse job placements to comprehensive and inclusive welfare care, we safeguard the legitimate rights and interests of employees in all aspects.

Employment

The Company strictly complies with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, and the laws and regulations of its operational locations in conducting employment activities. The Company formulates and implements a series of policy documents, including the *Human Resources Management Procedure,* the *Regulations on Employee Leave and Salary During Leave,* the *Employee Working Hours and Conduct Standards, Employee Training Management Procedure,* the *Professional Assessment Management Procedure*, and the *Employee Separation Management Procedure*, which clearly define all processes covering the entire employee lifecycle from hiring to separation. This system follows national standard working hour regulations, establishes strict attendance and overtime management mechanisms to ensure scientific and reasonable working hours for employees, and legally implements various statutory leaves such as paid annual leave, marriage leave, and maternity leave, with clear application and approval procedures. In its business operations, the Company explicitly prohibits and implements relevant measures to eliminate all forms of forced labor and child labor. We strive to ensure all employment practices are legal and compliant, and fully safeguard employees' fundamental rights and freedom.

Adhering strictly to the basic principles of "openness, fairness, and impartiality", the Company has established a standardized recruitment process comprising multiple stages such as job posting, application, qualification review, written test and interview, physical examination, and background check. Throughout this process, the Company explicitly states that no fees are charged, and all recruitment information is published through official and formal channels to ensure the authenticity and transparency of information. Candidates found providing false information during the application process will have their employment eligibility revoked according to regulations. Through these mechanisms, the Company is committed to maintaining an honest and standardized recruitment environment to effectively mitigate recruitment risks, hence providing equal opportunities to all applicants.

The Company signs labor contracts with all employees in accordance with the law, ensuring a 100% contract signing rate. Regarding rights protection, the Company implements unified and standardized management for all forms of employment. For eligible flexible workers, we also legally contribute to social insurance and housing funds, provide corresponding benefits, and sign agreements with them through standardized hiring procedures, effectively safeguarding their legitimate rights and interests corresponding to their positions.

For talent recruitment, actively responding to the national call for stabilizing employment, the Company continuously absorbs labor from society while maintaining the stability of existing positions. In 2025, the Company officially launched the "Elite Talent Program". Focusing on key areas such as strategic management, scientific research & innovation, and production operations, the program announced over 600 job openings to the public. This program includes recruiting 11 strategic elites with international perspectives and supports its subsidiary, Chengdu Carbon Material, in attracting approximately 500 high-end R&D talents. It focuses on breaking through key technologies in the field of high-end carbon materials to strengthen the Company's independent innovation capability in cutting-edge material R&D. While advancing the strategic layout for high-end talents, the Company also emphasizes employment support for diverse groups. During the reporting period, the Company conducted special recruitment and placement initiatives for military veterans to help them achieve career transition and stable employment. We also provided job opportunities for college graduates through platforms such as the "24365 Campus Recruitment Service" initiated by the Ministry of Education, supporting young people in successfully entering the workforce.

the program announced over

600

job openings to the public

Employee Compensation and Benefits

The Company has established a competitive compensation and benefits system, ensuring that employee remuneration aligns with job responsibilities, work capabilities, and market performance. Strictly adhering to the principle of "equal pay for equal work", we are committed to providing fair and consistent compensation for all employees, regardless of tenure or employment type. The Company pays employee wages fully and on time, and contributes in full to the "Five Social Insurances and One Housing Fund" in accordance with the law, safeguarding employees' fundamental rights and interests. In 2025, the Workers' Congress of the Company reviewed and approved the annual compensation incentive plan and the collective wage negotiation agreement, further ensuring democratic transparency, fairness, and equity in income distribution.

Regarding the employee welfare system, the Company builds a comprehensive support system that covers the full employee lifecycle and extends to their family members. All active employees are entitled to equal benefits, which also extend to employees' spouses, children, and parents. This reflects the Company's inclusive and caring principle of "one person at Fangda, the whole family benefits".

We pay special attention to safeguarding the rights and interests of groups such as female employees, employees from ethnic minorities, and employees with disabilities. On the International Women's Day, we organize related activities and distributes exclusive holiday benefits to female employees. We fully respect the dietary customs of employees from ethnic minorities by providing dedicated halal meals. We strictly comply with national laws and regulations to protect the equal employment rights of employees with disabilities, providing them with suitable job positions and necessary accommodations. Through such initiatives, we strive to foster a diverse and inclusive workplace environment.

Employee Communication and Engagement

Consistently upholding the principle that "no employee matter is trivial", Fangda Carbon places high importance on employee feedback and concerns. We have established a diversified employee communication and feedback mechanism that combines online and offline channels and supplements regular with ad-hoc interactions. This ensures employees can express their views and ideas through appropriate channels, and that reasonable requests receive responses and feedback, thereby creating an open, timely, and effective internal communication environment.

For offline communication channels, the Company has set up General Manager open days, arranging senior executives to regularly receive employee visits for their opinions and suggestions. We implement a system where managers maintain fixed contact with frontline teams to stay informed of employee needs promptly. The Company regularly holds special symposiums for face-to-face exchanges on issues of concern to employees, achieving "zero-distance" dialogue between management and staff.

For online communication channels, the Company operates platforms such as employee forum, complaint box, and whistleblowing email, providing employees with convenient and anonymous channels to voice their opinions. Employees can report issues or make suggestions at any time through these platforms, and relevant departments will respond and address them within a specified timeframe.

Adhering to the corporate culture of "party building as the soul", the Company continuously improves internal communication and democratic management to prevent and resolve labor disputes. We regularly convene the Workers' Congress to review major matters concerning employees' vital interests, protecting their rights to be informed, to participate, and to supervise, thereby enhancing their sense of gain and belonging. The Company actively promotes corporate culture development, regularly organizing various cultural and sports activities such as cooking competitions, art performances, tug-of-war, and table tennis tournaments. These activities enrich employees' lives, cultivate their sentiments, enabling them to balance work and life to maintain vitality.

During the reporting period, the Company had no labor dispute cases.

Case: Hold the Workers' Congress to Improve Democratic Management Mechanisms

In February 2025, Fangda Carbon convened the Fourth Session of the Fourth Workers' Congress, the Labor Union Members' Congress and Annual Review & Recognition Conference. The conference reviewed and approved key documents including the *Fangda Carbon Employee Compensation Incentive Plan (Draft)* and the *Fangda Carbon 2025 Collective Wage Negotiation Agreement*. The conference recognized and awarded advanced collectives and individuals who had made outstanding contributions in 2024, including honors such as "Fangda Model Worker", "Advanced Collective", "Advanced Team", and "Outstanding Employee". As a vital form of the Company's democratic management, the Workers' Congress provides an institutionalized channel for employees to participate in significant corporate decisions and safeguard their legitimate rights and interests, demonstrating the Company's practices in protecting employee rights and implementing democratic management.

