



2023

**Environmental, Social, and
Corporate Governance
(ESG) Report**



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About This Report

The Environmental, Social, and Corporate Governance (ESG) Report (hereinafter referred to as “this report”) is publicly issued by Farasis Energy (Ganzhou) Co., Ltd. (hereinafter referred to as “Farasis Energy”). This report is compiled based on the principles of openness and transparency, discloses practices and performance of Farasis Energy in fulfilling ESG-related issues in 2023.

Reporting Scope

Unless otherwise specified, the policies, statements, and materials in this report cover the actual business scope of Farasis Energy and our subsidiaries, which is the same as that of the annual report issued by Farasis Energy. Unless otherwise stated, this report is denominated in CNY (renminbi).

Reporting Period

This report is the second ESG report released by Farasis Energy, covering the period from January 1st, 2023 to December 31st, 2023. In order to enhance the readability of the report, some of the contents or data have been backdated to previous or subsequent years.

Definition of Terms

For the convenience of expression and reading, “Farasis Energy”, “we” and “the company” in this report refer to Farasis Energy (Ganzhou) Co., Ltd. and our subsidiaries, such as Farasis Energy (Zhenjiang) Co., Ltd.

Reporting Principles

This report is ultimately compiled by identifying important stakeholders, analyzing and rating materiality issues related to environment, society and governance, making decisions on the scope of the report, as well as collecting, summarizing, organizing, and reviewing relevant data and materials in the preparation process.

The following standards and requirements were referred to in the preparation of this report.

- *No. 1 of Shanghai Stock Exchange for Self-regulatory Guidelines of Listed Companies—Regulation of Operations*
- UN 2030 Sustainable Development Goals (SDGs)
- *The Global Reporting Initiative (GRI Standards)* by the Global Sustainability Standards Board (GSSB)
- *ISO 26000 (ver. 2010): Guidance on Social Responsibility*

Access to This Report

This report is published in both electronic and printed formats. In case of conflicts, the Chinese version shall prevail. You can access the electronic version of this report through the following website:

<https://www.farasis.com/index/investor>

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Message from the Chairman



Chairman, Board of Management

Farasis Energy

Yu WANG

The year 2023 marked a pivotal year for Farasis Energy, witnessing our new capacity, products, collaborations, and business. As a result, our large-scale development journey reached the zenith.

As the automotive industry swiftly transforms from electrification towards intelligence, the energy storage market is undergoing a rapid shift from policy guidance to market dominance. In 2023, we overcame numerous challenges posed by fierce resource competition, industrial rivalry, quality improvement, and efficiency enhancement. By firmly adhering to the foundation of the rule of law, principles of integrity, and innovation as our driving force, and recognizing quality as our lifeblood, we achieved robust development and sustained growth. We made outstanding contributions to the development of the new energy vehicle industry and social progress.

In 2023, we proactively responded to the national strategy of "carbon peaking and carbon neutrality", promoted green manufacturing and recycling, and achieved the low-carbon, intelligent, and circular manufacturing of power batteries. With advanced production processes and equipment, we improved energy utilization efficiency and resource conservation rates, reduced emissions of pollutants such as exhaust gas, wastewater, and waste, and mitigated greenhouse gas emissions, thus protecting the ecosystem. By exploring the recycling and reuse of power batteries, we extended their service life, reduced waste and disposal, and lowered their carbon footprint.

In 2023, we strengthened communication and collaboration with our upstream and downstream partners, jointly promoting the green transformation and sustainable development of the industry chain. After establishing sound cooperation ties with raw material suppliers, automobile manufacturers, and battery system recyclers, we collaborated to optimize various aspects of product design, production, use, and recycling. Steadily

promoting responsible sourcing, we drove suppliers and other partners for compliance and high-quality development. We made efforts to improve product performance, safety, reliability, and eco-friendliness to meet the diverse needs of customers, promote the development of the new energy vehicle market, and contribute to addressing energy and environmental issues in the transportation sector.

In 2023, we obtained several domestic and international certifications and assessments, and won numerous honors and awards, demonstrating our strength and brand. Specifically, we obtained international quality, environment, safety, and automotive industry management system certifications such as ISO 9001, ISO 14001, ISO 45001, and IATF 16949, as well as performance certifications from authoritative global third-party agencies. We successfully secured numerous intellectual property rights, encompassing patents, trademarks, and software copyrights. Our company garnered widespread recognition and endorsement from diverse industries and media outlets, which has added glory and confidence to our brand building and market expansion.

In 2023, we prioritized the health, safety, and development of our employees and created a sound human resources management system. Our company provided diverse trainings and learning opportunities, fostering a harmonious corporate culture and atmosphere. We followed national and local laws and regulations on human rights and safeguarded employees' legitimate rights and interests such as wages, social security, vacations, and welfare, thereby enhancing their satisfaction and loyalty. Valuing their occupational development and growth, we provided multiple routes for promotion and job transfers, stimulating their work enthusiasm and creativity. We cultivate their sense of teamwork and innovation by offering a platform for them to showcase and exchange ideas.

In 2023, staying true to our mission, we actively fulfilled our social responsibilities and continuously carried out activities such as paying charitable visits to impoverished families of women who suffered from breast and cervical cancer, visiting lonely elder citizens during festivals, and caring for left-behind children. We established assistance workshops aimed at poverty alleviation. Through organized volunteer teams, we embodied the volunteer spirit of "dedication, friendship, mutual help, and progress", warming the hearts of those around us with our unique ways and strengths, demonstrating the kindness, benevolence, and responsibility of Farasis Energy.

In the era of "carbon peaking and carbon neutrality", Farasis Energy is united in our "second" entrepreneurship, working together with employees and stakeholders to build a green and sustainable future for human society.

Reflecting on the year 2023, we feel a profound sense of pride and satisfaction. We have poured our sweat and wisdom into the development and advancement of our company, propelling the new energy vehicle industry forward and contributing to societal progress.

Looking ahead to 2024, we are full of confidence and anticipation. We will stick to the foundation of rule of law, adhere to the principle of integrity, harness innovation as our driving force, and prioritize quality. We will continuously enhance our core competitiveness and market influence, meet the expectations and needs of our customers, fulfill our social responsibilities and missions, and create a brilliant future exclusive to Farasis Energy!

About Farasis Energy

Company Profile

Farasis Energy (stock code: 688567) is one of the globally leading producers of pouch batteries and energy storage batteries, as well as one of the first mass producers of NMC pouch batteries in China. Adhering to the mission of "provide clean energy, build an intelligent world", we incorporate sustainable development into daily work, processes, and details; and we actively assume global economic, ecological, and social responsibilities.

No matter at what stage of energy development, we can create clean energy solutions that meet human needs and lead industrial development by leveraging our strength in R&D and manufacturing. Dedicated to the R&D, production, and sales of pouch lithium-ion batteries, we are developing rapidly in application areas like transportation, energy storage, equipment, and the Energy Internet of Things.

Farasis Energy aims to become a leading provider of power and energy storage battery solutions. We have established long-term strategic partnerships with renowned Original Equipment Manufacturer (OEMs) domestically and internationally, jointly promoting the achievement of sustainable development goals. Through carbon neutrality in mobile transportation and energy usage, we aim to build a more sustainable world.

We deliver leading clean energy products and services globally, promoting the sustainability of human society and promoting a better life for mankind. In future, we will take the new energy vehicles and energy storage markets as our starting points and gradually expand into the intelligent lithium-ion battery market.

Corporate Culture

Our mission: provide clean energy, build an intelligent world

To achieve environmental protection goals and reduce carbon emissions, we assume the mission of providing green energy and strive to meet domestic, international, and industry standards as well as customer requirements in every aspect of research, production, and sales.



Our vision: dedicate to technology innovation, lead energy transformation, promote a better life for mankind

We focus on technology learning and innovation and ensure sufficient investment in R&D as well as talent training. This allows us to maintain our leading position in the industry and we keep track of changes in laws, regulations, and policies related to the energy sector, thereby contributing to the landscape of energy transformation.

Our spirit: innovation and entrepreneurship for win-win cooperation

We adhere to the principles of mutual respect, honesty, and humility, as well as collaborative equality, in internal communication and interactions with external partners. Abiding by rules, regulations, and procedures, we foster a working atmosphere of seamless communication, unity, and forward momentum in our company. Showing respect to our competitors and valuing our customers, we continuously enhance product safety and quality, uphold fair competition, and eliminate corruption in the market.

Products and Businesses

Focusing on the R&D, production, and sales of lithium-ion batteries and battery systems for new energy vehicles, Farasis Energy lays out a core market with green mobility and smart energy, while actively expanding into emerging markets for particular industry applications.

Our Clients

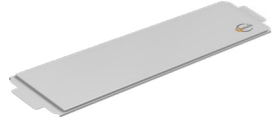
Passenger Vehicle

Emerging Businesses


Our Products and Applications

We have implemented cutting-edge technology development for the future direction of battery development, including semi-solid/ solid-state lithium-ion battery technology, sodium-ion battery technology, high-energy density power battery cell technology, new chemical and electrochemical systems for energy storage, and anode and cathode material R&D technology. Currently, we have mass-produced 285Wh/kg batteries, developed and validated 330Wh/kg high-energy density batteries, and stockpiled 400Wh/kg high-energy density battery technology.


Cell




Module




BMS




Pack

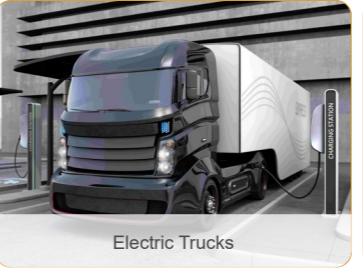





Sports Vehicle




Drone



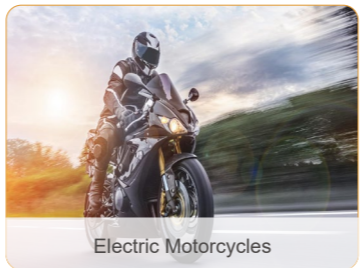
Electric Trucks




Electric Marine



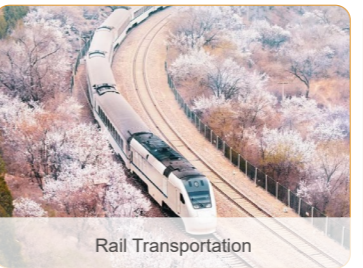
Electric Passenger Vehicle



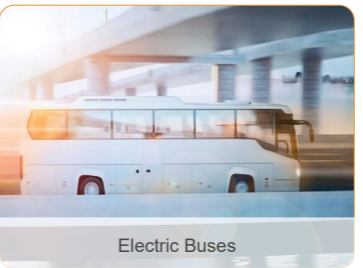
Electric Motorcycles



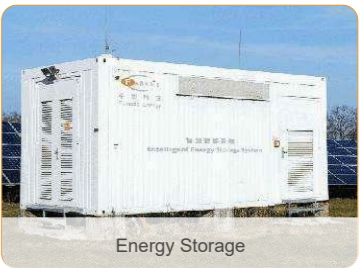
Construction Machinery



Rail Transportation



Electric Buses



Energy Storage

Our Business Locations



The mass production and under-construction capacity of Farasis Energy has exceeded **100 GWh**, meeting the global demand for power batteries from customers.




Ganzhou Site
Capacity: 5 GWh



Zhenjiang Site
Capacity: 24 GWh



Ganzhou Yaoneng Site
Capacity: 12 GWh



Ganzhou New Energy Site
Capacity: 30 GWh



Türkiye Site
Capacity: 20 GWh



Yunnan Site
Capacity: 24 GWh



Guangzhou Site
Capacity: 30 GWh

...

📍 R&D Centers

📍 Manufacturing Sites

📍 R&D Centers & Manufacturing Sites

Farasis Energy in 2023

Farasis Energy signed the Investment and Cooperation Agreement for the 30 GWh Power Battery Manufacturing Site Project with the Management Committee of Guangzhou Economic and Technological Development Zone.



January 29th

Dr. Yu WANG, Chairman of Farasis Energy, delivered a keynote speech at the China EV100 Forum, putting forward the viewpoint that “the power battery industry has already achieved the transition from ‘nothing’ to ‘existence,’ and the next stage is to transition from ‘existence’ to ‘excellence’”.



March 31st - April 2nd

Farasis Energy launched outdoor power supply products at the 15th China International Battery Fair (CIBF2023) held in Shenzhen.



May 16th - 18th

Dr. Yu WANG, Chairman of Farasis Energy, delivered a keynote speech at the 15th China Auto Bluebook Forum, elaborating on Farasis Energy's resolution and strategy to embrace the TWh era.



June 15th

Dr. Yu WANG, Chairman of Farasis Energy, elaborated on Farasis Energy's understanding and judgement of the development of the global power battery industry in the *Dialogue* column of the CCTV-2 Channel.



June 17th

Milestones in 2023

December 28th

Jiangling Group Electric Vehicle (JMEV) sodium-electric model equipped with Farasis Energy's sodium-ion batteries officially rolled off the production line, further expanding Farasis Energy's product mix.



The plant for Phase I of Farasis Energy's 30 GWh New Energy battery project was officially delivered, consolidating the Farasis Energy's leading role in the pouch battery industry.



December 2nd

November 28th - December 2nd

Farasis Energy unveiled a new super pouch solution (SPS) at the China International Supply Chain Expo.



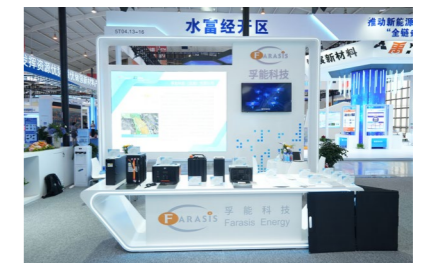
November 15th

Chairman Yu WANG delivered a speech at the First New Energy Science and Electrification of Transportation International Conference, announcing that Farasis Energy had delivered its global first commercial order of the model equipped with the eVTOL power battery.



August 16th - 20th

Farasis Energy's ternary pouch cells, electric motorcycle product series, super pouch solution (SPS) batteries, and outdoor portable power supply products made their debut at the 7th China-South Asia Expo in Kunming, Yunnan.

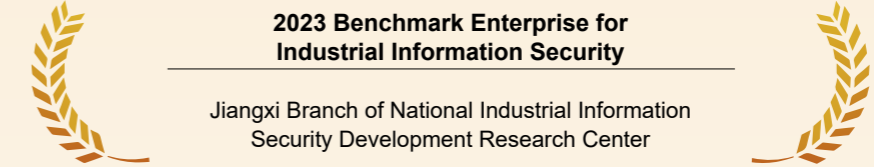


Awards and Honors

Social Responsibilities



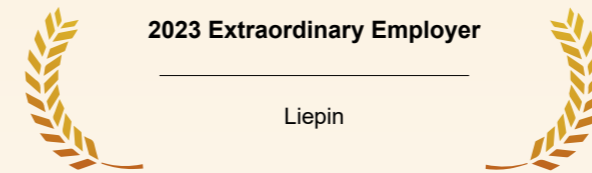
Information Security



Product Quality and Safety



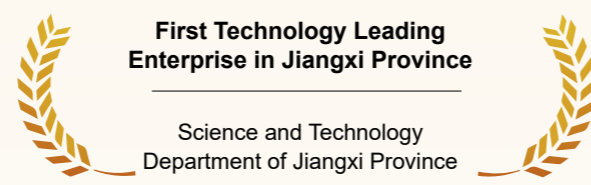
Employee Rights and Benefits



Supply Chain ESG Management



Product Research and Innovation



Contributions



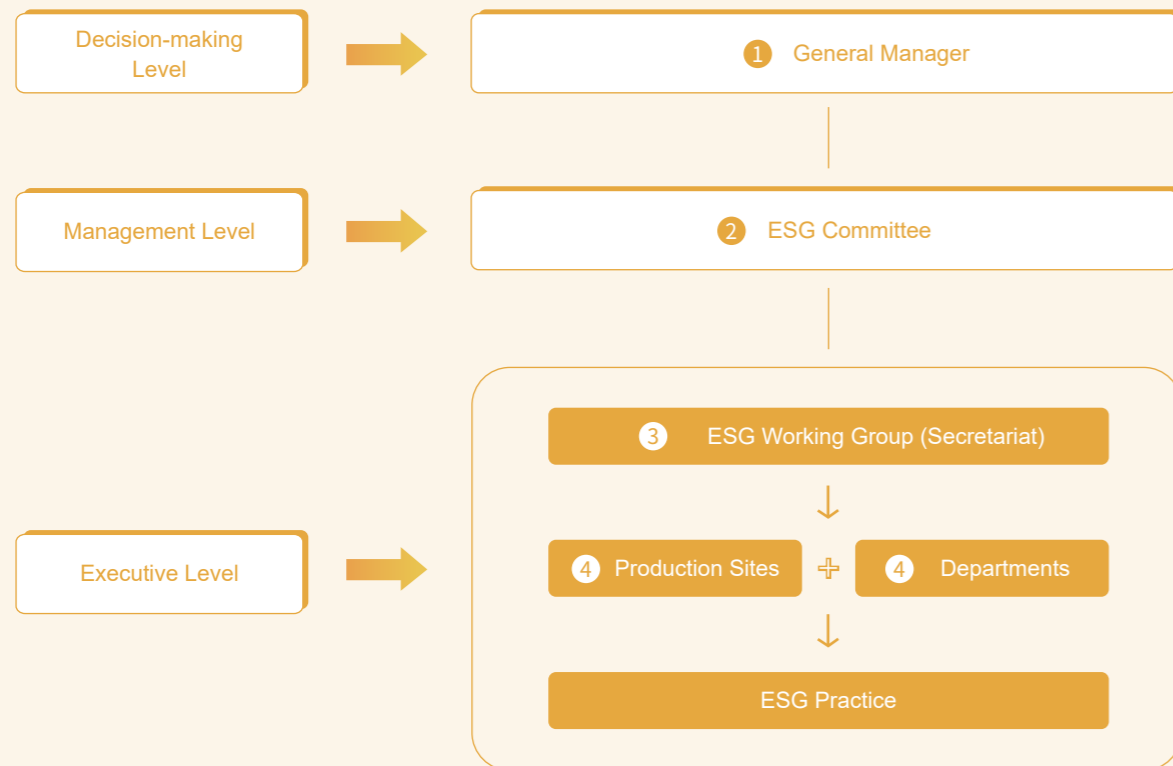
ESG Governance

ESG Governance Structure

Upholding the mission of "provide clean energy, build an intelligent world", Farasis Energy continuously promotes sustainability deployment and achieves green transition and upgrading. To this end, we integrate sustainability into daily work to achieve sustainable development goals through green mobility and green energy.

Farasis Energy builds up an ESG governance structure led by the General Manager, ensuring that the ESG strategy and implementation are much more effective and systematic.

Farasis Energy's ESG Governance Structure



General Manager

- Oversee the ESG performance;
- Confirm our ESG strategy and objectives, identification results of ESG risks and opportunities, and action plans;
- Review the ESG information disclosure.



ESG Committee

- Set up the ESG Committee, which is under the management level, and chaired by General Manager and co-chaired by two senior executives at vice president level;
- Identify, analyze, and evaluate ESG risks and opportunities;
- Lead the integration of ESG strategy and corporate strategies, and define ESG objectives and plans;
- Build the ESG policy system and motivation mechanism;
- Report ESG progress and propose effective suggestions to the General Manager.



ESG Working Group (Secretariat)

- Consist of department heads, site directors/managers, and ESG representatives, with a leading department to coordinate the efforts among departments and sites, so as for the daily implementation;
- The ESG leading department needs to coordinate functions and sites to implement decisions from the management and supervise the progress.
- Develop our ESG strategy and propose reasonable ESG objectives and plans;
- Promote ESG action plans implemented in functions and sites.



Departments and manufacturing sites

- All departments and sites shall execute various ESG decisions made by the management;
- Track daily work and supervise the progress;
- Collect and summarize ESG data and provide information for decision making.

Materiality Analysis

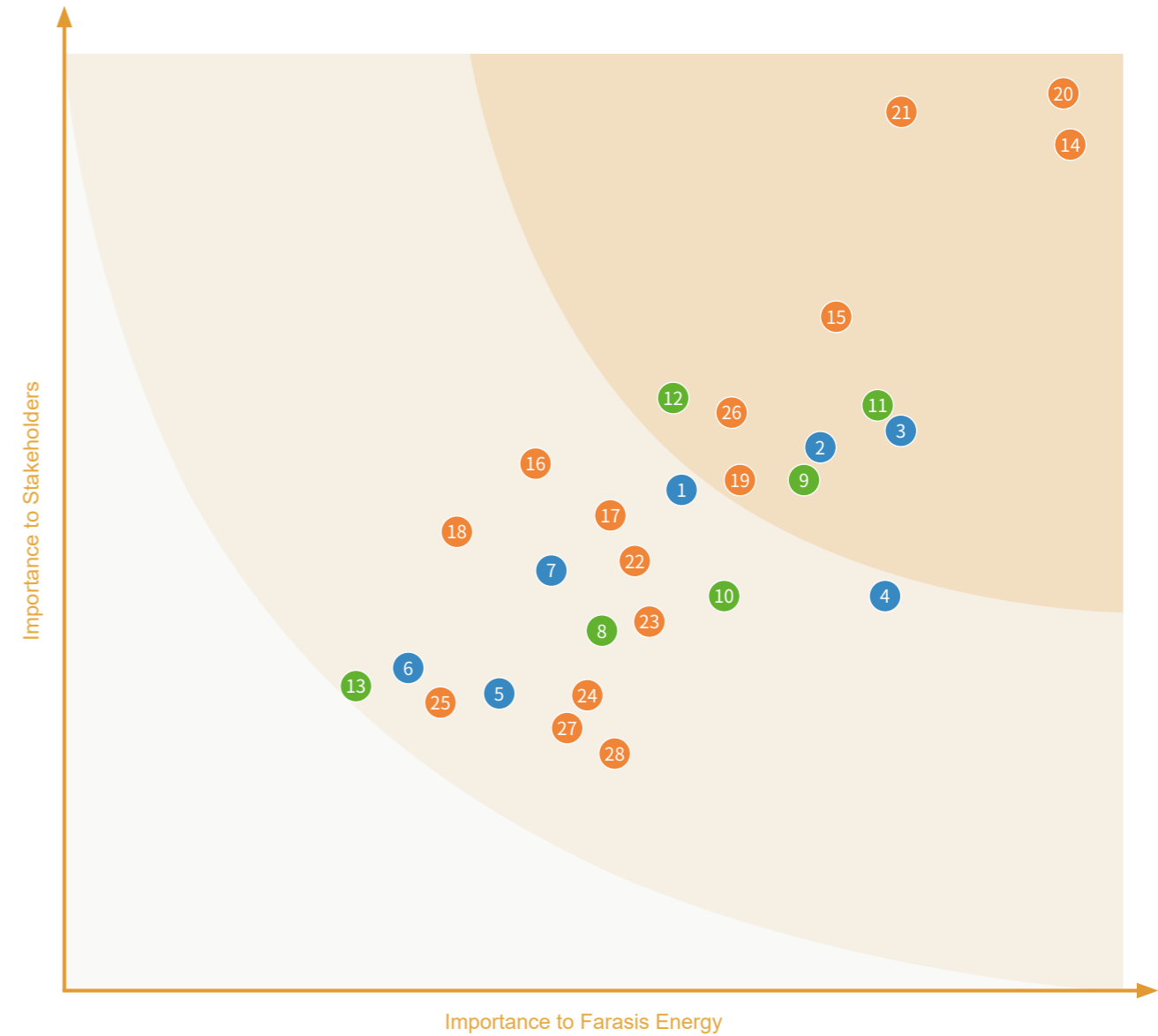
The identification and analysis of ESG topics help Farasis Energy stay informed of the top concerns of internal and external stakeholders, and promptly adjust its management strategies. In 2023, we surveyed and analyzed material topics of ESG in stakeholders, including management, employees, governments and regulators, shareholders and investors, customers, suppliers, contractors, partners, communities, and social organizations. We received 386 replies in this survey.

Compared to the ESG topics of the previous year, we added three topics, including "Work of Workers' Congress/Labor Union", "Digitalization and Intelligence System", and "Supplier ESG Audit". We adjusted "Clean-tech Introduction and Application", "Product Design and Lifecycle Management", and "Conflict Minerals Management" respectively into "Active Exploration and Utilization of Renewable Energy", "Calculation of Product Carbon Footprints", and "Responsible Mineral Management". We merged "GHG Emission" and "Raw Material Supply Risk Assessment" into "Response to Climate Change" and "Responsible Mineral Management" respectively to improve our ESG topic management and better meet our development trends.



<p style="text-align: center; color: #007bff; font-weight: bold;">Governance Topics</p>	<ul style="list-style-type: none"> 1. ESG Governance Structure 2. Business Code of Conduct 3. Risk Management System 	<ul style="list-style-type: none"> 4. Anti-corruption and Anti-bribery 5. Whistleblowing and Whistleblower Protection 6. Shareholders' Rights Protection 	<ul style="list-style-type: none"> 7. Party Building
<p style="text-align: center; color: #28a745; font-weight: bold;">Environmental Topics</p>	<ul style="list-style-type: none"> 8. Response to Climate Change 9. Active Exploration and Utilization of Renewable Energy 10. Calculation of Product Carbon Footprints 	<ul style="list-style-type: none"> 11. Green Product Research Development 12. Pollutants and Waste Management 13. Biodiversity 	
<p style="text-align: center; color: #ffc107; font-weight: bold;">Social Topics</p>	<ul style="list-style-type: none"> 14. Employee Right Protection 15. Employee Health and Safety 16. Diversity and Inclusion 17. Complaint and Communication 18. Employee Training and Capacity Building 	<ul style="list-style-type: none"> 19. Salary Incentives and Promotion 20. Product Quality and Safety 21. Product Research and Innovation 22. Digitalization and Intelligence System 	<ul style="list-style-type: none"> 23. Customer Right Protection 24. Intellectual Property Protection 25. Data Security and Customer Privacy Protection 26. Supplier ESG Management 27. Responsible Mineral Management 28. Community Welfare

Analysis of the Importance of ESG Topics for Farasis Energy in 2023



In response to the concerns of stakeholders regarding laws and regulations such as the *Inflation Reduction Act* and the *EU Battery and Waste Battery Regulation*, we have intensified executive training and gradually planned to incorporate the management of ESG-related issues into departmental KPI assessments. We have conducted ESG training and capacity-building activities specifically targeted at the Board of Directors and senior management, including ESG training for management, ESG report kick-off meetings, and executive training courses.

Referring to the relevant standards in "GRI 3: Material Topics" in the *Global Reporting Initiative Standards (GRI Standards)* by the Global Sustainability Standards Board (GSSB), we evaluate the actual or potential impacts of key topics on the economy, environment, society, and human rights, involving our operations and business activities, as well as different stages of the upstream and downstream value chain.

Key Topics	Potential or Actual Impact			Supply Chain Impact			
	Economic Aspect	Environmental Aspect	Social Aspect	Procurement of Raw Materials	Manufacturing or Operation	Use by Customers	Disposal
Product Quality and Safety	Product Sales	Environment Pollution	Health and Safety	▲	●	●	▲
Product Research and Innovation	Product Sales	Climate Change and Environment	Intellectual Property Rights	▲	●	●	▲
Employee Right Protection			Employee Rights and Benefits		●		
Employee Health and Safety			Employee Health and Safety		●		
Risk Management System	Corporate Development				●		
Green Product Research Development		Climate Change		▲	●	●	▲
Business Code of Conduct	Fair Competition, Corruption and Bribery, Insider Trading, and Conflicts of Interest		Trade Secrets, Product Quality and Safety		●		
Supplier ESG Management	Product Sales	Climate Change and Environmental Pollution	Human Rights	▲			
Active Exploration and Utilization of Renewable Energy		Climate Change			●☒		
Pollutants and Waste Management		Environment Pollution			●☒		
Salary Incentives and Promotion			Talent Retention		●		

● Direct impact ▲ Indirect Impact

Performance and Progress in 2023

Shaping Corporate Governance with Compliance Concepts



SDG 16: Peace, Justice, and Strong Institutions

Improve the business ethics management system and clarify the management of issues such as corruption, conflict of interest, fraud, money laundering, and anti-competitive practices.

Improve the anti-fraud system, promote resource and information sharing, and jointly build a clean business environment.

Showcasing Determination on Green Development through Low-carbon Practices



SDG 6: Clean Water and Sanitation

Reduce waste of water and steam resources, improve water efficiency, and save water

SDG 7: Affordable and Clean Energy

Achieve green transition and intelligent manufacturing through the introduction of green energy, energy-saving technological transformation, digital development, and lean management

SDG 12: Responsible Consumption and Production

Introduce ISO 50001 to optimize energy efficiency and energy-saving methods, improve energy-saving measures, and conduct greenhouse gas emission accounting in accordance with ISO 14064

Maximize the utilization of raw materials and carry out a life-cycle assessment

SDG 13: Climate Action

Timely formulate our strategy of carbon peaking and carbon neutrality

Accumulating Strength and Seizing Industrial Opportunities



SDG 9: Industry, Innovation and Infrastructure

Enhance product performance via innovation, establish a comprehensive low-carbon and intelligent production system that integrates product solution portfolios, mass production, sustainable and eco-friendly plants, as well as post-lifecycle product management, all within a holistic lifecycle approach.

Enhance the quantity and quality of patent applications and improve the trademark portfolio

SDG 17: Partnerships for the Goals

Promote enterprise-academia-research institute cooperation, strengthen international exchange and communication, and continuously build a high-level R&D team

Quickly and effectively solve customers' quality issues and improve product quality to satisfy customers

Managing with Due Diligence and Seeking Common Development



SDG 12: Responsible Consumption and Production

Strict supplier pre-evaluation and selection

Collaborate with supply chain partners to focus on topics such as environmental protection, labor rights, child labor, occupational health and safety, and business ethics

Conduct supply chain due diligence investigation and management and continuously carry out due diligence management of mineral resources

SDG 17: Partnerships for the Goals

Collaborate with suppliers for open innovation and tackle industry-wide challenges such as product carbon footprints and material recycling

Stimulating Talent Vitality with High-Quality Environment



SDG 3: Good Health and Well-being

Standardize the occupational health and safety management system from top to bottom

SDG 4: Quality Education

Develop an employee development system that encompasses the enhancement of managerial skills, professional capabilities, fundamental abilities, and learning support

SDG 5: Gender Equality

Improve the management procedures for the labor protection of female employees

SDG 8: Decent Work and Economic Growth

Introduce SA8000 to continuously improve the work environment

Optimize the human resource management system and employee recruitment and employment processes to improve recruitment efficiency and optimize recruitment channels

SDG 10: Reduced Inequalities

Follow the principles of equal pay for equal work and equal employment and clarify that we do not discriminate against job seekers based on gender, age, race, religious beliefs, disabilities, and etc.

Benefiting Society Through Kindness and Actions



SDG 1: No Poverty

Establish assistance workshops aimed at poverty alleviation to help impoverished families

SDG 4: Quality Education

Actively conduct charity activities to help impoverished students

SDG 11: Sustainable Cities and Communities

Strengthen our care and attention towards left-behind children and help vulnerable groups in the communities surrounding our company's operational premises

- Conducted **14** training sessions on anti-corruption and anti-bribery, reaching **88.68%** of employees and **100%** of suppliers and contractors¹
- Assessed corruption risks for **100%** of operation premises
- Conducted internal audits on business ethics issues for **100%** of operation premises
- **No** major incidents of suspected monopoly or unfair competition

- Environmental protection investment of CNY **3.8273** million², energy conservation projects with investment of CNY **4.5107** million
- PV power generation of **37,129,897.40** kWh
- Total consumption of recycled water of **611,234.60** tonnes
- **"B"** rating in CDP Climate Change Questionnaire
- Zhenjiang Site realized "Carbon Neutral Production" for specific products, and Ganzhou site achieved carbon neutrality on its operational boundaries as certified by ISO 14068

- **1,483** R&D employees, accounting for about **22.6%** of all employees
- **155** patents applied for this year, with a total of **485** patents applied for; **80** patents granted this year, with a total of **293** granted patents
- **987** customer complaints, with a closure rate of **95.85%**³

- Supplier Code of Conduct signed by **100%** of target suppliers⁴
- **100%** of direct material purchasers trained in sustainable procurement
- **100%** of active cathode material suppliers covered by audits of the supply chain due diligence management system
- **19** critical mineral raw material suppliers covered by audits of annual supply chain due diligence management

- Conducted **42** safety drills and **631** safety training sessions, reaching **100%** of employees
- Women holding **13.26%** of all management positions (manager level or above), **17.48%** of junior management positions (supervisor level or above), and **20%** of senior management positions (statutory senior managers)
- **5,724** new employees

- Annual external donation and rural revitalization fund up to CNY **1.11** million
- The employment assistance workshops of us helped **12** needy families, offering **12** jobs
- Organized the "Bringing Love Home - Warming Children to Protect Their Growth" at the "Children's Love Harbor" to send warmth and Spring Festival souvenirs to **25** children and families

¹ Due to the presence of shift workers at the production and operation sites, the implementation and organization of integrity compliance training cannot ensure that all employees are fully covered.

² Our investment in environmental protection mainly includes hazardous waste treatment, hazardous waste appraisal, hazardous waste warehouse expansion and renovation, environmental testing, radiation monitoring, etc.

³ Unclosed complaints from the U.S. and European customers concern the cycle of returning defective products to the selling country, which affects the progress of problem analysis.

⁴ Target suppliers are those based on internal supplier development and procurement control procedures.

Stakeholders Engagement

Based on background information such as industry characteristics, products and services, as well as mission and vision, we identify various groups involved in our operations and business activities. By considering the frequency and importance of communication with each group, their level of understanding of us, and their influence on our operations and business, we have selected eight key stakeholders, namely, employees, governments and regulators, shareholders or directors, customers, suppliers, communities, and social organizations. We actively establish a normalized communication mechanism with stakeholders, striving to create greater value for all parties.

Category	Management	Employees	Governments and Regulators	Shareholders and investors	Customers	Suppliers, contractors, and partners	Communities	Social Organizations
Representative	<ul style="list-style-type: none"> Board Directors Managers Department heads 	<ul style="list-style-type: none"> General employees 	<ul style="list-style-type: none"> Governments and related authorities at various levels Shanghai Stock Exchange (SSE) China Securities Regulatory Commission (CSRC) 	<ul style="list-style-type: none"> Investors 	<ul style="list-style-type: none"> Domestic and international customers 	<ul style="list-style-type: none"> Suppliers Contractors Partners 	<ul style="list-style-type: none"> Communities around our sites 	<ul style="list-style-type: none"> Academia and research institutes ESG rating agencies Media Industrial associations
Expectation	<ul style="list-style-type: none"> Anti-corruption and Anti-bribery Green Product Research Development Product Quality and Safety Management Employee Right Protection Active Exploration and Utilization of Renewable Energy Pollutants and Waste Management Salary Incentives and Promotion 	<ul style="list-style-type: none"> Employee Right Protection Product Quality and Safety Management Product Research and Innovation Employee Health and Safety Business Code of Conduct 	<ul style="list-style-type: none"> Product Quality and Safety Management Product Research and Innovation Risk Management System Green Product Research Development Employee Right Protection 	<ul style="list-style-type: none"> Employee Right Protection Product Quality and Safety Management Supplier ESG Management Business Code of Conduct Risk Management System 	<ul style="list-style-type: none"> Product Quality and Safety Management Employee Right Protection Employee Health and Safety Product Research and Innovation Farasis Energy's Charity Programs 	<ul style="list-style-type: none"> Employee Right Protection Employee Health and Safety Product Quality and Safety Management Product Research and Innovation Business Code of Conduct 	<ul style="list-style-type: none"> Product Quality and Safety Management Employee Right Protection Pollutants and Waste Management Farasis Energy's Charity Programs 	<ul style="list-style-type: none"> Product Research and Innovation Product Quality and Safety Management Employee Right Protection Employee Benefits and Supports Employee Health and Safety
Engagement Method	<ul style="list-style-type: none"> Regular work reports Management meetings Special training E-mail box Corporate WeChat account 	<ul style="list-style-type: none"> Party branch Labor Union Farasis Core Community Employee Exchange Platform E-mail box Corporate WeChat account Employee suggestion box "Farasis Home" official account 	<ul style="list-style-type: none"> Regular information disclosure Participation in relevant meetings Communication through industry associations, etc. 	<ul style="list-style-type: none"> Regular information disclosure Shareholders' Meeting Investors' roadshows and meetings Hotline and e-mails Onsite visiting Business performance briefings and presentations IR activities leveraged by social media 	<ul style="list-style-type: none"> Pre-sales communication After-sales service Regular communication, such as customer visits Third-party trainings Customer audits 	<ul style="list-style-type: none"> Supplier trainings Onsite audit and communication Regular visits 	<ul style="list-style-type: none"> Face-to-face meetings Charity and donation Complaint hotline 	<ul style="list-style-type: none"> Media briefings and roundtables Regular communication and feedback Project cooperation Farasis Energy's official website, WeChat public account, and other open channels

01

Shaping Corporate Governance with Compliance Concepts

[Feature] Leading Development with Party Building
Continuously Improving Governance Structure
Preventing Risks and Improving Quality and Efficiency
Adhering to Integrity and Compliance in Operation
Embracing the Era of Tax Transparency

Our Progress:

In 2023, relying on the Shareholders' Meetings, Board of Directors, and Board of Supervisors as the governance foundation and guided by building of Communist Party of China ("CPC" or "Party"), Farasis Energy developed an internal control system, a compliance and risk management system, and a tax governance system, as well as a business ethics and anti-corruption system. We continued to shape a solid and transparent corporate governance system.

