

Shenma Industrial Co., Ltd.

Sustainability Report 2023





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About This Report

Report Information Explanation

This report is the Sustainability Report 2023 released by Shenma Industrial Co., Ltd.. The report elaborates on the Company's sustainable development philosophy and policies, and the efforts made by the Company in environmental protection, social responsibility, corporate governance, and other areas in 2023, in response to the expectations and concerns of stakeholders.

Time Frame

The time span of this report covers the period from January 1, 2023 to December 31, 2023. In order to maintain the continuity of information and enhance the comparability and forward-looking nature of the report, some contents have been moderately extended to previous or subsequent years. The information involved comes from internal data of the Company and publicly available materials.

Organizational Scope

The organizational scope of this report covers the main business conducts of Shenma Industrial Co., Ltd. and its subsidiary holding companies, and is consistent with the scope disclosed in the Company's annual report.

Data Interpretation

The data and cases used in this report are all from the Company's official documents and statistical reports.

The operating data disclosed in this report are all from the 2023 Annual Report of Shenma Industrial Co., Ltd. (the "Annual Report"). In case of any discrepancies in the data listed, the Annual Report shall prevail. Unless otherwise specified, all currency amounts mentioned in the report are presented in renminbi.

Reference Standards

This report was written with reference to the following 7 ESG disclosure standards:

- "Reference" standards of the GRI Universal Standards 2021 released by the Global Sustainability Standards Board (GSSB)
- Reference Indicators System for ESG Reports of Listed Companies Controlled by Central State-owned Enterprises prepared by Bureau of Property Right Management, Bureau of Social Responsibility and Research Center of the State-owned Assets Supervision and Administration Commission of the State Council
- Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial) released by Shanghai Stock Exchange
- ESG Reporting Guide and Guidance on Climate Disclosures released by the Stock Exchange of Hong Kong
- Recommendations of the Task Force on Climate-Related Financial Disclosures released by the Task Force on Climate-Related Financial Disclosures (TCFD)
- The Ten Principles of the UN Global Compact
- The 17 Sustainable Development Goals (SDGs) of the UN

Notes on Appellations Used in the Report

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

Common Company Name Interpretations		
Shenma Cord Fabric, Shenma Cord Fabric Company	Refers to	Shenma Industrial Co., Ltd. (Production Department)
Shenma Cord Fabric Development Co., Ltd.	Refers to	Pingdingshan Shenma Cord Fabric Development Co., Ltd.
Nylon Chemical Co., Ltd.	Refers to	Henan Shenma Nylon Chemical Co., Ltd.
Shenma Engineering Plastic Co., Ltd.	Refers to	Pingdingshan Shenma Engineering Plastic Co., Ltd.
Shenma Engineering Plastics Technology Development Co., Ltd.	Refers to	Pingdingshan Shenma Engineering Plastics Technology Development Co., Ltd.
Shenma Aramid	Refers to	Henan Shenma Aramid Fiber Technology Development Co., Ltd.
Shenma Yingcai Packaging Co. Ltd.	Refers to	Pingdingshan Shenma Yingcai Packaging Co., Ltd.
Aidian	Refers to	Henan Shenma Aidian Chemical Co., Ltd.
Shanghai Shenma	Refers to	Shanghai Shenma Engineering Plastics Co., Ltd.
Shenma Nylon Technology Co., Ltd.	Refers to	Henan Shenma Nylon Technology Co., Ltd.
Shenma Hydrogen Chemical	Refers to	Henan Shenma Hydrogen Chemical Co., Ltd.
Shenma Huawei Plastic Co., Ltd.	Refers to	Henan Shenma Huawei Plastic Co., Ltd.
International Trade ¹	Refers to	China Pingmei Shenma Group International Trade Co., Ltd.

Access Channels

This report is released in hard copy, and investors can also obtain it from the official website of Shenma Industrial Co., Ltd. and the website of Shanghai Stock Exchange. Websites: <http://www.shenma.com/> and <http://www.sse.com.cn/>

Feedback

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¹ International Trade Co., Ltd. is a subsidiary of China Pingmei Shenma Group and is not within the scope of Shenma Corporation's consolidated financial statements

Chairman's Message



Chairman of Shenma Industrial Co., Ltd.
Li Benbin



Shenma Corporation, formerly known as Pingdingshan Nylon Cord Fabric Factory, was founded in 1981. After more than 40 years of deep cultivation in the field of nylon, it now has a complete nylon industry chain, with an industrial structure spanning the chemical industry and the chemical fiber industries. It has formed an industrial pattern with Nylon 66 (hereinafter "N66") salts and N66 intermediates, N66 chips, N66 industrial yarns, cord fabrics, air bag yarns, Nylon 6 (hereinafter, "N6") chips, N6 textile yarns, PC, BPA and other leading products as the pillars. Shenma Corporation's products are widely used in fields such as textile, automobile, high-speed rail, electronics and electrical appliances, aerospace, and new energy transportation; our customers are located all over the world and we have established strategic and trade partnerships with over 40 Fortune 500 companies and multinational corporations. "Shenma" brand nylon series products enjoy a high reputation in both domestic and international markets.

The year 2023 was an extremely extraordinary year for Shenma Corporation. Due to multiple pressures such as shrinking demand, supply shocks, and weakened expectations, the Company's net profit attributable to shareholders in the first half of the year suffered its first loss in nearly 10 years. Faced with enormous challenges, the Company firmly grasped the key link of improving operational efficiency and profitability, and took a series of decisive, targeted and transformative guiding measures, and quickly reversed the passive situation of operation.

We systematically implemented the special action of "deepening reform and improving efficiency", comprehensively reduced the cost of production factors, brought various non-productive expenditures under strict control, vigorously promoted the optimization of human resources, streamlined institutions, optimized redundant personnel, and significantly reduced management expenses.