Occupational Health and Safety

The safety and health of employees are the foremost prerequisites for all of Fangda Carbon's production and operational activities. The Company deeply recognizes that establishing a robust occupational health and safety (OHS) management system is not only the cornerstone for fulfilling legal obligations but also a core responsibility for safeguarding employee well-being and achieving sustainable operations. Through systematic risk management, stringent performance tracking, and daily culture-building, the Company creates an inherently safe, healthy, and harmonious working environment for all employees, driving continuous improvement in occupational health and safety management performance.

Governance

The Company has established a clear governance structure and management policies at the group level to oversee and manage OHS-related risks in a coordinated manner. The Company and the major subsidiaries have implemented systematic OHS management systems. Core enterprises including Fangda Carbon, Fangda C-Chem, Meishan Rongguang, Hefei Carbon, and Chengdu Carbon Material have obtained ISO 45001 Occupational Health and Safety Management System certification. The certification scope covers the research, development, and production of main products such as graphite electrodes, carbon blocks, and new carbon materials, as well as related management activities.

The Company integrates OHS-related risks and opportunities into its ESG governance framework. The Board of Directors serves as the highest governing body for the Company's ESG matters. The principal responsible persons of each subsidiary act as the primary individuals accountable for OHS issues. They oversee the setting, execution, and progress of relevant objectives and regularly report on OHS matters to Fangda Carbon through weekly and monthly meetings. Significant incidents are reported promptly to the Board of Directors. The Company has established dedicated management departments or implementation teams responsible for the day-to-day operation, supervision, and improvement of the system. Subsidiaries have concurrently established multi-level responsibility systems, predominantly adopting a five-tier vertical management structure of "Company – Plant – Workshop – Team – Position". This ensures OHS responsibilities are effectively decomposed and assumed from management down to frontline positions. Member enterprises whose primary business is not carbon business, such as Shengdong Company and Fangda Tengda, have also established corresponding safety management structures and systems based on their business characteristics (e.g., construction, textile/apparel) to fully meet the Group's safety management requirements.

Occupational Health and Safety Management System ("OHSMS") Certification Certificates for the Company and Certain Subsidiaries

Strategy

The Company integrates occupational health and safety objectives into its annual overall business plan, and establishes a preventive strategy centered on "Seven Zeros[2]". At the beginning of each year, all subsidiaries set quantified annual occupational health and safety targets, such as "zero serious or above production safety accidents", "zero new cases of occupational diseases", and "number of injuries per 1,000 persons below a specific value". These targets are cascaded down to all levels within the organization and closely linked to the performance evaluation of each unit. This ensures resource allocation and management efforts are focused on preventing risks and driving improvement.

The core of strategy execution is to deepen the integration of safety management into all business processes. This is reflected in the "Three Simultaneities[3]" management of new projects, safety-oriented design of production equipment, safety qualification reviews of suppliers and contractors, and regular drills of emergency response plans. The Company is committed to reducing operational risks at source through technological advancement and process optimization, translating its commitment to safeguarding employee safety and health into concrete business decisions and operational practices.

Management of Impacts, Risks and Opportunities

The Company has established a systematic mechanism for identifying and assessing occupational health and safety risks. Through continuous identification, evaluation and control of relevant risks, we reduce the probability of accidents and occupational health hazards, and continuously improve occupational health and safety management performance.

The Company employs scientific methods such as Likelihood, Exposure and Consequence (LEC) and Likelihood/Severity (L/S) to identify, assess and implement graded controls for safety risks in the production process. In line with the characteristics of the carbon industry, the Company systematically identifies major occupational hazard factors including dust, noise, high temperature, asphalt fumes, and coke oven emissions, and conducts detailed identification and assessment by process, position and equipment. For identified risks, graded control measures are developed and implemented, with responsible parties and control frequencies determined according to risk levels to ensure risks are kept under control.

In occupational health management, Fangda Carbon and its subsidiaries commission third-party agencies every three years to prepare an *Occupational Health Status Evaluation Report*, conduct regular testing of occupational hazard factors, and promptly inform employees of test results through on-site notice boards, fully safeguarding employees' right to know. Regular occupational health examinations are organized for employees, occupational health surveillance records are established, and dynamic health management is implemented for employees exposed to occupational hazards. During the "Occupational Disease Prevention and Control Awareness Week", all subsidiaries actively promote occupational health knowledge through banners, expert lectures, knowledge competitions and other activities, fostering a culture of health awareness.

[2] The Seven Zeros are: zero serious injuries, zero work-related fatalities, zero major traffic accidents, zero major fire accidents, zero major equipment accidents, zero new cases of occupational diseases, and zero major environmental pollution incidents.

[3] The "Three Simultaneities" system requires that safety facilities for new, reconstructed, or expanded projects must be designed, constructed, and put into operation simultaneously with the main project. This is a fundamental policy under China's *Work Safety Law*, ensuring that safety measures are implemented from the very beginning of a project.

The Company regards education and training as a foundational project for risk prevention. In 2025, Fangda Carbon and its subsidiaries carried out large-scale, multi-dimensional safety and occupational health training covering laws and regulations, operating procedures, emergency skills, and occupational hazard protection, comprehensively enhancing employees' self-protection capabilities and safety awareness:

- Fangda Carbon organized safety training sessions throughout the year, with a total of 9,018 participants. 26 special training sessions on occupational health were held, covering 2,119 participants;
- Chengdu Carbon Material organized safety training sessions with a total of 574 participants, and occupational health training sessions with 270 participants;
- Fushun Carbon organized safety training sessions throughout the year, with a total of 529 participants;
- Meishan Rongguang conducted 56 diversified safety training sessions covering nearly 1,900 participants, with special emphasis on safety induction for new employees and contractor personnel.