Our Performance:

- Promote the process of board composition diversity. Our Board of Directors comprises 11 members, including 4 independent directors; while the Board of Supervisors consists of 5 members, including 3 females.
- Establish effective corporate governance system. In 2023, we held 17 board meetings, 3 shareholders' meetings, and 12 supervisory board meetings.
- Maintain adequate investor interaction. We organized and participated in 47 reverse roadshows and strategy meetings, conducted 13 investor onsite communication sessions on manufacturing sites, held seven online public exchange meetings with investors (over 1,600 attendees), and answered over 80 online questions on SSE's public platform.
- Strengthen the party and government construction of enterprise. The Group Party Committee has 9 members, including 1 general Party branch and 4 Party branches. There are currently 99 registered Party members and 11 applicants for Party membership.
- Promote anti-corruption and clean government work. Conducted 14 training sessions on anti-corruption and anti-bribery, reaching 88.68% of employees and 100% of suppliers and contractors.
- Ensure compliance operation. No major incidents of suspected monopoly or unfair competition throughout the year.

[Feature] Leading Development with Party Building

To further optimize and adjust the organizational structure of the Group's Party organization, Farasis Energy's Party Branch applied to the Comprehensive Party Committee of Fields and Industries of "New Economic and Social Organizations" of the Enterprise Service and Industry and Information Bureau of Ganzhou Economic and Technological Development Zone for the establishment of a group Party committee (9 members) in June 2023.

Enhancing the Management of Party Organizations

We enhance the development of Party organizations, implement the CPC's organizational life system, and normalize and institutionalize learning and education. We adhere to the Party Branch's work approach of "three promotions, three cultivations, and three improvements" and implement the CPC's organizational life system. We set up "The Vanguard of Party Members", "CPC Member Sentry", and "Party Member Zone of Responsibility" in production areas, to ensure the presence of Party members in key positions and at times of difficulties and ensure Party members lead the robust growth.

Work Approach of "Three Promotions, Three Cultivations, and Three Improvements"



The Group Party Committee sets up Party members' rooms with the standards of "places, facilities, signs, CPC flags, books and newspapers, and regulations". We set up 12 "Vanguards of Party Members", 4 "Party Member Zones of Responsibility" and 64 Party members "make promises and practice their promises", to ensure Party members lead the robust growth. In future, we will launch the "1269" Party building strategy, specifically, one goal, two enhancements, six leadership, and nine transformations. It will further promote the corporate culture, organization, system, quality, and efficiency.

In 2023		
Number of general Party branch(es)	Number of Party branches	Number of Party members of the year
1	4	99 Person
Number of new members of the year	Number of applicants for Party membership	
30 Person	11 Person	

Case

CPC Provincial Congress Delegate Office

To fully leverage the exemplary role of Party members as pioneers, Farasis Energy has set up the "CPC Provincial Congress Delegate Office", consisting of the Party Member Group for Battery Cell Innovation, Party Member Group for Pack Innovation, and Party Member Group for Special Projects. The office aims to promote advanced experience, transform innovative achievements, solve technological bottlenecks of new energy technology, and promote technological progress in Farasis Energy.



- In terms of new materials, the Office developed 13 cathode materials for sodium-ion batteries, laying the foundation for the timely delivery of products for sodium-ion battery projects.
- In terms of supplier development, the Office developed nearly 10 material suppliers throughout the year, securing our power battery supply chain.
- In terms of technical support, the Office provided technical support for various mass production projects and cell products nearly 20 times, successfully solving about 8 process and technical problems. The Office also applied for or published three technical invention patents.

Party Organizations and Culture

We firmly advance training for applicants for Party membership and potential Party members. In 2023, we accepted three potential Party members, trained 11 applicants for Party membership, and registered 27 Party members among the floating population. During the past year, we organized 15 trainees to participate in training courses and all successfully graduated.

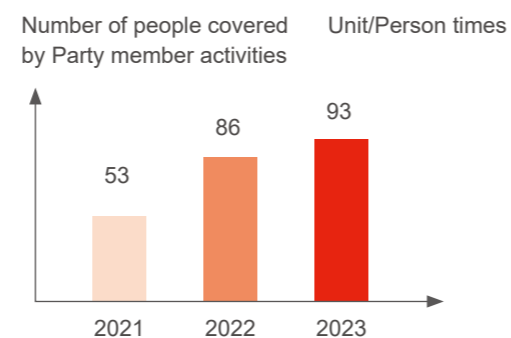
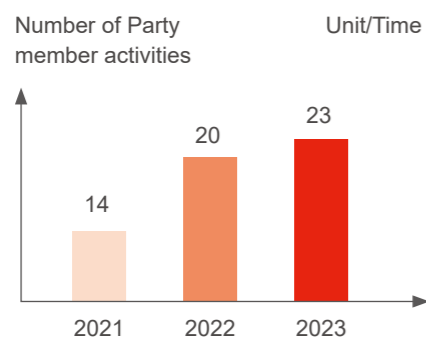
Through carriers such as the Party congress, "Jiangxi Party Building Cloud App", and public account, we actively organized Party members to learn and follow the CPC's ideology and improve their political stance. All members of the Party Committee use the "Jiangxi Party Building Cloud App", quickly sparking a learning trend among all Party members and cadres.



Adhering to the principle of Party building leading mass building, we inspire new vitality in each (general) party branch and carry out mass and group activities to enhance team emotions and cohesion. In 2023, we conducted 14 activities of various types. We fully utilize the "Farasis Home" official account, video channel, and offline promotional carriers (such as bulletin boards and banners) to publicize the deeds, dedication, and craftsmanship spirit of labor models and advanced collectives.

Educational and Cultural Activities

Learning Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era every month		Organizing education briefings to learn and implement Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era	
The Second session "May 4 th Medal Collective" Competition		The Third Selection of "Top 10 Outstanding Youths"	
School-attending Ceremony for Farasis Energy Employees' Children		Watching Films with Revolution theme	
July 1st Gala of Cultural Benefit Activities of New Era Civilization Practice Series in Ganzhou in 2023		"Date with Spring Tea" - International Women's Day Tea Plantation Outing and Tea Picking Activity on March 8 th	



Case

The Third Selection of "Top 10 Outstanding Youths" of Farasis Energy

We have organized the Selection of "Top 10 Outstanding Youths" for three consecutive years to recognize young employees who have demonstrated outstanding performance, innovative spirit, and leadership potential in their work. In October 2023, we carried out the Third Selection of "Top 10 Outstanding Youths" of Farasis Energy and 34 candidates participated in this activity. We finally selected 10 individuals through various stages such as personal/departmental recommendation, online voting, onsite evaluation, and democratic evaluation.



Typical Case of "Top 10 Outstanding Youths" - Ming Chunfa

Major Deeds:

- In 2018, he joined the Product Testing Department and achieved the process standardization of testing tasks and the sharing of test data in the department by leveraging his knowledge of automated control and management experience. This significantly improved the test efficiency and reduced errors.
- He met the customers' testing requirements through semi-automatic control methods with his knowledge and supplier research. After projects were assigned, he participated in the equipment selection, installation, and commissioning work for the testing building, laying a foundation for the development of key customer projects.
- He diligently studied technology and applied his knowledge to optimize the design of testing fixtures, change the wiring method of charging and discharging equipment, and upgrade the software for charging and discharging equipment. These improvements enhanced the space utilization rate of SPS cells and expanded the measurement range of charging and discharging equipment. The modified testing equipment meets the development requirements of existing SPS cells.

Party Conduct and Integrity

Our Party Committee strictly implements the *Provisions on the Implementation of Primary Responsibilities of the Party Committee (Party Leadership Group) for Overall Strict Party Governance* and convened two Group Party Committee (Branch) meetings throughout the year to specifically discuss the work of overall strict Party governance and Party conduct and integrity building.

We actively promoted thematic education and convened four Party committee meetings themed by education and leadership throughout the year to clarify responsibilities and strengthen accountability. We conducted two thematic tutorials and each (general) party branch organized four collective learning sessions. In line with the learning theme and practical work, we organized four exchange and discussion sessions for Party members and organized four volunteer service activities led by Party members.

In 2023, the Group Party Committee received the title of "Advanced Primary Party Organization" from the Party Working Committee of "New Economic and Social Organizations" of Ganzhou Economic and Technological Development Zone. It received a commendation from the Party Working Committee of "New Economic and Social Organizations" of Ganzhou Economic and Technological Development Zone in the *Notification on Supervision of Party Building Work and Thematic Education in Non-public Economic and Social Organizations in Q3 of 2023*. It received the title of "Two Strong & Six Good" Party Organization for Party Organizations of New Economic and Social Organizations in Ganzhou Economic and Technological Development Zone. It received a "Good" rating in the evaluation of 88 Party organizations for Party building. In 2023, we received the titles of the Fourth among Leading Private Enterprises in Fulfillment of Corporate Social Responsibilities in Jiangxi Province, the "Ganzhou May Day Labor Award", the Excellent Organization for the "Five-Small" Production Competition in Ganzhou, the Demonstration Enterprise for Industrial Reform in Ganzhou Economic and Technological Development Zone, and the Advanced Group for Blood Donation in Ganzhou.

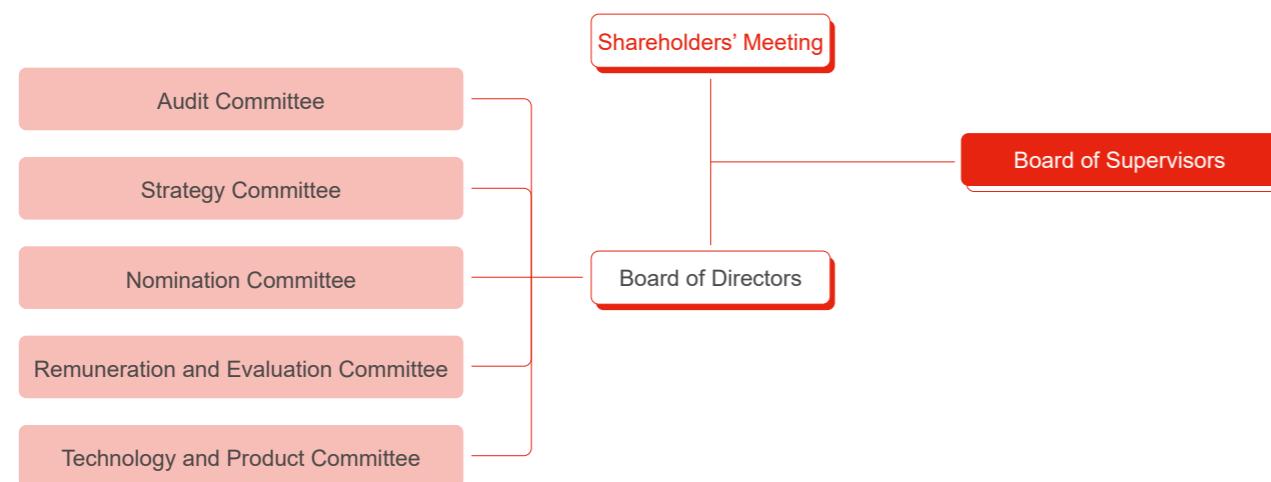
Continuously Improving Governance Structure

Continuously Standardizing Corporate Governance

Farasis Energy gradually improves internal rules and regulations and continuously promotes standardized and procedural management according to laws, regulations, and regulation rules, including the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, and the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange*.

We have established a series of systems and a corporate governance structure with clear rights and responsibilities and mutual checks and balances. They include the *Articles of Association of Farasis Energy (Ganzhou) Co., Ltd.*, *Rules of Procedure of Shareholders' Meetings*, *Rules of Procedure of the Board*, and *Rules of Procedure of the Board of Supervisors*. We strictly run the Shareholders' Meeting, Board of Directors, and Board of Supervisors based on decision-making authority and scientific procedures.

Our Board of Directors has established the Audit Committee, Strategy Committee, Nomination Committee, Remuneration and Evaluation Committee, and Technology and Product Committee. Each committee plays a positive role in decision-making and supervision in relevant areas.



Corporate Governance Structure of Farasis Energy

In 2023, We conscientiously implemented the responsibilities of the three committees, emphasized deepening the awareness of governance, optimizing the internal mechanism of corporate governance, and protecting the legitimate rights and interests of investors.

The board meetings held	The supervisory board meetings held	The shareholders' meetings held	The meetings of the Committees under the Board of Directors held
17 times	12 times	3 times	18 times

The Board of Directors comprises 11 members	The Board of Supervisors consists of 5 members	including 3 female supervisors	Independence of Board members	
			Non-independent directors 7 persons	Independent directors 4 persons
Ages of Board members			Educational backgrounds of Board members	
40-49 5 persons	50-59 4 persons	60 and above 2 persons	Doctoral degree and above 8 persons	Master's degree 2 persons
			Bachelor's degree 1 person	
Professional backgrounds of independent directors				
Number of independent directors with an industry background 2 persons	Number of independent directors with a professional background in risk management 3 persons	Number of independent directors with a background in accounting or finance 2 persons		

Enhancing Communication with Investors

Farasis Energy aims to protect investor rights by complying with disclosure requirements and developing policies such as the *Management Measures for Investor Relations* and *Management Measures for Information Disclosure*, to build strong and healthy investor relations.

Exchanges with Investors	<ul style="list-style-type: none"> We regularly organize strategy meetings, roadshows, reverse roadshows, and online public exchange meetings with investors to timely communicate our latest developments to the capital market and create transparent communication. In 2023, we organized and participated in 47 online and offline investment exchanges to maintain the attention of the capital market.
Performance Briefings	<ul style="list-style-type: none"> We hold regular online public meetings such as performance briefing meetings, performance forecasts, and investment communication meetings to focus on interpreting our regular financial status, operating performance, and achievement of management goals, as well as our future business plans and prospects. We update the progress of major issues such as equity trading in listed companies promptly and provide answers to the key concerns of investors. In 2023, we organized seven public exchange meetings, including performance briefings, with over 1,600 attendees from participating institutions.
Onsite Surveys of Specific Objects	<ul style="list-style-type: none"> We regularly conduct onsite communication sessions for investors on our manufacturing sites so that they can fully learn about the operation of our sites, product manufacturing processes, and production processes, as well as the industrial application of our latest technologies. In 2023, we organized 13 onsite communication sessions.
Announcement Disclosure	<ul style="list-style-type: none"> We fulfill our information disclosure obligations, and on this basis, we implement a voluntary disclosure system to guarantee the truthfulness, accuracy and completeness of the information disclosed. In 2023, we issued 75 interim announcements, 4 periodic reports, and several other disclosures.
Social Media	<ul style="list-style-type: none"> We actively answer the questions raised by investors on public platforms such as Shanghai Stock Exchange E Interactive and investor hotlines, promote information communication between listed companies, investors and other market participants, and protect the rights and interests of small and medium-sized investors. In 2023, we answered more than 80 questions from investors on the E-interactive platform and answered a number of questions from the investor hotline.

Preventing Risks and Improving Quality and Efficiency

Improvement of Internal Control System

Being responsible for establishing, improving, and effectively implementing the internal audit system, the Board of Directors and its Audit Committee ensure that the information disclosed in internal audits is true, accurate, and complete. Under the direct leadership of the Board of Directors and its Audit Committee, our Supervision and Audit Department exercises internal audit power and reports to them.

All internal organizations, subsidiaries, and significant equity holding companies of Farasis Energy cooperate with our independent Audit and Internal Control Department to fulfill its responsibilities under the laws and regulations, accept internal audit supervision, and provide necessary conditions.

This department is entitled to access and review documents, meeting minutes, computer software, and other relevant materials related to production and operation, including but not limited to plans, budgets, final settlement, account books, reports, contracts, and other related documents. It is entitled to request the audited organizations to provide documents, objects, information, and other materials necessary for the audit work. It is entitled to conduct onsite inspections, inventories, or supervision of assets and to request departments and personnel to conduct face-to-face workflow tests. If any personnel conduct any behavior that obstructs or disrupts audit work or refuses to provide materials, with the approval of the leader, this department may take necessary temporary measures and propose decisions and suggestions to pursue the responsibility of such personnel.

This department regularly screens internal and external risks, compiles a risk list, and periodically updates it. It collaborates with responsible departments to update the risk control matrix, ensuring a suitable risk control model.

For high-risk business process (such as certain procurement, fund management, asset management, and etc.), this department formulates an annual audit plan and completes multiple project audits within a one-year audit cycle to ensure that high-risk matters are included in the annual routine audit.

Management of Compliance Risks

We have developed the *Management Procedure for Compliance Obligations and Evaluation of Compliance* to guide our compliance management personnel and organize relevant departments to evaluate compliance in EHS, labor, employment, anti-bribery, anti-fraud, information security, intellectual property, energy management, and etc.

In the early stage of compliance evaluation, each specialized compliance liaison collects and sorts out applicable legal and regulatory standards for each specialized project, identifies compliance obligations related to Farasis Energy, and then develops a *List of Legal Obligations and Other Requirements*.

The compliance management personnel request the responsible departments to provide supporting materials created during the performance of compliance obligations based on evaluation criteria. By comparing the collected supporting materials with the identified compliance obligations, the compliance management personnel provide a conformity evaluation, identify areas for improvement, and issue improvement notices accordingly.



Adhering to Integrity and Compliance in Operation

Empowering Stakeholders to Grow in Compliance

"Compliance makes long-term success". Compliance is not a cost, but a productive force.

Compliance System

Based on applicable laws, regulations, and regulatory provisions, we have established policies and systems such as *Farasis Energy's Code of Conduct for Compliance Operation*, *Ethical Conduct Management Procedures*, and *Provisions on the Investigation of Responsibilities for Breach of Rules and Disciplines*. These policies and systems clearly define the management of topics such as corruption, conflicts of interest, fraud, money laundering, and anti-competitive practices, safeguarding the sound development of Farasis Energy.

Farasis Energy's Code of Conduct for Compliance Operation: It aims to standardize the legal and compliant business activities of all employees, as well as third parties engaged in business activities on behalf of Farasis Energy, to avoid compliance risks at the source and prevent potential issues.

Corrupt Practices	A "corrupt practice" refers to the act of offering, giving, receiving, or soliciting - no matter directly or indirectly - anything of value to influence improperly the other party.
Fraudulent Practices	A "fraudulent practice" refers to any act or omission, including misrepresentation, that is, someone knows, recklessly misleads, or attempts to mislead a party to obtain financial or other benefits or avoid obligations.
Collusive Practices	A "collusive practice" refers to any arrangement between two or more parties for any improper purpose, including the purpose of improperly influencing the other party.
Coercive Practices	A "coercive practice" refers to the act of impairing, harming, or threatening to impair or harm - no matter directly or indirectly - any party or the property of the party to influence improperly the actions of a party.
Obstruction Practices	An "obstructive practice" refers to any act of intentionally destroying, falsifying, altering, or concealing evidence materials required for an investigation, or providing false materials to investigators in an attempt to seriously impede the investigation of alleged corrupt, fraudulent, coercive, or collusive practices, as well as threatening, harassing, or coercing any party to prevent it from participating in the investigation or disclosing known investigation information.
Sexual Harassment	Sexual harassment refers to any unwanted act that violates the will of another person and causes discomfort or association with sexual connotations through language, expressions, actions, text, images, videos, audio, links, or any other form of information, regardless of whether the perpetrator of the act or the sender of the information has the intention or purpose of harassment or any other improper motive.

Ethical Conduct Management Procedures: To standardize the internal employees' business conduct and Farasis Energy 's business activities, our management takes the lead in promoting the cultivation of business ethics and actively organizes ethics training that covers employees, personnel dispatched by third parties, and suppliers. The Audit Department supervises the integrity and ethics of Farasis Energy 's economic activities and provides recommendations that comply with ethics and laws when necessary.

Provisions on the Investigation of Responsibilities for Breach of Rules and Disciplines: These Provisions aim to standardize the handling and accountability for serious violations and disciplinary cases in the business and engineering areas of all entities affiliated with Farasis Energy. They are designed to effectively address issues of negligence in management, education, and supervision related to serious violations and disciplinary cases, as well as omission and passive attitudes on sensitive and risky issues.

Enhancement of Compliance Awareness

We comprehensively collect and screen newly issued laws, regulations, and standards, as well as policy notifications published by state authorities. We compile the selected information that is applicable to our company into a *Compliance Classroom - Updates of Latest Regulations* and publish it on our OA system every two weeks.

In 2023, we focused on interpreting the EU battery regulations and established an EU Battery Regulations Taskforce to facilitate the implementation of measures in 2024 and 2025. We conducted the *2023 Annual Compliance Training* for all employees, with a training duration of 55 minutes. We organized compliance training specifically for the management.

Creating a Good Atmosphere of Integrity

In 2023, the key regulatory focuses of our anti-fraud work include unauthorized or illegal appropriation and misappropriation of corporate assets for personal gain, false records, misleading statements, or material omissions in financial accounting reports and information disclosures, abuse of authority by directors, supervisors, managers, and other senior management, and collusive fraud by related institutions or personnel.

We have established an anti-fraud framework to define the responsibilities of each level. We stipulate that departments should support anti-fraud efforts and establish and improve fraud prevention management systems.

To effectively prevent fraudulent practices, we, our branches and subsidiaries, as well as all departments, have improved internal control systems and regularly conduct internal control self-assessments.

In the *Anti-Fraud Management System and Provisions on the Investigation of Responsibilities for Breach of Rules and Disciplines*, we have established clear audit and control business process (such as accounting and procurement procedures) to prevent corruption and bribery. These procedures regulate the professional conduct of all employees, especially directors, supervisors, middle and senior management, and employees in key positions. They further explicitly prohibit any form of fraudulent practice that harms the legitimate economic interests of Farasis Energy or seeks improper economic benefits.

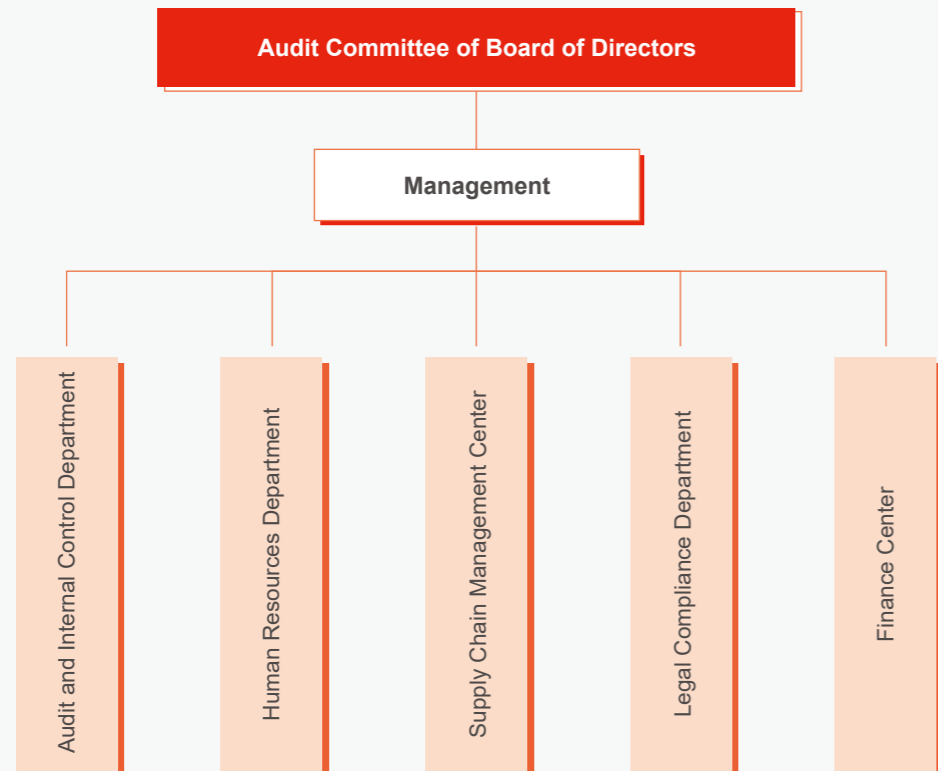
We have developed the *Gift Management Measures* to clarify the specific commercial behavior for approving sensitive transactions (such as gifts and travel), ensuring that gifts play their due role in business interactions. We effectively manage gifts and cash gifts received from external institution.

Our Audit Department formulates an annual audit plan to conduct routine audits every year for high-risk business processes in various departments such as procurement, fund management, asset management, and etc.

We conduct various forms of integrity and compliance education and trainings for our employees, such as issuing holiday guidelines and decisions regarding the disciplinary actions for employee misconduct through our OA system, and also by publishing monthly ethical conduct posters through our corporate WeChat, as part of our ongoing internal integrity and compliance training program.

For anti-corruption trainings and warnings targeted at contractors and suppliers, we conduct internal anti-corruption training and send notifications to suppliers on prohibiting gift-giving during holidays. Our Supply Chain Department takes the lead in signing anti-corruption agreements with them, prioritizing business cooperation, and conducting due diligence on suppliers.

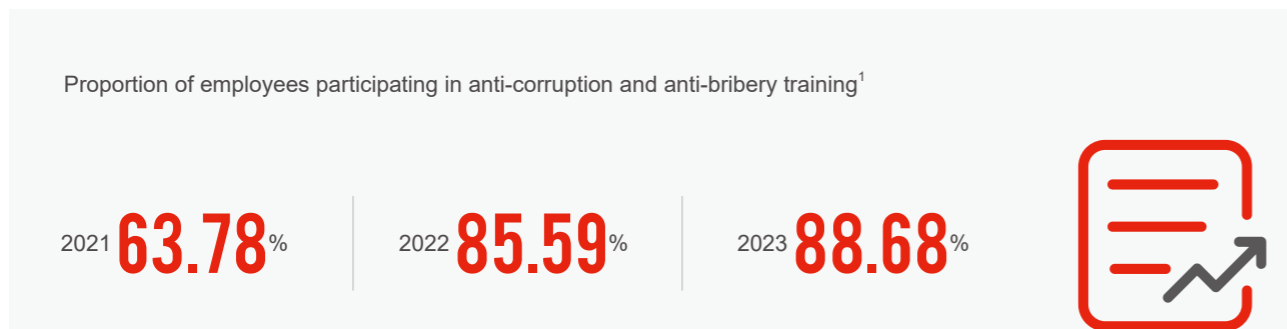
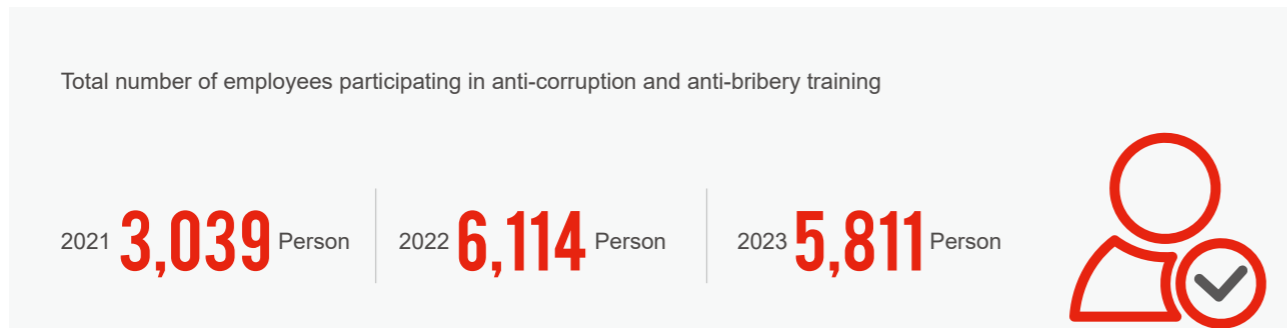
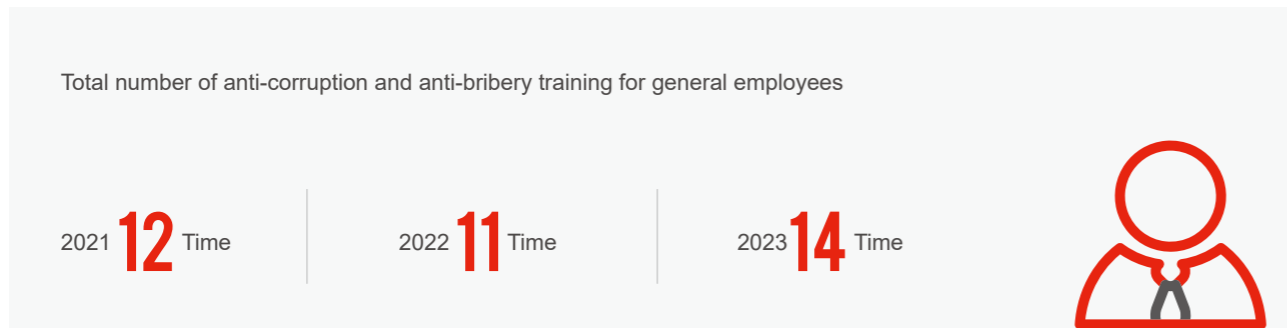
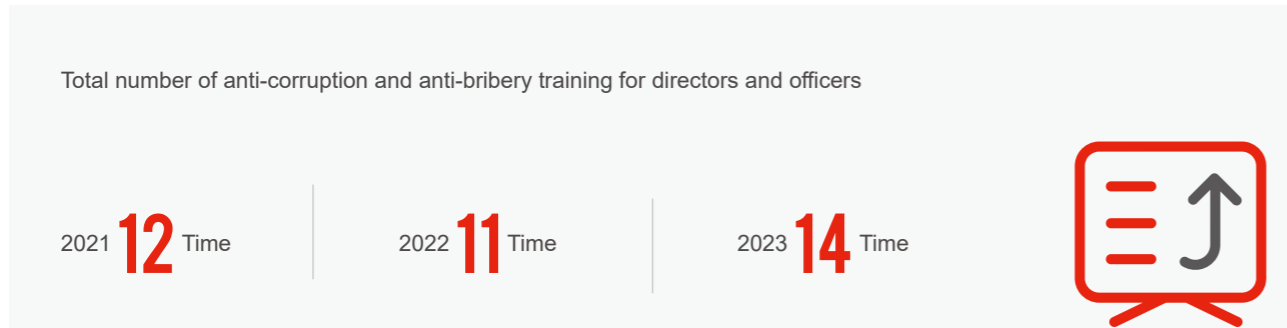
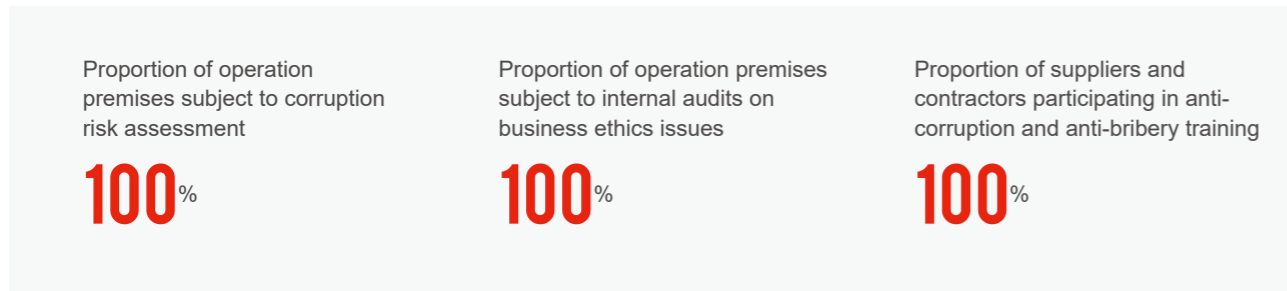
In future, we will conduct anti-corruption training for suppliers, introduce our internal integrity system and internal audit and supervision system to suppliers, and advocate a fair, just, win-win, and clean business environment.



The Board of Directors urges the management to build an anti-fraud culture and enhance the anti-fraud internal control system; the Board of Directors and the Audit Committee spearhead anti-fraud activities and direct and oversee anti-fraud operations.

The management is responsible for establishing, improving, and implementing internal controls to reduce the chances of fraud. It also should take proper and effective remedial measures for fraud behaviors, and be accountable for the occurrence of fraud. Heads of subsidiaries, branches, and departments are primarily responsible for anti-fraud efforts at respective units or departments.

- **Audit and Internal Control Department:** As a standing organization in charge of anti-fraud work, it is responsible for anti-fraud work in Farasis Energy and our subsidiaries.
- **Human Resources Department:** It is responsible for penalizing employees who bear leadership and direct responsibility for fraudulent practices according to the approved opinions. This department should handle the salary, bonuses, labor remuneration, and labor relations of employees involved in fraud. It should conduct anti-fraud training, legal and regulatory education, as well as integrity and moral education for new employees.
- **Supply Chain Management Center:** It is responsible for informing Farasis Energy 's whistleblowing channels to all suppliers according to relative policies, and signing integrity agreements with all suppliers. It also administers rewards and punishments for suppliers based on the approved treatment suggestion.
- **Legal Compliance Department:** It is responsible for reviewing cases and evidentiary materials transferred by the Audit and Internal Control, referring fraudulent cases that meet the criteria for case-filing to judicial authorities, and initiating legal proceedings against individuals involved on behalf of Farasis Energy.
- **Finance Center:** It is responsible for promptly transferring any clues of fraud discovered during financial management to the Audit and Internal Control Department. Before the conclusion of a fraud case, it freezes all payments of the individual responsible for the case. It assists in recovering economic compensation related to fraud cases.



¹ Due to the presence of shift workers at the production and operation sites, the implementation and organization of integrity compliance training cannot ensure that all employees are fully covered.

Acceptance of External Supervision

We have established a sound whistleblowing system, optimizing the whistleblowing and complaint system as well as the whistleblower protection system. We have set up a hotline and clarified the procedures, time limits, and requirements for handling complaints and reports, ensuring that whistleblowing and complaints become an important route for us to effectively obtain information.

In *Farasis Energy's Code of Conduct for Compliance Operation*, we clearly define the rules for consultation, whistleblowing, and handling of violations. We encourage any employee to promptly and actively consult or report to the compliance department when he/she has doubts about the compliance of certain acts and difficulties in judging how to comply with our compliance requirements under specific circumstances, he/she finds violations of relevant laws, regulations, and our compliance requirements by partners or colleagues, or Farasis Energy or any individual is subject to external compliance investigations, inquiries, or whistleblowing.

In the *Anti-Fraud Management System*, we explicitly encourage real-name whistleblowing. Employees and all social parties that have direct or indirect business relationships with us can report suspected fraudulent practices to our Audit and Internal Control Department through various channels such as hotline, e-mails, letters, or face-to-face meetings.

We keep whistleblowers' identities, contents of reports, the information about investigators, witnesses, and investigations confidential. All shall hold back or prevent any whistleblowers from reporting under any excuse or by any means, or take revenge on whistleblowers, investigators, witnesses, or their relatives. The employees are rewarded, as long as they report noncompliance behaviors or offer compliance recommendations and thus avoid significant losses for us.

In the *Ethical Conduct Management Procedures*, we explicitly require absolute confidentiality of the whistleblower information and deem any revenge against employees as a result as the most serious disciplinary violation in Farasis Energy. If we discover revenge against whistleblowers, we take disciplinary measures such as education, apology, warning, and dismissal as the case may be. In case of a significant impact, we investigate legal responsibilities according to law.