We flexibly adjusted our sales strategy and market layout, deeply cultivated and tapped into traditional markets, actively developed overseas markets, further expanded high-end customers, significantly increased the sales of high value-added products such as fine-denier filament, and spared no effort to stabilize prices, protect the market, and improve quality and efficiency. The Company turned losses into profits in the third quarter of 2023, achieving a total operating revenue of RMB 12.9 billion and a net profit attributable to shareholders of RMB 123 million for the year.

We have cultivated technological innovation as our core competitiveness. With more than 40 years of accumulation in the industry and continuous focus on innovation investment, we have successfully made breakthroughs in the core technology of ADN, vigorously developed differentiated and high-end products such as dyed industrial yarns, textile spinning chips, modified chips, special nylon, and bio-based nylon, actively explored application fields such as textile yarns and large aircraft, and accelerated the transition of product structure from mid-to-high end to high end. At the end of 2023, our production capacity for leading products reached a new high with the completion and putting into operation of projects such as the hydrogen-ammonia project in support of the nylon chemical industry, the 30,000-ton 1,6-hexanediol project, and phase II of the 40,000-ton continuous polymerization project for N66 chips.

Focusing on leveraging the capital market, we successfully issued RMB 3 billion of convertible bonds, effectively ensuring the funding needs for the Company's high-quality development. The Company successfully acquired Pingmei Shenma Financial Leasing Co., Ltd., and took advantage of the financial platform to reduce the operating costs of its affiliated enterprises and increase the profits of the listed company. We completed the equity acquisition of Shenma Puli Materials Co., Ltd., expanded the layout of N6 products, and extended the strategy of large nylon. We implemented effective measures in succession such as increasing holdings by directors, supervisors and senior executives and stock repurchases, and continuously releasing positive news, so as to boost investment confidence and safeguard the Company's investment value and the rights and interests of small and medium-sized shareholders.

We have insisted on rewarding shareholders with excellent performance and cash dividends. Since its listing in 1994, Shenma Corporation has distributed dividends 21 times, with an average cash dividend ratio of 45.72%. In the past three years, Shenma Corporation accumulated a cash dividend of RMB 1.39 billion, with a cash dividend ratio as high as 47.44%. In 2023, the Company distributed a cash dividend of RMB 135 million (including tax), with a cash dividend ratio of 31.81%. This sustained, stable, scientific and reasonable dividend policy stems from the Company's sound operation and sufficient cash flow, demonstrating the long-term stable growth and intrinsic investment value of the listed company.

In the future, the Company will continue to scientifically utilize the functions of the platform for listed companies, and focus on key links in the main business, the industrial chain and the supply chain, so as to strengthen, extend and supplement the chains, comprehensively enhance our core competitiveness, accelerate the construction of a world-class enterprise, and create greater value for shareholders and the society.





About Shenma Corporation

Company Overview

Shenma Industrial Co., Ltd. (hereinafter referred to as "Shenma Corporation") was formerly known as Pingdingshan Nylon Cord Fabric Factory, the building of which began in 1977. In 1981, the factory was completed and put into operation. In 1994, the Company was listed on the Shanghai Stock Exchange, becoming the first Shanghai listed company in Henan Province. Its stock is abbreviated as "Shenma Corporation" and its stock code is "600810". As of the end of 2023, Shenma Corporation has 10,164 employees and an asset size of RMB 31.4 billion.

Shenma Corporation is mainly engaged in chemical and chemical fiber industries, with N66 salts and N66 intermediates (adipic acid, HMDA), engineering plastics, industrial yarns (cord fabrics), air bag yarns, PC (polycarbonate), BPA and other leading products as its pillars, and hydrogen-ammonia supporting industries as its foundation. It has formed a new pattern of nylon chemical industry characterized by unique features, obvious advantages and coordinated development.



The Company's Development Vision

Build a million-ton Nylon Industry Base.
 Build an interrelated industrial system dominated by the nylon industry, supplemented by extended industries characterized by fully utilized resources, and integrated upstream and downstream development.
 We strive to make new breakthroughs in technological innovation, structural upgrading, scientific management, and energy conservation and emission reduction, achieve large-scale and high-level development, and form industrial clusters with sound facilities, complete chains, and interconnected industries.

Business Scope

According to the Guidelines on Industry Classification of Listed Companies (revised in 2012) released by the China Securities Regulatory Commission, the industry in which the Company is located is chemical fiber manufacturing under the manufacturing industry (classification code: C28). Nylon is an important high polymer material and one of the five major engineering plastics. Among the vast family of nylon materials, nylon 6 (N6) and nylon 66 (N66) are two main varieties. With excellent comprehensive properties such as shock resistance, heat resistance, wear resistance, and corrosion resistance, N66 is widely used in textile yarns, industrial yarns, engineering plastics, aerospace and other fields. It is an ideal material for high-end yoga clothes, quick drying clothes, elastic nylon outerwear, outdoor jackets, and other civil clothing. It is also an important material for achieving automotive lightweighting and has a wide range of applications in automotive engines, electrical appliances, car bodies, high-speed rail train bodies, large ship turbines, propeller shafts, screw propellers, sliding bearings, and other components.

Shenma Corporation's leading products are sold well in more than 40 countries and regions in Europe, America, and Asia, and the Company has established strategic and trade partnerships with more than 40 Fortune 500 companies and multinational groups such as NVIDIA, BASF, Michelin, Goodyear, and Bridgestone. The world-renowned "Shenma Brand" series of products spans the two major fields of N66 and N6, with customers all over the world.