During the reporting period, the Company allocated corresponding operating costs and capital expenditures to fulfill its occupational health and safety responsibilities, including maintenance of the occupational health and safety management system (e.g., ISO 45001), third-party testing of occupational hazard factors, regular occupational health examinations for employees, and large-scale safety education and training. These expenditures were incorporated into the annual business plan and reflected in current operating costs. Meanwhile, through the implementation of the above "preventive strategy", the Company effectively avoided potential administrative fines, legal compensations, and production interruption losses that could arise from accidents, thereby safeguarding the stability of operating results and cash flow in the current period. For the coming year, relevant risks and opportunities are not expected to have a material adverse impact on the financial position. The Company will continue to enhance intrinsic safety through technological advancement and process optimization, strengthening its capabilities for sustainable operation.

Metrics and Targets

The Company tracks and monitors safety performance by setting key performance indicators and targets, thereby measuring the effectiveness of the occupational health and safety management system and driving continuous improvement.

In 2025, the key performance indicators set by the Company and their achievements are as follows:

Safety Incidents

During the reporting period, the overall safety performance at Fangda Carbon and its subsidiaries remained stable, with no general or above production safety accidents.

Training Coverage

The Company maintained a high level of overall safety and occupational health training coverage. Key subsidiaries including Fangda Carbon, Meishan Rongguang, Hefei Carbon, Chengdu Carbon Material, Fangda C-Chem, and Fangda High-Tech all achieved 100% training coverage.

Target Achievement

During the reporting period, Fangda Carbon and its subsidiaries successfully accomplished their respective occupational health and safety management targets.

Employee Development and Training

Fangda Carbon has established a clear and equitable talent development ecosystem. Through well-designed career pathways, supported by a comprehensive training and empowerment system, and diversified talent motivation and selection mechanisms, the Company supports every employee in continuously enhancing their professional capabilities and realizing career aspirations, ultimately forming a virtuous cycle in which employees and the enterprise progress together and share value.

Employee Career Development

Fangda Carbon provides employees with clear growth paths and broad development opportunities. Moving away from the traditional single-track administrative promotion model, the Company has built a "dual-track" career development mechanism that runs parallel management and professional/technical tracks, aligning employee growth with corporate strategy.

The management track is designed for employees with management potential and leadership skills, offering a complete promotion path from grassroots to senior levels: General Employee → Section-Level Leader → Middle Management → Senior Management. This channel focuses on cultivating employees' capabilities in team management, strategic execution, and resource integration. Through progressive practice and selection, we aim to build a motivated and responsible cadre team. The Company implements a rigorous performance appraisal system, applying salary reductions, demotions, or even dismissals to cadres who fail to meet standards or underperform. This ensures vitality and effectiveness within the management team and reflecting the dynamic management philosophy of "promoting the competent, reassigning the average, and removing the incompetent".

The professional/technical track is designed for employees who specialize in technical or professional fields, providing a promotion pathway independent of the management track. Technical workers follow an expert development path: Junior → Middle → Senior → Chief Expert. Technical staff, on the other hand, advance along an engineering track: Technician → Engineer → Lead Engineer → Responsible Engineer → Chief Engineer. The Company operates its own occupational skill level certification station, which can certify skill levels for occupations specific to the carbon industry, enabling front line workers to advance to technical expert roles and enjoy corresponding benefits. This effectively motivates technical personnel to deepen their expertise.

In selection mechanisms, the Company adheres to the principle of "both integrity and ability, with integrity first, and merit regardless of background". A three-dimensional evaluation model based on "job value, performance contribution, and innovation premium" is applied, alongside diversified selection approaches:

Implementing a "Horse-Racing Mechanism"

Platforms such as annual technology competitions for outstanding talents to showcase their abilities

Establishing a talent reserve pool

Focused cultivation and dynamic management of reserve talents to ensure a continuous supply of future leaders for sustainable development

Adopting an open recruitment system for key positions

Fairness and transparency in the selection process are ensured

To broaden employees' horizons, the Company actively promotes job rotation and practice mechanisms. Particularly for new employees and engineering technical personnel, a three-stage progression path of "awareness-practice-innovation" has been designed. Cross-departmental and cross-disciplinary rotation and practical training are implemented to foster employee growth and enhance their capabilities.

Employee Training

Fangda Carbon regards employee training as "the Company's long-term investment, the strongest driver for development, and the greatest welfare for employees". We have established a comprehensive training system that covers all employees throughout their entire career lifecycle. In 2025, by leveraging both internal and external resources and optimizing training resource allocation, the Company conducted diverse and substantive training activities. During the reporting period, the overall employee training coverage exceeded 95%, providing extensive learning and development opportunities for our workforce. The training primarily encompassed the following categories:

the overall employee training coverage exceeded

95%

- Onboarding Training: Targeted at new employees, this training systematically introduces the Company's culture, policies, safety protocols, and basic skills, helping them integrate quickly into the corporate culture and adapt to the work environment.

- Job Skill Training: Regularly conducted for various roles and positions, this training focuses on enhancing practical skills through a combination of theory and practice, ensuring employees meet job requirements.

- Management and Leadership Training: Designed for managers at all levels, this training includes specialized programs in management skills, team building, and leadership development.

- Advanced Professional and Technical Training: Leveraging the Company's high-skilled talent training base and industry-university-research platforms, this training covers cutting-edge technologies, process optimization, and other in-depth topics.

Case: Career Development Path from "Technical Expert" to "Sales Pioneer"

The career trajectory of Mr. Zhou (currently Business Manager of Carbon Brick Section 1 at Fangda Carbon Sales Division) exemplifies Fangda Carbon's talent philosophy of "embracing diverse paths to talent recognition and development". Starting as a maintenance worker in the forming workshop, he gained experience across multiple roles including office secretary and technical R&D. Ultimately, leveraging his deep technical understanding, he transitioned to the sales frontline. In 2025, with the combined strengths in technology and sales, he successfully penetrated several niche markets with high technical barriers, securing significant orders. This transition from technical R&D to sales fully demonstrates the effectiveness and flexibility of the Company's dual-track career development system, where technical talents can expand their career horizons through multi-role experiences, achieving a win-win for personal growth and corporate development.

05 Take Responsibility, Give Back to Society

Fangda Carbon consistently upholds the corporate principle of "taking from society and giving back to society". We steadfastly fulfill social responsibilities as a private enterprise, focusing on three key areas: public welfare services, community care, and emergency support. We actively engage in public welfare initiatives, including organizing voluntary blood donation drives, conducting visits to senior care facilities, and supporting emergency firefighting infrastructure development. Through concrete actions, we convey corporate warmth and demonstrate our commitment to social responsibility.