Reporting Channels

In case of any known or suspected violation of our compliance policies, applicable laws, regulations, or other requirements, regardless of its severity, any department, employee, or business partner may consult or report to the relevant compliance department/authorities under their real names or anonymously or through one of the following channels:

Hotline: **0797-7329850**

E-mail: **compliance@farasisenergy.com.cn**

Fair Dealing, Advertising, and Competition

We strictly comply with applicable laws, regulations, and international standards on anti-monopoly or anti-unfair competition, including the *Anti-monopoly Law of the People's Republic of China*, *Anti-unfair Competition Law of the People's Republic of China*, and *Anti-unfair Competition Law of the People's Republic of China*. We have developed the *Anti-monopoly and Compliance Management Measures*, adhering to the principles of "fairness, justice, and win-win cooperation" to create a fair business environment.

We effectively identify and objectively evaluate customer requirements and refrain from using unfair means or engaging in vicious competition to attract customers. When accepting orders, we adhere to the *Order Review and Control Procedures* and we do not conceal our existing business capabilities or provide any false information, ensuring business integrity and transparency.

In 2023, we did not encounter major incidents of suspected monopoly or unfair competition.

Embracing the Era of Tax Transparency

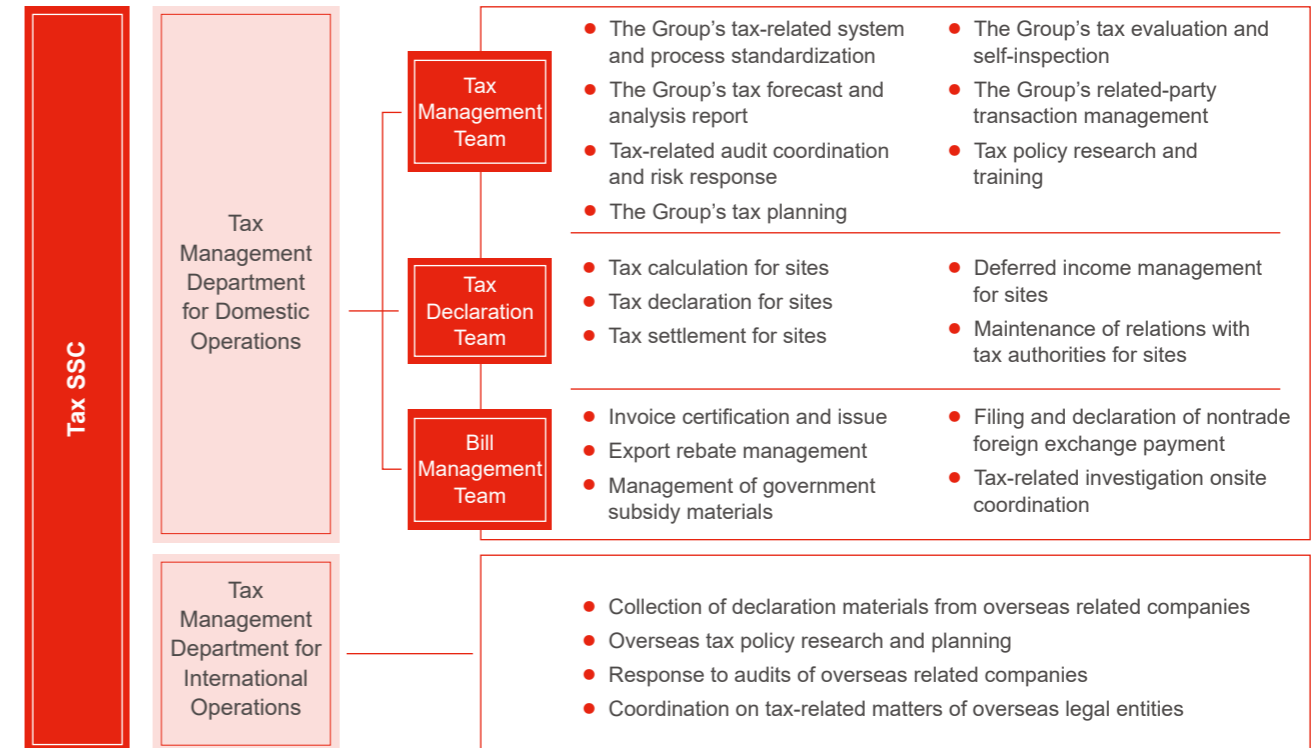
Perfecting Tax Compliance Management

Farasis Energy acts in strict compliance with all applicable tax laws and regulations in terms of tax declaration, tax payments, tax accounting, and business decisions, as well as daily operations. Our goal is to build a tax management team that is honest, trustworthy, professional, and intelligent. This team makes tax decisions reasonably, controls tax risks, improves management efficiency, and effectively supports business operations.

Our Headquarters has established a Tax Shared Service Center (SSC) to centrally manage tax-related business and designated full-time tax accountants to each key subsidiary's finance department for local tax-related matters. Since its establishment, Tax SSC has released tax-related internal control management systems such as the *Invoice Management System*, *System for Managing Related-party Transactions*, and *Tax Management System*. It updates the above systems according to the improvement of applicable tax laws and regulations.

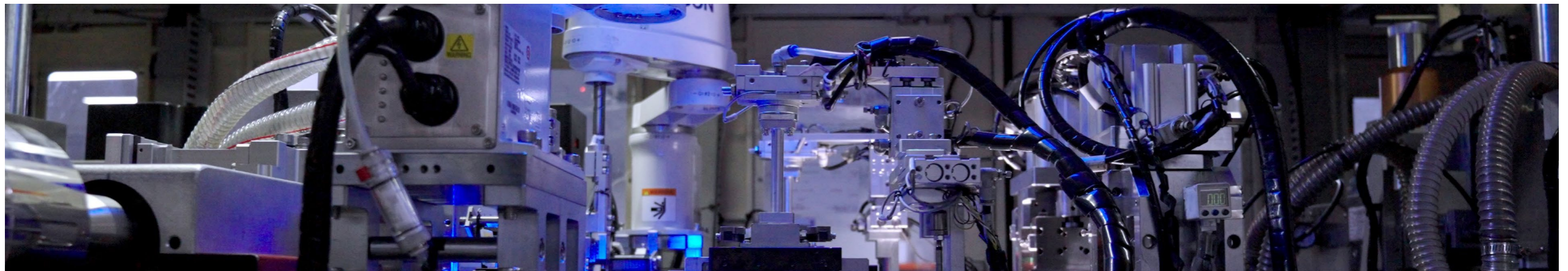
In 2023, Tax SSC established and improved the Group's tax-related electronic database, centrally managing tax information and fiscal data for each legal entity to facilitate tax data analysis and external audit coordination.

Structure and Functions of Farasis Energy Tax SSC



Enhancing Tax Officials' Professional Skills

We continuously enhance the systematic management of the entire process related to tax matters and strengthen the competency training of tax professionals. In 2023, we participated in a series of training seminars hosted by professional organizations, closely following and actively studying the latest fiscal and tax regulations issued by the government to ensure compliance of our tax-related operations. These training seminars covered topics such as "BEPS 2.0 Dual-Pillar International Tax Rules", "Management of Transfer Pricing Risks", "Insights into Tax Incentives for Stabilizing Employment", "Discussions on Supply Chain Trade Barriers", "Reform of the Offshore Passive Income Exemption System in Hong Kong", and "Updates on the Policy of Additional Deductions of Research and Development Expenses".



02

Showcasing Determination on Green Development through Low-carbon Practices

[Feature] Embracing New Trends in Green Development

Advancing Efficient Resource Utilization

Committed to Natural Ecosystem Conservation

Our Progress:

Every employee bears in mind our mission of "provide clean energy, build an intelligent world". Farasis Energy actively address climate change. We strive to improve our management of energy, water resources, wastewater, waste gas and solid waste, thus to explore and provide eco-friendly green products and services.

Our Performance:

- We completed the ISO 14064 certification for our annual corporate carbon emissions by a third-party certification agency for two consecutive years.
- For three consecutive years, specific products have passed the third-party certification of "carbon neutral production".
- The Ganzhou site achieved 100% renewable energy use in 2023, and was certified to ISO14068 standard.
- 100% of sites have officially passed the ISO 14001 environmental management system certification.
- We invested CNY 8.338 million in environmental protection and energy conservation projects.
- We store and treat 100% of solid and liquid hazardous waste according to regulatory requirements.
- All sites managed wastewater, waste gas and solid waste effectively, and we did not receive any environmental complaints or punishments from regulators.

[Feature] Embracing New Trends in Green Development

Green development represents an imperative solution to overcome resource and environmental constraints, explore positive business transformation, and achieve both sustainability and high-quality growth. It is a general trend of globalization. We are committed to this vital task, harnessing innovative and responsible green practices to support carbon neutrality and usher in a new era of eco-friendly development.

Response to Climate Change

Embracing the novel development philosophy, we view carbon peaking and carbon neutrality as critical drivers for enhancing the quality of our development. Leveraging international standards like ISO 14064, ISO 14067, ISO 14068, and the GHG Protocol, we adopt scientific and standardized approaches to managing greenhouse gas emissions, product carbon footprints, and carbon neutrality in specific production processes. We actively promote the establishment of an energy management system aligned with ISO 50001, embracing the latest trends in green development.

Implementing Climate Governance

We have integrated climate risk control and climate opportunities into our operational processes, establishing a comprehensive mechanism for risk identification and response. This has significantly strengthened our governance capacity and adapt to climate change.

Transition Risks

Policy and Regulation Risks

- Risk Description**
 - The carbon emissions trading market officially launched in 2021. Our carbon emissions exceed the benchmark set by the Chinese government for the inclusion of the electricity industry in the national carbon market pilot program. There is a possibility that we may be included in the carbon emissions control system in the future.
 - The EU officially adopted the *EU Battery and Waste Battery Regulations* in August 2023. Given that Europe is an important overseas market for our company, the introduction of the Regulations may have a certain impact on our exported products.
- Financial Impact**
 - The cost of carbon emissions varies with the fluctuations of market carbon price.
 - The cost of battery carbon footprint accounting increases.

Counter-measures

- We have established an EU Battery Regulations Taskforce to assess the impact of the EU battery regulations (including substances restricted by the EU) on our mass-produced products and new projects, and formed targeted countermeasures to ensure the normal progress of related projects.
- We extend the calculation of our product carbon footprints and invite third-party companies for data accounting and calibration, ensuring data accuracy.
- We actively participate in the drafting and formulation of industry energy and carbon-related standards such as the *Implementation Guide for Energy Efficiency Benchmarking of Battery Industry*, the *Carbon Emission Accounting Standard for the Whole Life Cycle of Power Battery*, and the *T SQIA 062-2023 Technical Requirements for Carbon Footprint Assessment of Rechargeable Industrial Batteries*, establishing a comprehensive industry carbon emission accounting standard.

Technology

Risk Description

- The increasing demand for low-carbon technologies may give rise to more advanced and emerging battery technologies, bringing uncertainty to the development and competition of our battery technologies.

Financial Impact

- The cost of research and development for low-carbon technologies increases.
- The introduction and retrofit of intelligent equipment and facilities result in higher costs.

Counter-measures

- We advance the construction of intelligent plants and continuously invest in solar PV power generation projects. Introducing intelligent equipment throughout the cell and module manufacturing process, we integrate conventional industrial control technology with Internet IT technology, industrial IoT technology, and big data technology.
- We promote the industrialization of our super pouch solution (SPS) for large pouch power batteries, which is expected to increase the system volume packaging efficiency by over 30% and reduce the number of structural components in the battery system by 50%. We have already developed and applied this solution to multiple passenger vehicle projects.

Market

Risk Description

- More companies have started to pay attention to Scope 3 emissions from externally purchased goods and services. The requirements for low-carbon footprint and sustainably certified products are also rising since customers' demand for low-carbon products and procurement choices become increasingly stringent.

Financial Impact

- Sales decline due to the failure to meet customers' demand for low-carbon products.

Counter-measures

- We strengthen our green research and design, increase the proportion of NMP recycling, and reduce the use of glue in our module design to facilitate easier recycling and disassembly.
- We advance the process of using circular packaging for our raw materials and replace cartons and disposable PVC pallets for our PCBA parts with recyclable plastic boxes and PVC pallets.
- We increase the proportion of renewable energy, and the Ganzhou Site has achieved 100% renewable energy use in 2023, strengthening low-carbon manufacturing capacity.

Physical Risks

Intense natural factors

Risk Description

- Extreme weather disasters such as floods and heat waves can potentially impact our production, damage critical production processes and equipment, and even affect the health and safety of our employees and workplaces.

Financial Impact

- Typhoons, floods, and droughts lead to decreased capacity.

Counter-measures

- We obtain ISO 14001 environmental management system certification and improve our management of fire safety facilities, hazardous waste, special equipment, construction, and sewage treatment plants.
- We actively establish the ISO 50001 system to advance both technological and management-based energy conservation efforts.
- We have also established an emergency command center to standardize and normalize the management of accidents such as fires, typhoons, and floods.
- We enhance logistics efficiency by optimizing routes to reduce the number of dispatch and develop coordinated shipping plans. By changing the original shipment address from an external warehouse to direct shipment from the factory, we further reduce the environmental impact of our logistics operations.

Type of Climate Opportunities	Description	Financial Impact	Financial Impact
Low-carbon products and services	• Vehicle electrification is a crucial path for the transportation industry to achieve emission reduction, and electric vehicles have become the primary solution for the industry to reduce carbon emissions.	• The sales increase.	• We increase investment in research and development, including market research, prototype design and testing, and the development of new technologies or processes. • We upgrade equipment, tools, and technologies and implement quality control measures to enhance product quality and performance.
Use of energy from low-emission sources	• Investing in and developing solar PV power generation not only reduces the carbon emissions generated by our electricity consumption but also lowers the cost of purchasing carbon credits such as CCER and I-REC.	• The operating costs decrease. • The asset values increase.	• We constantly optimize our energy structure and increase the proportion of renewable energy use. In 2023, the Ganzhou Site has achieved 100% renewable energy use through green power trading, photovoltaic power generation, green certificate trading and other measures, and the Zhenjiang Site has achieved the renewable electricity usage ratio of 45% through photovoltaic power generation and green certificate trading.
Low-carbon production process	• Upgrading the equipment in plants or production processes for energy efficiency not only improves the overall energy efficiency of production but also reduces energy procurement and usage, thereby lowering direct operating costs.	• The production costs decrease. • The asset values increase.	• We promote energy-saving technological transformation, and implement energy-saving projects such as energy-saving transformation of rotary dehumidifiers, air compressor grid connection, and refrigeration system transformation. The annual investment cost of energy-saving renovation projects reached CNY 4.5107 million.

Green and Low-carbon Manufacturing

We establish professional and stable energy conservation organizations at both Group and site-levels. By introducing the ISO 50001 system, we establish an energy management mechanism and continuously conserve energy, reduce emissions, and optimize the energy structure.

In 2023, we completed the ISO 14064 certification for our annual corporate carbon emissions by a third-party certification agency for the second year. We continuously increase the proportion of renewable energy consumption through PV power, procurement of green certificates, and participation in green power transactions.

In Ganzhou, the PV project with a total installed capacity of 5.99 MW was initiated in 2022 and connected to the grid in 2023. In 2023, the PV power generation reached 4.9639 million kWh. At the same time, Ganzhou Site actively participates in market-based green power trading, purchasing and consuming 17,883,000 kWh of green power, and purchased international green certificates for the remaining electricity to achieve 100% use of renewable electricity.

The last phase (8.1 MW distributed PV system) in the Zhenjiang Site was officially connected to the grid for power generation in January 2023. The current PV system in the site has an installed capacity of 31.5 MW, with 32.166 million kWh of PV power generation in 2023. Meanwhile, in the Zhenjiang Site, the specific production line has delivered specific products of “Carbon Neutral Production” for three consecutive years.

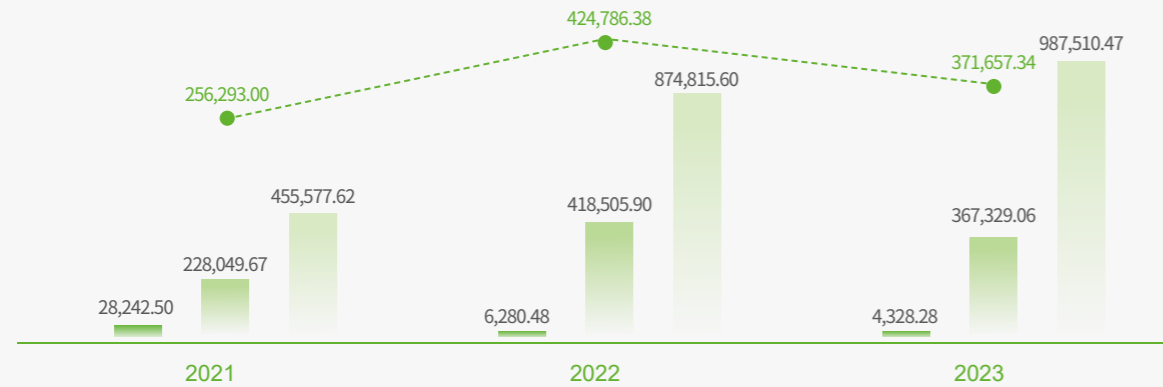
With a focus on “green transformation”, we vigorously promote the green upgrading and renovation of production equipment, creating green and energy-efficient plants. We not only oversee and regulate the power consumption of air conditioning systems, road lighting fixtures, landscaping elements, and other essential facilities across our production facilities, warehouses, and administrative offices, but we also strive to maximize the energy efficiency and conservation benefits of our production equipment.



Investment costs for energy-saving renovation projects

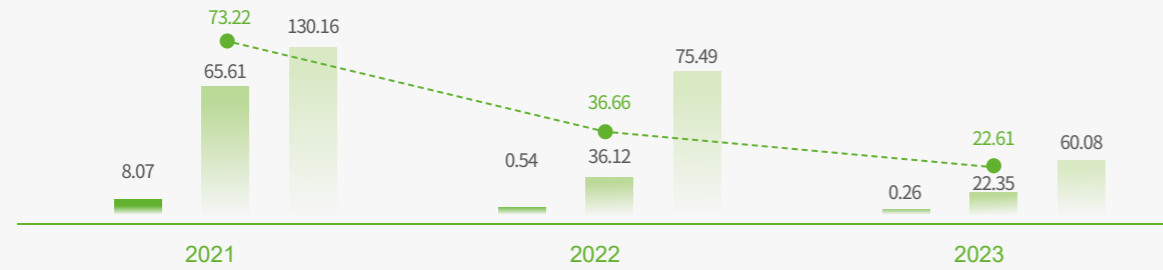
451.07 10,000 CNY

Greenhouse Gas Emissions



Unit: tCO₂e

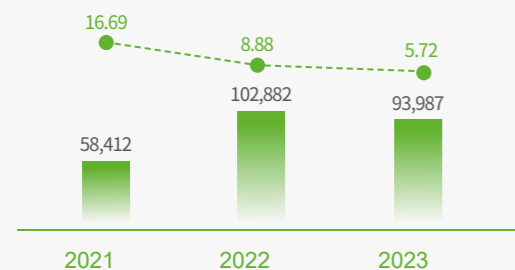
■ Total emissions of Scope 1 greenhouse gas
 ■ Total emissions of Scope 2 greenhouse gas (location-based)
 ■ Total emissions of Scope 3 greenhouse gas
 -●- Total emissions of greenhouse gas (Scopes 1 and 2)



Unit: tCO₂e/CNY 1 million of operating income

■ Emission intensity of Scope 1 greenhouse gas
 ■ Emission intensity of Scope 2 greenhouse gas
 ■ Emission intensity of Scope 3 greenhouse gas
 -●- Greenhouse gas emission intensity (Scopes 1 and 2)

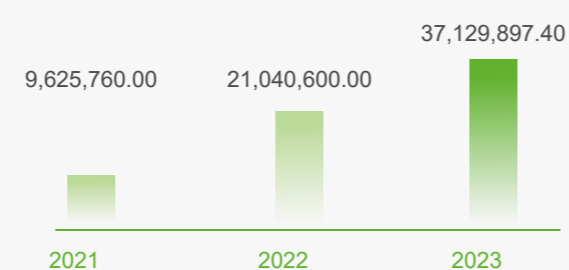
Energy Management



Unit: tce/CNY 1 million of operating income

■ Total energy consumption -●- Energy consumption intensity²

PV power generation/kWh



¹ Emission intensity of Scope 1 greenhouse gas = Total emissions of Scope 1 greenhouse gas ÷ CNY 1 million of operating income, the same below.

² Energy consumption intensity = Total energy consumption ÷ CNY 1 million of operating income

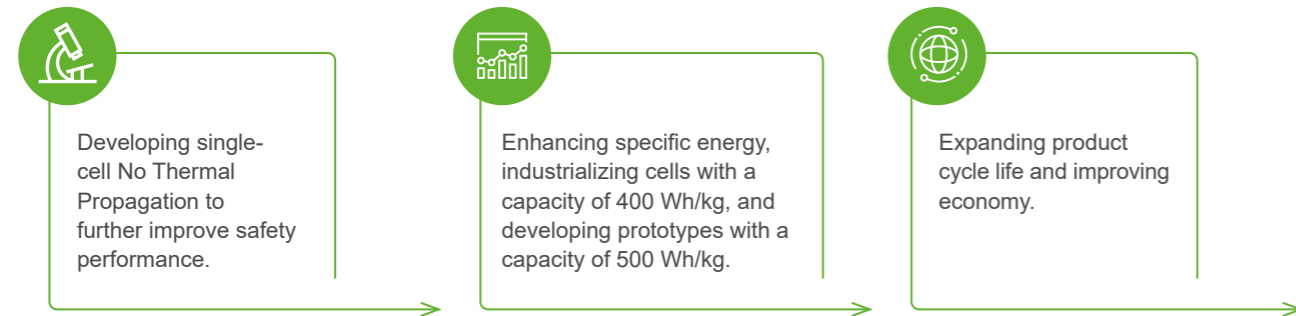
Key Energy Conservation Projects in 2023

Site	Project	Benefits
Ganzhou Site	We carried out the waste heat recovery transformation of the regenerative air of the rotary dehumidifier to recover the heat for fresh air preheating.	It is expected to save CNY 229,000 per unit per year in revenue after the equipment modification is completed.
	We carried out special inspection of air leakage in the compressed air system of the factory and dealt with it in time to reduce air leakage waste.	It is expected to save about CNY 221,000 in energy consumption costs of air compressors.
	For the high-temperature surface of local equipment, the insulation cotton was wrapped to reduce heat loss and saved the energy consumption of air conditioning and refrigeration in the workshop.	We saved about CNY 89,000 in power costs.
Zhenjiang Site	We implement an energy consumption management plan for production lines and promote the installation of basic energy meters at production lines in cell module plants.	It achieves automatic reading of energy consumption meters and early warning, conducts a detailed analysis of production line energy consumption, evaluates equipment status and energy usage, and monitors equipment energy consumption and degradation. These efforts significantly enhance the energy management of our production line equipment.
	We connect the air compressors of the pilot line to the grid and reduce the number of air compressors started after the grid connection, thus reducing power consumption.	It is expected to save CNY 855,000 in power costs annually.
	We implement the stepped utilization of steam condensate and transform the air conditioning boxes of seven dehumidifiers in a step-by-step manner to utilize the heat of condensate and reduce steam consumption.	The predicted total added income for the next three years is about CNY 7.1796 million.
	At the power station on the site, we carry out an energy conservation project for the central air-conditioning intelligent control system. By integrating a chilling station control system, we incorporate variable frequency drives and sensors in the hardware and install intelligent control software to achieve automatic control of the main chiller system.	It is expected to save 10.32 million kWh of power annually and about CNY 7.22 million in power costs.
	We use 18W high-efficiency energy-saving LED lights in plants to replace the original 18W/22W lights of inferior brands, with a lifespan of up to 30,000 hours.	It is expected to save CNY 0.45 million in power costs.
We combine the loads of two transformers in the high-voltage distribution room into one transformer for economical and efficient operation and deactivate low-load transformers to reduce no-load losses.	It is expected save CNY 0.7 million in power costs.	

In future, we will, based on the development and planning of our main business, timely formulate a carbon peaking and carbon neutrality strategy and targets that align with international mainstream initiatives and standards such as SBTi. We will explore projects such as carbon offset and forestry carbon sink.

R&D and Application of Green Products

Seeking technical innovations to promote green development, we focus on three major areas to advance the R&D and application of green products.



Case

SPS Helps to Further Increase the Capacity of New Sites

To accelerate the implementation of the new technology of SPS to meet customer product needs, we will invest in the Ganzhou 30 GWh New Energy Battery Project (Phase I) and the Guangzhou 30 GWh Power Battery Manufacturing Site Project (Phase I). We will build core high-quality power battery capacity based on our latest SPS technology in these projects with a total investment of about CNY 4.3 billion.

SPS products feature advantages such as high performance, low cost, and high adaptability. The manufacturing of cells and battery systems exhibits characteristics of high efficiency, low investment, and environmental friendliness. In terms of driving range, charging efficiency, cost reduction, efficiency enhancements, and compatibility with vehicle models, these products can better meet customer needs, enhance service efficiency, reduce production costs, and accelerate capacity implementation, thus improving our economic benefits and supply capabilities.



Collaboration with Partners to Promote Green Development

Farasis Energy actively participated in the drafting and formulation of industry energy and carbon-related standards, such as the *Implementation Guide for Energy Efficiency Benchmarking of Battery Industry*, the *Carbon Emission Accounting Standard for the Whole Life Cycle of Power Battery*, and the *T SQIA 062-2023 Technical Requirements for Carbon Footprint Assessment of Rechargeable Industrial Batteries*, to strengthen its competitiveness in energy and carbon peaking and carbon neutrality business.

Case

Promote wireless charging new energy vehicles, and practice green mobility

The 19th Asian Games grandly opened in Hangzhou on September 23, 2023. During the Games, JMEV's "Yi" with a wireless charging system appeared at the State Grid Hangzhou Xiaoshan Asian Games Village Charging Station. This first pure electric coupe of JMEV adopts Farasis Energy's high-performance NMC pouch power battery to achieve an ultra-high discharge rate, enabling 5.8s super dual-motor acceleration and 170 kW powerful performance and contributing to the rapid development of China's new energy vehicles.



JMEV "Yi"



State Grid Hangzhou Xiaoshan Asian Games Village Charging Station

Case

Supporting Green Aviation with Innovative Battery Technology

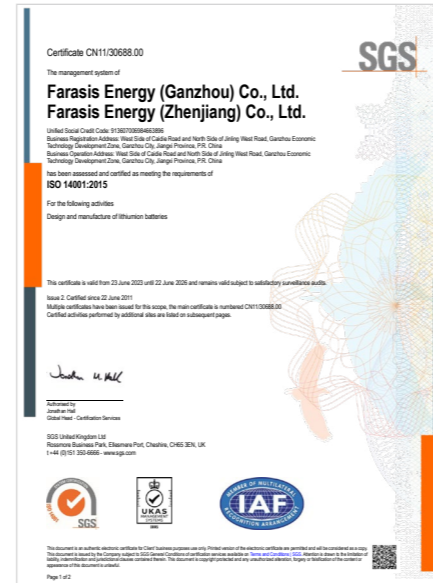
Air mobility and transportation have been significant sources of high carbon emissions in the transportation industry, in response to which, Farasis Energy has been strengthening technology input to advance the R&D progress of electric aircraft and ensure technology security. The safety of the NMC pouch battery cell launched by Farasis Energy is superior to the relevant national standards and requirements and has passed safety tests required in standards such as FAA AC-20-184/RTCA DO-311. The battery system adopts "immersed" management and comprehensively monitors the battery pack. It can achieve no open flames within 24 hours after thermal propagation is triggered. Furthermore, the AI BMS can have a dual backup design that ensures normal operation even in case of failure. In terms of safety materials, the phase change material independently developed by Farasis Energy is characterized by ultra-low thermal conductivity, high specific heat capacity, high phase change enthalpy, and light weight, and its strong heat absorption efficiency can reduce the surface temperature of thermal propagation cells to below 100°C for more than five minutes.



Combination of Optimization Measures

Farasis Energy exercises scientific management and provides green energy to protect the environment and build a better life, with its environmental management system continuously improved.

Farasis Energy has established environmental objectives, targets and management programs as well as procedures and systems including the *Environmental Factor Identification and Evaluation Management Procedures, Management Procedure of Water, Gas and Noise Pollution, Waste Management Procedure, Management Procedure for Energy Resources, Environmental Management Scheme, Management System of Sewage Treatment Station, Management System for the Simultaneous Design, Construction and Operation of Occupational Health Facilities in Project Construction, and EHS Responsibility Management Procedure*. Through continuous monitoring and periodic review, Farasis Energy optimized hazardous waste management, sewage treatment station management, and etc., with cases including regular on-site inspections by the safety and environmental audit team established by the EHS Department and the customer, noise reduction around the stereoscopic warehouse of the Ganzhou factory, and special inspections organized by the EHS Management Department, which effectively improved the EHS management performance.



The proportion of the Farasis Energy 's sites with ISO 14001 environmental management system certification reaches 100%, and the sites fully implement the requirements of ISO 14001:2015 issued by the International Organization for Standardization.

Furthermore, the sites strengthen environmental protection training, covering environmental protection laws and waste management requirements, for all new employees. In 2023, 100% of employees received environment-related trainings.

For more information about environment management, please refer to our [Environmental Management Statement](#).

Advancing Efficient Resource Utilization

Farasis Energy continues to deepen green management, adopts energy and resource control measures, and systemically optimizes management.

Water Resources Management

All sources of water for Farasis Energy are from municipal water supplies. In terms of water resource management, we use steam thermal energy to replace electricity for heating, with steam condensate recovery devices added to recover condensate and steam for reuse and reduce the waste of water and steam resources.

In 2023, Farasis Energy was not involved in water resource impacts caused or facilitated by water withdrawal, consumption, and discharge or directly produced by its operations, products, or services through business relationships.



Sustainable Packaging

Farasis Energy incorporates environmental considerations into its daily packaging and transportation logistics management and keeps optimizing and improving packaging, to improve loading rates and reduce logistics costs. Farasis Energy increases packaging recycling mainly by using recyclable packaging materials such as material racks, plastic boxes, and pallet collars, and reduces the use of disposable packaging such as cartons, wooden boxes, foam boxes, and plastic wrap. In 2023, with packaging recycling considered at the packaging design stage, Farasis Energy eventually realized the transition from paper packaging to recycled packaging. Among its products, we packaged PCBA parts with recyclable plastic boxes and recyclable vacuum-formed trays, avoided single-piece packaging for battery packs, harness parts, and module end plates and promoted multi-piece packaging, to reduce the use of plastic resources.



In the meantime, Farasis Energy launched a packaging recycling project to reuse and recycle packaging from suppliers, with iron racks, plastic boxes, and other circular packaging currently used as outer packaging for domestic customers.



¹ Packaging material data comes from the incoming volume of Ganzhou and Zhenjiang site. The recyclable packaging at Ganzhou site consists of material racks, while that of Zhenjiang site consists of material racks, plastic boxes, and pallet collars. Zhenjiang site increased the use of small packaging with export volume in 2023, replacing the original large packaging and leading to an increased carton packaging and decreased proportion of recyclable packaging consumed.

² Proportion of recyclable packaging used at Ganzhou site = recyclable packaging consumed ÷ (consumption of recyclable packaging + paper box consumed)

³ Proportion of recyclable packaging used at Zhenjiang site = recyclable packaging consumed ÷ (paper box + wooden box + consumption of recyclable packaging)



Committed to Natural Ecosystem Conservation

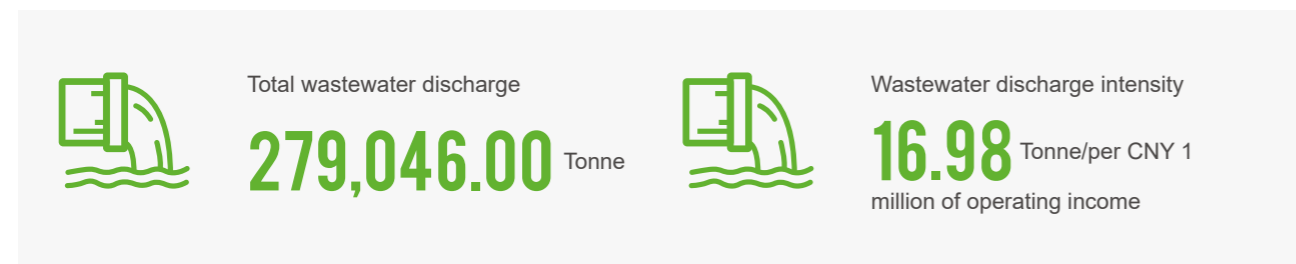
Farasis Energy fully complies with all applicable environmental laws and regulations and industry standards, such as the *Law of the People's Republic of China on Prevention of Environmental Pollution Caused by Solid Waste*, *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, *Integrated Emission Standard of Air Pollutants*, and *Emission Standard of Pollutants for Battery Industry*, as well as local laws, regulations, and implementation rules and regulations.

Management of Wastewater, Waste Gas and Solid Waste

For wastewater, waste gas, noise, and solid waste generated during production and operations, we have a management system in place and conducts regular monitoring, to ensure that wastewater, waste gas, and noise are discharged or emitted and solid waste is disposed of according to standards. Farasis Energy also has an environmental self-monitoring program in place and entrusts a qualified third-party monitoring agency every year to regularly monitor wastewater, waste gas, and noise.

Wastewater Management

The wastewater generated from sites includes domestic sewage and production wastewater. We separate rainwater and sewage for drainage, in which, domestic sewage and production wastewater are collected and treated till they meet discharge standards before being discharged, to meet the requirements of the *Emission Standard of Pollutants for Battery Industry*.



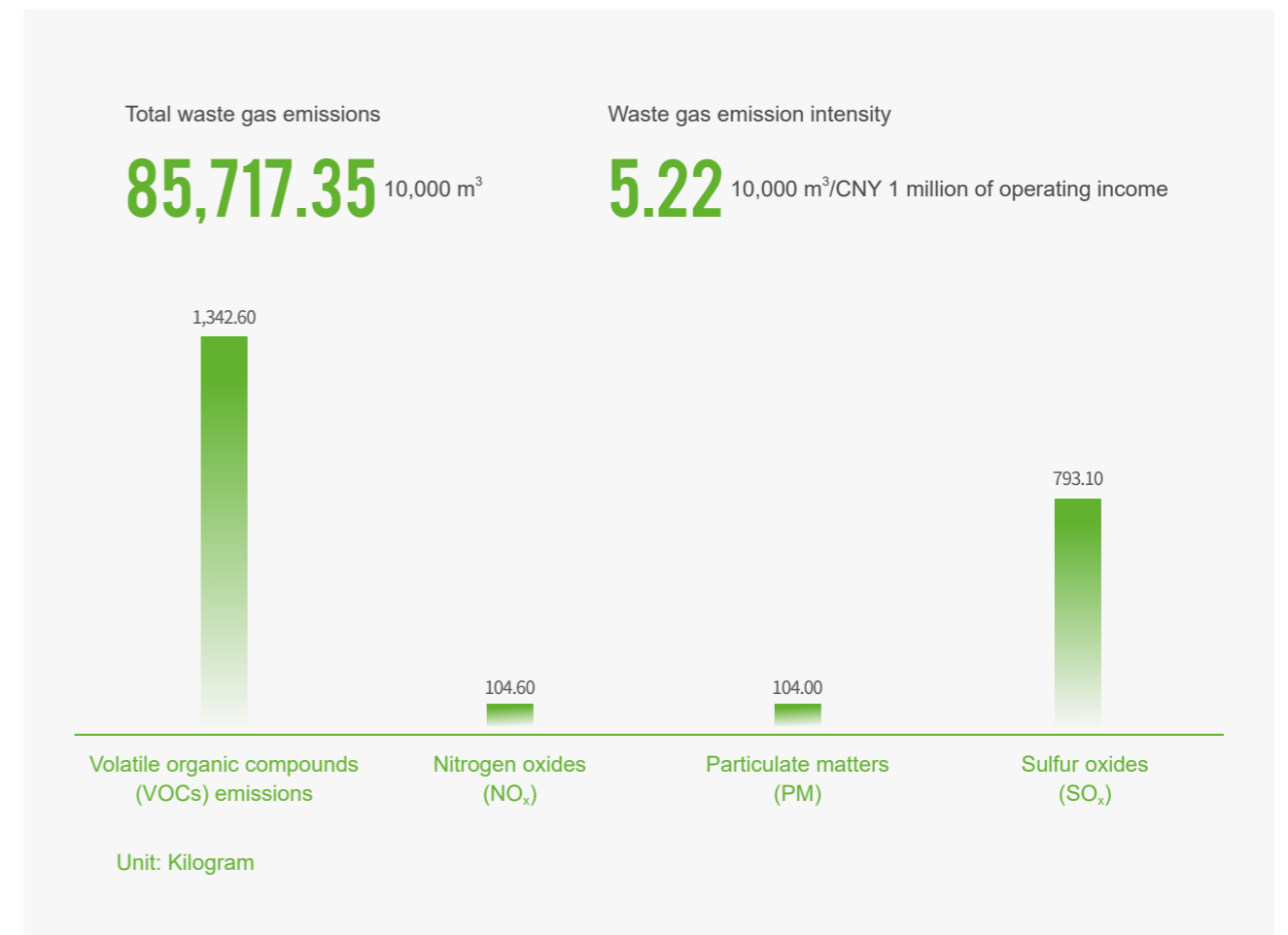
Waste Gas Management

Farasis Energy emits waste gas generated during its production and operation after treatment by the waste gas treatment facilities to meet standards and monitors waste gas regularly. We regularly inspect and maintain waste gas treatment devices and, as required by regulations, regularly monitors the organized emissions of VOC exhaust funnels in the factory area, and unorganized emissions of VOCs at the factory boundary.