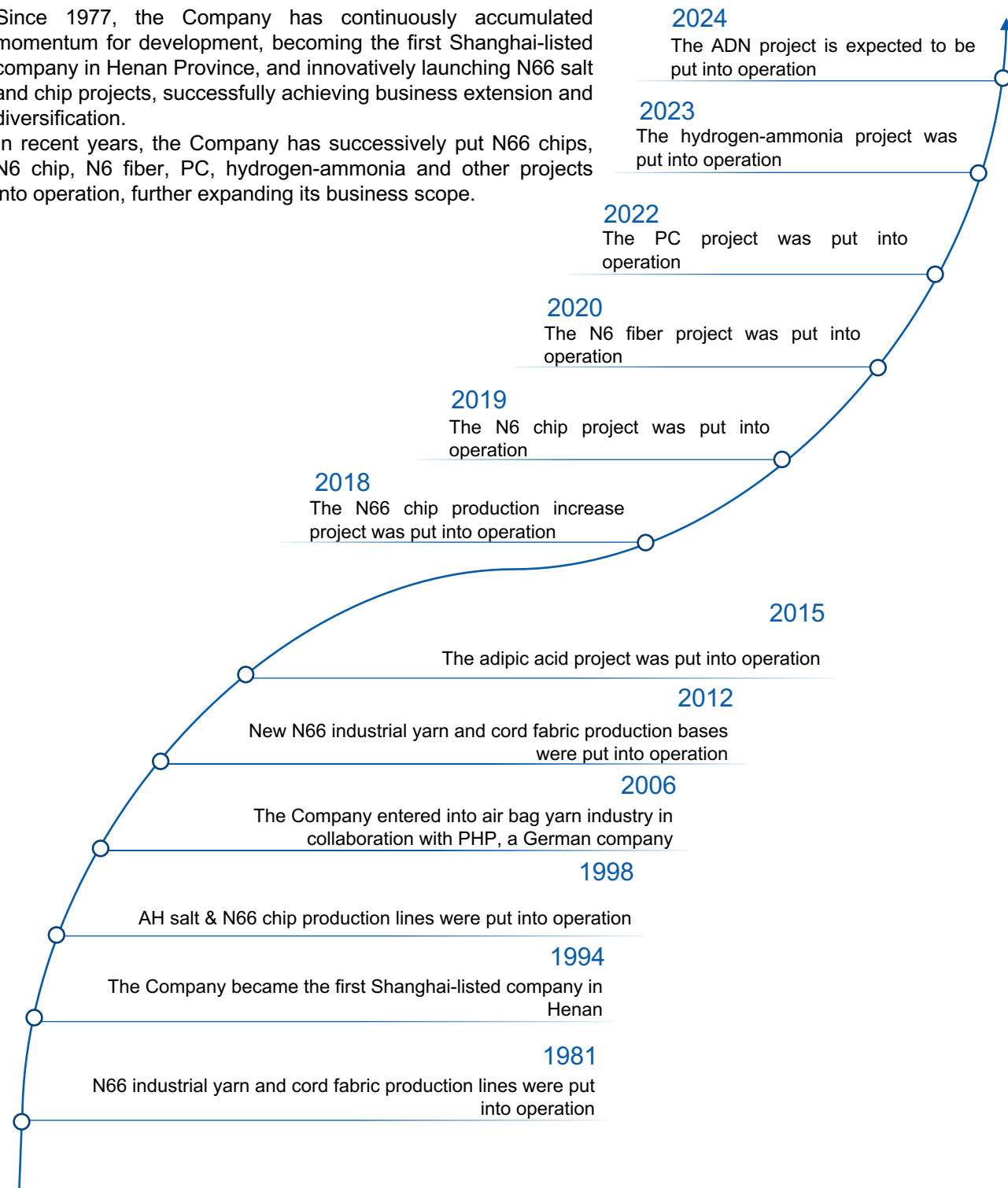
The Company's Marketing Network



Development History

Since 1977, the Company has continuously accumulated momentum for development, becoming the first Shanghai-listed company in Henan Province, and innovatively launching N66 salt and chip projects, successfully achieving business extension and diversification.

In recent years, the Company has successively put N66 chips, N6 chip, N6 fiber, PC, hydrogen-ammonia and other projects into operation, further expanding its business scope.



Subsidiary

Name	Percentage of Shares (%)	Main Business	Total Assets (RMB 100 million)	Operating Income (RMB 10,000)	Net Profit (RMB 10,000)
Pingdingshan Shenma Cord Fabric Development Co., Ltd.	100	Manufacturing and Sales of Cord Fabrics and Industrial Yarns	26.60	195,647.41	657.01
Pingdingshan Shenma Engineering Plastic Co., Ltd.	100	Manufacturing and Processing of the Raw and Auxiliary Materials of Plastics, Chemical Fibers and Their Products	7.82	209,882.89	2,470.54
Henan Shenma Nylon Chemical Co., Ltd.	69.41	Production and Marketing of N66 Salts	126.86	577,625.18	29,168.07
Pingdingshan Shenma Engineering Plastics Technology Development Co., Ltd.	100	Production and Sales of N66 Chips	6.48	63,814.16	1,569.47
Shanghai Shenma Engineering Plastics Co., Ltd.	100	Production and Sales of N66 Chips	3.22	25,808.00	-555.39
Henan Pingmei Shenma Nylon Investment Management Co., Ltd.	100	Project Investment, Investment Management, Investment Consulting, Equity Investment, etc.	0.34		4.63
Henan Pingmei Shenma Polycarbonate Material Co., Ltd.	71	Production and Sales of BPA and PC	43.82	125,524.91	-9,985.55
Henan Shenma Aidian Chemical Co., Ltd.	100	Manufacturing of Basic Chemical Raw Materials	10.45		1.72
Zhongping Shenma Jiangsu New Material Technology Co., Ltd.	60	Production and Sales of N66 High-performance Materials and Sales of Plastic Products and Fiber Yarns	3.05	71,611.57	323.54
Henan Shenma Aramid Fiber Technology Development Co., Ltd.	100	Manufacturing and Sales of High-performance Fibers and Composite Materials, Scientific Research and Technology Services	2.27	1,044.95	-620.37
Pingdingshan Shenma Yingcai Packaging Co., Ltd.	100	Production and Sales of Packaging Products, Production and Sales of Safety and Industrial Costumes	0.24	2,393.01	-19.95
Pingdingshan Shenma Nylon Material Pilot Base Co., Ltd.	100	Manufacturing of Chemical Raw Materials and Chemical Products	0.38		
Henan Shenma Puli Materials Co., Ltd.	54.87	Manufacturing of Synthetic Materials; Sales of Synthetic Materials; Sales of Industrial Textile Products, etc.	7.07	105,553.05	2,996.85
Pingmei Shenma Financial Leasing Co., Ltd.	100	Leasing	24.59	10,002.59	6,435.36
Henan Shenma Long'an Chemical Co., Ltd.	100	Manufacturing of Basic Chemical Raw Materials	2.22		
Shenma Boliemai (Pingdingshan) Air Bag Wire Co., Ltd.	51	Manufacturing and Sales of Air Bag Yarn Products and Other Specialty Yarns	4.48	45,744.58	4,301.93