Rural Revitalization

The Company regards "firmly responding to the national rural revitalization strategy" as a top priority in fulfilling its social responsibilities. We have integrated rural revitalization into our social welfare strategy and established a systematic assistance model of "multi-industry synergy and industrial support for poverty reduction". A dedicated rural revitalization project team has been set up to build long-lasting mechanisms. Leveraging its own strengths, the Company has been deeply focused on assisting the local development of Dongxiang Autonomous County in Gansu Province. By continuously investing human, material, and financial resources, we promote the effective transition from poverty alleviation to rural revitalization, reflecting the commitment of a private enterprise to the nation.

The Company firmly believes that "teaching a man to fish is better than giving him a fish" and is committed to transforming its assistance model from "blood transfusion" support to "blood formation" revitalization. Since 2019, building on the resource endowments of Dongxiang County, the Company has established six industrial clusters covering public transportation, food processing, garment manufacturing, intangible cultural heritage embroidery, construction engineering, and template production across nine towns and villages, including Suonan Town, Kaole Township, and Daban Town. These have injected sustained momentum into the development of county's economy.

- Market Channel Expansion: Through consumption-based assistance approaches such as "purchase instead of donation" and "buy to help", the Company actively explores markets both within and outside the province, precisely connecting Dongxiang specialty products with employee welfare programs, thereby effectively enhancing the market vitality and competitiveness of local industry.

- Cultivating New Industrial Workers: The Company has established a mentorship system to pass on skills, provided zero-based skills training, and implemented piece-rate incentive mechanisms, helping a large number of rural women and local youth become "technical pacesetters" and skilled workers.

- Refined Operations Management: The Company's assistance team is stationed at the grassroots level, building a three-tier quality control line covering "source, process, and finished products" to ensure product quality in supported industries. For instance, the qualified rate of cotton garment orders from the clothing workshop reached 100%.

During the reporting period, the Company continued to deepen its rural revitalization efforts in Dongxiang County, focusing on advancing six core industrial projects. The three key indicators—profit, employment, and wages—all significantly exceeded annual targets, achieving both enhanced industrial assistance benefits and improved livelihood security outcomes. Annual core tasks were accomplished ahead of schedule. Throughout the year, a total of 2,923 jobs were created, and full-attendance employees received a monthly average wage exceeding RMB 3,000, effectively expanding local income channels.

During the reporting period

focusing on advancing **6** core industrial projects

a total of **2,923** jobs were created

full-attendance employees received a monthly average wage exceeding RMB **3,000**

Production Operations of Fangda Carbon Dongxiang Rural Revitalization Pastry Food Project

Community Contribution

Deeply rooted in society, the Company not only strives to advance industrial progress through new carbon materials but also actively engages in public welfare initiatives in healthcare, community care, public safety, and educational support, aiming to build a harmonious and symbiotic responsibility ecosystem between the enterprise and the community.

The Company places great importance on social welfare causes and actively organizes employees to participate in voluntary blood donation, demonstrating the Red Cross spirit of "humanity, compassion, and dedication" through concrete actions. In June 2025, the Company launched the voluntary blood donation campaign themed on "Continuing the Red Legacy, Fulfilling Our Mission", inviting the Gansu Red Cross Blood Center's mobile blood collection vehicle to its premises to facilitate employee donations. At the event, cadres and employees from various units queued in an orderly manner and completed the registration, health confirmation, blood testing, and donation procedures. Among the donors, a number of long-term dedicated employee volunteers stood out. For example, an employee from the Equipment Department, Mr. Jin, has been donating blood consistently since 2007—for 18 years—with a cumulative donation volume reaching 7,300 milliliters, qualifying him for the "Silver Award" under the National Voluntary Blood Donation Award. His commitment has become a vivid reflection of the Company's spirit of dedication. The activity not only provided strong support for local clinical blood reserves but also conveyed positive social energy, earning high recognition from the Gansu Red Cross Blood Center.

The Company earnestly fulfills its social responsibility of respecting and caring for the elderly, paying attention to the well-being of vulnerable groups. In February 2025, the Company organized a team of employee volunteers to visit the Social Welfare and Relief Center in Honggu District, Lanzhou City, delivering Spring Festival greetings to the elderly residents. The volunteers brought daily necessities such as glutinous rice balls and milk for over sixty seniors and engaged in warm conversations with them. In gratitude for the Company's long-term care and support, the Center presented a thank-you letter and a silk banner inscribed with the words: "Warm Hearts Lend a Helping Hand, Sincere Care Nurtures Welfare and Demonstrates Responsibility".

The Company integrates its own emergency response capacity building with local public safety efforts, contributing to the enhancement of regional comprehensive prevention levels.

Practical drills sharpen capabilities, safeguarding local safety:

In 2025, focusing on emergency firefighting infrastructure development, the Company strengthened its rescue capabilities through realistic emergency drills and improved emergency response systems. The experience accumulated from regular drills not only enhanced internal safety but also provided strong support and reference for local emergency firefighting efforts, effectively contributing to local public safety.

Distributing elderly care allowances to community seniors

Appendix

About This Report

Report Statement

This report aims to objectively disclose the work carried out and the achievements made by Fangda Carbon New Material Co., Ltd. (hereinafter referred to as "Fangda Carbon", "the Company", or "we") and its subsidiaries (collectively referred to as "the Group") in the areas of environmental, social, and governance (ESG) during 2025, focusing on matters of concern to stakeholders.

In-Scope Entities

The content of this report covers Fangda Carbon and its subsidiaries, consistent with the scope of the concurrently disclosed *2025 Annual Report*.

Reporting Period

This report covers information and data for the period from January 1 to December 31, 2025 (hereinafter referred to as "the reporting period"). Certain content may refer to previous years or extend into 2026.

Other Definitions:

Fangda Group refers to Liaoning Fangda Group Industrial Co., Ltd.

Fushun Carbon refers to Fushun Carbon Co., Ltd.

Meishan Rongguang refers to Meishan Fangda Rongguang Carbon Co., Ltd.

Hefei Carbon refers to Hefei Carbon Co., Ltd.

Fangda C-Chem refers to Fangda C-Chem (Jiangsu) Needle Coke Co., LtdChengdu Carbon Material refers to Chengdu Carbon Material Co., Ltd.

Chengdu Carbon Material refers to Chengdu Carbon Material Co., Ltd.

Fangda High-Tech refers to Fushun Fangda High-Tech Materials Co., Ltd.

Shengdong Company refers to Gansu Classical

Shengdong Construction Poverty Alleviation Development Co., Ltd.

Fangda Tengda refers to Dongxiang Autonomous County Fangda Tengda Garment Co., Ltd.