In terms of preventing air pollutant emissions, Farasis Energy's NMP (N-methyl pyrrolidone) waste gas recovery and treatment system adopts a "condensation + three-layer water spray" recovery process with treatment efficiency of above 98%, and we emit other waste gases externally through workshop ventilation treatment facilities. We regularly detect factory boundary noise and reduce the impact of noise on the surroundings through methods such as wall sound insulation and range attenuation.

In terms of reducing dust and particulate matter emissions, Farasis Energy's areas that generate dust are mainly the mixing process areas where we use negative pressure feeding technology to reduce dust generation and emit dust according to standards after treatment by dust removal equipment.

In 2023, Farasis Energy's organized NMP waste gas emissions met the emission standard required in the *Emission Standard of Pollutants for Battery Industry (GB30484-2013)*, with NMP waste gas less than or equal to 50 mg/Nm³.



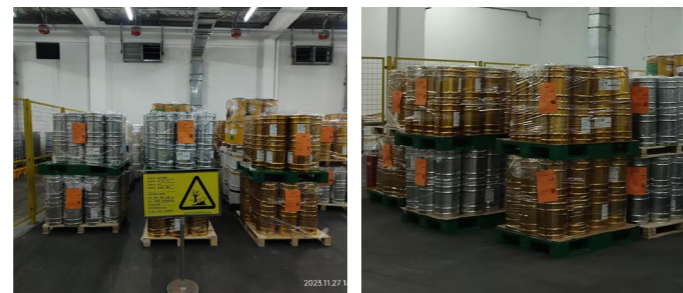
Waste Management

Farasis Energy collects the generated solid waste by categories and first transfers non-hazardous waste to a dedicated waste bin for storage management before handing the waste to a qualified waste disposal company for disposal. For hazardous waste, Farasis Energy has a management plan for hazardous waste declaration in place, linking waste generation, storage and outbound transfer to the environmental protection information management system, and we commission a qualified disposal agency for compliant disposal of all wastes. Furthermore, we strictly comply with national laws, regulations, and standards for hazardous waste management, regularly supervise and inspect the management of hazardous waste warehouses, and urge rectification.

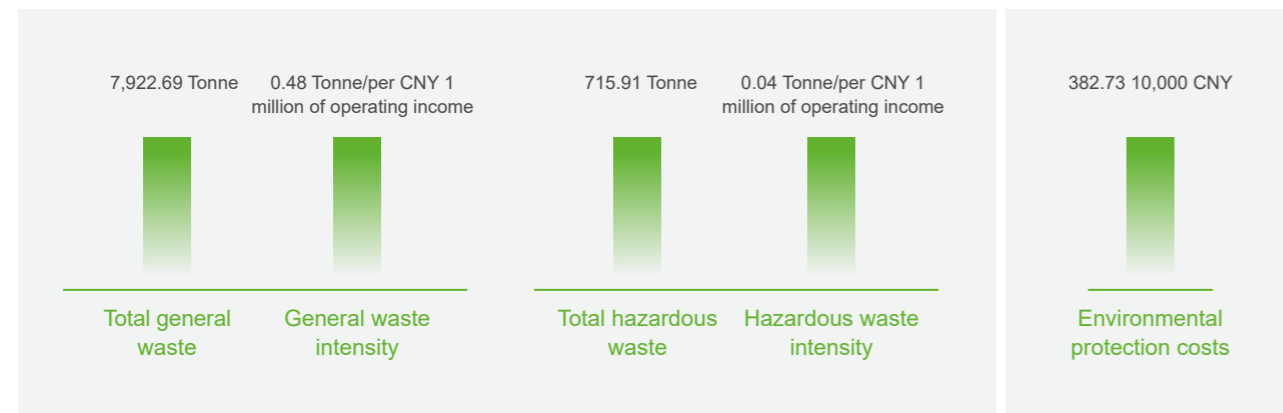
For recyclable wastes, such as scrap metals and waste cartons, Farasis Energy commissions agencies with technical capabilities to carry out comprehensive utilization according to indirect procurement management methods and bidding management procedure.



Posting of waste classification markings



Posting of hazardous waste classification markings



Case

Exploring NMP Recycling to Reduce Product Environmental Impact

N-methyl pyrrolidone (NMP) is a solvent commonly used in lithium-ion battery production to dissolve lithium compound and polymer electrolyte so that the binder fully comes into contact with other substances and is evenly distributed. Lithium-ion batteries account for more than 70% of NMP product applications, and the recycling of NMP not only helps to reduce costs but also plays a positive role in the product's environmental footprint.

Farasis Energy recovers NMP volatilized from the cathode coating process through our NMP recovery device, and the recovered NMP is returned to its original manufacturer. The NMP manufacturer then uses distillation equipment to purify and process the waste liquid, so as to ensure that the parameters of the purified NMP are consistent with those synthetic new ones, and supplies them back to Farasis for reusing in our production lines.

Biodiversity Protection

Farasis Energy complies with relevant laws, regulations, and policies, such as the *Law of the People's Republic of China on Environmental Impact Assessment*, *Opinions on Further Strengthening Biodiversity Protection*, *Soil Pollution Prevention and Control Law of the People's Republic of China*, and *Regulation on Groundwater Management*, as well as local laws, regulations, and implementation rules and regulations.

Currently, Farasis Energy has no operational sites owned, leased, adjacent to, protected areas and areas of high biodiversity value outside protected areas. In 2023, Farasis Energy had no significant impacts of activities, products and services on biodiversity.



03

Accumulating Strength and Seizing Industrial Opportunities

- Creating Cutting-edge Technology
- Overall Consolidation of Quality Management
- Fully Protecting the Rights and Interests of Customers
- Perfecting Information Security Management

Our Progress:

Farasis Energy, one of the world's earliest companies to specialize in the NMC pouch battery technology, has successively passed performance certification by the United States Council for Automotive Research, the Federal Consortium for Advanced Batteries, and the Sandia National Laboratories by virtue of its advanced scientific research capabilities and high-performance and high-safety products, with the quality of its pouch batteries recognized and affirmed by electric aircraft enterprises, OEMs, and other customers.

Our Performance:

- 1,483 R&D employees, accounting for about 22.6% of all employees.
- 155 patents applied for this year, with a total of 485 patents applied for; 80 patents granted this year, with a total of 293 granted patents.
- 51 quality-related procedure documents added and updated this year, with more than 200 matching three-level system documents updated and added.
- 987 customer complaints, with a closure rate of 95.85%.

Creating Cutting-edge Technology

Product Research and Innovation

Farasis Energy has been adhering to the development principle of focusing on technology R&D first before pursuing capacity enhancement in the context of convergence of power battery technologies. Farasis Energy has been making systematic efforts in cells, system structure innovation, and the life cycle management system to ensure its deep involvement in global competition.

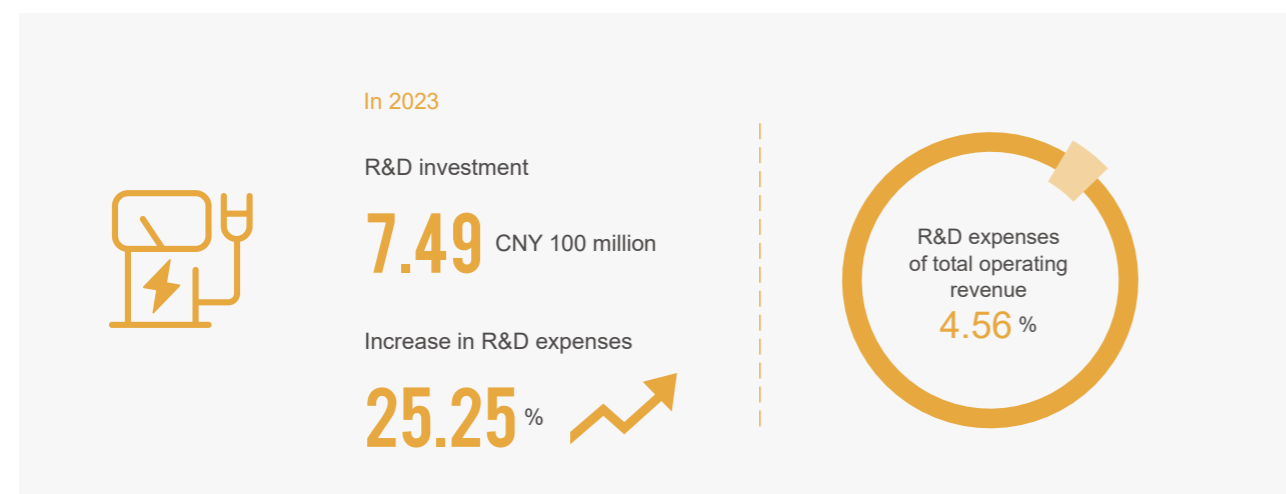
In 2023, Farasis Energy integrated global resources to build a global R&D team of 1,483 members, with R&D employees accounting for 22.6% and the number of core technicians reaching 11, which provides support for stimulating Farasis Energy's new quality productive forces.

Globalized Open Innovation System

In 2023, Farasis Energy restructured its R&D system and built R&D institute and Engineering institute dual-systems. This means the R&D institute is responsible for frontier technology R&D and transformation, while the Engineering institute is responsible for product development, product management and industrialization, and realized flexible integration of advantageous R&D resources in China, United States, and Germany.

Farasis Energy's Engineering institute has been recognized by authoritative institutions for its work quality and standard, and has been assessed as a "Jiangxi Province New Energy Vehicle Lithium-ion Power Battery Enterprise Technology Center", "Jiangxi Province New Energy Vehicle Power Battery Engineering Technology Research Center", and "Jiangxi Province High Specific Energy and High Safety Power Lithium Battery Engineering Research Center".

Moreover, Farasis Energy fully utilizes external top resources and conducts R&D cooperation with international scientific research institutions, well-known organizations and industry top experts in power batteries, including international top research institutions in lithium-ion battery, such as Argonne National Laboratory, Lawrence Berkeley National Laboratory, Berkeley University, Stanford University, Tsinghua University, Tongji University, Harbin Institute of Technology, Beijing Institute of Technology, and Jiangsu University, as well as international well-known enterprises, such as BASF, DuPont, and 3M, to ensure the positive shift of products from "available" to "favorable".



Case

Regular Cooperation with Global Higher Education Institutions

In 2023, Farasis Energy launched a collaboration with Tsinghua University in the field of safety technology development for vehicle power batteries, with collaboration projects covering power battery system thermal runaway propagation and thermal management technologies, power battery anode lithium-plating detection and fast charging control technology, power battery safety early warning, fault diagnosis and life monitoring technology, solid-state battery technology, and power battery intrinsic safety and design technology, which has achieved notable results. The collaboration has established a thermal propagation characteristic parameter database for our all cell series and built a module-level heat-gas-electricity simulation coupling model with accuracy of 80% or higher, which reaches the industry's leading level and provides a direction for the future development of sulfide solid-state batteries.

Forward-looking and Leading Technology Reserve

Farasis Energy is one of the earliest companies in the industry to establish the ternary chemical system and pouch power battery structure as the direction of power battery R&D and industrialization. Its core technical team is developing cutting-edge technologies for future battery development and has made technological breakthroughs in the areas of semi-solid/solid-state lithium-ion battery technology, sodium-ion battery technology, high energy density power battery cell technology, and new chemical and electrochemical energy storage technologies.

Under the technology development concept of "one generation in production, one generation in reserve, one generation in development", Farasis Energy industrializes its technical reserves and reserves multiple core technologies of next-generation power batteries.

- Super pouch solution (SPS)**

This solution has entered the stage of industrialization and is expected to improve the volumetric cell-to-pack ratio by more than 30% and reduce the number of structural components in the battery system by 50% compared to conventional technology and significantly lower costs. We have already developed and applied this solution to multiple passenger vehicle projects;
- Sodium-ion technology development and application**

Farasis Energy's first global sodium-electric model equipped with the first-generation sodium-ion battery has rolled off the production line, and we expect costs to be significantly lowered after the second-generation sodium-ion batteries mature and are put into mass production, which will support the rapid promotion of new energy vehicles;
- Development of lithium-ion batteries for energy storage and medium and heavy commercial vehicles**

Farasis Energy independently and innovatively developed lithium-ion batteries for energy storage and medium and heavy commercial vehicles have completed the pilot test and verification and are feasible for industrial applications;
- Development of power batteries with long cycle life**

Our product has entered the stage of industrialization, with LFP cells having an energy density of over 200 Wh/kg and industry-leading cycle life. When combined with SPS technology, the product can support a range of 600 km on a full charge for complete vehicles.
- Development of high-performance LMFP battery**

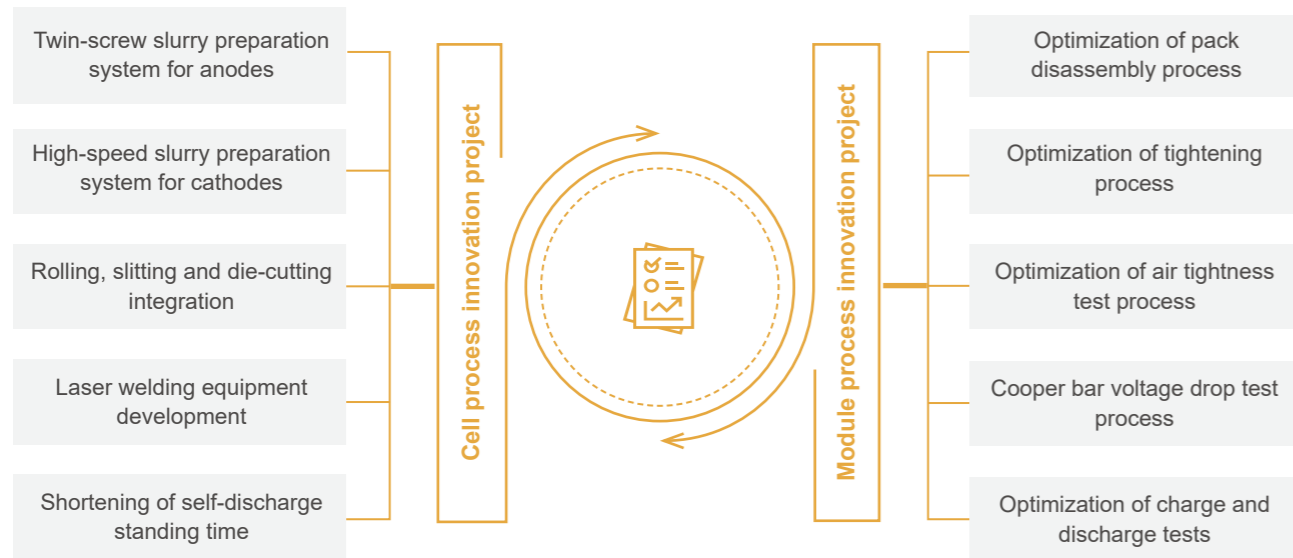
This product is currently in development, and has energy density and cost advantages over LFP batteries.

Going forward, Farasis Energy will continue to make breakthroughs in semi-solid/solid-state lithium-ion battery technology, sodium-ion battery technology, high energy density power battery cell technology, new chemical and electrochemical energy storage technologies, and cathode and anode material R&D technology.

Steady Advancement of Process Innovation

Farasis Energy highly encourages employees to innovate by taking various measures and issues special rewards to inventions with major technological breakthroughs assessed by its Patent Review Committee as S-level patents.

We urge all employees to participate in process innovation, which has led to notable results in cell and module process improvement. In 2023, Farasis Energy reduced costs by more than CNY 65 million through module process innovation.



Digitalization for Excellent Development

Farasis Energy has built an information system covering R&D, procurement, production, quality, logistics and other business processes, focusing on digital production, digital quality, digital logistics and digital maintenance to build a digital factory in an all-round way.

Equipment hardware level

We have introduced intelligent equipment to the whole process of cell and module manufacturing to realize integrated molding of pouch lithium-ion power batteries, and we employ digital technologies in the equipment manufacturing process to realize intelligent detection, intelligent judgment, intelligent processing, and intelligent storage.

Equipment software level

We have integrated conventional industrial control technology with IT, Industrial IoT technology, and big data technology to complete the integrated control of the intelligent devices, industrial system, and information system, connecting and achieving intelligent management of the whole process of "raw materials → cells → module PACK → warehousing → sales".

Customized i-Factory MES system

This system integrates advanced technologies and concepts in the fields of automation, informatization, and digitalization and serves as a manufacturing management platform that combines automatic information collection and process visualization.

Group enterprise resource planning (ERP) system

We have fully integrated the ERP system and systems such as MES, WMS and PLM to realize information-based, digital, and intelligent management of the whole process.

Product lifecycle management (PLM) system

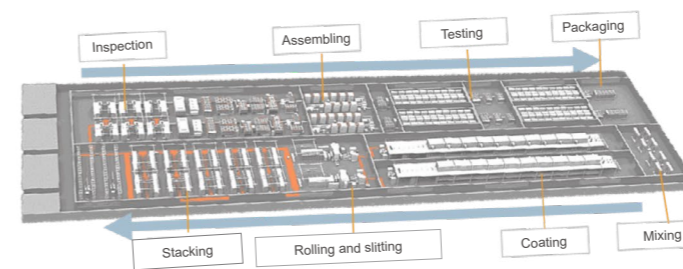
This integrated R&D management platform has functions including new product development, design simulation analysis, process planning, and manufacturing simulation optimization, to realize design collaboration, optimize products and production processes, and fully ensure continuous optimization of product service and product use feedback.

BI intelligent decision-making and analysis platform

The platform enables scalable model building and extends to all levels of management in the company, ensuring real-time grasp and tracking of operation status by managers, and achieving real-time perception of and response to work effectiveness.

Farasis Energy has achieved the integration and optimization of the whole process of R&D management, procurement management, production management, energy management, environmental protection and safety, logistics and warehouse management, supply chain management, sales management, and etc. through intelligent factory construction, which promotes its intelligent manufacturing transformation and upgrading and significantly improves the production efficiency.

Integrated Molding from Raw Materials, Cells to Pack



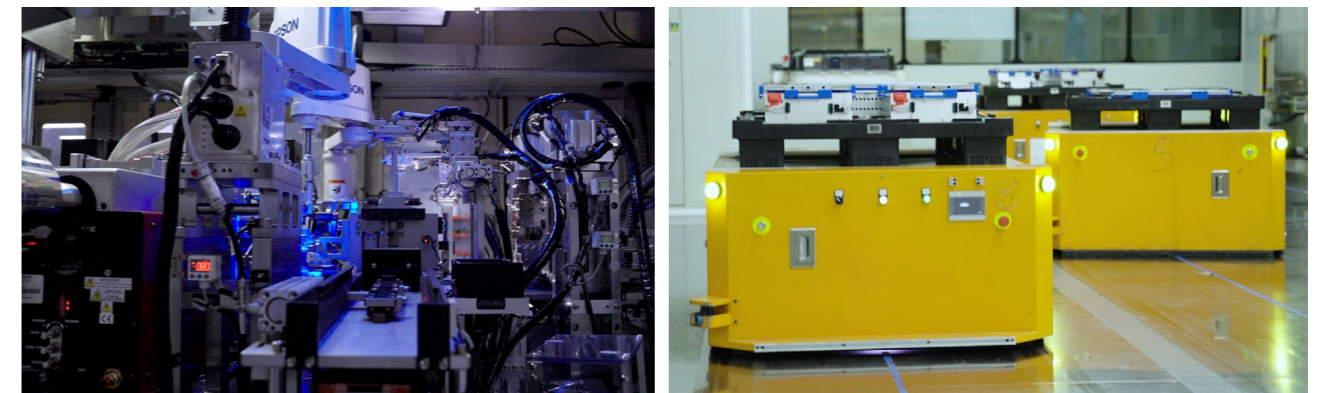
Advanced configuration in the industry, with 800 robots in use; automated manufacturing of cells, with an automation rate of up to 98.5%



Full realization of MES system, with information traceable for 20 years



Introduction of the IoT and big data into the intelligent manufacturing system to realize intelligent detection, intelligent logistics, intelligent judgment, intelligent processing, and intelligent storage



Interior View of Intelligent Manufacturing at Zhenjiang Site

Intellectual Property Protection

Optimizing Intellectual Property Management

In 2023, focusing on R&D and marketing tasks, Farasis Energy adjusted the ownership of the intellectual property management department and assigned dedicated personnel to conduct standardized management.

Organizational structure



We restructured the Intellectual Property Department from the Legal Compliance Department to the Engineering Institute, forming a research-centric organizational structure;

In terms of workflow



We established and improved an intellectual property management system to form an "internal drive", and embedded patent work throughout the R&D lifecycle, especially in the R&D process, to promote R&D for patents;

Indicator incentives



To boost the quality of patent applications and encourage more active participation, we offered R&D personnel higher levels of patent rewards in the industry as index incentives.

We are further committed to continuously improving the efficiency of intellectual property work, optimizing the whole process of patent management, and realizing a rapid increase in patent term. We invested more professional intellectual property talent resources to keep intellectual property working more closely with the R&D.

Optimizing Intellectual Property Management Practices

Farasis Energy has taken a number of measures to prevent and control intellectual property risks. On the one hand, we strengthen the monitoring and analysis of external information, and keep abreast of market dynamics and competitors; on the other hand, we enhance the supervision and inspection of internal management to secure the compliance and legality of intellectual property rights.

We strengthen publicity and training on intellectual property protection. By working with local protection centers, external specialist agencies and industry associations, we carry out trainings and seminars on intellectual property protection, and promote IPR-related legal knowledge to enterprises and the employees to enhance their legal and risk awareness.



In 2023

we applied for **155** patents, with a total of **485** patents as accumulated. There're **80** granted patents this year, with a total of **293** granted patents as accumulated.

We were awarded the titles of National Intellectual Property Advantage Enterprise and Ganzhou Intellectual Property Advantage Enterprise.

Contribution to Industry Progress

While improving our innovation mechanism, we have actively participated in the formulation of industry-related standards, and promoted the industry development and progress through good practices and knowledge sharing.

	Sponsors	Name
Industrial standards	Alliance of Technological Innovation in Compulsory Resources Recycling Industry	▶ <i>New Energy Vehicle Waste and Used Power Battery - Logistics Information Traceability Management Requirement</i>
	Alliance of Technological Innovation in Compulsory Resources Recycling Industry	▶ <i>New Energy Vehicle Waste and Used Power Battery - Evaluation for Logistics Service Quality</i>
	China Industrial Association of Power Sources, SGS	▶ <i>Product Category Rules (PCR) for Power and Energy Storage Batteries</i>
Group standards	China Electronic Energy Saving Technology Association	▶ <i>Standard for Pouch Lithium-ion Power Batteries</i>
	China Electronic Energy Saving Technology Association	▶ <i>Guidelines for Carbon Footprint Evaluation of Lithium-ion Battery Products</i>
	China Electronic Energy Saving Technology Association	▶ <i>Requirements of the Greenhouse Gas Emissions Accounting - Lithium-ion Battery Enterprise</i>
	China Electronic Energy Saving Technology Association	▶ <i>Test Methods for Energy Efficiency of Lithium-ion Battery Products</i>
	China Industrial Association of Power Sources	▶ <i>Implementation Guide for Energy Efficiency Benchmarking of Battery Industry - Part 1: General Rules</i>
		<i>Implementation Guide for Energy Efficiency Benchmarking of Battery Industry - Part 2: Battery Product</i>
		<i>Implementation Guide for Energy Efficiency Benchmarking of Battery Industry - Part 3: Cathode Material</i>
		<i>Implementation Guide for Energy Efficiency Benchmarking of Battery Industry - Part 4: Anode Material</i>
		<i>Implementation Guide for Energy Efficiency Benchmarking of Battery Industry - Part 5: Separator</i>
	China Energy Conservation Association, China Society of Technology Economics	▶ <i>Carbon Emission Accounting Standard for the Full Life Cycle of Power Battery</i>
China Automotive Battery Innovation Alliance	▶ <i>Specification and Dimension of Power Battery Module for Electric Vehicles</i>	
Guangdong Technical Committee for Standardization of Power Batteries	▶ <i>General Technical Requirement for Portable Energy Storage Power Supply</i>	
Shenzhen Quality Inspection Association	▶ <i>Technical Requirements for Carbon Footprint Assessment of Rechargeable Industrial Batteries</i>	

Overall Consolidation of Quality Management

Since its establishment, Farasis Energy has attached great importance to quality management and put product safety and quality first. We have passed the ISO 9001 and IATF 16949 quality system certification and UN38.3, CQC, ETL and other product certifications, characterizing the quality management mode and method of Farasis Energy.

Intensive Quality Management

With the rapid iteration of technological development and the continuous improvement of customer requirements, we're managing the quality management system dynamically. In 2023, we updated the quality manual annually, added and updated 51 procedure documents, and updated and added more than 200 third-level system documents to secure the product quality improvement.

We fully implemented IATF16949 quality management system, including optimizing the control process of quality management, using quality management tools to prevent product quality hazards and risks, and improving the systematic total quality management.

We continued to strengthen the construction of internal audit system, and set up the company-level professional internal audit team for special audits during the year, including but not limited to the new production site put into operation, PPAP pre-audit, key customer visit pre-audit, and joint and special multiple-site audit, to ensure the implementation of quality management in all aspects.

We introduced external professional resources with SGS, BV, TUV, VDA and other world-renowned third-party organizations to escort the improvement of the corporate quality management level.

Case

Digital Solutions Help the Implementation of Quality Management throughout the Life Cycle

In 2023, we introduced the QMS collaborative platform covering the whole product life cycle, and realized the full implementation of the product life cycle quality management concept in practice, involving design quality, incoming quality, process quality, after-sales quality, and change management.

Technically, QMS integrates WMS, MES, ERP, OA, and PLM, and realizes data statistical analysis, risk profile, application of lessons-learned, project status management, report presentation and other functions through the structured functional design. We comprehensively improved the quality business process control capabilities, and helped improve both product quality and service quality.



Closed-loop Implementation of Improvement Measures

In the case of continuous improvement of the management system, we effectively promote the implementation of quality improvement measures.

At Zhenjiang site, we built a failure analysis room of about 500 square meters, which was put into service in August 2023, basically realizing the failure analysis and validation inside and outside the factory. Since it was put into use, the analysis room has effectively supported the failure analysis and greatly reduced the duration of customer complaint analysis. It provides data support for risks such as foreign objects and R-angle damage in the process, and helps the Quality Management Department improve its business in multiple dimensions.

At Ganzhou site, we set up a series of key performance indicators for regular monitoring and evaluation, including product yield rate, product safety accident rate, and customer satisfaction. We conducted quality audits, made in-depth analysis of the problems found, and carried out closed-loop quality management through the quarterly case sharing session on key issues and the quarterly QCC results conference. In 2023, the first time capacity (FTC) rate of PACK in Ganzhou Site exceeded 99%, which is at the leading level in the industry.

Building a Quality Culture with Full Participation

The fundamental guarantee for continuous quality improvement comes from the improvement of quality awareness and active participation of all employees. In 2023, we built a quality culture with full participation through training and cultural promotion.

The Group organized company-level VDA 6.3&6.5 training in August 2023, covering personnel from relevant departments of the quality system. A total of 80 trainees obtained the VDA 6.3&6.5 internal auditor qualification, enhancing the effect of our product quality supervision.

At Ganzhou site, the cumulative number of participants in the "Quality Month" reached 1,004 throughout the year. Ten quality lectures invited industry experts, research institute doctors and internal trainers and attracted more than 1,000 participants. We organized a quality essay contest, and received 74 quality essays in total, demonstrating employees' commitment to quality and dedication. We launched quality incentive activities by setting the Monthly Quality Star Award (individual), Monthly Quality Star Award (team), and Monthly Quality Prevention Contribution Award. The number of annual quality incentive award recipients reached 1,043 person times, and the cumulative incentive material bonuses were about CNY 160,000.

Case

Publicity Posters for Full Quality Participation



Fully Protecting the Rights and Interests of Customers

Customer first is not just a slogan, but a philosophy, an attitude and an action. It is woven into every aspect and detail throughout the work process of Farasis Energy.

Constructing a Rapid Response Mechanism

We strive to build a rapid response mechanism. For the quality problems on the client side, we have formed communication channels like real-time online Teams meeting reporting between departments and customers, regular weekly meeting reporting system, SCQ special quality reporting, and 8D Steering meeting.

Through various forms of reporting, we report the progress of customer complaint quality problem analysis and improvement measures timely to customers, solve client quality problems quickly and effectively, and improve product quality to customer satisfaction.

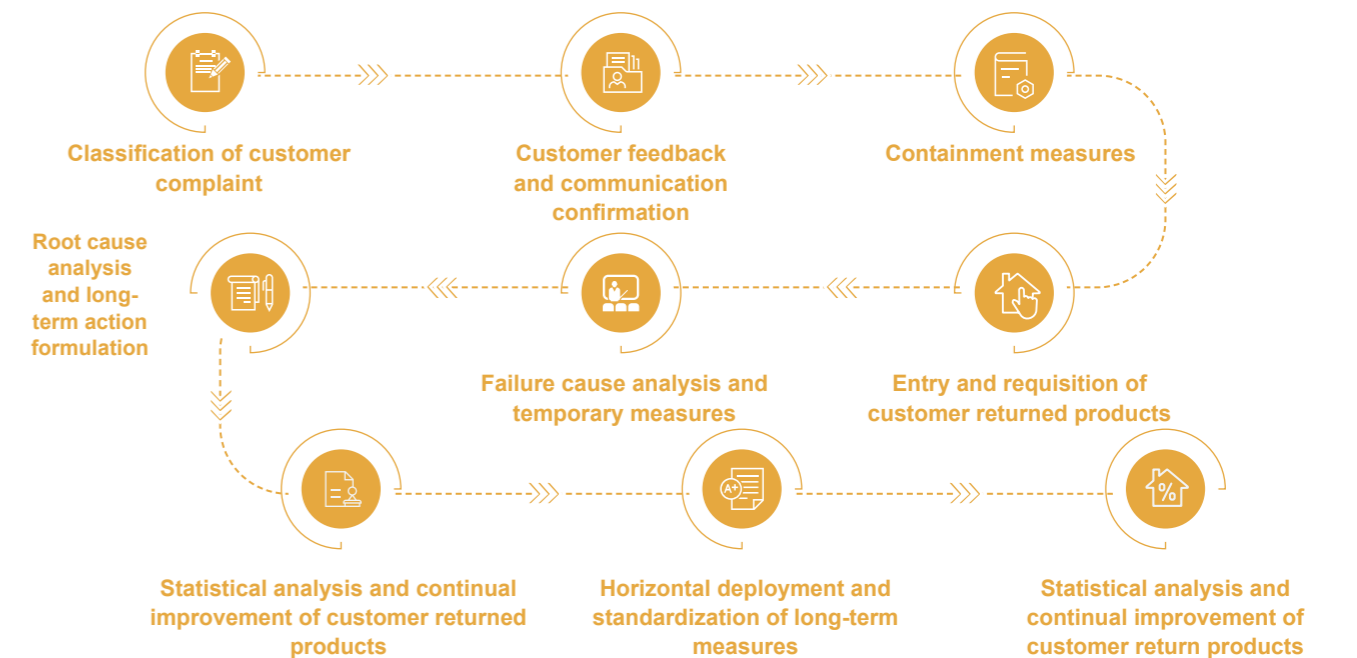
Following up Customer Complaints in Closed Loop

We set up a sound customer complaint and follow-up process, and standardize the process of handling customer complaints, involving Quality Department, After-sales Service Department, Material Control Department, Process Department, Research Institute and other important departments. These efforts are fundamental to solving relevant problems, to improve the product quality, and to increase customer satisfaction.

Product Safety and Recall

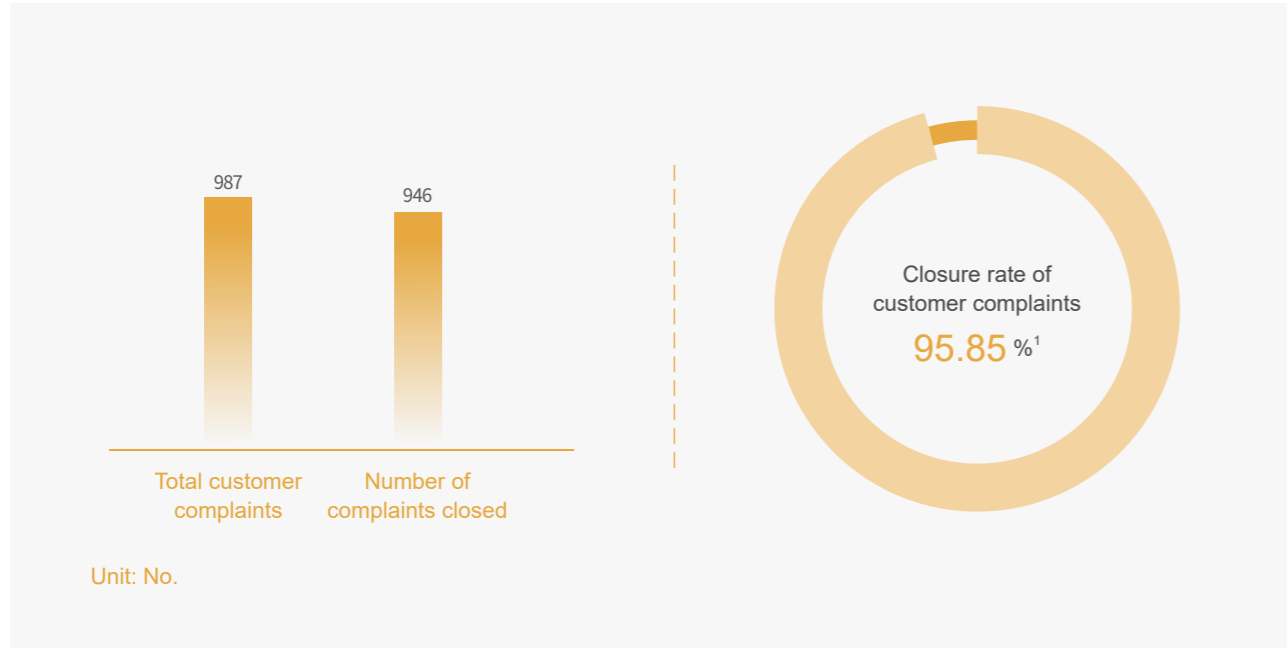
In terms of product recall, we conduct test analysis and formulate disposal measures for vehicle power batteries within the scope of our recall in accordance with the *Administrative Regulations on Recalls of Defective Automobile Products*, the *Measures for the Implementation of the Administrative Regulations on Recalls of Defective Automobile Products*, and the *Regulations on the Analysis and Management of Product Recall Parts*, and level out to all projects in time. We had no recalls in 2023.

With multiple efforts, our product quality performance gained recognition from a number of OEMs and third-party agencies.



Procedure for Handling Client Complaints

Depending on the severity of customer complaints about quality problems, we manage the problems by levels. The company president shall respond to serious quality problems and problem escalation within 4 hours.



Constantly Improving After-sales Service

In 2023, we improved the way of service satisfaction survey by turning the after-sales service satisfaction survey directly to car-owners, and enhanced the credibility and validity of the survey results to provide a basis for the evaluation of after-sales service quality. Based on the survey results, we tracked and optimized the existing after-sales service model and time-to-service to facilitate Farasis Energy 's after-market brand building.