Main Products and Businesses

The Company is a production and sales oriented industrial enterprise. In terms of industrial structure, the Company spans across the chemical industry and the chemical fiber industry. Through the implementation of an integration strategy, a new industrial pattern has been formed, with N66 salts, N66 salt intermediates, N66 chips, industrial yarns, cord fabrics, N6 chips and other leading products as the pillars, and raw and subsidiary materials and related products as the basis. The Company's main products include industrial yarns, cord fabrics, N66 chips, adipic acid, BPA and PC, and other products include cyclohexane, aramid fiber, flame retardant fiber, dope-dyed yarns, N6 chips, N6 textile yarns, etc.



N66 Chips



N66 chip is a commonly used organic high polymer material with high-quality characteristics such as high temperature resistance and corrosion resistance. As a high-quality raw material for producing high-strength industrial yarns, high-end textile fibers, and engineering plastics, it is widely used in important fields of the national economy such as automobiles, electronics and electrical appliances, engineering machinery, instruments and apparatus, clothing and textiles, aerospace, etc.

Adipic Acid



Adipic acid is an important organic dibasic acid that can undergo esterification and amidation reactions with dibasic alcohols and diamines, polycondensing into high-molecular polymers. It is mainly used in the production of PU and N66 series products. In addition, adipic acid can also be used to produce plasticizers, adhesives, advanced lubricants, and food additives, playing an important role in the production of daily chemical products.

N66 Cord Fabrics



The Company mainly produces differentiated high-end N66 cord fabrics for half-steel radial tires, engineering tires, aircraft tires, and other applications. The Company's N66 cord fabrics have excellent properties such as small unit weight, high strength, fatigue resistance, and impact resistance. They are high-quality skeleton materials for producing aircraft tires, large engineering tires, and car tires. Michelin, Bridgestone and other world-renowned tire groups are all important customers of the Company.

N6 Chips



N6 is a translucent or opaque milky white crystalline polymer produced from caprolactam through polymerization reaction. N6 chips are usually white columnar sheet-like particles, which are intermediates in the nylon industry connecting chemical raw materials and downstream applications. Downstream injection molding applications are commonly used in automotive engine components, electrical components, etc. It is widely used in terms of spinning, such as filter mesh yarns, sewing threads, high-end fishing lines, and textile nylon fabrics.

N66 Industrial Yarns



N66 industrial yarn is a high-strength N66 fiber obtained by spinning and stretching N66 salt after the salt is continuously polymerized or after the salt is sliced and then undergo solid state polymerization. The Company's N66 industrial yarns have advantages such as high strength, fatigue resistance, impact resistance, and friction resistance. They are mainly used in cord fabrics and air bags, canvas (in the field of conveyor belts), peel ply, ropes, and webbing.

BPA, PC



Bisphenol A (also known as BPA) and polycarbonate (PC) are important organic chemical raw materials, and important derivatives of phenol and acetone. They are mainly used in the production of various high polymer materials such as epoxy resin, polysulfone resin, and PPO. They can also be used in fine chemical products such as plasticizers, flame retardants, antioxidants, heat stabilizers, rubber antioxidants, pesticides, coatings, etc.

Major Honors and Recognition in 2023



• Intellectual Property Demonstration Enterprise of China's Petroleum and Chemical Industries



• Single Champion Enterprise of Manufacturing Industry of Henan Province



• Leading Wild Goose Manufacturing Enterprise of Henan Province

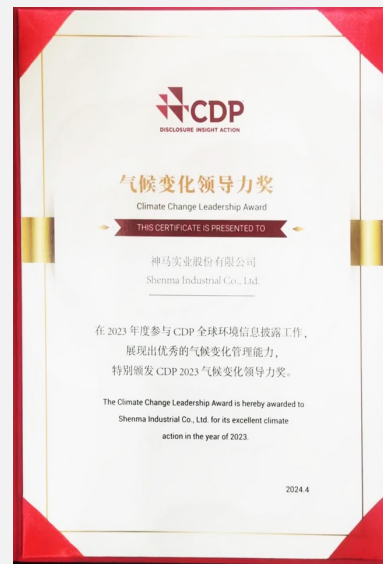


• One of China's Top 100 Listed Companies

Case | The Company Received Climate Leadership Award from CDP

Shenma Industrial Co., Ltd.

In 2023, Shenma Corporation was awarded the "Climate Change Leadership Award" from the Carbon Disclosure Project (CDP), which reflected the Company's outstanding performance in addressing climate change and promoting sustainable development. This not only demonstrated the Company's leadership position in environmental protection and social responsibility, but also showcased the Company's continuous efforts in reducing carbon emissions, energy conservation and emission reduction, and green technology innovation. Winning this award is of great significance to the Company. It has not only enhanced the Company's international reputation and industry influence, but also laid the foundation for attracting more green investments and partners. At the same time, it also inspires the Company to continue to adhere to green development and take the path of sustainable development.