Preparation Basis

This report has been prepared in accordance with the *Guidelines No. 1 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Standardized Operation*, and the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)* issued by the Shanghai Stock Exchange (SSE), and prepared with reference to the *Guidelines No.4 of Shanghai Stock Exchange for Self-Regulatory of Listed Companies—Compilation of Sustainable Development Reports (Revised January 2026)*.

Sources of Information

Financial data in this report are derived from the annual report. Other information and data originate from the Company's internal statistical reports or documents. Unless otherwise stated, all monetary amounts are denominated in Renminbi (RMB).

Language

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

Publication Format

This report is published in electronic format and can be accessed on the SSE website (www.sse.com.cn) and the Company's website (http://www.fdtsgs.com/).

Confirmation and Approval

This report has been confirmed by management and was approved for release by the Board of Directors on April 28, 2026.

The Company highly values stakeholder feedback. Readers are welcome to contact us via the following channels. Your comments will help us further improve this report and enhance our sustainability management performance.

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Key Performance Indicators

Indicators	Unit	2025
Total Greenhouse Gas Emissions[4]	tCO_2e	705,782.10
Scope 1 greenhouse gas emissions	tCO_2e	221,833.52
Scope 2 greenhouse gas emissions	tCO_2e	483,948.58
Sulfur oxides (SOx) emissions	Tonnes	264.06
Nitrogen oxides (NOx) emissions	Tonnes	187.76
Particulate matter emissions	Tonnes	39.21
Permitted sulfur oxides (SOx) emissions	Tonnes	647.56
Permitted nitrogen oxides (NOx) emissions	Tonnes	911.87
Permitted particulate matter emissions	Tonnes	109.35
Wastewater discharge	Tonnes	277,326.15
Total industrial wastewater discharge	Tonnes	240,451.17
Total domestic wastewater discharge	Tonnes	36,874.98
Ammonia nitrogen (NH_3-N) discharge[5]	Tonnes	2.95
Chemical oxygen demand (COD) discharge[5]	Tonnes	80.48
Total waste generated	Tonnes	15,364.51
Total hazardous waste generated	Tonnes	3,921.82
Total hazardous waste generated per RMB 1 million of revenue[6]	Tonnes/RMB 1 million of revenue	1.11
Total non-hazardous waste generated	Tonnes	11,442.69
Total non-hazardous waste generated per RMB 1 million of revenue[6]	Tonnes/RMB 1 million of revenue	3.24
Comprehensive energy consumption[7]	Tonnes of coal equivalent (TCE)	220,337.01
Comprehensive energy consumption per RMB 1 million of revenue[6]	Tonnes of coal equivalent (TCE) /RMB 1 million of revenue	62.48
Total direct energy consumption	Tonnes of coal equivalent (TCE)	105,922.01
Total coal consumption	Tonnes of coal equivalent (TCE)	37,349.34
Total gasoline consumption	Tonnes of coal equivalent (TCE)	69.16
Total diesel consumption	Tonnes of coal equivalent (TCE)	266.30
Natural gas consumption	Tonnes of coal equivalent (TCE)	68,206.46
Total indirect energy consumption	Tonnes of coal equivalent (TCE)	114,415.00
Purchased electricity consumption	Tonnes of coal equivalent (TCE)	105,033.43
Clean energy consumption	Tonnes of coal equivalent (TCE)	68,242.86
Clean energy proportion	%	30.97
Total water consumption	Tonnes	1,163,469.00
Water consumption intensity per RMB 1 million of revenue[6]	Tonnes/RMB 1 million of revenue	329.92
Waste recycling volume	Tonnes	23,227.82
Total number of employees	Persons	4,999
Male employees	Persons	4,256
Female employees	Persons	743
Employees aged under 30	Persons	602
Employees aged 30-50	Persons	3,210
Employees aged over 50	Persons	1,187
Expenditure on work-related injury insurance[8]	RMB 10,000	416.16
Work-related injury insurance[8] coverage	%	100
Expenditure on work safety liability insurance	RMB 10,000	2.87
Work safety liability insurance coverage	%	100
Number of employee training sessions	Sessions	410
Employee training expenditure	RMB 10,000	50.28
Employee training coverage	%	95
Number of directors receiving anti-bribery and anti-corruption training	Persons	11
Proportion of directors receiving anti-bribery and anti-corruption training	%	100
Number of management personnel receiving anti-bribery and anti-corruption training	Persons	15
Proportion of management personnel receiving anti-bribery and anti-corruption training	%	100
Number of employees receiving anti-bribery and anti-corruption training	Persons	4,890
Proportion of employees receiving anti-bribery and anti-corruption training	%	98
Investment in rural revitalization	RMB 10,000	10,718.97
Investment in philanthropy and charity	RMB 10,000	1,005.00
Number of participants in volunteer activities	Persons	260
Total volunteer hours	Hours	14

4. Based on the nature of the company's business, greenhouse gas emissions mainly come from the purchase of electricity, heat, and the combustion of natural gas fuel. The greenhouse gas emission data are presented in terms of carbon dioxide equivalents. The calculation is conducted in accordance with *the Announcement on the Release of 2023 Power Carbon Dioxide Emission Factors* issued by the Ministry of Ecology and Environment of the People's Republic of China, and the *GB/T 32151.34-2024 Requirements for the Calculation and Reporting of Greenhouse Gas Emissions - Part 34: Carbon Material Manufacturing Enterprises*.

5. Fangda C-Chem's Permitted Emission Limits are NH_3-N: 0.333 t/a; COD: 24.895 t/a. Its emissions for the current year comply with the total emission requirements. Other subsidiaries do not involve Permitted Emission Limits for NH_3-N and COD.

6. Density-related data for 2025 is disclosed based on environmental data and the company's annual operating revenue.

7. The company's main energy consumption sources include coal, gasoline, diesel, natural gas, purchased electricity and purchased heat. Energy consumption data is calculated based on the consumption of fuels and purchased energy, combined with the relevant conversion factors specified in *General Rules for Calculation of Comprehensive Energy Consumption (GB/T 2589-2020)*.

8. Refers to subsidiaries within high-risk industries and sectors that were in normal production and operation during the reporting period.