Case

Strengthening the Collaboration between Automobile Enterprises to Improve the Efficiency of After-sales Service

We co-developed the licensing service station in consultation with GAC customers. Subject to the troubleshooting requirements of GAC products, repairs used to be available in few designated locations only. It's often necessary to replace the whole package by inter-provincial transfer. In 2023, Farasis Energy and GAC jointly explored the optimization plan, decided to co-develop the service outlet licensed by both sides, and granted a maintenance license to the outlet. Since then, GAC product maintenance can be conducted at nearby maintenance outlets, without shipping to other provinces and cities. This greatly optimizes the efficiency of customer demand response.

¹ Unclosed complaints from the U.S. and European customers concern the cycle of returning defective products to the selling country, which affects the progress of problem analysis.

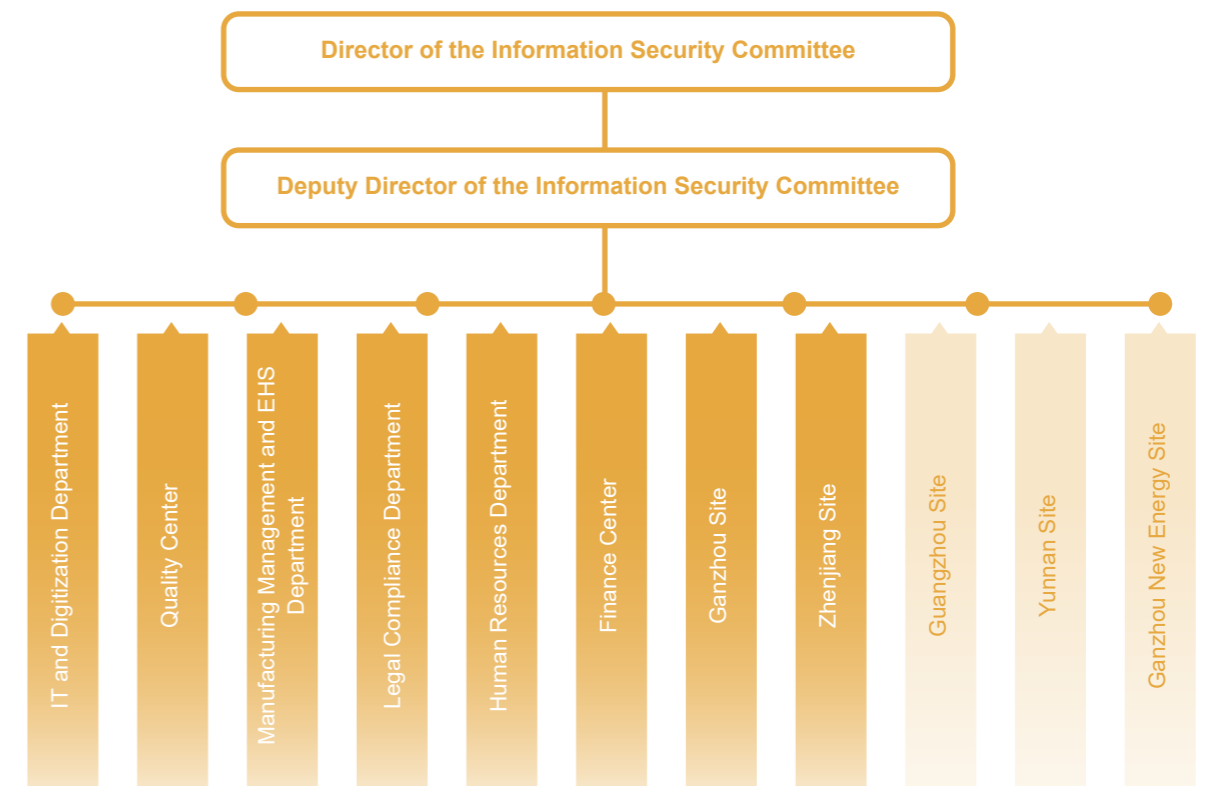
Perfecting Information Security Management

Farasis Energy actively embraces digital transformation, makes information security a priority in this process, and strengthens management continuously to ensure the steady progress of digital transformation.

Consolidating the Safety Management System

Optimizing the Organizational Management Structure

To standardize information security management, we've established the Information Security Committee, with General Manager as the top manager of the Committee; the vice General Manager of the IT Department as the representative of the information security administrators, and managers of relevant departments as members. In 2023, we further optimized the vertical management system and improved the horizontal governance system such as process, structure, PMO and information security. During the year, the Information Security Committee functioned properly. It reviewed the suitability, conformity and effectiveness of the information security management system, reported the implementation of information security management system policies and target indicators, and reviewed and discussed the problems found in the operation of the information security management system to further improve management system standards.



Information Security Organization Structure

Perfecting the Supporting Mechanism Process

Farasis Energy carries out information security mainly at three levels:

Terminal security: we install virus protection software and desktop management software. All office terminals are managed by the AD domain controller in a unified manner, and users are controlled by policies to periodically change passwords, lock screens, and prevent illegal software installation;

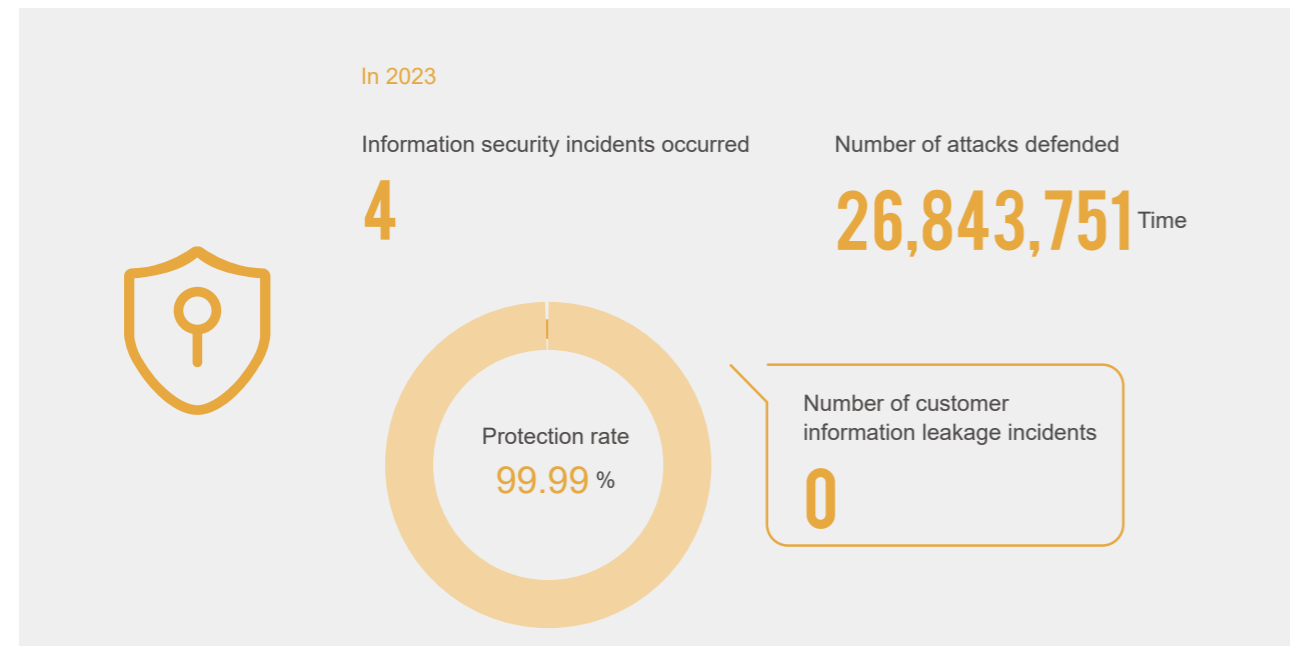
Data security: we establish the *Data Protection Management Method* for hierarchical management of data, and clarify information flow procedures and mechanisms to ensure information security;



Network security: we deploy firewall security devices at the network border, and deploy online behavior devices and IPS network intrusion prevention systems at the core level to resist DoS (Denial of Service) and vulnerability attacks.

In 2023, we launched information security hardware and software systems, e.g., office terminal, industrial terminal antivirus software, bastion host, file encryption, WAF, and IPS.

With reference to the system construction standard of ISO 27001, we have established more than 30 information security management procedures, including the *Information Security Management Manual*, the *Information Security Incident Management Procedure*, the *Information Security Compliance Management System* and the *Data Protection Management Method*. In 2023, we updated 32 of them to provide a solid guarantee for information security.



Enhancing Safety Awareness of All Employees

We integrate information security-related laws and regulations into the information security system construction and awareness trainings, so that all new employees have knowledge of information security laws and regulations.

We handle incidents such as employee violations or leaks as per regulations, and link them to employee KPIs and promotions.

For new employees at the production line	For new employees of functional departments
The Human Resources Department organizes 2-3 orientation training sessions every week, including information security awareness training, with training coverage of more than 98%. Training requires sign-in and examination. The examination totals 100 points, and the passing score is 90 points. Those who fail must be reexamined.	We conduct information security awareness training at least once a week. New employees have to sign in and pass the assessment.

Strengthening Information Security Audit

Assessing Information Security Risks

We conduct regular information security risk assessments. We have established the *Information Security Risk Assessment Management Procedure*, which offers a complete process for information security risk assessment, ranging from threat identification, control measures and analysis, risk assessment and analysis to risk treatment, residual risk disposal and risk control. For high-risk items, we organize internal audits every year, and report the problems found and corrective measures to the Information Security Committee.

Strengthening Security Incident Response

For information security incident response and management, we've established the *Information Security Incident Management Procedure*, which has clear requirements on how to timely respond to information security incidents, incident reporting and investigation. We have the *Information Security Business Continuity Management Procedure* available and conduct business continuity drills at least once a year.

In terms of incident reporting, we've developed a failure escalation reporting procedure. Depending on the failure level, we report it to different levels of engineers and managers level by level to ensure efficient management.

Third-party Data Security Management

To prevent unauthorized access or disclosure of third-party data, we have established the *Data Protection Management Method* to clearly stipulate the classification and flow of data. All our office terminals are equipped with file encryption software. To send files for work reasons, the employees shall submit an application for approval, and the department head will authorize the decryption. Appropriate information security requirements is also available in the *Information Security and Requirements Management Procedure for Stakeholders*. The Internet is isolated from the corporate Intranet by a boundary firewall, and employees can access the Internet only after submitting procedures.

We are responsible for the identification, review and management of the needs and expectations of stakeholders in line with the *Information Security and Requirements Management Procedure for Stakeholders*. Stakeholders include but not limited to (competent) government authorities, industry associations, customers, suppliers, employees, and companies. We collect the expected control list of their requirements annually for the development of their information security measures.

Carrying out External Certification

We regard external certification as an effective means to strengthen information security management. With reference to ISO 27001 and TISAX system standards, we have established a range of information security management systems such as the *Information Security Management Manual* and the *Information Security Risk Assessment Management Procedure*. All the manufacturing sites put into production obtained the TISAX AL2 certification label, and the ISO 27001 information security management system is under planning.

In 2023, Farasis Energy was named the "Industrial Information Security Benchmarking Enterprise" of Ganzhou Economic and Technological Development Zone Government, after evaluated by the National Industrial Information Security Development Research Center experts.

Information Security Reporting and Feedback Channels

Reporting Channels

<https://www.farasis.com/index/privacy>

Contact Details for Privacy Policy

Organization: Representative of information security administrators

Email: rongyu@farasisenergy.com.cn

Information Security Interface

Organization: Information Security Department

Email: pjning@farasisenergy.com.cn

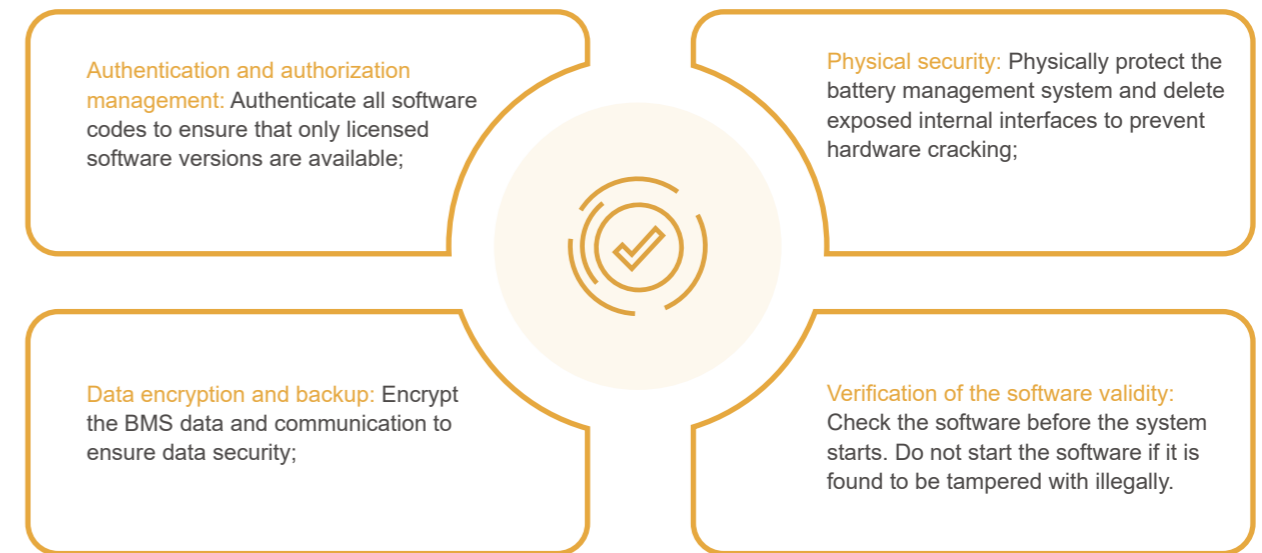
Tel: 0797-7329933



Battery Information Data Protection

We attach importance to customers' requirements for information security of battery equipment, and implement the information security management of battery keys on BMS (battery management system) device to strengthen battery information data protection. Our BMS used in products is certified to ISO 26262 ASILC.

For the battery chip system, we take the following actions to ensure information security:



We deploy a cryptographic system on all battery packs. It is composed of software and hardware systems, and can generate a unique password for each battery pack to improve the overall battery safety. After the battery pack is delivered to the customer, in case of serious safety accidents such as overvoltage, undervoltage, overcurrent, and over-temperature in the power battery, BMS shall automatically lock the battery pack and prevent it from further use. We then ship the battery pack back to the factory for battery unlock and test analysis.



04

Managing with Due Diligence and Seeking Common Development

All-round Supply Chain Management

Enhancing Supply Chain Resilience

Sustainable Supply Chain Risk Management

Responsible Mineral Management

Our Progress:

While providing leading technology, quality products and services for the global new energy industry, Farasis Energy cooperates with upstream and downstream enterprises to build a mutually beneficial, efficient and smooth industry value chain. This effort is to increase the transparency of our supply chain, to support the sustainable development of industry's collaborative ecological chain, and to promote the high-quality development of the new energy industry.

Our Performance:

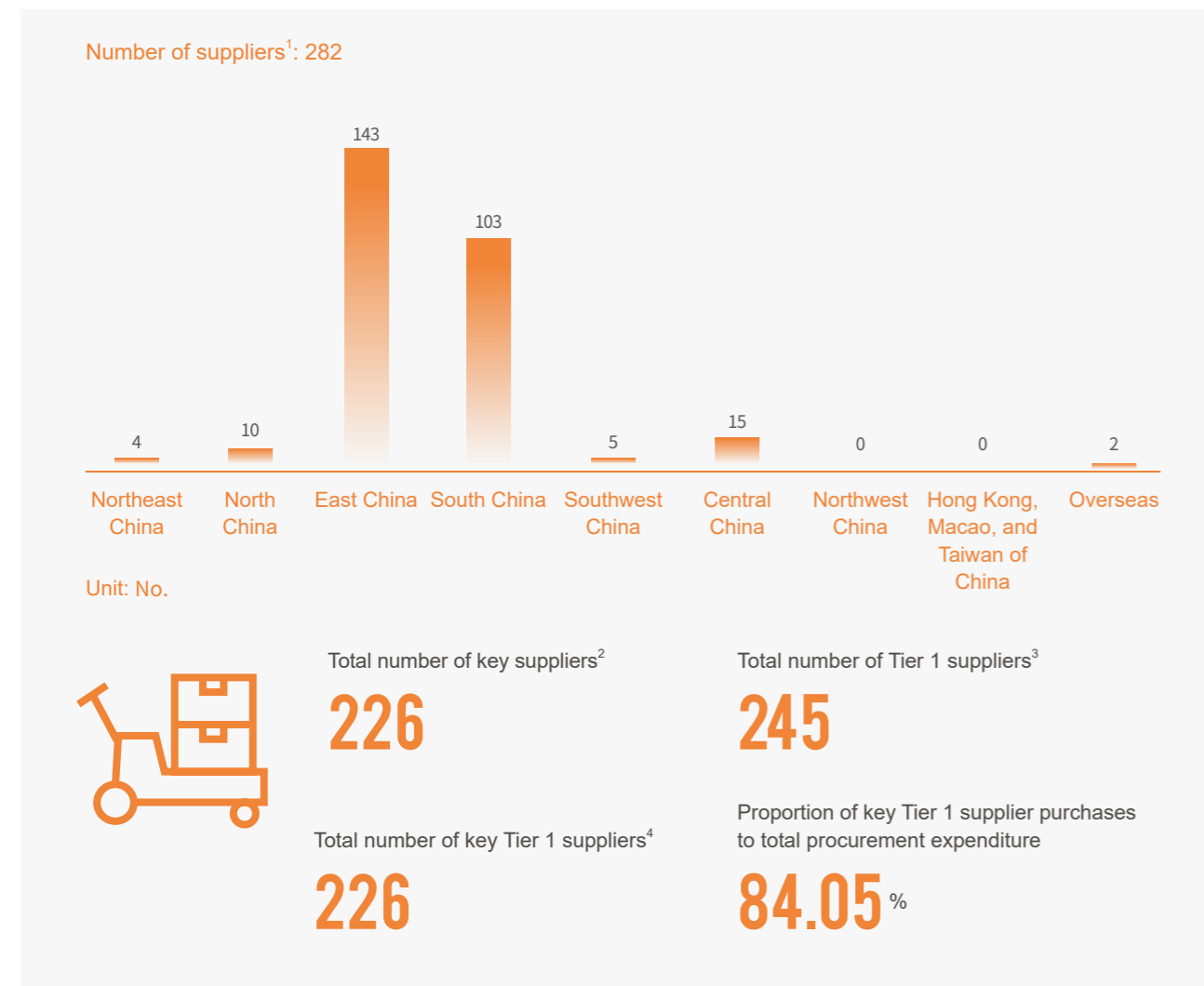
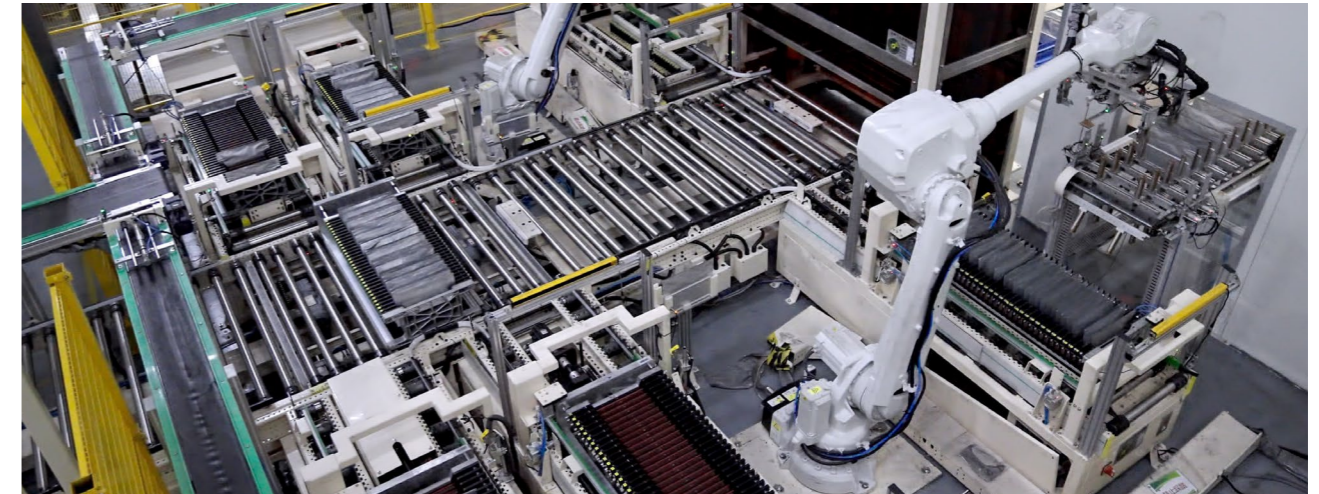
- Up to 282 suppliers, and the scope of suppliers is primarily material suppliers and suppliers with purchases greater than 10 million CNY.
- 100% of active cathode material suppliers covered by audits of supply chain due diligence management system.
- A professional audit agency commissioned to carry out the annual supply chain due diligence management audit, covering 19 critical mineral raw material suppliers, including the on-site audit of sustainability related criteria.
- *Farasis Energy Supplier Code of Conduct* signed by 100% of target suppliers (based on internal supplier development and procurement control procedures).
- As the end of December 23, 100% of direct material buyers have been trained in sustainable procurement.

All-round Supply Chain Management

Depending on whether the purchased products and services make their way into the final products manufactured and sold, Farasis Energy splits the procurement business into direct and indirect material procurement.

We have formulated the *Supplier Development and Management Procedure* to keep the suppliers' quality of products and services meeting our requirements. Before working with suppliers, we sign with them the Confidentiality Agreement, General Terms of Procurement, Supplier Code of Conduct, Supplier Integrity Commitment, Supplier Questionnaire, and etc.

For the collaborative process management, we've formulated the *Supplier Performance Evaluation and Appraisal* to standardize the supplier performance evaluation and appraisal process, and to quantify the supplier performance evaluation indicators. Supplier performance evaluation is based on three parts: quality, price and delivery. Suppliers are fallen into Tier 1 suppliers and key non-Tier 1 suppliers according to the appraisal results, and are then evaluated.



¹ The scope of suppliers is primarily material suppliers and suppliers with purchases greater than 10 million CNY, such as equipment and MRO, excluding logistics and professional services.

² Key suppliers are the Company's Class A material suppliers and high-volume/non-replaceable suppliers in Class B/C.

³ Tier 1 suppliers are suppliers who directly supply products or services to the company.

⁴ Key Tier 1 suppliers are those key suppliers that supply directly to the company.

Enhancing Supply Chain Resilience

We have developed the *Emergency Preparedness and Response Management Procedure* to respond to major environmental and significant hazard incidents and abnormalities in the energy supply, and to minimize the loss and hazard of major incidents.

In terms of organizational structure, we set up an Emergency Command Center, whose members include the leader of the Emergency Command Center (EHS Director, concurrently) and members (directors or managers of departments). The leader of the Emergency Command Center is responsible for the unified command and dispatching of the emergency scene, and the members are responsible for the implementation of emergency plans.

For extreme weather, we attach importance to typhoon and flood emergency preparedness and response, since typhoons and floods may directly or indirectly affect the interruption of production line for supply chain raw materials, sudden surge in material demand and increased transportation costs.

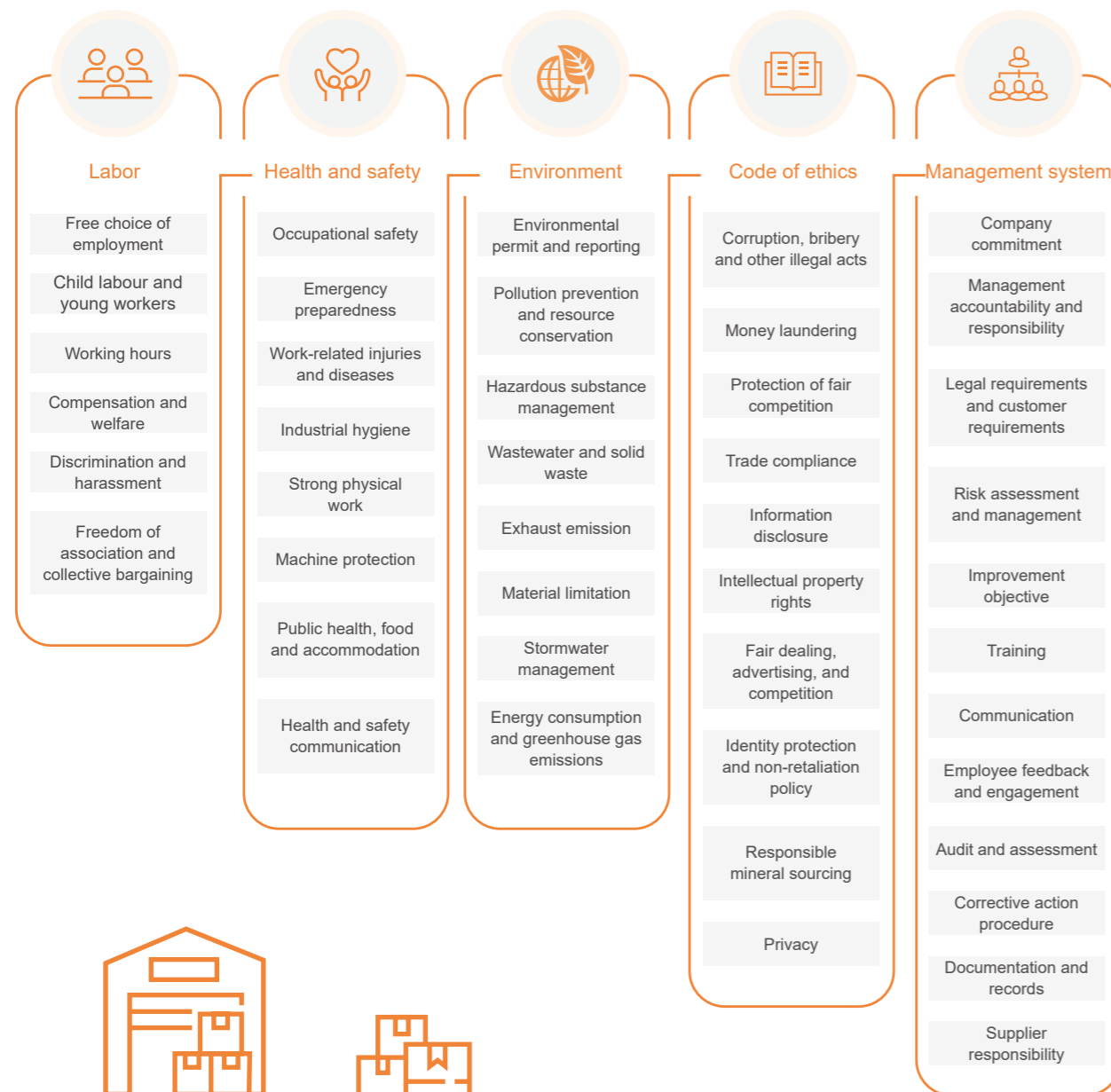


Sustainable Supply Chain Risk Management

Supplier Code of Conduct

Based on our actual situation and business environment, we update the [Farasis Energy Supplier Code of Conduct](#), which sets a series of sustainability requirements for suppliers in terms of labor human rights, health and safety, environment and business ethics.

Framework of the Farasis Energy Supplier Code of Conduct

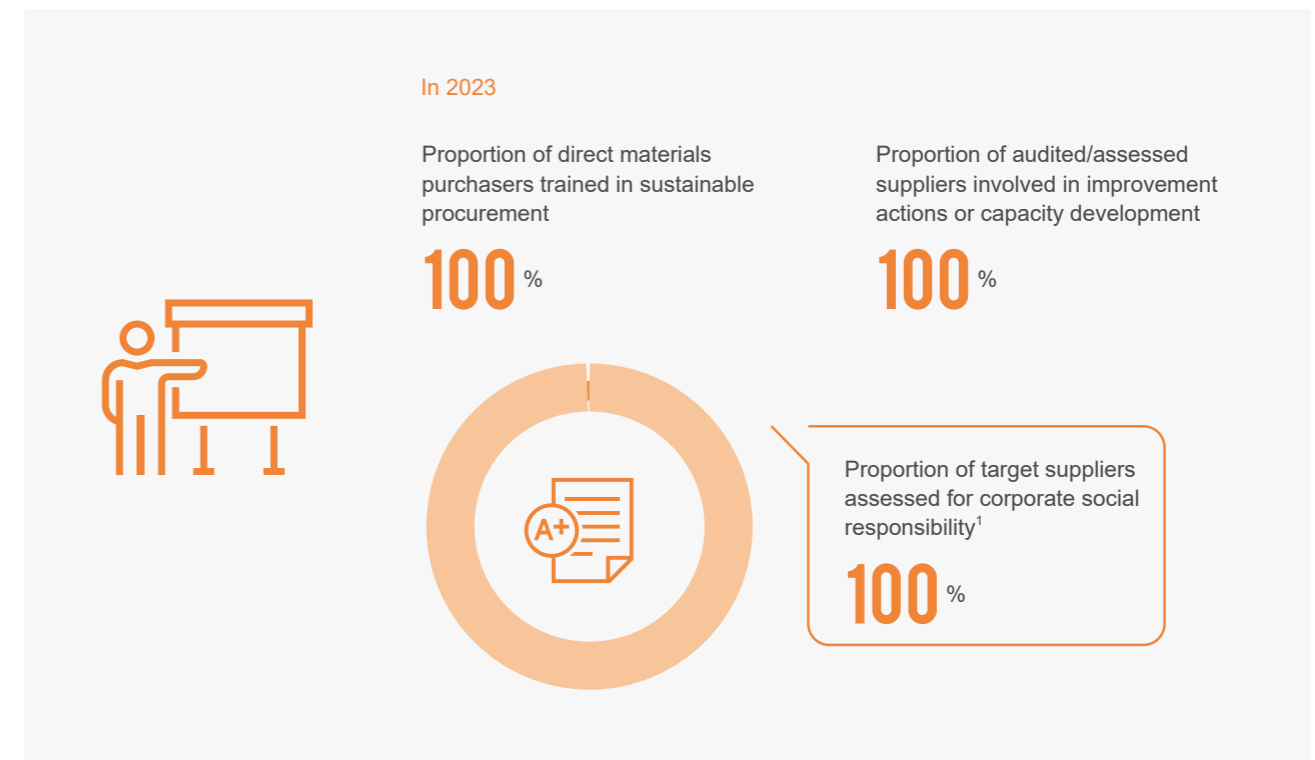


¹ Target suppliers are those based on internal supplier development and procurement control procedures.

Synergy of Upstream and Downstream Capacity

From February to March in 2023, we conducted energy carbon survey and technical exchanges with some key raw material suppliers in the annual carbon footprint verification, obtained the actual product carbon footprint information from certain suppliers, and improved the preparation of existing carbon inventories.

During the annual on-site audit of supply chain due diligence management, we understood the suppliers' work plans in sustainability through on-site seminars and other forms, and actively delivered the sustainability requirements from downstream customers and terminal markets.



Responsible Mineral Management

As an industry practitioner, we are fully aware of the potential risks of material adverse effects in the exploitation, trading, processing and export of mineral resources, and are committed to our obligations to respect human rights, not to fuel conflict and not to adversely affect the environment and society. Since 2018, Farasis Energy has become a member of the Responsible Critical Mineral Initiative (RCI), continuing to improve the level and effectiveness of responsible mineral management with internationally harmonized standards and frameworks.

In 2023, based on the laws and regulations of downstream customers and terminal markets, and in compliance with the OECD Best Practice Guidelines, we updated and improved the *Due Diligence Management Procedure for Responsible Mineral Supply Chain*, basically completed the formulation of supply chain due diligence management system documents and the establishment of risk response processes, and passed the audit of downstream customers.

Risk Response Plan for Supply Chain Due Diligence Management

Action items	Tool name	Frequency
Update supply chain map	Supply chain map questionnaire	Annually or when Farasis Energy 's supply chain changes
Update KYS/KYC data	Understand your supplier/ business partner questionnaire	Annually or when Farasis Energy 's supply chain changes
Review chain of custody documents, including purchase orders, shipping records, and storage records	Review relevant documents, including purchase orders, shipping records, and storage records	When the partnership begins and in case of any changes
Conduct risk assessment	Supplier risk assessment template	Annually or when Farasis Energy 's supply chain changes
Visit cathode material manufacturers and refineries	List of supplier field visits	Annually or when Farasis Energy 's supply chain changes
Update the risk mitigation plan	Risk mitigation plan template	Annually or based on the level of risk
Monitor supplier's implementation of the risk mitigation plan	Risk mitigation monitoring tools	Annually or based on the level of risk
Conduct internal monitoring of the implementation of Farasis Energy 's risk mitigation plan	Internal monitoring checklist and report template	Annually or based on the level of risk
Conduct supplier and stakeholder meetings	Meeting minutes template	Regularly, at least once a year

We organize supply chain due diligence management training for employees involved in the procurement of critical mineral raw materials. We often conduct such training annually to keep the knowledge structure regularly updated. During the annual supply chain due diligence management audit, we provide special due diligence management training for Tier-N suppliers with relatively low due diligence system maturity identified in on-site audits.

In 2023, our supply chain due diligence management system covered all active cathode material suppliers. We commissioned a professional audit agency to carry out the annual supply chain due diligence management audit, covering 19 critical mineral raw material suppliers, and carried out capacity building and rectification based on the audit results.

To enhance communication and collaboration with affected areas, upstream and downstream enterprises in the supply chain, government departments, non-governmental organizations, media and other stakeholders, we have established and disclosed the *Complaint and Communication Mechanism for Supply Chain Management* to build a dialogue and consultation platform for the continuous improvement of our supply chain governance capability.

During the reporting period, we did not receive any complaints from the established open communication channels for complaints.

Accepting the complaint or communication

The processing clerks are responsible for recording the complaint and communication in the complaint file.

Complaint confirmation

Within seven (7) business days of receipt of the complaint and communication, the clerks provide a written response to the complainant, acknowledging receipt of the complaint and providing steps and timing for resolving the complaint.

Improvement action

If the complainant is not satisfied with the investigation report or action measures, we shall conduct further investigation and research to identify and implement the action plan that requires further development. If the complainant is still unable to agree on improvement actions, we may refer the complaint to a third party for mediation or engage external experts for review and consultation.



Preliminary assessment

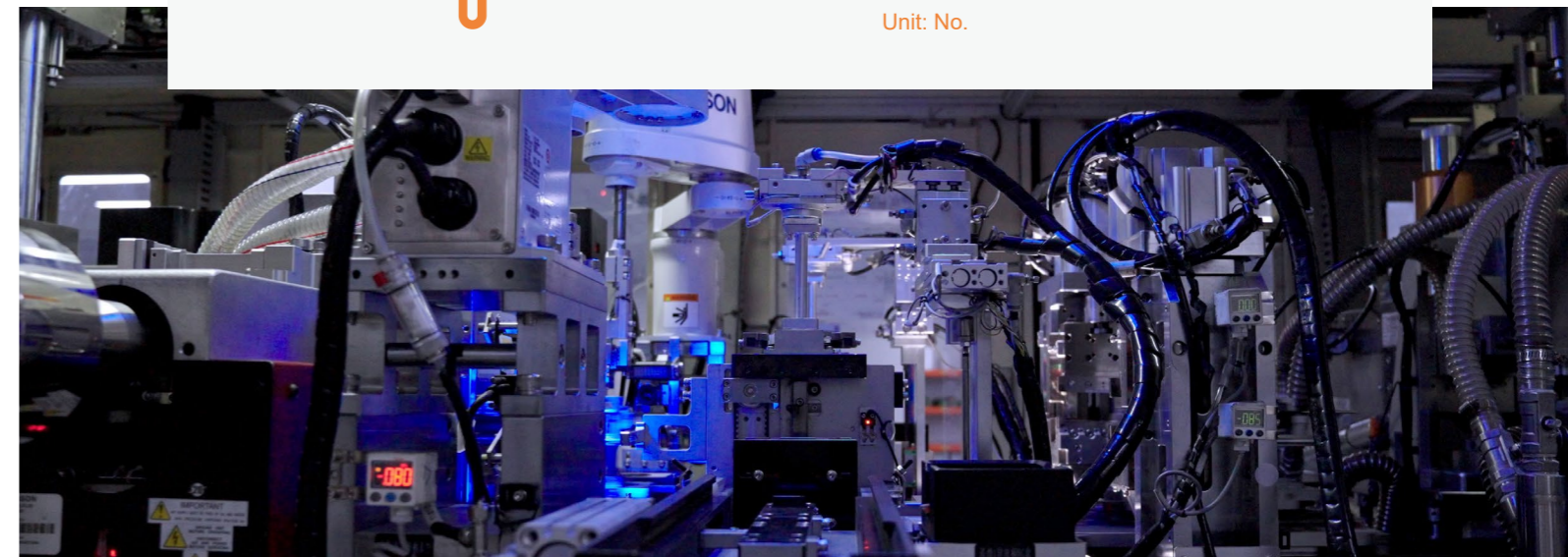
The clerks make a preliminary assessment of whether the complaint and communication conform to the scope of this complaint and communication mechanism, and communicate the relevant information to corporate managers and departments.