Topic 1

Become a Global Leader in High-end Functional Materials

Shenma Corporation has been deeply involved in the field of nylon new materials for more than 40 years. By horizontally expanding the industrial scale and vertically extending the industrial chain, continuously optimizing the structure and improving the product portfolio, the Company has created a nylon chemical industry chain with a complete chain, high technological content, and obvious circular economy characteristics, reflecting the Company's leading position in global high-end functional materials.

The Company is currently actively making overall arrangement in N66 textile yarns, entering into the field of para-aramid, and building a 4,000-ton aramid fiber production capacity project to further consolidate its market advantage. Shenma Corporation has four national level R&D platforms, including a national level technology center, a national level postdoctoral workstation, and a CNAS accredited laboratory, demonstrating its strong R&D capabilities. Meanwhile, the Company is actively making overall arrangement for digital and intelligent production and capacity expansion, so as to lay a solid foundation for future international development.





Leading the Nylon Industry

As a pioneer and leader in China's nylon industry, Shenma Corporation has been deeply involved in the field of nylon new materials for more than 40 years. By horizontally expanding the industrial scale and vertically extending the industrial chain, continuously optimizing the structure and improving the product portfolio, the Company has created a nylon chemical industry chain with a complete chain, high technological content, and obvious circular economy characteristics, embarking on a path of "Big Nylon" featuring equal development and complementary advantages of N66 and N6.

Looking back at its more than 40 year development history, Shenma Corporation has gone through the process of starting from scratch, growing from small to large, and from weak to strong. Its products mix has grown from simple to diverse, and its focus has shifted from chemical fiber alone to equal emphasis on both the chemical industry and the chemical fiber industry. The comprehensive strength of the enterprise has greatly improved, and it is developing at a rapid pace. At present, the "Shenma" brand series products cover hundreds of varieties in more than ten categories such as industrial yarn/cord fabric, nylon resin and engineering plastics, adipic acid, air bag yarn, para-aramid and canvas, and are widely used in fields such as tires, automobiles, aerospace, high-speed rail, electronics and electric appliances and fabrics.

Among them, Shenma Cord Fabric Development Co. Ltd., a subsidiary of Shenma Corporation, mainly produces differentiated high-end cord fabrics such as modified N66 cord fabrics for half-steel radial tires, dedicated cord fabrics for engineering tires, aircraft tires, and special tires. The Company's products are widely used in high-end car tires, super large engineering vehicle tires, special vehicle tires, aircraft tires, conveyor belts, industrial filter cloth, ship cables, auto air bags, high-speed sewing threads, special protective clothing and other fields.

Case | Shenma Corporation Focuses on Developing the Market of High-end N66 Textile Yarns 

In the field of nylon fibers, with the continuous improvement of residents' living standards, the demand for high-end products with delicate touch and UV resistance has rapidly increased in recent years. Compared with N6, N66 is superior in terms of strength, wear resistance, heat resistance, air permeability, and UV resistance. It is a high-end raw material for sportswear, yoga clothes, and branded clothing, with great market growth potential.

Due to the lack of advanced production equipment, barriers to production technology, differences in raw materials and other reasons, there are few domestic enterprises that can mass produce high-end N66 fibers. Therefore, in order to enter into the realm of high-end N66 textile yarns and further expand the Company's nylon industry chain, Shenma Corporation plans to engage in a package of commercial cooperation with Nilit and its subsidiary Nilit China Investment B.V. through its Announcement on Establishing Joint Ventures and Purchasing Equity through Outward Investment released on April 19, 2024. This acquisition involves two target companies: Nilit Nylon Technologies (Suzhou) Co., Ltd. and Nilit (Suzhou) Engineering Plastic Technologies Co., Ltd.. Nilit Nylon mainly produces N66 textile drawn textured yarn (DTY) for high-end clothing; Nilit Plastic mainly produces N66 textile pre-oriented yarn (POY), including full-dull POY and semi-dull POY, with over 90% of the products supplied to Nilit Nylon.

Through this investment, Shenma Corporation will further deepen its involvement in the production of N66 textile yarns, seize the opportunities in the N66 textile yarn market, and create new profit growth points for the Company.



Entering into the Realm of Para-aramid and Improving Overall Arrangement in High-end Materials

Due to its excellent properties such as high strength, high modulus, and low density, para-aramid is widely used in defense industries and various aspects of the national economy, including military, aerospace, electromechanical devices, construction, automobile, and sports equipment. It is known as the "king of fibers". Officially founded in December 2021, Henan Shenma Aramid Fiber Technology Development Co., Ltd. is a wholly-owned subsidiary invested in and established by Shenma Corporation. It is specialized in the R&D, production, sales, and application development of para-aramid technology. The para-aramid project was initiated by China Pingmei Shenma Group in 2005. It was explored from scratch by a group of technological elites and production backbones. After nearly 20 years of unremitting efforts, key technologies were finally broken through, all process flows were interconnected, and stable operation was achieved. The product performance reached the advanced level in the industry in China.

In 2023, phase 1 of the 4,000-ton para-aramid project officially started construction and is expected to be put into operation by the end of 2024.

Full Life Cycle Quality Management of Shenma Aramid

Quality Control of Raw and Auxiliary Materials

Based on years of R&D experience in the production line for pilot production, Shenma Aramid has determined the analysis and control indicators for various raw and auxiliary materials, developed scientific and reasonable analysis and inspection methods according to national standards, and screened out qualified suppliers based on actual use effects of the production line. Strictly following the analysis and inspection plans approved by the Company, Shenma Aramid Fiber Technology Development Co., Ltd. ensures that the quality of incoming raw and auxiliary materials meet the needs of test runs and production.

Quality Control in the Production Process

Based on years of trial production experience on the 500-ton pilot production line, a process control system for para-aramid production has been established. Based on the new processes and equipment operation requirements of the 4,000-ton project, Shenma Aramid has revised the original production process system, scientifically and reasonably clarified the sampling locations, the analysis items, the analysis frequency, and the control range, and formed a new production process control system. According to standard testing methods, it has strengthened on-site process operation regulations management and process document consistency management, and brought product quality under control from every link, providing a solid guarantee for the development of new products on the pilot line and the stable production operation of the 4,000-ton project.