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

Guidelines No. 14 for Self-Regulation of Listed Companies - Sustainability Report (Trial) [9]	Report Content	Page Number
A disclosing entity shall develop a sound corporate governance structure and sound internal rules; ensure its relevant internal bodies possess the requisite expertise and can effectively carry out such duties as the identification, assessment, management, and oversight of sustainability-related impacts, risks, and opportunities; and disclose the following governance information: (1) The internal bodies (such as the board of directors and specialized committees) tasked with managing and overseeing sustainability-related impacts, risks, and opportunities, including their composition, authority, tasks, and objectives; (2) The professional expertise and capabilities of the aforementioned internal bodies and personnel in executing and overseeing the strategies and rules and systems for sustainability-related impacts, risks, and opportunities; (3) The information reporting mechanisms the company has established to ensure the aforementioned internal bodies and personnel can be promptly informed of the sustainability-related impacts, risks, and opportunities, including but not limited to the method and frequency of such reports; (4) Information on the setting of targets, execution of strategies, and achievement of goals by the aforementioned internal bodies and personnel in overseeing and managing the sustainability-related impacts, risks, and opportunities, including but not limited to information on internal controls, oversight procedures, oversight measures, and evaluations; and (5) The measures and methodologies employed by the aforementioned internal bodies and personnel to incorporate sustainability-related impacts, risks, and opportunities into the decision-making process as they oversee strategy implementation, major transaction decisions, and risk management activities of the disclosing entity.	ESG Governance System Addressing Climate Change	11-12 26-30
A disclosing entity shall identify and thoroughly assess the sustainability-related risks and opportunities that may have a material impact on such aspects as its business model, operations, development strategy, financial positions, operation results, cash flows, financing methods and costs, over the short, medium, or long term, and shall disclose: (1) The sustainability-related risks (such as the physical and transition risks associated with climate change) and opportunities that the company has identified, as well as the timeframes within which these risks and opportunities will have a material impact on the company; and (2) The company's definitions for short-term, medium-term, and long-term periods, and the alignment of these definitions with its strategic development planning and resource allocation.	Materiality Assessment Addressing Climate Change	17-20 26-30
A disclosing entity shall disclose the effect of sustainability-related impacts, risks, and opportunities on its strategies and decision-making, including but not limited to: (1) Methods employed by the company to develop strategies and make key decisions to address sustainability-related impacts, risks, and opportunities such as strategy decision-making mechanism, management approach etc. ; (2) The plans developed for achieving the relevant strategic goals and the qualitative and quantitative metrics to evaluate the progress on those plans; and (3) The assessments and judgments made by the company regarding the sustainability-related impacts, risks, and opportunities.	Materiality Assessment Addressing Climate Change	17-20 26-30
A disclosing entity shall analyze and disclose the impacts of sustainability-related risks and opportunities on its current period' s financial positions, operating results, and cash flows and whether such risks and opportunities will impact its financial positions, operating results, and cash flows in the following year.	Materiality Assessment Addressing Climate Change	17-20 26-30
A disclosing entity shall disclose its procedures for identifying, assessing, and managing the sustainability-related impacts, risks, and opportunities, including but not limited to: (1) Its methodology for identifying and assessing sustainability-related impacts, risks, and opportunities and its approach for estimating their likelihood, severity, and impact; (2) Its priority ranking and ranking standards for the sustainability-related impacts, risks, and opportunities; (3) How the company monitors the sustainability-related impacts, risks, and opportunities such as management mechanism and detailed procedures; and (4) The integration of the processes for managing sustainability-related impacts, risks, and opportunities into the company's internal management procedures, and any adjustments thereto in the reporting period.	Materiality Assessment Addressing Climate Change	17-20 26-30
A disclosing entity shall disclose the sustainability targets and related indicators mandated by Laws and Regulations and these *Guidelines* or based on the entity's needs, as well as the overall achievement of these targets as of the end of the reporting period and the progress made in the reporting period.	Addressing Climate Change	26-30
A disclosing entity shall, in the context of the climate risks and opportunities it has identified, assess the extent to which its strategies, business models, and other similar aspects are adapted to climate change, and disclose: (1) Its assessment of how climate change impacts its strategies and business models, as well as how it responds to these impacts; (2) Significant uncertainties it has considered when assessing its climate adaptation; and (3) Its capacity to adjust its strategies and business models over the short, medium, and long term to adapt to climate change.	Addressing Climate Change	26-30

9. The remaining non-disclosure articles and encouraged disclosure articles are not listed in this table.

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A disclosing entity shall disclose its transition plans, actions, and progress in responding to climate risks and opportunities, including but not limited to: (1) Adjustments made in the company's current and future strategies, business models, and resource allocation to respond to climate risks and opportunities; (2) Actions taken or planned by the company to update the production processes and equipment to directly or indirectly tackle climate risks and opportunities; (3) The transition plan created by the company to address climate risks and opportunities and the fundamental assumptions underpinning the plan; (4) The resources allocated by the company to execute the transition plan; and (5) The progress in executing the company's transition plan.	Addressing Climate Change	26-30
A disclosing entity shall calculate and disclose its total GHG emissions in the reporting period, and convert different GHG emissions into metric tons of carbon dioxide equivalent. The disclosing entity shall disclose Scope 1 and Scope 2 emissions. Any disclosing entity that uses carbon credits shall disclose the source and amount of the carbon credits it uses. Any disclosing entity that participates in carbon emissions trading shall disclose whether it has completed settlement and whether it has been ordered to take corrective actions or is formally investigated by a government agency within the reporting period.	Addressing Climate Change Key Performance Indicators	26-30 75-76
A disclosing entity shall disclose the standards, methods, assumptions, or calculation tools used for GHG emissions accounting and state how emissions data are consolidated (such as by equity share proportion or financial and operating control). If there is a change to the accounting standards, methods, or assumptions in the reporting period, the disclosing entity shall state the reasons and specific impacts of these changes.	Key Performance Indicators	75-76
A disclosing entity shall disclose information on GHG emissions reduction practices, including its participation in the various emissions reduction initiatives, emissions reduction targets and measures (e.g., management strategies, funding, development of technologies), and the outcomes. The disclosing entity shall disclose, for each scope level, the amount of GHG emissions directly reduced by such emissions reduction measures as redesigning production procedures, updating equipment, improving manufacturing processes, and switching fuels, and convert the data into metric tons of carbon dioxide equivalent. Emissions reductions may be disclosed by each measure used to achieve the reduction. The disclosing entity shall disclose its registration and trading activities in relation to the national projects for voluntary GHG emissions reduction and the China Certified Emission Reduction (CCER), as well as its registration and trading of any other emissions reduction initiatives and emissions savings.	Addressing Climate Change Key Performance Indicators	26-30 75-76
Any disclosing entity that discloses new technologies, products, and services that contribute to decarbonization and carbon neutrality and the related R&D progress shall provide an objective and prudent account of the specifics of the technologies or services developed based on the relevant processes and technologies, the R&D investment and progress in the relevant businesses, approvals or certifications it has obtained, its mass production capacity, and its existing orders, among other information.	Addressing Climate Change	26-30