Complaint response

The complaint investigation is conducted immediately after receipt of the complaint. The relevant personnel shall complete the complaint-related investigation report or action report and draw response conclusions within one month from the date of commencement of the complaint.

Monitoring and evaluation

The Supply Chain Management Department reports to the Committee quarterly the complaints received, resolutions and pending cases, analyzes the status and time frame for the resolution of complaints annually, and evaluates the effectiveness of complaint and communication mechanisms.



05

Stimulating Talent Vitality with High-Quality Environment

Protecting Basic Rights and Interests of Employees

Creating a Fair Environment for Growth

Firmly Constructing a Safe and Healthy Line of Defense

Practicing Employer's Humanistic Care

Our Progress:

Farasis Energy always regards talent as its most valuable assets. We sign labor contracts with all employees and make full contributions to social insurance to protect the legitimate rights and interests of each employee. We value the introduction and training of talent, recruit and select talented people through a variety of channels and ways, and offer a full range of vocational training and development opportunities. We attach importance to the safety of our employees in workplace, protect their physical and mental health, and provide them with a comfortable and safe working environment. In 2023, Farasis Energy won the "Extraordinary Employer Award" in 2023 by virtue of its excellent image of hirer's trademark and human resource management capability. This is a recognition of our outstanding achievements in talent team construction and talent development.

Our Performance:

- A total of 6,554 employees, with female employees accounting for 27.34%.
- The suggestion box opened for 45 times, and a total of 105 comments and suggestions received online and offline, with a response rate of 100%.
- Employee satisfaction/ engagement up to 82%.
- The second vesting period of the initial grant portion of the restricted stock incentive plan completed with the confirmation of 404 vesting officers in November 2023.
- 100% of the operation sites available certified by a third party to meet the ISO 45001 standard.

Protecting Basic Rights and Interests of Employees

Protect Rights and Interests of Employees in Multiple Paths

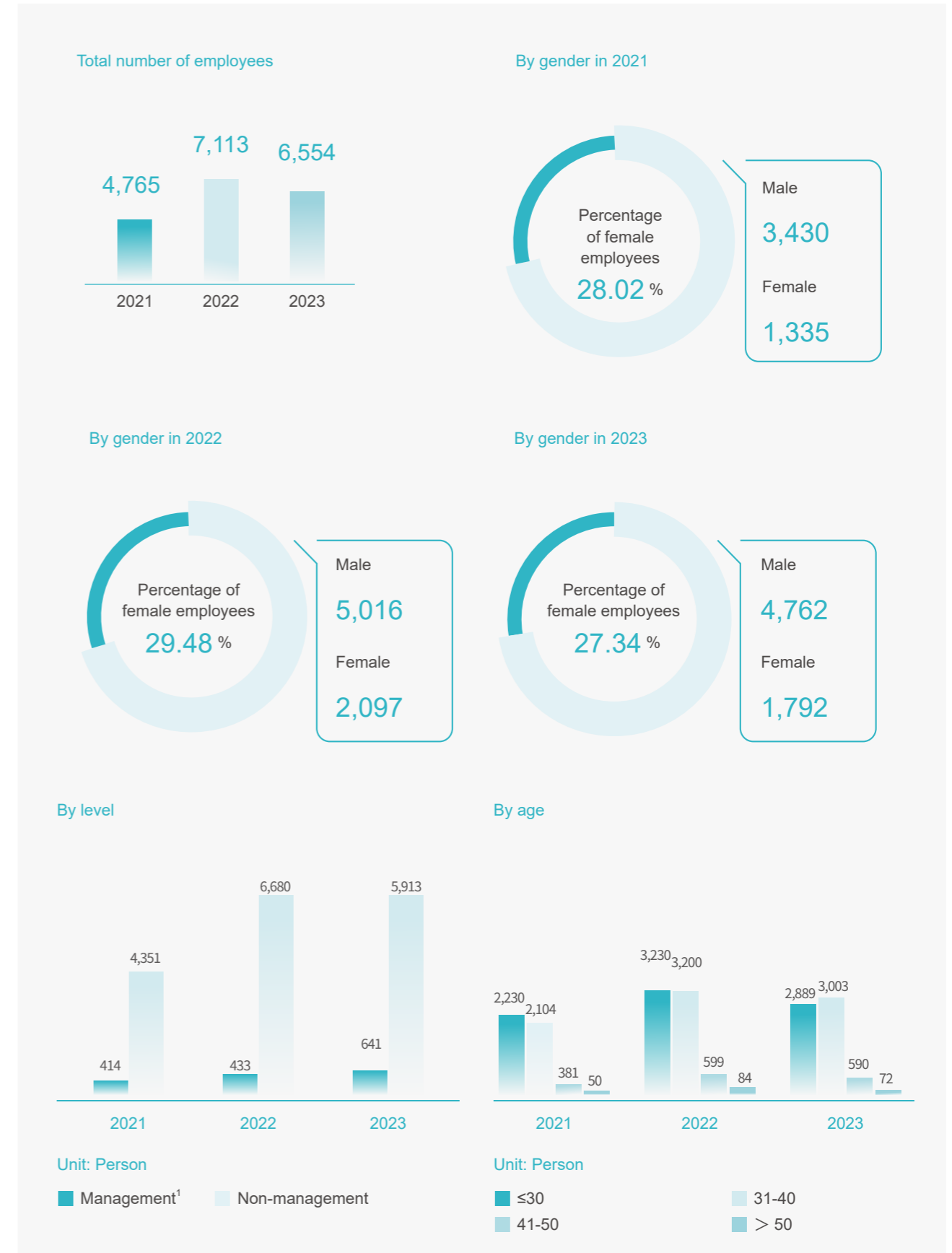
Farasis Energy formulates and issues the *Employee Manual*, which regulates the behavior of employees and provides guidelines for daily work, so that employees are fully aware of their rights and obligations. We strictly implement national policies on human rights, gender, age and ethnicity, and standardize labor management. In May 2023, Farasis Energy's labor union set up a Labor Dispute Mediation Committee to process conflicts in the bud, better protecting the interests of employees and facilitating long-term development of the enterprise.

Farasis Energy identifies and evaluates human rights-related topics in its daily operations or of external concern, and formulated human rights systems, including the *Remedial Management Procedure for Preventing the Employment of Child Labor and Remediation of Child Labor*, the *Management Procedure for the Protection of Underage Workers*, the *Management Procedures for Labor Protection of Female Workers*, the *Management Procedures for the Prohibition of Forced Labor*, the *Management Procedures for Complaints and the Prohibition of Abuse*, the *Freedom of Association and Procedure for the Regulation of Negotiated Assemblies*, the *Management Procedures for the Prevention of Discrimination and Sexual Harassment* and the *Management Procedures for Remuneration and Benefits* to protect human rights.

<p>Prohibition of child labor</p>	<p>Farasis Energy developed the <i>Remedial Management Procedure for Preventing the Employment of Child Labor and remediation of Child Labor</i> to prohibit all departments, contractors and suppliers from recruiting minors under 16. We check "three certificates" (ID card, residence permit, and health certificate) to ensure that the actual age of the hired employees is at least 16 years old and meets the requirements of labor law and other relevant laws and regulations. And we visit workshops to spot-check and verify the identity of employees at irregular intervals to ensure that their age information is consistent with personnel information;</p>
<p>Prohibition of forced labor</p>	<p>Farasis Energy established the <i>Management Procedures for the Prohibition of Forced Labor</i> to prohibit all forms of forced labor, including freedom during rest time, prohibition of forced overtime, prohibition of subcontracting of prison laborers, prohibition of withholding deposits or identification documents, and lawful vacations and separations;</p>
<p>Freedom of association and negotiated assemblies</p>	<p>Farasis Energy's labor union plays an important role in promoting the protection of employees' rights and interests, the building of corporate culture and the well-being of employees. Farasis Energy formulated the <i>Freedom of Association and Procedure for the Regulation of Negotiated Assemblies</i> and other Labor Union-related policy documents and signed the <i>Special Contract for Wage Collective Negotiation in Jiangxi Province</i>, <i>Special Collective Contract for Special Protection of Female Employees</i> and <i>Special Collective Contract for Occupational Safety and Health</i>.</p>

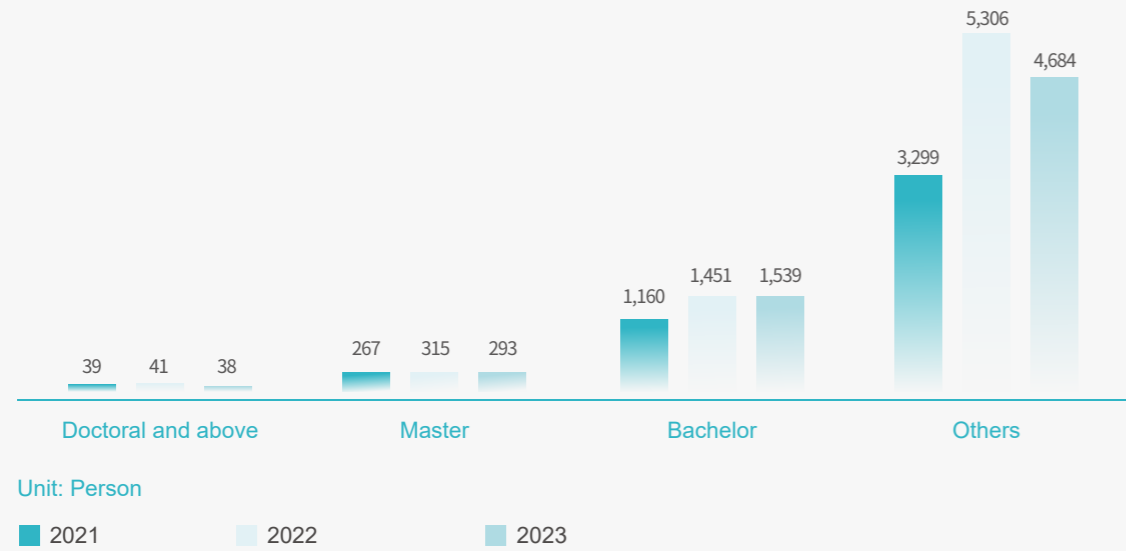
Procedure and Policy System for Employee Management and Protection

Employee Management	Employee Protection	Safety Management
Job Grade Management Regulations	Management Procedure for the Prohibition of Forced Labor	Safety Accident Management Regulations (including Work-related Injuries or Sudden Illnesses)
Employee Recruitment Management System	Freedom of Association and Procedure for the Regulation of Negotiated Assemblies	Emergency Response Plan for Special Events Involving Employees
Measures for the Management of Charity Fund	Management Procedure for the Prevention of Discrimination and Sexual Harassment	
Employee Welfare Management System	Remedial Management Procedure for Preventing the Employment of Child Labor and remediation of Child Labor	
Employee Attendance Management System	Management Procedure for the Protection of Underage Workers	
Employee Reward and Penalty Management System	Management Procedures for Labor Protection of Female Workers	
Management & Staff Training Management System	Management Procedures for Complaints and Prohibition of Abuse	
Production Operator Skill Training Management Standard		

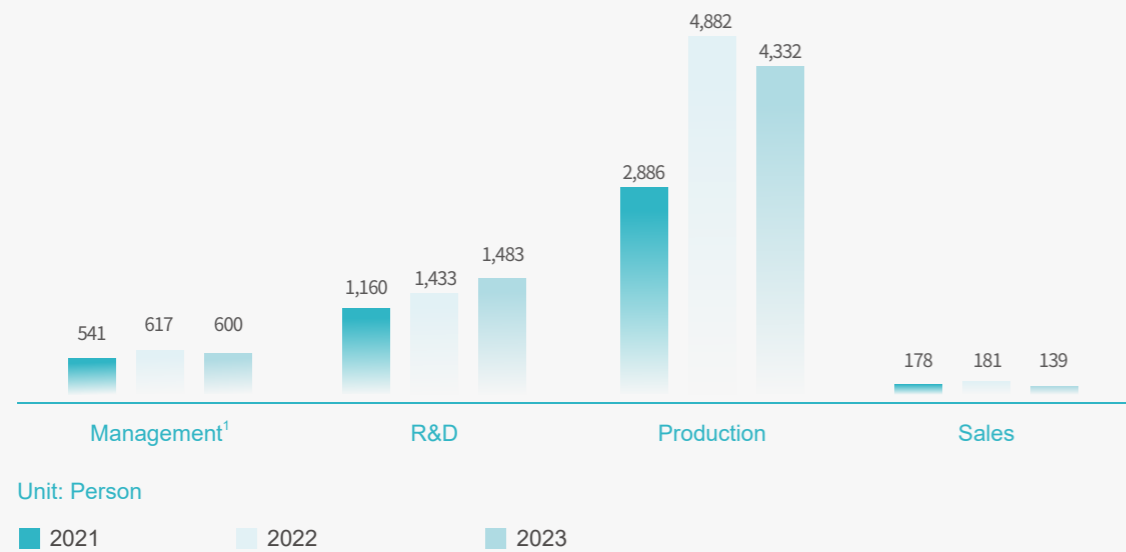


¹ The "management" refers to employees who are managers and above.

By academic qualifications



By post



Proportion of employees covered by formal collective agreements on working conditions

100%

Proportion of employees covered by formally elected employee representatives

100%

Proportion of employees covered by Labor Union or collective bargaining agreements at Ganzhou Site

100%

¹ A manager is an employee in the "managerial queue".

Ensure Compliance in Recruitment

According to the *Employee Recruitment Management System*, we have standardized recruitment processes such as requirements elicitation, selection of recruitment channels, release of recruitment information, recruitment execution, and enrollment, and etc., which defines the responsible person for each process node as well as the time to ensure the consistency and transparency of the recruitment process, enhancing the recruitment experience of job seekers.

We audit recruitment information released in external channels and internal platforms to eliminate all illegal job expressions and ensure legality and compliance in recruitment, interviews, and enrollment. It also provides employees with opportunities for career development and publicizes recruitment information internally and externally at the same time to ensure a transparent recruitment process.

We follow the principle of equal pay for equal work and equal employment, and treat candidates from Farasis Energy's system and the recruitment process regardless of gender, age, ethnic group, religious belief, disability, and etc., to ensure the fairness of the recruitment structure.

We organize the study of internal laws and regulations as well as systems and procedures to avoid discriminatory behavior in recruitment, to raise awareness of obvious or potential discriminatory behavior, and to strengthen the implementation of the standard recruitment process.

We regularly review and improve recruitment systems and processes each year to ensure compliance with anti-discrimination laws and regulations, including monitoring anti-discrimination efforts through the legal team. We will take immediate action to correct any discriminatory behavior found.

Annual new recruits

In 2021

Annual new recruits

2,294

In 2022

Annual new recruits

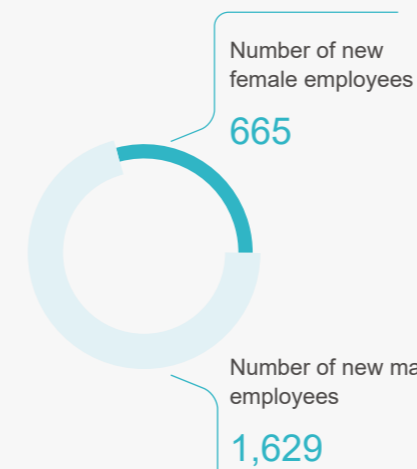
5,413

In 2023

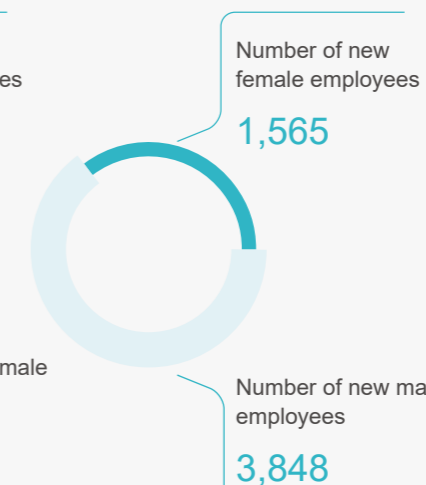
Annual new recruits

5,724

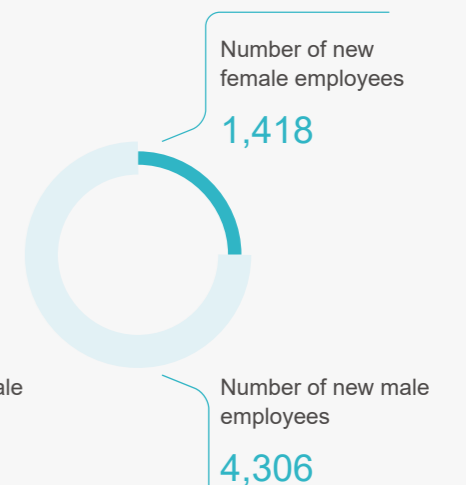
By gender in 2021

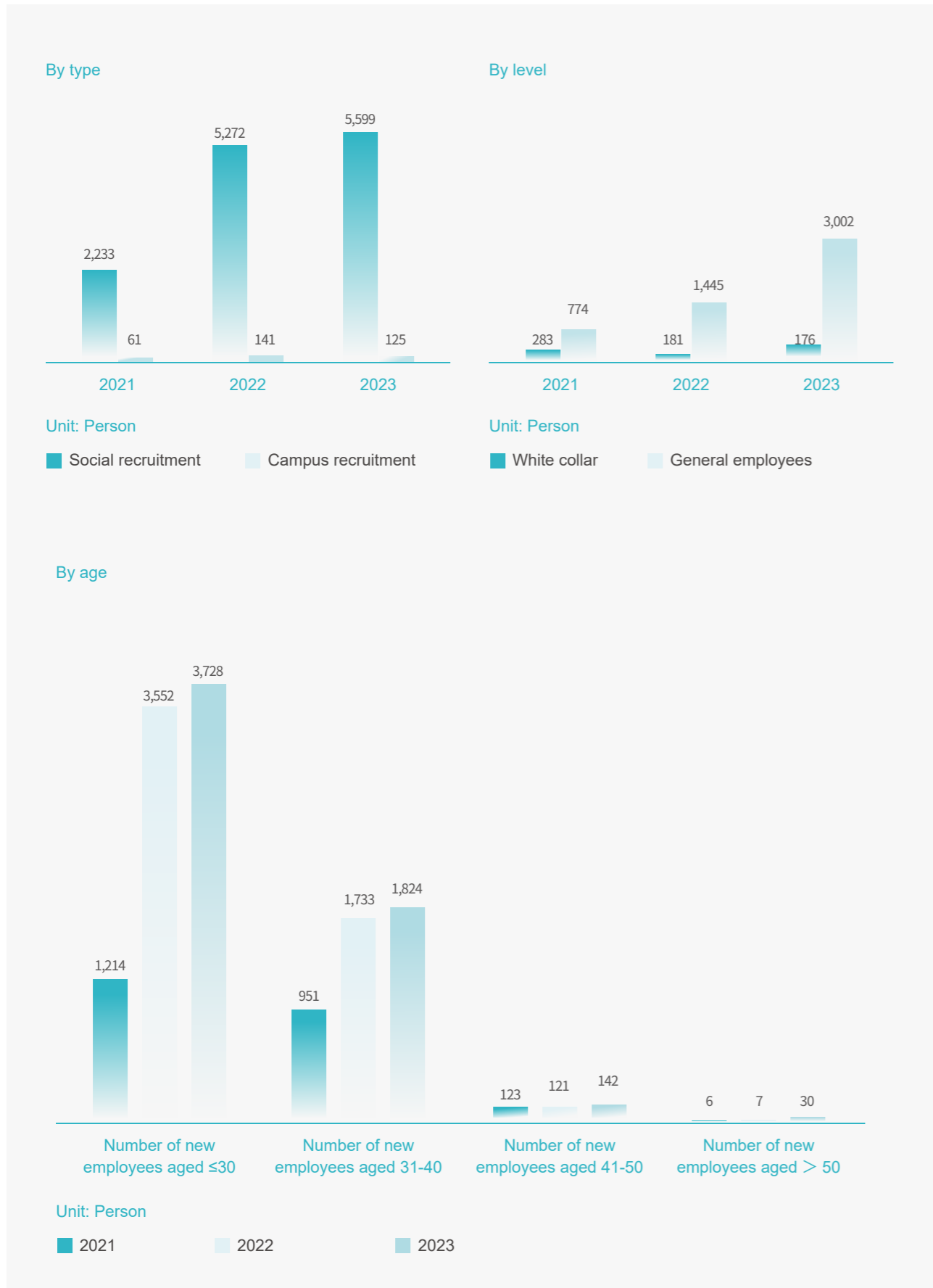


By gender in 2022



By gender in 2023



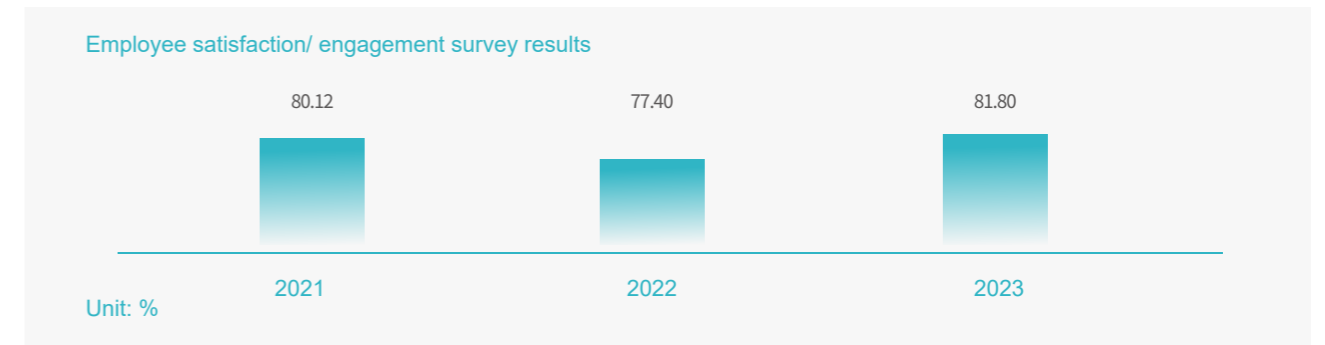


Listen to Employees' Resorts

We set up a channel for all employees to collect suggestions and complaints for Farasis Energy 's high-quality development and reflect behaviors that are detrimental to Farasis Energy 's interests promptly. Employees can put forward suggestions through the Labor Union or human resources center mailbox, Corporate WeChat account, or employee suggestion box, including but not limited to daily operation, energy saving and consumption reduction, revenue increase and expenditure reduction, cost reduction and efficiency increase, and etc. The employees whose suggestions are adopted are rewarded according to the value of the suggestions.

In 2023, Farasis Energy 's Labor Union opened the suggestion box 45 times offline jointly with the Audit Department, online and offline received 105 suggestions on canteen food, administrative management, workshop management, personnel management, and etc. The response rate of the suggestions reached 100% and won unanimous praise from the employees.

We conducted an annual employee satisfaction/engagement survey for all employees on the current state of Farasis Energy 's management, leadership management style, organizational atmosphere, team division of labor and cooperation, departmental feedback, company platforms and opportunities, and communication at all levels. The final result of the survey was 81.8% with an increase from 2022. Farasis Energy formulated improvement plans and measures from the incentive management system, strengthening the talent ladder, optimizing organizational design and division of responsibilities, and building the corporate culture based on the results of the survey.



Case

Canteen Quality Improvement

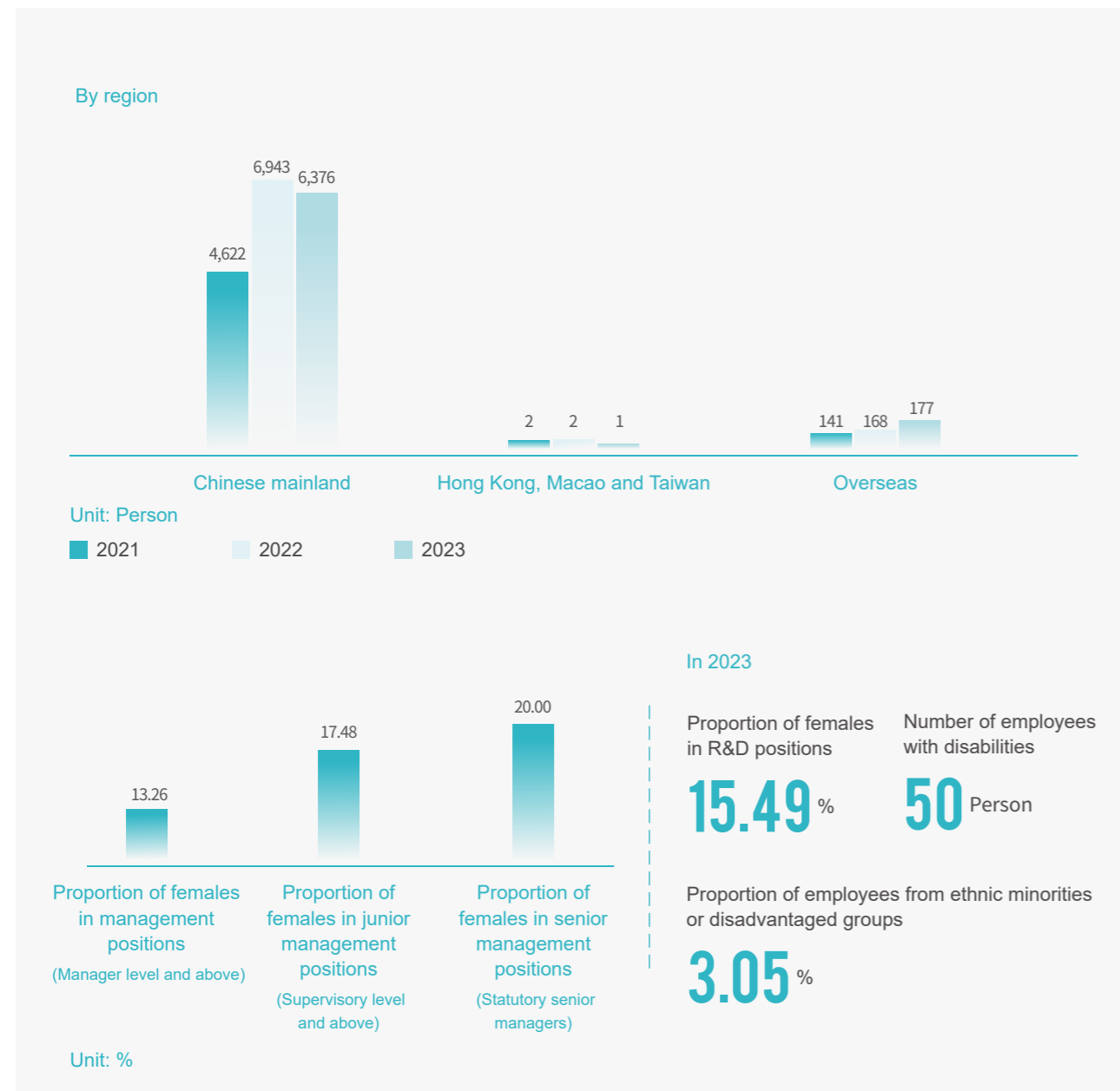
In September 2023, the Labor Union promptly acted on employee complaints about the canteen with related departments by conducting employee communications and a field visit on canteen operations. The Labor Union proposed solutions based on the survey results to re-tender the canteen supplier and replace that after two months, improving employees' dining experience. This process solves the actual problems of the employees and shows that we value the opinions of the employees and are determined to improve their working environment.

新食堂图片

Diversity, Equality and Inclusion

Farasis Energy complies with the multicultural backgrounds and cultural characteristics of job seekers, encourages mutual exchanges and cooperation of diverse backgrounds, emphasizes a multicultural and inclusive corporate culture, and provides employees with diversified training and development opportunities to satisfy their career development needs.

Farasis Energy is a globalized company with subsidiaries in many countries and regions. Farasis Energy actively seeks employees with different backgrounds and cultures to enhance our ability to innovate and be competitive in the marketplace even in different work scenarios. Farasis Energy organizes corporate culture activities, encourages employees from different cultural backgrounds to participate in internal cultural and work exchanges, and enhances employees' sense of well-being at work and corporate identity.



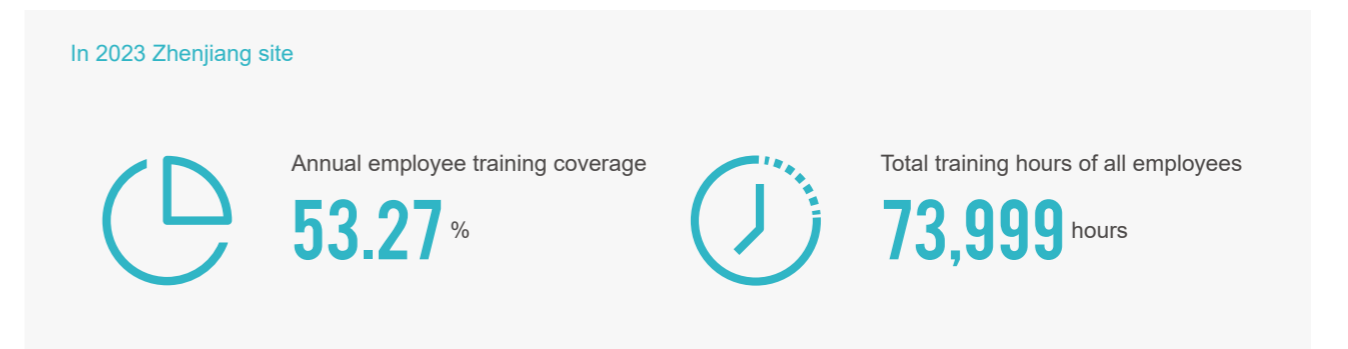
Creating a Fair Environment for Growth

Employee Training Channels and Methods

We formulated a talent development system covering Farasis Energy's regular employees, part-time employees, outsourced employees, and etc. in management competence enhancement, professional competence enhancement, basic competence enhancement, and learning guarantee, and carries out enhancement training and lecturing activities on management ability and professional competence based on the current status quo and demand by in-house training or external training.

For fresh college students	Farasis Energy cooperated with universities and colleges to set up a Farasis Energy Class and organized 12 periods of intensive training, regular training, and symposium for more than 200 fresh college students. In 2023, Farasis Energy launched the "Intensified Training for College Students to Farasis Energy" for 145 new college graduates, including assessment, intensified training, internal training, external training, symposiums, and evaluation of outstanding college students;
For new employees	Farasis Energy trained more than 6,000 new employees, with a participation rate of 100% and a qualification rate of 100%; organized 12 company-level trainings by 52 hours and 6 courses, with a training attendance of 631 person times and a participation rate of 69%. Farasis Energy accumulated 8 new apprenticeship training courses, with a training attendance of 285 person times, a participation rate of 79%, and 76 mentors and apprentices paired;
For managers	Farasis Energy trains managers mainly in internal training, supplemented by online platforms, and concentrates on the training of middle and senior managers. In 2023, Farasis Energy accumulated 2 periods of manager training and assessment from theoretical knowledge, professional skills, and management skills, with a training attendance of 154 person times;
For production operators	Farasis Energy provides regular theoretical training, new project introduction skills training, transfer skills training, standard change skills training, skills enhancement training, and other types of training for on-the-job production operators to keep adapted to changes and updates in production lines and technology. Farasis Energy also encourages the training of multi-talented workers, and one employee can hold several positions;
For all employees	Farasis Energy piloted the online learning platform "Farasis Energy School" focusing on general basic skills, with the activity rate of employees therein reaching 80%. In 2023, Farasis Energy had 32.54 hours of learning per capita for all employees.

In 2023, Farasis Energy conducted management skills and professional skills training internally and externally, with a training attendance of 28,022 person times.



Case

“Farasis Energy Class” Cultivates Fresh Graduates for Farasis Energy

Farasis Energy cooperates with Gannan University of Science and Technology through "Industry-Academia-Research" to set up Farasis Energy talent training site and build the "Farasis Energy Innovation Class" to give full play to the enterprise and the university to serve the community and train high-quality applied, composite and innovative talents to lead the development of the modern industry. In the second semester of the third year, the students of Farasis Energy Class receive enterprise + school dual teaching mode based on the industry-teaching fusion cultivation to integrate the corporate culture, the development trend of the new energy industry, the production process of lithium batteries, quality management, the English language of the intelligent manufacturing profession, career planning, practice/visit teaching, and other teaching practice contents, and comes to Farasis Energy for internships in the fourth year, which cultivates high-quality technical talents for the industry.



Our technicians and managers head to the school for classes

Internship stage debriefing



Students come to the company for training

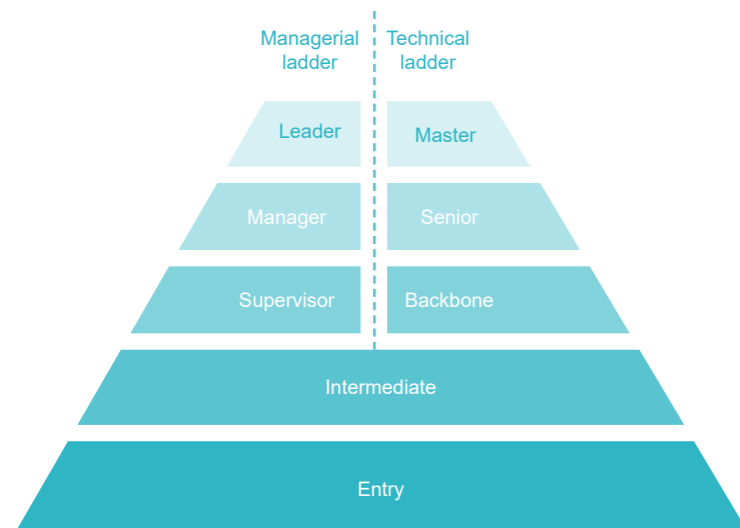
Specialized group building for students

We continue to invest more resources and strength in employee training and development, build internal learning mechanisms and education platforms, and create a learning and growth atmosphere for a good corporate reputation.

Fair and Transparent Development Path

Farasis Energy provides employees with management, technology, operation, and other rank ladders, and encourages employees to carry out in-depth development in the direction of non-management, with different career planning paths to build their career core competitiveness. Farasis Energy facilitated timely adjustment of career paths for employees in different ladders, providing maximum flexibility for employees' career development.

Schematic Diagram of Dual Ladder Career System



Dual ladder career system

Dual career ladders (Managerial ladder and technical ladder) for each type of position

Farasis Energy abides by the *Employee's Personal Performance Commitment* formulated by employees at the beginning of the year and adopts the method of "Employee's summary and self-assessment, direct superior's rating, department head's review and approval by the head of the first level of the department" to conduct employee's performance appraisal and management. Farasis Energy carries out performance management every year to manage the formulation of Farasis Energy 's business objectives and strategic decoding in a hierarchical and graded manner to realize the goal management of all employees.

Farasis Energy developed a comprehensive performance communication system to fairly and equitably set the employee performance goals. Appraisers and appraisees need to communicate and agree when setting performance objectives. The appraiser communicates with the appraisee about performance analysis, results notification, results application, and etc., and helps the employee to find out the reasons for good or bad performance and to formulate an action plan, improvement measures, and performance objectives for the next stage. Appraisees who disagree with the appraisal results have the right to appeal directly to the Human Resources Department or the department head within two working days of the performance interview. If it fails, the appraisee can re-appeal to a higher level until the issue is resolved with consensus.

Diversified Approach to Motivate Employee Growth

Farasis Energy formulated short-, medium- and long-term option incentive programs to attract and retain outstanding talents and to enhance employee cohesion and competitiveness.