Finished Product Quality Analysis and Control

Shenma Aramid scientifically and reasonably determines the sampling and analysis frequencies and locations of finished yarns, so as to ensure that the sampling can accurately reflect the quality of the products. According to approved analysis and testing plans, it collects and summarizes product quality situations on a daily basis to prepare for the next step of quality analysis. It organizes weekly product quality analysis meetings to summarize the weekly output and quality, establishes a linkage analysis between product analysis index control, process equipment operation status, and process operation control, clarifies the factors that affect product quality and their weights, and provides corresponding control and follow-up to ensure the stability of product quality.

Product Quality Management System

Based on the sales market and the main sales targets of the company's products, Shenma Aramid determines the certification requirements for downstream market applications of the products, actively contacts and sends samples for testing, analysis, and trial use, and carries out special certification for product sales markets. Meanwhile, in accordance with the requirements on building a high standard high-tech enterprise, the company actively promotes ISO9001 certification and is currently undergoing on-site evidence obtaining and verification.

Strong Technical Strength, Participation in the Formulation of Multiple National Standards

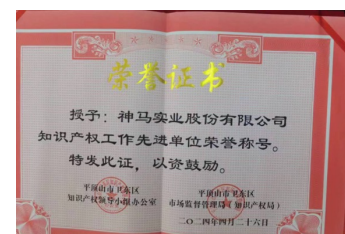
Shenma Corporation has four national level R&D platforms, including a national level technology center, a national level postdoctoral workstation, and a laboratory accredited by the China National Accreditation Service for Conformity Assessment (CNAS); the Henan Nylon New Materials Industry Research Institute established by the Company is one of the first 10 industrial research institutes in Henan Province; the Company has jointly established a research and production base for polyamide new materials with the China Chemical Fibers Association, and its polyamide industrial yarn technology innovation center has been recognized by the China National Textile and Apparel Council; the Company has also established 17 provincial-level R&D platforms, including Henan Fiber Skeleton Material Engineering Technology Research Center, Henan Polyurethane Industry Technology Innovation Strategic Alliance, and Henan Modified Plastic Engineering Technology Research Center. The Company participated in the drafting of National standard on para-aramid filament, Industrial standard on nylon 66 salt, Industrial standard on cyclohexanol for industrial use and Industrial standard on cyclohexene for industrial use, and these standards have all been published and implemented. In addition, Shenma Corporation has established key laboratories for the entire processes of nylon intermediates, nylon engineering plastics, and nylon fibers based in Henan Nylon New Materials Industry Research Institute. This has achieved an integrated R&D platform for the entire processes from nylon raw material intermediates to nylon engineering plastic chips and then to nylon fibers, providing integrated support for the development of nylon products in the entire industry chain and realizing basic research for small-scale trials in the entire industry "within the same building". On September 16, 2023, Henan Academy of Sciences signed a strategic cooperation agreement with Shenma Corporation and the Nylon New Materials Industry Research Institute, forming an innovative pattern of co-construction and sharing, complementarity, and mutual benefit. In 2023, Shenma Corporation raised funds through multiple channels and continued to increase its investment in R&D. Through self financing, application for national, provincial and municipal major special funds, raising provincial R&D funds, and introducing social funds, the Company provided sufficient financial support for scientific and technological innovation.

Key Performance

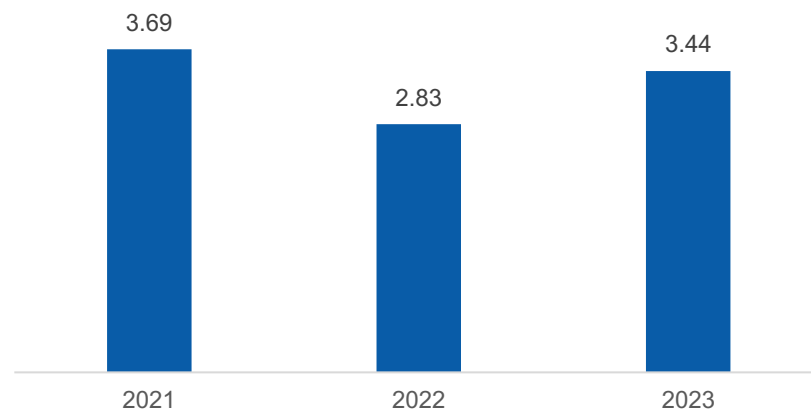
In 2023, new progress was made in a number of R&D projects of Shenma Corporation's subsidiaries:

- (I) Breakthroughs in 3 original technologies: the ultra-high strength nylon skeleton material project, the para-aramid project, and the amino-capronitrile project
- (II) 6 achievements were transformed: high-end nylon injection molding, high-end spinning, and differentiated nylon series products seized the market.

In 2023, the Company was awarded the titles of 2022 "Intellectual Property Demonstration Enterprise of China's Petroleum and Chemical Industries" and "Meritorious Enterprise of Textile Industry in Henan Province".