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If a disclosing entity or one of its significant subsidiaries is listed on the registry of enterprises legally obligated to release environmental information, the disclosing entity shall disclose: (1) Information on pollutant discharge, including but not limited to the types, names, total discharge, certified total discharge, over-discharge, and environmental performance grade (if any) of or in relation to the key pollutants, characteristic pollutants, and the controlled substances specified by internation l environmental conventions. Disclosing entities are encouraged to present details on its pollutant discharge by category in the dimensions of business units or facilities, type of source, and type of activity. (2) The technologies and methods employed to treat pollutants, as well as the building, operation, and results achieved by pollution control facilities (e.g., reduction in the concentration/intensity or total amount of discharge); (3) The targets set for the amount of discharge reduction of the key pollutants and the specific actions taken to achieve these targets; and (4) The impact of pollutant discharge on such groups as its employees and local communities; and. (5) Any major administrative penalties received by and any criminal liabilities charged against it in the reporting period for pollutant discharge, and whether there exist significant flaws in the company's environmental monitoring schemes and risk management practices.	Pollutant Management Key Performance Indicators	31-34 75-76
If the wastes produced by a disclosing entity's production and operational activities have a material impact on the environment, the disclosing entity shall disclose the essential details of the wastes produced in the reporting period, including: (1) The total amounts (in metric tons) and density (e.g., per unit of revenue, unit of output, or facility) of hazardous wastes and non-hazardous wastes produced; and (2) The treatment methods and disposal of hazardous and non-hazardous wastes. (3) The targets set for the amount of discharge of the wastes and the specific actions taken to achieve these targets.	Pollutant Management Key Performance Indicators	31-34 75-76
If a disclosing entity's production and operational activities have a material impact on the ecosystem or biodiversity, the disclosing entity shall disclose the below content in the reporting period: (1) The discontinuation of any production and operational activities and relevant facilities that were in the ecological red zones; (2) Efforts and achievements in the protection and restoration of the areas around the production and operational sites, key land and marine ecological functional areas, ecological red zones, nature reserves, and other regions with critical ecological functions or ecologically fragile regions; (3) Efforts and achievements in the protection of wild plants and wildlife and protection and restoration of natural habitats; (4) Efforts and achievements in the protection, sustainable use, obtainment and benefit-sharing, monitoring and early warning, and risk management of biological genetic resources; and (5) Efforts and achievements in reducing its products' ecological footprint and reliance on the ecosystem, biological species and their habitats, and biological genetic resources over their lifecycles.	Biodiversity Conservation	39-40
A disclosing entity shall disclose the following environmental information in accordance with the actual situations in the reporting period: (1) Risk assessments for environmental incidents, management protocols to prevent the related risks, and the overview of contingency plans for environmental emergencies; (2) The dates, locations, and duration of the major environmental emergencies in the reporting period; the classification of these incidents, the responses, and the outcome of these responses; their impacts on the company and the public; and its corrective actions; and (3) Details on any major administrative penalties or criminal charges received from an ecological and environmental authority or other government agencies in the reporting period for an environmental incident, including but not limited to violations, the reasons for and the amount of the penalties, the impacts on the company's production and operational activities, and its corrective actions.	Environmental Compliance Management	23-25

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A disclosing entity shall disclose the details of its energy use in the reporting period, including but not limited to: (1) An overview of energy usage, including but not limited to the total direct and indirect consumption (expressed in metric tons of standard coal) of energy (e.g., coal, electricity, gas, or oil) categorized by type, the energy consumption structure, and the overall energy intensity (e.g., expressed as per unit of output); (2) Details on the use of clean energy, including but not limited to wind, solar, hydro, geothermal, biomass, and marine energy, as well as the types, total amounts, and proportions of clean energy used such as natural gas; and (3) Energy saving goals and the specific actions taken, including but not limited to purchasing energy-efficient production, lighting, and temperature control equipment and implementing residual heat and pressure recovery and tiered energy use, and any specific challenges encountered in the use of energy.	Energy Management Key Performance Indicators	35-36 75-76
A disclosing entity shall disclose the specifics of its use of water resources in the reporting period, including but not limited to: (1) An overview of the usage of water resources, including but not limited to total water consumption (expressed in metric tons) and usage intensity (e.g., per unit of output); and (2) Water conservation goals and the specific actions taken, and any specific challenges encountered in the recycling and the use of water resources.	Resource Management Key Performance Indicators	37-38 75-76
A disclosing entity shall disclose the specifics of the circular economy activities conducted within the reporting period, including but not limited to: (1) The specific goals and plans established to achieve a circular economy; (2) The specific actions taken in the reporting period toward achieving a circular economy, including reducing the use of resources, improving resource efficiency, using renewable resources, and preventing and reducing waste creation and recycling wastes; and (3) The specific progress and achievements in attaining circular economy objectives in the reporting period, such as the recycling and comprehensive utilization of wastes (including the amount of waste recycled), the consumption of renewable resources, and the proportion of renewable resources in the total amount of resources consumed.	Pollutant Management Resource Management Due to the nature of the Company's business, the use of renewable resources is relatively low. The Company will continue to monitor developments in related technologies and, as appropriate, disclose the consumption of renewable resources and the proportion of renewable resources in the total amount of resources consumed	31-34 37-38
A disclosing entity shall disclose its contributions to rural revitalization in the reporting period, including but not limited to: (1) If a high proportion of the disclosing entity's businesses is in the rural and poverty alleviation areas, it shall, in the context of its business activities, disclose in detail how its support for rural revitalization and for current progress on poverty alleviation is integrated into its corporate strategies; (2) The specific actions taken to support the specialty industries and local employment in rural areas in the context of its business activities in the rural and poverty alleviation areas, as well as other specific actions taken to support rural revitalization; (3) The specific achievements, such as the total investment made and the scope and number of beneficiaries in the reporting period, and the impact on the company's brand and businesses.	Rural Revitalization Key Performance Indicators	69-70 75-76
A disclosing entity shall provide an overview of its contributions to the public and society in the reporting period, including but not limited to details on any charitable and volunteer activities organized, the amount of funds invested, number of personnel and time allocated, the outcomes, and the impact on its brand and businesses.	Community Contribution Key Performance Indicators	71-72 75-76