We adjust the annual salary for core employees, and commend annual excellent employees and teams with a certain amount of bonuses; tThe annual bonus of different departments relates to its business performance;

Short-term incentive

Medium- and long-term incentive

We granted restricted stock incentives to 555 core employees as planned for the first time in 2021, and reserved 3 employees for the incentive target. The incentive plan covers five years from 2021 to 2025, with one vesting period per year. Individual performance appraisal results are key in the total number of shares of restricted stock to be awarded, and those who fail the appraisal receive no restricted stock allocated during the vesting period. In November 2023, Farasis Energy completed the second vesting period of the initial grant portion of the restricted stock incentive plan and announced the confirmation of 404 vesting officers, with an aggregate of 6,575,195 shares to be vested.

In 2023, Farasis Energy optimized the compensation and benefit system based on the salary and benefit improvement project and developed a competitive compensation mechanism to improve internal employee satisfaction and external competitiveness by reshaping our rank system and performance system.

In 2023	Annual evaluation rate of individual performance	Performance bonus system coverage	Performance equity system coverage	Performance pay system coverage
	100 %	100 %	6.82 %	100 %



Firmly Constructing a Safe and Healthy Line of Defense

Health and Safety Mechanism Construction

Our main manufacturing sites and their supporting office area have passed the ISO 45001 system third-party certification, including Farasis Energy (Ganzhou) Co., Ltd. and Farasis Energy (Zhenjiang) Co., Ltd.. 100% of Farasis Energy's operational sites in production meet the requirements of the ISO 45001 standard by certification from a third party. Since the initial ISO 45001 system certification in 2016, Farasis Energy has continued to improve OHS management system and synchronously updated its management standards and documentation system for the new version of the ISO 45001:2018 standard.

Farasis Energy's Safety Production Management Committee with 71 members is a decision-making body for work and production safety under the leadership of the company president. It implements comprehensive leadership, management, and supervision of the safety production of the company's affiliated units through various functional departments.

Ganzhou and Zhenjiang manufacturing sites established Safety Production Management Committees and EHS management departments as well as full-time safety management personnel, responsible for production safety, environmental management, occupational health, and fire safety. The site Safety Production Management Committee consists of the heads of site departments and coordinates the health and safety efforts at each site.



Safety Management Organizational Structure

Hazard Identification and Risk Evaluation

- The EHS department of Farasis Energy organizes at least one hazard identification every year, carries out risk evaluation, formulates control measures and programs for the risk items, and follows up the implementation of the control measures and programs;
- We sign a safety duty system document for all employees at the beginning of each year and urges each department to implement the safety responsibility. In 2023, 100% of sites adopted employee health and safety risk assessments.¹

Objectives & Compliance Programs

- We review the target indicators at the beginning of each year, revises and releases new EHS management objectives, updates the target indicators for safety and environmental accidents, organize the annual work safety summary meeting for managerial employees and above, and sign the Commitment to Work Safety Responsibility on the spot;
- Every new employee must receive training on the all-staff work safety responsibility system and sign the Commitment to Work Safety Responsibility.

Operation Control

- Site employees conduct management activities in an orderly manner according to Farasis Energy's rules and regulations, and implements operation approvals following the process, with special operations being licensed and special equipment annual inspection qualified;
- We strictly control 8 major hazardous operations such as fire operation, limited space operation, work at height, and hoisting operation in the factory, perform the application of hazardous operation permit tickets in advance, set up special guardians on the spot, and implements safety control measures;
- External construction personnel may not enter the plant area without examination and approval of the *Notification of Safety Risks*, the safety training records, and the *Safety Agreement with Outsourced Company* that have been signed or affixed with a seal.

Hazard Identification and Improvement

- We established a hazard identification and management system to carry out daily inspections, monthly inspections, and special safety inspections;
- We established an improvement and continuous improvement mechanism and organized to rectify promptly the problems found in internal inspections, external inspections, internal audits, management reviews, and evaluations.

¹ The activated factories conducted risk assessments for hazard identification, including Farasis Energy (Ganzhou) Co., Ltd., and Farasis Energy (Zhenjiang) Co., Ltd., excluding companies in the process of engineering construction and installation of equipment in the factory due to the lack of production and operation.

Ganzhou and Zhenjiang sites set up annual safety and health targets, and Farasis Energy organizes an annual review of their target indicators, and revises and releases new annual health and safety management targets.

Achievement of Targets for 2023



Safety Accident Emergency System

Farasis Energy established accident emergency plans and disposal programs such as the *On-Site Disposal Program for Exceeded NMP Exhaust Concentrations*, the *Critical Incident Management Program for the Cell Production Department*, and the accident disposal and management systems such as the *Safety Accident Management Regulations (including Work-related Injuries or Sudden Illnesses)*, the *Safety Accident Disposal and Emergency Liaison Chart*, and the *Control Procedures for Nonconformity, Accident Investigation, Reporting and Handling*.



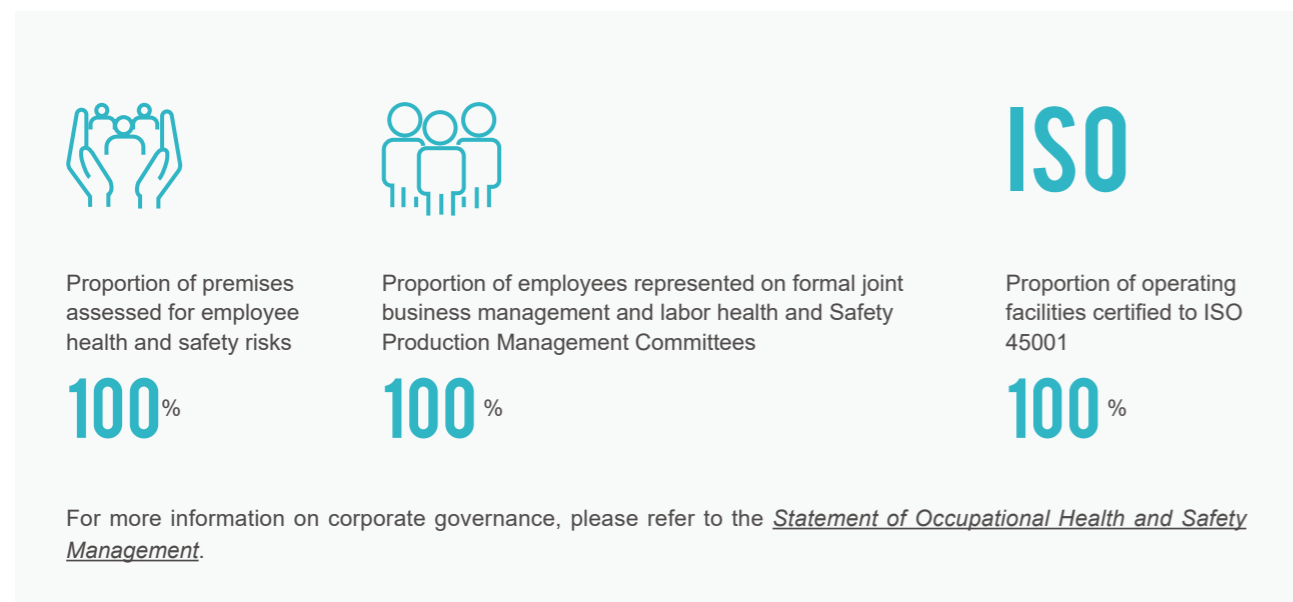
Occupational Health Management

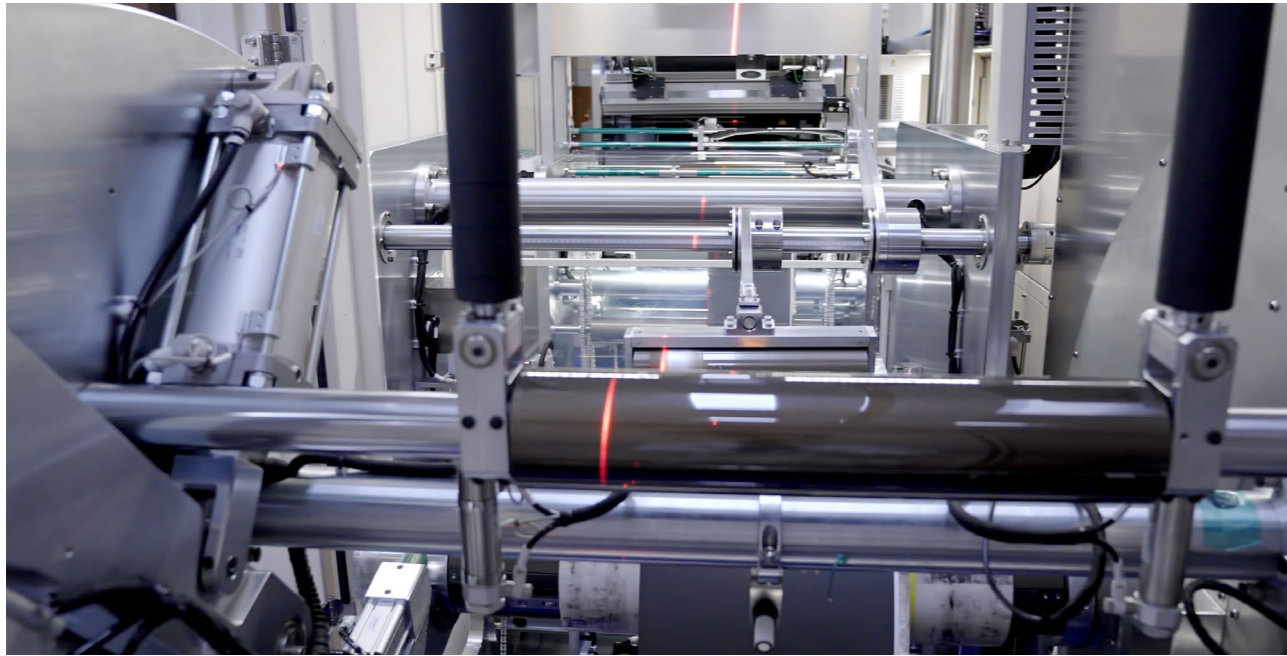
Farasis Energy formulates occupational health management systems such as the *Responsibility System for Prevention and Control of Occupational Disease Hazards*, the *Occupational Disease Hazard Warning and Notification System*, and the *Occupational Disease Hazard Emergency Rescue and Management System*, informs employees of occupational disease hazards arising in their work according to the law, and signs a *Letter of Informatization of Occupational Disease Hazard Factors* with employees.

Farasis Energy strictly implements the “simultaneous design, construction and operation” of occupational health protection facilities, monitors and tests occupational disease hazards, conducts occupational health checkups before, during, and after employment, establishes and improves employees’ occupational health guardianship files, and regularly updates the declaration of occupational disease hazards to ensure their occupational health.

All sites complete the “simultaneous design, construction and operation” of pre-evaluation of occupational health, design of protection facilities, and evaluation of control effects of construction projects, as well as the testing and evaluation of occupational disease hazards as required, and organize occupational health checkups for employees in corresponding positions before, during and after their employment.

Farasis Energy conducts pre-employment occupational health checkups for new employees to be hired, employees transferring to be exposed to occupational disease hazards, and employees to be engaged in jobs with special health requirements. The EHS Management Department of the production sites formulates an implementation plan for occupational health checkups based on the occupational disease hazards to which employees are exposed and regularly arranges occupational health checkups.

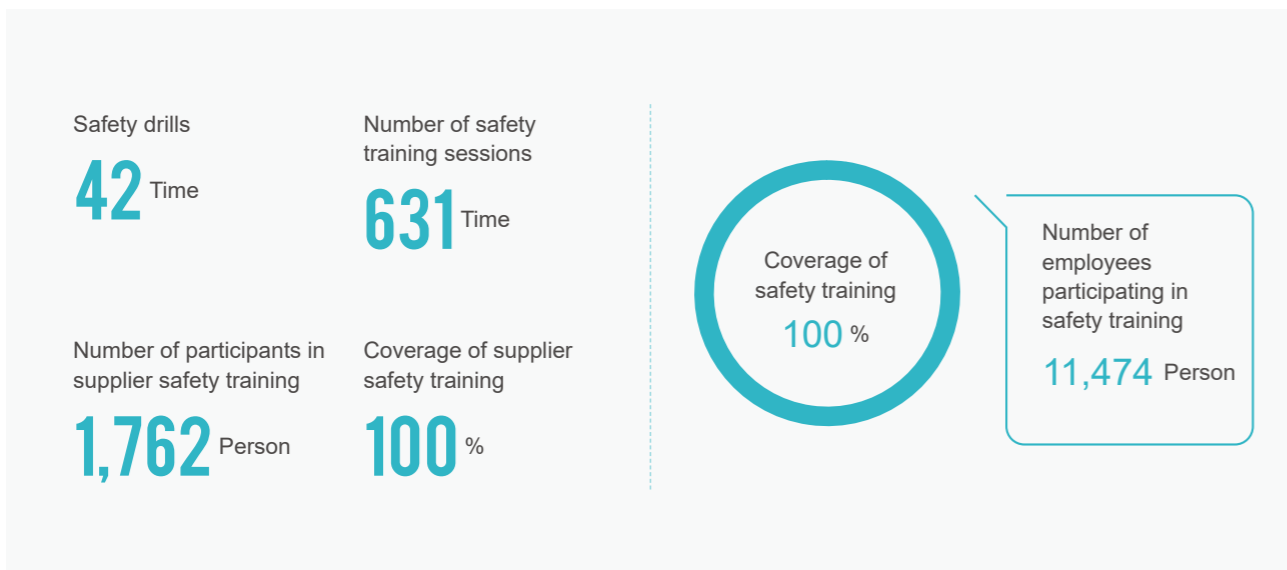




Safety Training and Cultural Promotion and Implementation

Farasis Energy develops an annual safety training plan every year and carries out three-level safety education and trainings for new employees. Each department develops departmental annual training plan and organizes its implementation.

Farasis Energy rigorously implements a three-level work safety education and training mechanism, which requires all newcomers (including dispatched workers and interns) to accept safety training at plant level, workshop level and shift level and master essential safety knowledge and skills before starting work. Farasis Energy regularly conducts knowledge and hands-on training for fire protection, occupational health and safety training, and special equipment safety training.



Case

Health and Safety Culture Promotion and Implementation

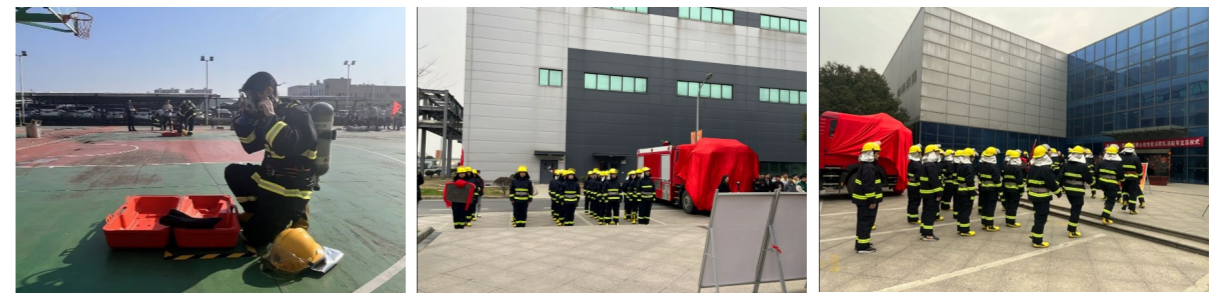
The week from April 25th 2023 to May 1st 2023 was the 21st national educational event for the *Law on the Prevention and Control of Occupational Diseases*, with the theme "Improvement of the Working Environment and Conditions to Protect Employees' Physical and Mental Health". Ganzhou site carries out promotions on chronic diseases and occupational health, health clinic, and etc., posts the results of occupational disease hazards testing on the site, conducts special inspection of occupational health, replaces any damaged occupational hazards warning cards on site, and proceeds noise testing in hazardous places, to enhance the awareness of occupational health protection of the site's employees and the management level.

June 2023 was the 22nd national Safe Production Month themed "Everyone Concerns about Safety & Responds to Emergencies". Ganzhou site organized the promotion of the Work Safety Law, knowledge training, and award-winning safety knowledge WeChat quiz. Zhenjiang site EHS organized the promotion and application of the "Comprehensive Fire Safety Learning Platform", and the activities of "Interesting Quiz on Safety Knowledge" and "Finding Mistakes Together" to enhance the safety awareness of employees.

In September 2023, Ganzhou site carried out the Ankang Cup Knowledge Contest, adopting the system of the online preliminary round and offline quarter-final, with the enthusiastic participation of all departments, achieving success.



November 9th, 2023 was the 32nd National Fire Prevention Day themed "Prevention First & Life First", Ganzhou site carried out the "Fire Prevention Competition", concerning how to wear fire-resistant combat suits and positive-pressure air breathing apparatuses, smoke masks and how to use carbon dioxide fire extinguishers and fire hose connections. Zhenjiang site posted promotional banners throughout the plant and organized the First Forklift 6S Contest on November 23rd, to improve the safety and stability sense of forklift drivers, enhance the performance and capacity of forklift trucks, strengthen the awareness of safe driving, and improve the standard of work performed by employees.



Practicing Employer's Humanistic Care

Welfare Guarantee for All Employees

Farasis Energy built a robust welfare system covering all employees, balancing their work and life, and practicing the spirit of "Care and Concern" for employees.

- Health care

Farasis Energy set up the Employee Care Committee to organize free medical check-up services for employees regularly, established the *Employee Care Construction Program* and the *Employee Care Plan* as mostly concerned by employees, which includes 98 measures covering employee welfare, remuneration, infrastructure and corporate culture, and promoted the "We Care" program.
- Basic benefits

Farasis Energy provides comprehensive social insurance, including pension, medical care, unemployment, occupational injury, and maternity insurance, and improves the medical insurance system to establish a multi-level medical insurance system. Farasis Energy has purchased employee commercial insurance benefits since October 2022 and renewed them in 2023, covering additional benefits such as accidental injury insurance, sudden illness, critical illness, outpatient and hospitalization.
- Statutory holidays

Farasis Energy guarantees employees' statutory holidays, including paid annual leave, marriage leave, maternity leave, parental leave, breastfeeding leave, and etc. If the child is under 3 years old, the parents have 10 days of parental leave per year each based on a medical certificate of birth or a household register.
- Employee life

Farasis Energy provides employees with accommodation, meals, shuttle bus, holiday benefits, and irregular working hours for non-production operation employees to flexibly arrange the balance of life and work. The Administration Department uniformly and standardly manages employee dormitory to ensure standardized use of electricity, orderliness, and harmonious roommate relationships.
- Employee activities

Farasis Energy organizes colorful employee activities, such as team building, fun sports, family day, birthday party, and etc.

Employee Supports

Farasis Energy's Labor Union regularly helps employees in need, offers educational assistance to employees' children, and sets up a charity fund to respond to emergencies, medical assistance, or family difficulties. Following the principle of helping people in urgency rather than people in poverty, the charity fund sent approximately CNY 150,000 of charity money to more than 20 families in 2023.

The Labor Union regularly updated "Accurate Documentation of Employees in Need", and solved their practical problems, which enhanced their sense of belonging to Farasis Energy and made them feel happier at work and in everyday life.



Sending Warmth to Employees in Need

Advocate work-life balance

Farasis Energy integrated competition, corporate culture and cooperation with fun sports games as the carrier to create a sports event, enhance the sense of belonging of employees to Farasis Energy, enrich employees' cultural life in their spare time, stimulate the enthusiasm of the team, release the pressure of work, and cultivate their sense of competitiveness.



The First National Fitness Games in Ganzhou Economic and Technological Development Zone

06

Benefiting Society Through Kindness and Actions

Community Charity

Employee Volunteering

Our Progress:

Farasis Energy actively fulfills its social responsibility and enthusiastically participates in public welfare undertakings. In 2023, our visits to poverty families of women with "two cancers", holiday visits to elderly citizens who're living alone, care for left-behind children, care on "June 1" International Children's Day, Student Assistance Activity in Sanjiang Township, purchase of poverty relief products, and support for employees in need, and etc., won positive and reputable social and public comments.

Our Performance:

- The total amount of donations and materials for the year was about CNY 1,784,800;
- The employment assistance workshops of us helped 12 needy families, offering 12 jobs, and donated materials worth more than CNY 1.29 million (including salary, benefits, insurance, and etc.);
- Farasis Energy organized the activity "Bringing Love Home - Warming Children to Protect Their Growth", sending warmth and Spring Festival souvenirs to 25 children and families;
- Farasis Energy was honored as "The Fourth among Leading Private Enterprises in Fulfillment of Corporate Social Responsibilities in Jiangxi Province" at the conference of the Top 100 Private Enterprises in Jiangxi in 2023.

Community Charity

In 2023, Farasis Energy kept in mind its social responsibilities and obligations, vigorously promoted the voluntary spirit of dedication, love, mutual assistance, and progress, and actively participated in public welfare activities while expanding its scale.

Rural Revitalization

In 2023, Farasis Energy specially purchased farm products as welfare for the Spring Festival, totaling more than CNY **300,000** to win the "Anti-poverty War" for the realization of rural revitalization.

In August 2023, Farasis Energy carried out activities to purchase CNY **40,000** of watermelons from Gansu farmers to solve the problem of unsalable agricultural products.

In December 2023, Farasis Energy purchased **750** kilograms of navel oranges amounting to CNY 5,250 to effectively help the fruit farmers as per the call of the district party committee and the district government.

The employment assistance workshops of Farasis Energy helped **12** needy families, offering **12** jobs, and donated materials worth more than CNY **1.29** million (including salary, benefits, insurance, etc.) by the end of 2023.



Employment Assistance Workshop display board at Farasis Energy

Caring for Left-behind Children

In January 2023, the Labor Union and Women's Committee of Farasis Energy organized the series activities "Sending Warmth - Voluntary Care Warms Winter Tour", and the "Bringing Love Home - Warming Children to Protect Their Growth" at the "Children's Love Harbor" in Xiejiao Village, Sanjiang Town, Ganzhou Economic and Technological Development Zone to send warmth and Spring Festival souvenirs to 25 children and families.



On June 1st, 2023, International Children's Day, Farasis Energy's volunteers went to Xiangjiang Road Primary School in Ganzhou City to offer their best wishes and present the exclusive customized gift boxes.

Support Education

On August 31st, 2023, Sanjiang Town held the 2023 Caring Scholarships and Student Grants Conference, inviting Farasis Energy to attend and speak as a representative of the caring enterprises that support education. Since the establishment of the Ganzhou Economic and Technological Development Zone Sanjiang Town Education Assistance Association in 2022, Farasis Energy has been donating to Sanjiang Town for two consecutive years, with a cumulative total of CNY 97,400.

Employee Volunteering

In 2023, Farasis Energy organized 9 volunteer activities. In January 2023, Farasis Energy's employee volunteers visited 19 low-income and disadvantaged families of women with "two cancers" in Xiejiao Village, Sanjiang Town, Ganzhou Economic Development Zone, and sent their New Year's blessings and love to them. Farasis Energy's two volunteer teams in Ganzhou and Zhenjiang went to the Zhen'ai Retirement Center and Xingrui Home Care Service Center to send good wishes and greetings for the Spring Festival.



On the occasion of the Dragon Boat Festival in 2023, the Ganzhou volunteer team of Farasis Energy went to Zhen'ai Retirement Center and sent good wishes and gifts for the festival to elderly citizens who lived alone and the Center's working staffs.



Volunteer activities

9 Session



Number of volunteers participating in the activities

72 Person times

Appendix

ESG Performance Table

Governance and Economic Performance

Business performance				
Indicator	Unit	2021	2022	2023
Social contribution per share ¹	/	-	0.34	-0.19
Operating income	CNY 100 million	35.00	115.88	164.36
Annual tax	CNY 100 million	0.38	0.69	0.71
Operating cost	CNY 100 million	36.17	107.18	153.11
Total assets	CNY 100 million	209.37	321.27	301.47

Litigation and violations				
Indicator	Unit	2021	2022	2023
Number of corruption lawsuits initiated and concluded against the company	No.	0	0	0
Number of corruption lawsuits initiated and concluded against the employees	No.	0	0	0
Number of reports generated by anti-corruption reporting procedures	No.	0	0	1
Number of internally recognized corruptions	No.	0	0	1
Cases related to antitrust/anti-competition	No.	0	0	0
Cases related to discrimination or harassment	No.	0	0	0
Cases related to insider trading	No.	0	0	0
Cases related to conflicts of interest	No.	0	0	0

¹ Social contribution per share = earnings per share + (total tax + employee expenses + interest expenditure + public welfare input - social cost) ÷ Total capital stock at the end of the period

Compliance training				
Indicator	Unit	2021	2022	2023
Proportion of operation premises subject to corruption risk assessment	%	100	100	100
Proportion of operation premises subject to internal audits on business ethics issues	%	100	100	100
Total number of anti-corruption and anti-bribery training for directors and officers	Time	12	11	14
Total number of anti-corruption and anti-bribery training for general employees	Time	12	11	14
Total number of employees participating in anti-corruption and anti-bribery training	Person	3,039	6,114	5,811
Proportion of employees participating in anti-corruption and anti-bribery training ¹	%	63.78	85.96	88.68
Proportion of suppliers and contractors participating in anti-corruption and anti-bribery training	%	100	100	100

Board of Directors				
Indicator	Unit	2021	2022	2023
Number of Board of Directors held	Time	14	20	17
Number of shareholders' meetings held	Time	4	5	3
Number of Board of Supervisors held	Time	12	17	12
Number of directors	Person	11	11	11

By independence				
Number of independent directors	Person	4	4	4
Number of non-independent directors	Person	7	7	7

By gender				
Number of male directors	Person	8	11	11
Number of female directors	Person	3	0	0

Professional backgrounds of independent directors				
Number of independent directors with an industry background	Person	0	1	2
Number of independent directors with a professional background in risk management	Person	3	3	3
Number of independent directors with a background in accounting or finance	Person	2	2	2

Others				
Average attendance of the Board meetings	%	100	100	100
Proportion of the minimum number of meetings required to be attended by members of the Board of Directors of the number of meetings held during the year	%	100	100	100
Restrictions on the number of independent/non-executive directors holding concurrent positions in domestic listed companies	No.	5	5	3

¹ Due to the presence of shift workers at the production and operation sites, the implementation and organization of integrity compliance training cannot ensure that all employees are fully covered.

Environmental Performance¹

Environmental indicators

Indicator	Unit	2021	2022	2023
Taxes and fees related to environmental protection ²	CNY	715,000.00	86,400.00	92,910.00
Environmental pollution incidents	No.	0	0	0
Environmental investment ³	CNY 10,000	90.33	374.09	382.73
Investment in energy-saving renovation projects	CNY 10,000	-	801.6	451.07

Greenhouse Gas Emissions⁴

Indicator	Unit	2021	2022	2023
Total emissions of greenhouse gas (Scopes 1 and 2)	tCO ₂ e	256,292.17	424,786.38	371,657.34
Total emissions of Scope 1 greenhouse gas	tCO ₂ e	28,242.50	6,280.48	4,328.28
Total emissions of Scope 2 greenhouse gas	tCO ₂ e	228,049.67	418,505.90	367,329.06
Total emissions of Scope 3 greenhouse gas	tCO ₂ e	455,577.62	874,815.60	987,510.47
Greenhouse gas emission intensity ⁵	tCO ₂ e/CNY 1 million of operating income	73.22	36.66	22.61

Emissions and waste

Indicator	Unit	2021	2022	2023
Waste				
Total general waste	Tonne	9,701.19	10,370.08	7,922.69
General waste intensity	Tonne/per CNY 1 million of operating income	2.77	0.89	0.48
Total hazardous waste	Tonne	111.18	500.70	715.91
Waste electrolyte	Tonne	9.57	32.98	35.95

Emissions and waste

Indicator	Unit	2021	2022	2023
Waste engine oil	Tonne	1.16	2.00	9.33
Refrigerating fluid	Tonne	0.42	0.51	0.08
Discarded package	Tonne	7.70	194.67	186.87
Waste curing agent	Tonne	0	0.16	5.51
Residual slurries	Tonne	76.74	255.60	210.93
Waste alcohol	Tonne	2.00	13.30	6.45
Spent activated carbon	Tonne	0	0.32	2.23
Waste filters	Tonne	0	0.40	0.40
Wastewater treatment sludge	Tonne	0.00	0.00	106.50
Waste glues	Tonne	13.54	0.68	151.58
Waste organic solvent	Tonne	0.05	0.09	0.07
Hazardous waste intensity	Tonne/per CNY 1 million of operating income	0.03	0.04	0.04
Wastewater				
Total wastewater discharge ¹	Tonne	632,496.00	776,113.00	279,046.00
Wastewater discharge intensity	Tonne/per CNY 1 million of operating income	180.71	66.98	16.98
Waste gas				
Total waste gas emissions ²	10,000 m ³	74,841.62	73,709.92	85,717.35
Volatile organic compounds (VOCs) emissions	Kilogram	2,197.66	927.60	1,342.60
Nitrogen oxides (NO _x)	Kilogram	3,276.00	-	104.60
Particulate matters (PM)	Kilogram	149.76	-	104.00
Sulfur oxides (SO _x) ³	Kilogram	0	-	793.10
Waste gas emission intensity	10,000 m ³ /CNY 1 million of operating income	21.38	6.36	5.22

¹ Unless otherwise stated, the statistical scope of environmental performance data is Farasis Energy's two major sites in Ganzhou and Zhenjiang.

² 2021 and 2022 data are for the Zhenjiang site, and 2023 data for both the Ganzhou and Zhenjiang sites.

³ During the reporting period, we checked the data of previous years retrospectively and revised the data of "investment in environmental protection" for 2022 (original data: CNY 3.816 million) disclosed in the 2022 *Environmental, Social and Governance (ESG) Report*. Farasis Energy investment in environmental protection mainly includes hazardous waste treatment, hazardous waste appraisal, hazardous waste warehouse expansion and renovation, environmental testing, radiation monitoring, etc.

⁴ The 2021 Scope 3 total greenhouse gas emissions data are derived from internal estimates, and therefore the carbon sources identified in the carbon inventory, and even the raw data obtained, are incomplete. 2022 and 2023 data are derived from ISO14064 verified certification data.

⁵ Emission intensity of greenhouse gas = Total emissions of greenhouse gas ÷ CNY 1 million of operating income.

¹ During the reporting period, we checked the data of previous years retrospectively and revised the data of "total discharge of wastewater" for 2021 and 2022 (original data: 635,796 tonnes and 843,763 tonnes) disclosed in the 2022 *Environmental, Social and Governance (ESG) Report*, and revised simultaneously the data of "wastewater discharge density" for 2021 and 2022.

² During the reporting period, we checked the data of previous years retrospectively, with data from Ganzhou and Zhenjiang sites being calculated by the actual measurement method, and revised the data of "total emissions of waste gas" for 2022 (original data: 214,147,200 m³) disclosed in the 2022 *Environmental, Social and Governance (ESG) Report*, and revised simultaneously the data of "waste gas emission density" 2022.

³ We regularly test pollutant emissions, and no sulfur oxides (SO_x) were detected at Zhenjiang site in 2021, and no related pollutants were generated in 2022 due to boiler shutdown. The Ganzhou site did not produce nitrogen oxides (NO_x), particulate emissions (PM), or sulfur oxides (SO_x) from 2021 to 2023.

Energy Management

Indicator	Unit	2021	2022	2023
Total energy consumption ¹	tce	58,412	102,882	93,987
Energy consumption intensity ²	tce/CNY 1 million of operating income	16.69	8.88	5.72
Proportion of renewable electricity usage	%	22.0	27.0	58.0

Water Resources Management

Indicator	Unit	2021	2022	2023
Water consumption ³	Tonne	1,654,218.50	2,388,865.80	2,032,662.75
Water consumption intensity	Tonne/per CNY 1 million of operating income	472.62	206.15	123.67
Total consumption of recycled water ⁴	Tonne	498,249.50	737,501.80	611,234.60

Packaging materials⁵

Indicator	Unit	2021	2022	2023
Ganzhou Site				
Carton used	No.	41,474	58,611	42,966
Recyclable packaging used	Set	17,018	53,709	56,408
Proportion of recyclable packaging used ⁶	%	29.09	47.82	56.76
Zhenjiang Site				
Carton	No.	8,492	40,800	570,868
Wooden crate	No.	1,251	21,813	43,577
Recyclable packaging used	No.	12,540	33,821	14,471
Proportion of recyclable packaging used ⁷	%	56.28	35.07	2.30

¹ The total energy consumption accounting method is mainly based on General Rules for Calculation of the *Comprehensive Energy Consumption (GB/T 2589-2020)* with all data calibers include electricity, steam, natural gas equivalent discounts, and photovoltaic discounts of 0.

² Energy consumption intensity = Total energy consumption ÷ CNY 1 million of operating income

³ During the reporting period, we checked the data of previous years retrospectively and revised the data of "total water consumption" for 2021 and 2022 (original data: 1,063,482 tonnes and 1,994,922 tonnes) disclosed in the *2022 Environmental, Social and Governance (ESG) Report*, adjusted the name to "water consumption" and revised simultaneously the data of "water consumption density" for 2021 and 2022.

⁴ During the reporting period, we checked the data of previous years retrospectively and revised the data of "total consumption of recycled water" for 2021 and 2022 (original data: 472,621 tonnes and 595,969 tonnes) disclosed in the *2022 Environmental, Social and Governance (ESG) Report*.

⁵ Packaging material data comes from the incoming volume of Ganzhou and Zhenjiang site. The recyclable packaging at Ganzhou site consists of material racks, while that of Zhenjiang site consists of material racks, plastic boxes, and pallet collars. Zhenjiang site increased the use of small packaging with export volume in 2023, replacing the original large packaging and leading to an increased carton packaging and decreased proportion of recyclable packaging consumed. During the reporting period, we checked the data of previous years retrospectively and revised the data of "carton used" "Recyclable packaging used" and "proportion of recyclable packaging used" at Ganzhou site for 2022 (original data: 55,263 pieces, 45,517 sets and 45.2%) disclosed in the *2022 Environmental, Social and Governance (ESG) Report*.

⁶ Rate of recyclable packaging consumed at Ganzhou site = recyclable packaging consumed ÷ (consumption of recyclable packaging + paper box consumed)

⁷ Rate of recyclable packaging consumed at Zhenjiang site = recyclable packaging consumed ÷ (paper box + wooden box + consumption of recyclable packaging)

Social Performance

Employee Portrait

Indicator	Unit	2021	2022	2023
Total number of employees ¹	Person	4,765	7,113	6,554
By gender				
Male	Person	3,430	5,016	4,762
Female	Person	1,335	2,097	1,792
By region				
Chinese mainland	Person	4,622	6,943	6,376
Hong Kong, Macao and Taiwan	Person	2	2	1
Overseas	Person	141	168	177
By level				
Management ²	Person	414	433	641
Non-management	Person	4,351	6,680	5,913
By age				
≤30	Person	2,230	3,230	2,889
31-40	Person	2,104	3,200	3,003
41-50	Person	381	599	590
>50	Person	50	84	72
By academic qualifications				
Doctoral and above	Person	39	41	38
Master	Person	267	315	293
Bachelor	Person	1,160	1,451	1,539
Others	Person	3,299	5,306	4,684
By post				
Management ³	Person	541	617	600
R&D	Person	1,160	1,433	1,483
Production	Person	2,886	4,882	4,332
Sales	Person	178	181	139

¹ The total number of employees includes full-time equivalents within and outside of China.

² The "management" in the ESG Performance Table refers to employees who are at the manager level and above.

³ A manager is an employee in the "managerial queue".

Diversity and Inclusion

Indicator	Unit	2021	2022	2023
Proportion of females in management positions (Manager level and above)	%	12.56	13.69	13.26
Proportion of females in junior management positions (Supervisory level and above)	%	19.87	19.21	17.48
Proportion of females in senior management positions (Statutory senior managers)	%	20.00	20.00	20.00
Proportion of females in R&D positions	%	14.64	16.84	15.49
Proportion of employees from ethnic minorities or disadvantaged groups	%	-	3.56	3.05
Number of employees with disabilities	Person	39	66	50

Occupational health and safety

Indicator	Unit	2021	2022	2023
Health and Safety				
Lost-time injury rate ¹	-	0.74	0.91	0.88
Number of work-related accidents	No.	8	15	13
Number of recordable work-related injuries ²	Person	8	15	13
Number of work-related deaths	Person	0	0	0
Total number of hours lost due to work-related injuries ³	Hour	2,411.00	7,342.50	1,507.50
Safety drills ⁴	Time	28	46	42
Number of safety training sessions	Time	448	483	631
Number of employees participating in safety training	Person times	16,626	17,690	11,474
Coverage of safety training	%	100	100	100
Proportion of premises assessed for employee health and safety risks	%	100	100	100
Proportion of employees represented on formal joint business management and labor health and Safety Production Management Committees	%	100	100	100
Proportion of operating facilities certified to ISO 45001	%	100	100	100

¹ Lost-time accident rate = lost-time injuries ÷ total hours worked × 1,000,000

² During the reporting period, Farasis Energy traced and checked the data of previous years, and the work-related accidents did not cover traffic accidents on the way to and from work, and revised the "recordable work-related injuries" data in 2021 and 2022 (the original data were 11 and 14 respectively) disclosed in the 2022 Environmental, Social and Governance (ESG) Report.