R&D Expenditure as a Percentage of Operating Revenue (%)

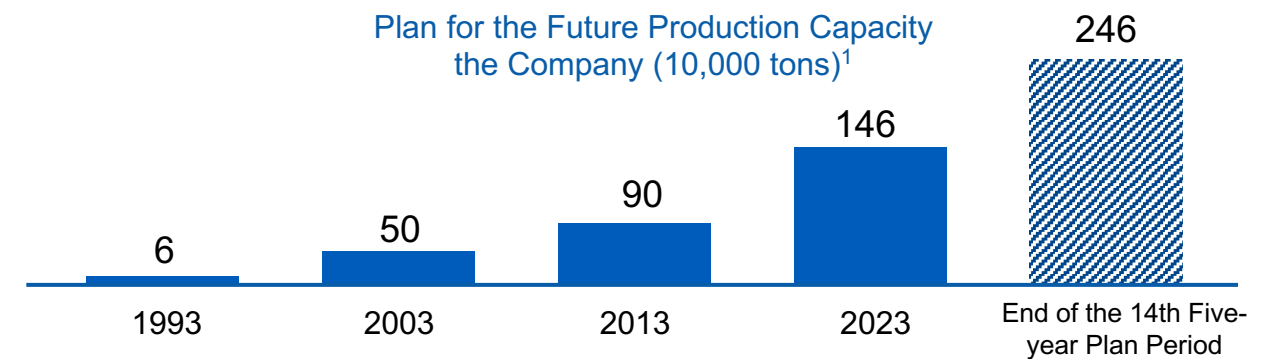


Digital-intelligent Development, International Development Guaranteed by Production Capacity

In recent years, with the accelerated upgrading of China's nylon industry, the Company has focused on building advanced intelligent workshops based on intelligent equipment. By far, the Company has achieved the integration and optimization of intelligent equipment, information infrastructures, and intelligent information application systems, the full coverage of production manufacturing, production traceability, and production collaboration processes, and the interconnection between elements such as intelligent equipment, control systems, and management systems. The goal of digital transformation is to achieve intelligent automation of the production of the three main processes of protofilament, twisted weaving, and impregnation, as well as product transportation and logistics warehousing between processes, and to achieve traceability of production information for the products of each process. Through the implementation of the projects, all heavy physical labor has been intelligently automated, and the entire production process have been seamlessly connected with information at all stages. The production process is now under intelligent control and operation.

According to the digital transformation plan for the development of Shenma Cord Fabric Development Co., Ltd., as of the end of 2023, the Company built two sets of automatic doffing equipment for protofilament, one set of stereoscopic storehouse for the filature of protofilament, one intelligent statistical analysis system for protofilament production, one transformation of information system for twisted weaving workshop, and one intelligent inspection system for protofilament processes. The total investment in software and hardware was about RMB 11.62 million. The automatic doffing equipment and the stereoscopic storehouse for filature built helped the Company to achieve automatic control and management of protofilament production processes. Each controlled equipment completes sequential operations completely in an automatic manner, reducing the occurrence of abnormal situations, lowering the product defect rate, and cutting the number of employees involved in the protofilament production process by more than 25%. Since the intelligent inspection system was put into operation, the detection rate of equipment abnormalities has been 100%, and the Company has been able to timely report the information and quickly have the abnormalities solved. By implementing the construction of intelligent workshops and promoting the digital transformation of factories, the Company's production efficiency has been raised by more than 14%, the product defect rate has dropped by 45%, and the energy consumption per unit output has been cut down by 30%. The Company's cost control capabilities have been remarkably enhanced, and its market competitiveness and profitability have been improved in an all round way.

Plan for the Future Production Capacity the Company (10,000 tons)¹



¹The data includes both production capacity under construction and production capacity already put into operation





Topic 2

Pioneering Green Manufacturing

With the increasingly severe global environmental problems, green factories have effectively reduced pollution and damage to the natural environment and promoted sustainable development by adopting clean energies, optimizing production processes, improving the efficiency of resource utilization, and implementing strict environmental management measures. These factories not only help alleviate climate change and protect biodiversity, but also enhance corporate image, strengthen market competitiveness, and lead the industry towards a greener and more low-carbon direction.

In 2023, the Company attached great importance to the construction and development of green factories, and focused on the following aspects. Firstly, the Company increased investment in environmental protection technology R&D, introduced and applied advanced energy-saving and emission reduction technologies and equipment, and further improved production efficiency and the rate of resource utilization. Secondly, the Company deepened green supply chain management, promoted upstream and downstream enterprises to jointly implement green production, and built a green industrial ecosystem. Finally, the Company established and implemented strict environmental standards and management systems to ensure the effective implementation of various environmental measures and continuously improve the environmental performance and social responsibility of the Company. Through these efforts, we aim to build the Company into an industry-leading green factory which contributes to the sustainable development of the society and the economy.

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



Leading Green Chemical Industry, Manufacturing Full Life Cycle Environment-friendly Products

Committed to the innovation and development of green products, Shenma Corporation manufactures green products from the source to the end by adopting cutting-edge R&D technologies, and selecting environment-friendly materials. On the R&D front, the Company firmly insists on the direction of green R&D and continues to tackle related issues in areas such as environment-friendly chemical materials, production process emissions reduction, and environmental impact reduction. On the supply chain front, we strictly screen environmental partners to ensure that every link meets green standards. At the same time, the Company optimizes transportation processes, adopts low-carbon transportation modes, and reduces environmental burdens. Shenma Corporation interprets the concept of green production through practical actions and aims to contribute more environmentally friendly and more sustainable products to the society.

Promoting Green R&D

Shenma Corporation is committed to the R&D and application of environmentally friendly chemical materials. By introducing green raw materials and combining technological innovation methods, product energy efficiency can be improved and environmental impact can be reduced. Each subsidiary continues to promote green innovation development, optimize resource allocation, improve resource utilization efficiency, and actively promote research and development projects including "indirect hydration of cyclohexene", "novel adipic acid reaction", "research on new technology of HMDA", "research on cyclohexane dehydrogenation technology", etc. While expanding and strengthening the nylon industry chain, the Company further develops and expands the downstream of the existing industry chain, develops new products and processes, enhances core competitiveness and increases technological reserves, so as lay a solid foundation for the next step of development.

Case | Nylon Chemical Co., Ltd.'s R&D Project of "Cyclohexane Dehydrogenation to Benzene" Shenma Industrial Co., Ltd.