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Any disclosing entity engaged in such activities as scientific research and technology development in an ethically sensitive domain such as life sciences and artificial intelligence shall provide an overview of its compliance with the ethics of science and technology in the reporting period, including but not limited to: (1) The fields of the company's scientific and technological activities such as research and development, and the ethical standards in science and technology it adheres to; (2) Rules within the company's internal management systems that concern the ethics of science and technology and the company's observance thereof, the establishment of any ethics (review) committee for science and technology programs and its operations; (3) Any instances of a violation of the ethics of science and technology, including an overview of such violations, the penalties imposed by competent authorities, the internal investigation and accountability processes conducted, and the corrective actions taken; and (4) The internal and external training on ethics in science and technology and efforts to raise public awareness on the related topics (if any).	Not applicable due to the nature of the Company's business	/
Any industrial enterprise that is a disclosing entity may disclose its efforts to enhance supply chain risk management and ensure the security and stability of the supply chain in the reporting period, including but not limited to: (1) An overview of its supply chain risk management program, including but not limited to its objectives and specific plans for supply chain risk management, risk response mechanisms, actions taken, and their outcomes; and (2) Actions, such as mergers, acquisitions, or reorganization and technological innovations, and the positive outcomes related to maintaining supply chain security and increasing the company's competitive edge in supply chain management.	Supply Chain Management	52-54
If the balance of accounts payable (including notes payable) exceeds RMB30,000,000,000 or represents more than 50 percent of the total assets at the end of the reporting period, the disclosing entity shall disclose the amount of overdue accounts payable as of the end of the reporting period and the solutions it plans to implement. If a disclosing entity or one of its subsidiaries publicly indicates through the National Enterprise Credit Information Publicity System that it owes an overdue payment to a small and medium-sized enterprise ("SME"), it shall disclose the amount of the overdue payment, the payment term for SME suppliers, the reasons behind the overdue payment, whether the overdue payment has led to litigation or arbitration, and the solutions.	The balance of accounts payable (including notes payable) at the end of the reporting period did not exceed RMB 30 billion, and its proportion of total assets did not exceed 50%. For details, please refer to "Section 8 Financial Report – VII. Notes to Consolidated Financial Statement Items – 35. Notes Payable and 36. Accounts Payable" in the 2025 Annual Report. During the reporting period, the amount of overdue payments to small and medium-sized enterprises (SMEs) by the Company and its subsidiaries was zero.	/

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A disclosing entity shall provide an overview of the safety and quality management of its products and services in the reporting period, including but not limited to: (1) The establishment, execution, and specific measures of the product and service quality management systems and policies; (2) Quality management-related certifications received by the company and the certification status of its quality management systems for the major products and services; (3) Any significant safety or quality liability incidents in the reporting period relating to its products and services, including the nature of such incidents (e.g., administrative penalties), their impact and the amount of damages, and the actions taken in response and the progress on those actions; and (4) The establishment and implementation of after-sales service and product recall policies, the channels for receiving customer complaints, and the process and outcome of complaint handling.	Product Quality and Work Safety	47-50
A disclosing entity shall provide an overview of its data security and customer privacy programs in the reporting period, including but not limited to: (1) The development, functioning, and specific measures of its data security management system and certifications (if any); (2) Details on any data security incident that occurred in the reporting period, including its impact, the monetary amount involved, the actions taken in response and the progress on those actions; (3) The development and functioning of its customer privacy protection system; and (4) Details on any privacy breach incident that occurred in the reporting period, including its impact, the monetary amount involved, and the actions taken in response and the progress on those actions.	Data Security and Privacy Protection	51
A disclosing entity shall disclose the general information about its employees in the reporting period, including but not limited to: (1) Employment and compensation policies and how they are implemented, information including but not limited to job creation and flexible employment in the reporting period, a breakdown of the gender and age distribution of employees at the end of the period, as well as information on payment of salary and social security, labor disputes, employee turnover, protection of the rights of flexible employees and the compliance, fairness, and transparency of the recruitment and hiring procedures; (2) Basic information on occupational health and safety, including but not limited to the identification and assessment of occupational safety risks and their sources, the establishment and implementation of the occupational health and safety management systems, the obtainment of certain certifications, related training, the investment in and coverage of work-related injury insurance and workplace safety liability insurance, and the details of any safety accidents that occurred in the reporting period; and (3) General information on employee career development and training, including but not limited to the disclosing entity's position structure, the mechanisms for employee promotion, selection, and career development, the type, frequency, and implementation of employee training, as well as the annual expenditure on training and the training coverage rate.	Talent Acquisition and Employment Management Occupational Health and Safety Employee Development and Training Key Performance Indicators	57-59 60-63 64-66 75-76

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A disclosing entity shall disclose the details about its engagement with investors and other stakeholders during the reporting period, including but not limited to: (1) The establishment and execution of its stakeholder engagement rules; and (2) The channels for receiving and responding to stakeholder comments and suggestions and how they are implemented, e.g., the method, frequency, and content of the relevant communications.	Corporate Governance Stakeholder Engagement Materiality Assessment	9-10 15-16 17-20
A disclosing entity shall disclose the specifics of its anti-commercial bribery and anti-corruption efforts in the reporting period, including but not limited to: (1) The establishment and operation of the anti-commercial bribery and anti-corruption risk management system, and whether a whistleblower protection policy has been established; (2) An assessment of the commercial bribery and corruption risks; (3) The total count and percentage of board members, management-level staff and other employees who received anti-commercial bribery and anti-corruption training; and (4) Details about all commercial bribery and corruption incidents that occurred in the reporting period, including the specifics of the resulting dismissals or disciplinary actions against any board members, management-level staff and employees, investigations by competent authorities, termination or non-renewal of contracts with business partners, and any lawsuits against the disclosing entity, its board members, management-level staff or employees.	Business Ethics Governance Key Performance Indicators	13-14 75-76
A disclosing entity shall disclose the specifics of its efforts to combat unfair competition in the reporting period, including but not limited to: (1) The establishment, operation, and specific measures of the management system to prevent unfair competition (e.g., untrue publicity, implementing monopoly behaviors, and infringing on commercial secrets); and (2) If any litigation or significant administrative penalties arise from the disclosing entity's anti-competitive practices in the reporting period, it shall disclose the specifics about the litigation, the amount involved, the administrative penalties imposed, and its corrective actions.	Business Ethics Governance	13-14

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Fangda Carbon New Material Co., Ltd.