³ During the reporting period, Farasis Energy traced and checked the data of previous years, and the work-related accidents did not cover traffic accidents on the way to and from work, and revised the data of "total working hours lost due to work-related injuries" in 2021 and 2022 (the original data were 3,824 hours and 2,808 hours, respectively) disclosed in the 2022 Environmental, Social and Governance (ESG) Report.

⁴ During the reporting period, we checked the data of previous years retrospectively and revised the data of "safety drills" for 2022 (original data: 49 times) disclosed in the 2022 Environmental, Social and Governance (ESG) Report.

⁵ The scope of data statistics in 2021 is the Ganzhou site, and the safety training data of some suppliers cannot be traced. The scope of data statistics in 2022 and 2023 is the two sites in Ganzhou and Zhenjiang.

Occupational health and safety

Indicator	Unit	2021	2022	2023
Third-party Health and safety				
Lost-time injury rate	-	0	0	0
Total number of lost-time accidents	No.	0	0	0
Number of recordable work-related injuries	Person	0	0	0
Number of work-related deaths	Person	0	0	0
Number of participants in supplier safety training ⁵	Person	29	1,404	1,762
Coverage of supplier safety training	%	100	100	100

Employee Recruitment

Indicator	Unit	2021	2022	2023
Annual new recruits	Person	2,294	5,413	5,724
By gender				
Number of new male employees	Person	1,629	3,848	4,306
Number of new female employees	Person	665	1,565	1,418
By age				
Number of new employees aged ≤30	Person	1,214	3,552	3,728
Number of new employees aged 31-40	Person	951	1,733	1,824
Number of new employees aged 41-50	Person	123	121	142
Number of new employees aged >50	Person	6	7	30
By type				
Social recruitment	Person	2,233	5,272	5,599
Campus recruitment	Person	61	141	125
By level				
White collar	Person	283	181	176
General employees	Person	774	1,445	3,002
Number of internal referral ¹	Person	1,057	1,626	466
Cost of hiring new employees	CNY	3,922,459.53	1,465,796.72	1,550,013.01
Average recruitment cost ²	CNY	2,901.23	1,174.52	1,052.37

¹ A decrease in the number of blue-collar internal referrals at Zhenjiang site leads to a decrease in total data for 2023.

² Average recruitment cost = total annual recruitment cost ÷ cumulative annual number of recruits.

Vocational or skill-related training

Indicator	Unit	2021	2022	2023
Total training hours of all employees	Hour	-	61,503	73,999
Average training hours ³	Hour	-	7.12	11.29
By gender				
Average training hours for male employees	Hour	-	7.37	11.94
Average training hours for female employees	Hour	-	6.50	9.57
By level				
Average training hours for management	Hour	-	6.88	10.96
Average training hours for general employees	Hour	-	7.15	11.33
Annual employee training coverage ⁴	%	-	89.41	53.27
By gender				
Coverage of male employees	%	-	89.72	54.20
Coverage of female employees	%	-	88.67	50.78
By level				
Coverage of management	%	-	98.12	68.49
Coverage of general employees	%	-	88.33	51.62
Average amount spent on training and development of full-time employees	CNY	-	138.15	193.82

Protection of Employees' Rights and Interests

Indicator	Unit	2021	2022	2023
Employee satisfaction/ engagement survey results	%	80.12	77.40	81.80
Employee satisfaction/ engagement survey coverage	%	100	100	100
Signing rate of labor contracts	%	100	100	100

³ Average training hours for employees = total training hours ÷ total number of employees; average training hours for employees by type = total training hours for employees in that type ÷ total number of employees in that type, the same below. At the end of 2022, we carried out a trial run of digital transformation of our training work, synchronized with the digital transformation of training data and the digital transformation of training forms, with incomplete statistics of some data during the trial run, and the training budget tilted towards digital transformation projects. After the trial operation in 2023, the digital transformation of training work was basically completed, and it is expected that there will be a significant shift and improvement in the number of hours of employee training in the year 2024.

⁴ Annual employee training coverage = number of employees who participated in training and were on duty during the year ÷ total number of employees; Annual employee training coverage by type = number of employees in that type who participated in training and were on duty during the year ÷ total number of employees in that type, the same below. During the reporting period, Farasis Energy's cost reduction and resource investment priorities resulted in a decrease in training coverage in 2023. As the company's digital training platform has not yet been fully and officially launched, some of the actual training that has been carried out and offline training can not be included in the statistics.

Protection of Employees' Rights and Interests

Indicator	Unit	2021	2022	2023
Coverage of social insurance	%	100	100	100
Coverage rate of occupational health check-up	%	100	100	100
Number of labor disputes	No.	-	4	5

Labor Union Management

Indicator	Unit	2021	2022	2023
Proportion of employees covered by formal collective agreements on working conditions	%	100	100	100
Proportion of employees covered by duly elected employee representatives	%	100	100	100
Proportion of employees covered by Labor Union or collective bargaining agreements in Ganzhou Site	%	100	100	100

Performance and Remuneration

Indicator	Unit	2021	2022	2023
Annual evaluation rate of individual performance	%	100	100	100
Performance bonus system coverage	%	80.12	77.4	100
Performance equity system coverage	%	12.11	7.04	6.82
Performance pay system coverage	%	100	100	100
Total employee-related costs (salaries + benefits) ¹	CNY	768,798,280.07	1,183,257,464.27	1,220,790,737.64

Party Building

Indicator	Unit	2021	2022	2023
Number of general Party branch(es)	No.	1	1	1
Number of Party branches	No.	2	2	4
Number of Party members of the year	Person	59	99	99
Number of new members of the year	Person	26	40	30
Number of Party member activities	Time	14	20	23
Number of people covered by Party member activities	Person times	53	86	93

¹ The statistics come from the salary, bonus, welfare, social insurance and provident fund of all employees.

Supplier Management

Indicator	Unit	2021	2022	2023
Number of suppliers ¹	No.	269	244	282
By region				
Northeast China	No.	4	3	4
North China	No.	7	8	10
East China	No.	142	124	143
South China	No.	97	90	103
Southwest China	No.	3	4	5
Central China	No.	12	13	15
Northwest China	No.	1	0	0
Hong Kong, Macao, and Taiwan of China	No.	0	0	0
Overseas ²	No.	3	2	2
Proportion of targeted suppliers signing Supplier Code of Conduct ³	%	-	-	100
Proportion of target suppliers assessed for corporate social responsibility	%	-	100	100
Proportion of purchasers trained in sustainable procurement	%	-	100	100
Proportion of audited/assessed suppliers involved in improvement actions or capacity development	%	-	100	100
Number of due diligence audits for mineral supply chain	No.	-	10	19
Total number of key suppliers ⁴	No.	223	213	226
Total number of Tier 1 suppliers ⁵	No.	248	217	245
Total number of key Tier 1 suppliers ⁶	No.	223	213	226

¹ The scope of suppliers is primarily material suppliers and suppliers with purchases greater than 10 million CNY, such as equipment and MRO, excluding logistics and professional services.

² Overseas suppliers are not included in the statistics of Voron Technology's overseas entities, such as FEE, FEU and SIRO.

³ Target suppliers are those based on internal supplier development and procurement control procedures.

⁴ Key suppliers are the Company's Class A material suppliers and high-volume/non-replaceable suppliers in Class B/C.

⁵ Tier 1 suppliers are suppliers who directly supply products or services to the company.

⁶ Key Tier 1 suppliers are those key suppliers that supply directly to the company.

Supplier Management

Indicator	Unit	2021	2022	2023
Proportion of key Tier 1 supplier purchases to total procurement expenditure ¹	%	70.41	98.40	84.05
number of suppliers that have undergone an ESG risk assessment in the past 3 years	No.	-	10	26
Number of Tier 1 suppliers that have undergone an ESG risk assessment in the past 3 years	No.	-	4	9
Number of key non-Tier 1 suppliers that have undergone an ESG risk assessment in the past 3 years	No.	-	6	17
Number of suppliers classified as high ESG risk	No.	0	0	0

Scientific and professional competence

Indicator	Unit	2021	2022	2023
Cumulative granted patents	No.	157	213	293
Cumulative patent applications	No.	267	330	485
Annual granted patents	No.	37	56	80
Annual patents applications	No.	54	81	155
R&D investment	CNY 100 million	5.41	5.98	7.49
Increase in R&D expenses	%	45.62	10.51	25.25
R&D expenses of total operating revenue ²	%	15.46	5.16	4.56
Number of core technician	Person	6	11	11
Average number of years for launching all new products ³	Year	1.17	0.83	1.33
Module process innovation project to reduce costs	CNY	66,117,000	5,972,760	65,708,000

Customer Base Size and Service⁴

Indicator	Unit	2021	2022	2023
Total customer complaints ⁵	No.	-	747	987
Number of complaints closed	No.	-	736	946
Closure rate of customer complaints ⁶	%	-	98.53	95.85

¹ Proportion of purchases from key Tier 1 suppliers in total procurement expenditure = annual purchases from key Tier 1 suppliers for material procurement ÷ total annual purchases within the scope of supplier data statistics.

² The share of R&D expenses was diluted as shipments led to a significant increase in the Group's revenue.

³ The company counts the projects N that are closed each year, and calculates the time T1, T2...SOP for each project, and the average value is (T1+T2+...+TN)/N.

⁴ The scope of data statistics is the company's two sites in Ganzhou and Zhenjiang. During the reporting period, we checked the data of previous years retrospectively and revised the data of "total numbers of customer complaints" and "customer complaint closure rate" for 2022 (original data: 779 cases and 97%) disclosed in the 2022 Environmental, Social and Governance (ESG) Report.

⁵ The statistics of total customer complaints come from the number of projects initiated by customer complaints.

⁶ Customer complaints closure rate = number of closures for the year ÷ total number of complaints. Unclosed complaints from the U.S. and European customers concern the cycle of returning defective products to the selling country, which affects the progress of problem analysis.

Information Security

Indicator	Unit	2021	2022	2023
Proportion of sites with TISAX AL2 certification	%	100	100	100
Information security incidents occurred	No.	30	24	4
Number of attacks defended	Time	47,561,101	79,268,502	26,843,751
Protection rate	%	99.99	99.995	99.99
Number of customer information leakage incidents	No.	0	0	0
Loss caused by violation of relevant laws and regulations	CNY 10,000	0	0	0

Rural Revitalization

Indicator	Unit	2021	2022	2023
Funds	CNY 10,000	100	128	109
Non-monetary (goods or materials)	CNY 10,000	1.6	41.9	35.33
No. of employee assisted through Employment Assistant program	Person	16	14	12

Community Welfare

Indicator	Unit	2021	2022	2023
External donation	CNY 10,000	-	16.22	2
Non-monetary (goods or materials)	CNY 10,000	2.1	12	13.15
Number of employee volunteers	Person	-	-	15
Volunteer activities	Session	7	8	9
Number of volunteers participating in the activities	Person times	53	59	72

Benchmarking Index for No. 1 of Shanghai Stock Exchange for Self-regulatory Guidelines of Listed Companies—Regulation of Operations

	Indicator Contents	Where to Find
8.1	Pursuing economic benefits and protecting the interests of shareholders; protecting the legitimate rights and interests of creditors and employees; treating suppliers, customers and consumers with integrity; practicing the concept of green development and actively engaging in environmental protection, community construction and other public welfare undertakings.	ESG Governance
8.2	In business activities, should follow the principles of voluntary, fair, equal pay, honesty and credit, abide by social morality, business ethics, and accept the supervision of the government and the public; shall not rely on exaggerated propaganda, false advertising and other improper ways to profit; Shall not engage in illegal activities such as bribery and smuggling to obtain undue benefits.; shall not infringe on the trademark rights, patents and copyrights of others and other intellectual property rights; shall not engage in unfair competition.	Continuously Improving Governance Structure Adhering to Integrity and Compliance in Operation Creating Cutting-edge Technology
8.3	Based on the industry in which it operates and its own business characteristics, the company shall form a social responsibility strategic plan and working mechanism that is in line with the company's reality. The company's social responsibility strategic plan should at least include the company's business ethics code, employee protection plan and career development support plan, technology investment and research and development plan for rational use of resources and effective protection of the environment, social development funding plan, and mechanism arrangement for implementing, managing and monitoring the social responsibility plan.	ESG Governance
8.4	The social contribution value per share disclosed in the annual social responsibility report is calculated by adding to the basic earnings per share created by the company for shareholders, the amount of value created for other stakeholders such as taxes created by the company for the state, wages paid to employees, interest paid on loans to banks and other creditors, and the amount of external donations made by the company, and deducting other social costs incurred by the company due to environmental pollution, etc., to form the value added per share created by the company for the society.	ESG Performance Table
8.5	SSE Corporate Governance Panel sample companies listed on the Exchange, companies listed both domestically and internationally, and financial companies shall disclose their social responsibility reports (hereinafter referred to as social responsibility reports) at the same time as their annual reports. The Exchange encourages other listed companies in a position to do so to disclose non-financial reports, such as social responsibility reports, at the same time as the annual report. If a company discloses a social responsibility report, the board of directors shall consider it separately and disclose it on the website of the Institute.	-
8.6	Construction and implementation of social responsibility systems regarding employee protection, environmental pollution, commodity quality, community relations, etc. Problems and shortcomings in the fulfillment of social responsibility, and the gaps with these guidelines, along with their reasons. Improvement measures and specific time schedule.	Protecting Basic Rights and Interests of Employees Embracing New Trends in Green Development Overall Consolidation of Quality Management Community Charity
8.7	Listed companies should establish a system for the selection and appointment of employee directors and employee supervisors in accordance with the provisions of the Company Law and the articles of incorporation to ensure that employees enjoy full rights in corporate governance; support labor unions in carrying out their work in accordance with the law, listen to employees' opinions on matters of immediate interest to them, such as wages, benefits, labor safety and health, social insurance, etc., through democratic forms such as employee congresses and labor union meetings, and care for and pay attention to reasonable needs of employees.	Protecting Basic Rights and Interests of Employees
8.8	Comply with environmental protection laws and regulations and industry standards. Develop and implement the company's environmental protection plan. Efficient use of natural resources such as energy, water and raw materials.	Committed to Natural Ecosystem Conservation Embracing New Trends in Green Development Embracing New Trends in Green Development Advancing Efficient Resource Utilization

Indicator Contents	Where to Find
Compliant disposal of pollutants.	Committed to Natural Ecosystem Conservation
Construction and operation of effective pollution control facilities.	Committed to Natural Ecosystem Conservation
Full payment of taxes and fees related to environmental protection.	Embracing New Trends in Green Development ESG Performance Table
Safeguarding the supply chain environment.	Enhancing Supply Chain Resilience Sustainable Supply Chain Risk Management
Other environmental protection responsibilities that should be fulfilled.	Embracing New Trends in Green Development Advancing Efficient Resource Utilization Committed to Natural Ecosystem Conservation ESG Performance Table
8.9 The company's environmental protection policy, annual environmental protection objectives and effectiveness.	Embracing New Trends in Green Development
Total annual resource consumption of the company.	Advancing Efficient Resource Utilization ESG Performance Table
Company's environmental investment and environmental technology development.	Embracing New Trends in Green Development ESG Performance Table
Types, quantities, concentrations and destinations of pollutants discharged by the company.	Committed to Natural Ecosystem Conservation ESG Performance Table
Construction and operation of the company's environmental protection facilities.	Embracing New Trends in Green Development
The treatment and disposal of waste generated by the company in the production process, the recycling and comprehensive utilization of waste products.	Committed to Natural Ecosystem Conservation
Voluntary agreements with environmental authorities to improve environmental behavior.	Not Applicable
The company was rewarded by the environmental protection department.	Not Applicable
Other environmental information voluntarily disclosed by enterprises.	Embracing New Trends in Green Development Advancing Efficient Resource Utilization Committed to Natural Ecosystem Conservation ESG Performance Table
The company has new, reform, expansion of construction projects with significant environmental impact and other major investment behavior.	Not Applicable
The company is investigated by the environmental protection department for environmental violations, or is subject to significant administrative or criminal penalties, or is subject to a decision by the relevant people's government or government department to impose a deadline for treatment or to suspend, relocate or close down production.	Not Applicable
8.10 The company is involved in significant litigation or its major assets are seized, seized, frozen or pledged or mortgaged due to environmental issues.	Not Applicable
The company or its major subsidiaries are listed as key emission units by the state environmental protection department.	Our Zhenjiang site is the major air emission unit and has been disclosed in the 2023 Annual Report.

Indicator Contents	Where to Find
8.10 Newly announced environmental laws, rules, regulations, and industry policies may have a significant impact on the Company's operations.	Adhering to Integrity and Compliance in Operation
Other significant events related to environmental protection that may have a significant impact on the trading price of the company's stock and its derivatives.	Not Applicable
8.11 The listed company shall regularly assign a person to check the implementation of the environmental protection policy and shall correct any behavior that does not comply with the company's environmental protection policy and take appropriate remedial measures.	Embracing New Trends in Green Development
When a company experiences a significant environmental pollution incident, it should promptly disclose the causes of the environmental pollution, its impact on the company's performance, the extent of the environmental impact, and the rectification measures the company intends to take.	
The name of the company's pollutants, the mode of emission, the concentration and total amount of emission, exceeding the standard and total amount.	Committed to Natural Ecosystem Conservation ESG Performance Table
8.12 Construction and operation of the company's environmental protection facilities.	Embracing New Trends in Green Development Committed to Natural Ecosystem Conservation
Company environmental pollution accident emergency plan.	Committed to Natural Ecosystem Conservation
The measures taken by the company to reduce pollutant emissions and future work arrangements.	Committed to Natural Ecosystem Conservation
Compliance with product safety laws and regulations and industry standards.	Overall Consolidation of Quality Management
8.13 Establish a safe and reliable production environment and production process.	Overall Consolidation of Quality Management
Establish product quality and safety assurance mechanisms and product safety accident emergency response programs.	Overall Consolidation of Quality Management
Other production and product safety responsibilities should be performed.	Overall Consolidation of Quality Management
Establishing management systems for hiring and firing employees, compensation and benefits, social insurance, working hours, etc. and measures to deal with violations.	Protecting Basic Rights and Interests of Employees Creating a Fair Environment for Growth Practicing Employer's Humanistic Care
8.14 Establish a working environment and supporting safety measures to prevent occupational hazards.	Firmly Constructing a Safe and Healthy Line of Defense
Conduct necessary employee knowledge and vocational skills training.	Creating a Fair Environment for Growth Protecting Basic Rights and Interests of Employees
Other employee rights protection responsibilities that should be fulfilled.	Creating a Fair Environment for Growth Firmly Constructing a Safe and Healthy Line of Defense Practicing Employer's Humanistic Care
8.15 Listed companies should strictly abide by the code of scientific ethics, respect the spirit of science, adhere to the proper values, social responsibility and code of conduct, and fully leverage the positive effects of science and technology.	Creating a Fair Environment for Growth Overall Consolidation of Quality Management
The company shall avoid research, development and use of science and technology that endangers the natural environment, life and health, public safety, ethics and morality, and shall not engage in research and development and business activities that violate the fundamental rights of individuals or harm the public interest of society.	Perfecting Information Security Management
Companies that develop or use innovative technologies in life sciences, artificial intelligence, information technology, ecology and environment, new materials and other areas of scientific and technological innovation should follow prudent and sound principles and fully assess their potential impact and reliability.	Embracing New Trends in Green Development

GRI Standards Index

Guideline	Farasis Energy reported the information cited in this GRI Content Index during the period January 1, 2023 through December 31, 2023 by reference to the GRI Standards.
Standard references	GRI 1: Basis 2021

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find
GRI 2: General Disclosures 2021			
2-1	Organizational details		About Farasis Energy
2-2	Entities included in the organization's sustainability reporting		About This Report
2-3	Reporting period, frequency and contact point		About This Report
2-4	Restatements of information		ESG Performance Table
2-5	External assurance		Third Party Assurance Report
2-6	Activities, value chain and other business relationships		About Farasis Energy
2-7	Employees	SDG-8, SDG-10	Protecting Basic Rights and Interests of Employees ESG Performance Table
2-8	Workers who are not employees	SDG-8	All-round Supply Chain Management ESG Performance Table
2-9	Governance structure and composition	SDG-5, SDG-16	Continuously Improving Governance Structure ESG Governance ESG Performance Table
2-10	Nomination and selection of the highest governance body	SDG-5, SDG-16	Continuously Improving Governance Structure
2-11	Chair of the highest governance body	SDG-16	-
2-12	Role of the highest governance body in overseeing the management of impacts	SDG-16	Continuously Improving Governance Structure ESG Governance
2-13	Delegation of responsibility for managing impacts		Continuously Improving Governance Structure ESG Governance
2-14	Role of the highest governance body in sustainability reporting		ESG Governance
2-15	Conflicts of interest	SDG-16	Adhering to Integrity and Compliance in Operation
2-16	Communication of critical concerns		Continuously Improving Governance Structure ESG Governance
2-17	Collective knowledge of the highest governance body		ESG Governance
2-18	Evaluation of the performance of the highest governance body		-
2-19	Remuneration policies		-

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find
2-20	Process to determine remuneration		-
2-21	Annual total compensation ratio		-
2-22	Statement on sustainable development strategy		Message from the Chairman ESG Governance
2-23	Policy commitments	SDG-16	Adhering to Integrity and Compliance in Operation Supplier Code of Conduct
2-24	Embedding policy commitments		Adhering to Integrity and Compliance in Operation Supplier Code of Conduct
2-25	Processes to remediate negative impacts		Acceptance of External Supervision Perfecting Information Security Management Responsible Mineral Management ESG Performance Table
2-26	Mechanisms for seeking advice and raising concerns	SDG-16	Acceptance of External Supervision Perfecting Information Security Management Responsible Mineral Management ESG Performance Table
2-27	Compliance with laws and regulations		Adhering to Integrity and Compliance in Operation Advancing Efficient Resource Utilization Committed to Natural Ecosystem Conservation Overall Consolidation of Quality Management Perfecting Information Security Management ESG Performance Table
2-28	Membership associations		-
2-29	Approach to stakeholder engagement		ESG Governance
2-30	Collective bargaining agreements	SDG-8	Protecting Basic Rights and Interests of Employees ESG Performance Table
GRI 3: Material Topics 2021			
3-1	Process to determine material topics		ESG Governance
3-2	List of material topics		ESG Governance
3-3	Management of material topics		ESG Governance
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	SDG-8, SDG-9	ESG Performance Table
201-2	Financial implications and other risks and opportunities due to climate change	SDG-13	Embracing New Trends in Green Development
201-3	Defined benefit plan obligations and other retirement plans		Practicing Employer's Humanistic Care

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find
201-4	Financial assistance received from government		-
GRI 202: Market Presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	SDG-1, SDG-5, SDG-8	-
202-2	Proportion of senior management hired from the local community	SDG-8	-
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported	SDG-5, SDG-9, SDG-11	Community Charity
203-2	Significant indirect economic impacts	SDG-1, SDG-3, SDG-8	Community Charity
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	SDG-8	-
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	SDG-16	Adhering to Integrity and Compliance in Operation ESG Performance Table
205-2	Communication and training about anti-corruption policies and procedures	SDG-16	Adhering to Integrity and Compliance in Operation ESG Performance Table
205-3	Confirmed incidents of corruption and actions taken	SDG-16	ESG Performance Table
GRI 206: Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	SDG-16	ESG Performance Table
GRI 207: Tax 2019			
207-1	Approach to tax	SDG-1, SDG-10, SDG-17	Embracing the Era of Tax Transparency
207-2	Tax governance, control, and risk management	SDG-1, SDG-10, SDG-17	Embracing the Era of Tax Transparency
207-3	Stakeholder engagement and management of concerns related to tax	SDG-1, SDG-10, SDG-17	Embracing the Era of Tax Transparency
207-4	Country-by-country reporting	SDG-1, SDG-10, SDG-17	Embracing the Era of Tax Transparency
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	SDG-8, SDG-12	Advancing Efficient Resource Utilization ESG Performance Table
301-2	Recycled input materials used	SDG-8, SDG-12	Advancing Efficient Resource Utilization ESG Performance Table
301-3	Reclaimed products and their packaging materials	SDG-8, SDG-12	Advancing Efficient Resource Utilization
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	SDG-7, SDG-8, SDG-12, SDG-13	Embracing New Trends in Green Development ESG Performance Table

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find
302-2	Energy consumption outside of the organization	SDG-7, SDG-8, SDG-12, SDG-13	-
302-3	Energy intensity	SDG-7, SDG-8, SDG-12, SDG-13	Embracing New Trends in Green Development ESG Performance Table
302-4	Reduction of energy consumption	SDG-7, SDG-8, SDG-12, SDG-13	Embracing New Trends in Green Development
302-5	Reductions in energy requirements of products and services	SDG-7, SDG-8, SDG-12, SDG-13	-
GRI 303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	SDG-6, SDG-12	Advancing Efficient Resource Utilization Committed to Natural Ecosystem Conservation
303-2	Management of water discharge-related impacts	SDG-6	Committed to Natural Ecosystem Conservation
303-3	Water withdrawal	SDG-6	-
303-4	Water discharge	SDG-6	-
303-5	Water consumption	SDG-6	Advancing Efficient Resource Utilization ESG Performance Table
GRI 304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	SDG-6, SDG-14, SDG-15	Committed to Natural Ecosystem Conservation
304-2	Significant impacts of activities, products and services on biodiversity	SDG-6, SDG-14, SDG-15	Committed to Natural Ecosystem Conservation
304-3	Habitats protected or restored	SDG-6, SDG-14, SDG-15	-
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	SDG-6, SDG-14, SDG-15	-
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	SDG-3, SDG-12, SDG-13, SDG-14, SDG-15	Embracing New Trends in Green Development ESG Performance Table
305-2	Energy indirect (Scope 2) GHG emissions	SDG-3, SDG-12, SDG-13, SDG-14, SDG-15	Embracing New Trends in Green Development ESG Performance Table
305-3	Other indirect (Scope 3) GHG emissions	SDG-3, SDG-12, SDG-13, SDG-14, SDG-15	-
305-4	GHG emissions intensity	SDG-13, SDG-14, SDG-15	Embracing New Trends in Green Development ESG Performance Table
305-5	Reduction of GHG emissions	SDG-13, SDG-14, SDG-15	-
305-6	Emissions of ozone-depleting substances (ODS)	SDG-3, SDG-12	-

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	SDG-3, SDG-12, SDG-14, SDG-15	Committed to Natural Ecosystem Conservation ESG Performance Table
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	SDG-3, SDG-6, SDG-11, SDG-12	Committed to Natural Ecosystem Conservation
306-2	Management of significant waste-related impacts	SDG-3, SDG-6, SDG-8, SDG-11, SDG-12	Committed to Natural Ecosystem Conservation
306-3	Waste generated	SDG-3, SDG-6, SDG-11, SDG-12, SDG-15	Committed to Natural Ecosystem Conservation ESG Performance Table
306-4	Waste diverted from disposal	SDG-3, SDG-11, SDG-12	Committed to Natural Ecosystem Conservation ESG Performance Table
306-5	Waste directed to disposal	SDG-3, SDG-6, SDG-11, SDG-12, SDG-15	-
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria		- Enhancing Supply Chain Resilience
308-2	Negative environmental impacts in the supply chain and actions taken		Sustainable Supply Chain Risk Management Responsible Mineral Management ESG Performance Table
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	SDG-5, SDG-8, SDG-10	Protecting Basic Rights and Interests of Employees ESG Performance Table
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SDG-3, SDG-5, SDG-8	Practicing Employer's Humanistic Care
401-3	Parental leave	SDG-5, SDG-8	-
GRI 402: Labor/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	SDG-8	-
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	SDG-8	Firmly Constructing a Safe and Healthy Line of Defense
403-2	Hazard identification, risk assessment, and incident investigation	SDG-8	Firmly Constructing a Safe and Healthy Line of Defense

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find
403-3	Occupational health services	SDG-8	Firmly Constructing a Safe and Healthy Line of Defense
403-4	Worker participation, consultation, and communication on occupational health and safety	SDG-8, SDG-16	Firmly Constructing a Safe and Healthy Line of Defense
403-5	Worker training on occupational health and safety	SDG-8	Firmly Constructing a Safe and Healthy Line of Defense
403-6	Promotion of worker health	SDG-3	Firmly Constructing a Safe and Healthy Line of Defense Practicing Employer's Humanistic Care
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SDG-8	Firmly Constructing a Safe and Healthy Line of Defense
403-8	Workers covered by an occupational health and safety management system	SDG-8	Firmly Constructing a Safe and Healthy Line of Defense ESG Performance Table
403-9	Work-related injuries	SDG-3, SDG-8, SDG-16	Firmly Constructing a Safe and Healthy Line of Defense ESG Performance Table
403-10	Work-related ill health	SDG-3, SDG-8, SDG-16	Firmly Constructing a Safe and Healthy Line of Defense ESG Performance Table
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	SDG-4, SDG-5, SDG-8, SDG-10	ESG Performance Table
404-2	Programs for upgrading employee skills and transition assistance programs	SDG-8	Creating a Fair Environment for Growth
404-3	Percentage of employees receiving regular performance and career development reviews	SDG-5, SDG-8, SDG-10	ESG Performance Table
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	SDG-5, SDG-8	Protecting Basic Rights and Interests of Employees
405-2	Ratio of basic salary and remuneration of women to men	SDG-5, SDG-8, SDG-10	ESG Performance Table
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	SDG-5, SDG-8	Protecting Basic Rights and Interests of Employees
GRI 407: Freedom of Association and Collective Bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	SDG-8	Sustainable Supply Chain Risk Management Protecting Basic Rights and Interests of Employees ESG Performance Table
GRI 408: Child Labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	SDG-5, SDG-8, SDG-16	Sustainable Supply Chain Risk Management Protecting Basic Rights and Interests of Employees

Third Party Assurance Report



Independent Assurance Statement

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find
GRI 409: Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	SDG-5, SDG-8	Sustainable Supply Chain Risk Management Protecting Basic Rights and Interests of Employees
GRI 410: Security Practices 2016			
410-1	Security personnel trained in human rights policies or procedures	SDG-16	-
GRI 411: Rights of Indigenous 2016			
411-1	Incidents of violations involving rights of indigenous peoples	SDG-2	-
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs		Community Charity Employee Volunteering
413-2	Operations with significant actual and potential negative impacts on local communities	SDG-1, SDG-2	Community Charity Employee Volunteering
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	SDG-5, SDG-8, SDG-16	Sustainable Supply Chain Risk Management
414-2	Negative social impacts in the supply chain and actions taken	SDG-5, SDG-8, SDG-16	Sustainable Supply Chain Risk Management
GRI 415: Public Policy 2016			
415-1	Political contributions	SDG-16	-
GRI 416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories		Overall Consolidation of Quality Management
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	SDG-16	Overall Consolidation of Quality Management
GRI 417: Marketing and Labeling 2016			
417-1	Requirements for product and service information and labeling	SDG-12	Overall Consolidation of Quality Management
417-2	Incidents of non-compliance concerning product and service information and labeling	SDG-16	Overall Consolidation of Quality Management
417-3	Incidents of non-compliance concerning marketing communications	SDG-16	Adhering to Integrity and Compliance in Operation
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SDG-16	Perfecting Information Security Management

Introduction

TÜV Rheinland (Shanghai) Co., Ltd., member of TÜV Rheinland Group, Germany (hereinafter “TÜV Rheinland”, “We”) has been entrusted by the management of Farasis Energy (Ganzhou) Co., Ltd. (hereinafter “Farasis”, “the Company”) to conduct independent assurance of Farasis 2023 Environmental, Social and Corporate Governance (ESG) Report (hereinafter “the Report”). All contractual contents for this assurance engagement rest entirely within the responsibility of Farasis. Our task was to give a fair and adequate judgment on the Report.

The intended users of this assurance statement are stakeholders who have relevance to Farasis’ overall ESG performance and impacts of its business activities during year 2023 (1 January 2023 ~ 31 December 2023).

TÜV Rheinland is a global service provider of Corporate Social Responsibility (CSR) & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement, and we were not involved in the preparation of the Report contents.

Assurance Standard

TÜV Rheinland undertook the assurance work in accordance with the AA1000 Assurance Standard v3 (AA1000AS v3) Moderate level of assurance.

Scope & Type of Assurance

Our assurance engagement was carried out in accordance with the AA1000AS v3, Type 1, Moderate level on Farasis ESG performance information and data disclosed in the Report. The following assurance criteria were used in performing the assurance work:

- With reference to GRI Sustainability Reporting Standards (GRI Standards)
- Shanghai Stock Exchange's Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation
- The United Nations Sustainable Development Goals (UN SDGs)
- Adherence to the AA1000 AccountAbility Principles of *Inclusivity, Materiality, Responsiveness, and Impact*.

Assurance Methodology

Our assurance activities included:

- Reviewing the company's management practices and processes to evaluate environmental, social and corporate governance system, including ESG strategy, corporate governance, compliance management, risk management, stakeholder communication, material issue analysis, and ESG-related key performance.
- Conducting interviews with company management and managers responsible for gathering and analyzing information on ESG performance.
- Reviewing and examining ESG management practices and performance information and data to test the accuracy of such information and data based on a sample basis and applied analytical procedures.
- Collecting documentary evidence and assessing management representations to support adherence to the AccountAbility Principles.

Limitations



TÜV Rheinland performed the assurance based on the scope of defined engagement agreement, and on a moderate level assurance under the AA1000AS for engagement. Information and performance data subject to assurance is limited to the contents of the Report.

Our assurance work did not cover financial report and its financial data, and other information not related to sustainability.

Conclusions

Based on our methodology and activities performed within the scope of this assurance, we can reach a conclusion that no instances or information came to our attention that would be to the contrary of the statement made as below:

- Farasis 2023 ESG report and its contents adhere to the AA1000 AccountAbility Principles.
- Farasis has implemented management processes, including an energy and carbon emissions data management system to collect and aggregate key performance data related to material issues within the reporting boundary, while the company identifies, evaluates, defines and manages material issues.
- The ESG-related information and performance indicators disclosed in this report have been evaluated and supported by documentary evidence, to truly reflect Farasis' ESG management practice.

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

Adherence to the AA1000 AccountAbility Principles

Inclusivity

Farasis has established a stakeholder engagement procedure. The company's identified key stakeholders include employees, governments and regulators, shareholders and investors, customers, suppliers and partners, communities and social organizations. Supporting evidence demonstrates that the company conducted research and analysis on ESG-related issues with these stakeholders in 2023 to understand their priorities and adjust management strategies to respond appropriately.

Materiality

Based on the interpretation of regulatory policies, industry benchmarking, stakeholder research results, and the company's development strategy, Farasis identifies ESG issues for optimal management, and analyzes and defines material issues from the two dimensions of "importance to stakeholders" and "importance to the company". As shown in the issue matrix diagram in the report, high-importance issues include, but are not limited to, product quality and safety, employee rights protection, product development and innovation, and employee health and safety.

Responsiveness

Farasis conducts multi-channel communication and dialogue with key stakeholders on ESG-related issues and responds to the concerns of relevant parties in a timely and appropriate manner. Communication methods include regular information disclosure, employee communication platform, employee training, supplier audit and training, industry association communication and cooperation, complaint hotline, and public welfare activities. The company updates or revises the supply chain due diligence policy, supplier code of conduct, supply chain grievance and communication mechanism, etc., and publishes them on the official website.

This report discloses key performance indicators and data that key stakeholders are interested in, covering greenhouse gas (GHG) emissions, other significant emissions and waste, energy consumption, water management, occupational health and safety, employee management, and supplier management, and these data disclosures are comparable.

Impact

Farasis assessed the actual or potential impact of the company's own operations, business activities and upstream and downstream supply chains on economic, environmental and social topics on material issues. The company also integrates ESG issue management into the company's operational management and risk management



processes. Supporting evidence shows that the company carried out compliance assessments on environmental and safety, labor and employment, anti-bribery and anti-fraud, information security, intellectual property, and energy management, and strengthened its supply chain due diligence process in 2023 to manage environmental and social impacts on the company's operations and business.

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