As a key R&D project of Nylon Chemical Co., Ltd., "Cyclohexane Dehydrogenation to Benzene" dehydrogenates cyclohexane, a by-product of the cyclohexanol unit, to produce benzene, and then recycle the benzene and hydrogen generated back to the cyclohexanol unit process system, thus achieving a production loop of "raw material → product → raw material", reducing the large-scale external purchase of the raw materials of benzene and hydrogen for cyclohexanol production, and recycling the by-product cyclohexane. This process may greatly reduce various safety risks and transportation costs in the transportation process of organic materials, improve the utilization rate of carbon atoms in the operation of the cyclohexanol unit, further enhance the utilization rate of raw material benzene, achieve breakthrough progress in existing technological, safety and environmental protection level, solve a global technical problem in the industry, ensure the green, efficient and stable operation of the Company, and further enhance the Company's core competitiveness.

Case | Shenma Cord Fabric Development Co., Ltd.'s "Research on New Environmentally Friendly Impregnation Technique for Cord Fabric and Its Industrial Application" Shenma Industrial Co., Ltd.

Shenma Cord Fabric Development Co., Ltd. is actively collaborating with scientific research institutions to accelerate the research and development of "Research on New Environmentally Friendly Impregnation Technique for Cord Fabric and Its Industrial Application". This initiative aims to reduce harmful substances such as resorcinol and formaldehyde that may be released during traditional impregnation processes, and protect the environment and human health. Meanwhile, we are also focused on the recycling and reuse of waste tire materials, so as to achieve effective resource recycling through innovative technologies and reduce environmental pressures. In addition, the new environmentally friendly impregnation technique will also significantly improve the durability and service life of tires, further reducing the waste generated by premature tire scrapping and contributing positively to environmental protection.

Building Green Supply Chain

Shenma Corporation integrates the concept of green and low-carbon throughout the entire process of supply chain management, and is committed to building a green supply chain system. The Company is well aware that suppliers are an important part of the supply chain, and their low-carbon performance directly affects the carbon emissions level of the entire supply chain. Some subsidiaries, such as Nylon Chemical Co., Ltd., have sent letters to major raw material suppliers, requesting them to prepare greenhouse gas inventory reports and product carbon footprint reports in accordance with the requirements of the Company, and to nail down tasks relevant to emission reduction targets.

Insisting on Green Transportation

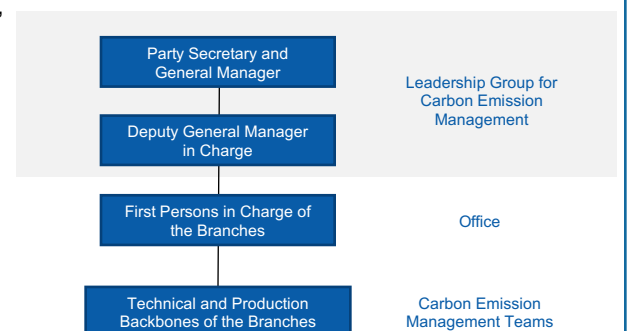
The Company firmly believes that environmentally friendly and low-carbon transportation modes can effectively reduce the impact on the environment, promote ecological balance, and contribute to the sustainable development of the earth. Therefore, the Company actively advocates green transportation modes using new energies, and each subsidiary spreads environmental awareness to raw material suppliers, urging them to gradually use new energy transportation vehicles for material transportation. Taking Nylon Chemical Co., Ltd. as an example, this subsidiary has officially set up plans to replace all coal transportation vehicles with new energy vehicles to reduce greenhouse gas emissions.

Green Operation and Carbon Audit

The Company adheres to the concept of green operation and is committed to integrating the principles of resource conservation, ecological and environmental protection into the entire process of operation and management, so as to achieve sustainable growth. To better plan the Company's resources as a whole and track the impact of the Company's operations on the environment, some subsidiaries of the Company have conducted environmental impact assessments and built environmental governance systems to help reduce the Company's carbon footprint and negative environmental impacts. Meanwhile, in order to accurately assess carbon emissions, some subsidiaries have implemented carbon audit aimed at confirming emissions, evaluating the effectiveness of emission reduction measures, enhancing environmental image, supporting policy formulation, and preparing for participation in the carbon market, thereby comprehensively promoting the green transformation and sustainable development of the Company.

Case | Nylon Chemical Co., Ltd.'s Carbon Emission Control Structure Shenma Industrial Co., Ltd.

To ensure that carbon emission management is put into practice, Nylon Chemical Co., Ltd. has established a leadership group for carbon emission management, with the Party Secretary and the General Manager as the heads and the Deputy General Manager in charge as the executive deputy head of the group. There is an officer under the leadership group. Each branch of Nylon Chemical Co., Ltd. has established a carbon emission management team with the first person in charge of the branch as the leader, and technical personnel and production backbones of the branch as members. In addition, full-time (part-time) administrators have also been assigned. Overall, a carbon emission management network from the company's leadership team to the production technology department, each production plant, and grassroots employees has been established to comprehensively strengthen the organization and leadership of carbon emission.



Building Green Factories

The Company is committed to reducing energy consumption and pollutant emissions in the production process. We reduce waste in the production process by adopting advanced production technology and equipment, and improving the utilization efficiency of raw materials, energy, and water resources. Meanwhile, we promote clean production technologies, and reduce or avoid the generation and emission of harmful substances by optimizing production processes and procedures. We also have the pollutants generated treated and recycled to reduce their negative impact on the environment. These measures not only help reduce production costs, but also alleviate the impact of the Company's production on the environment.

Use of Renewable Energies

The Company actively responds to the national "dual carbon" strategy, regards renewable energies as an important direction for future green development, and increases investment and layout in the field of renewable energy. Some subsidiaries and factories have built their own photovoltaic power stations, which have been put into operation. For example, Shenma Cord Fabric Development Co., Ltd. has built a total installed capacity of 12.3 MW distributed rooftop photovoltaic power stations, with an annual power generation of 13 GWh, accounting for 6% of the Company's total electricity consumption. Please refer to the "Campaign against Climate Change" section of this report for specific details.

Digital-intelligent Operation

The Company actively promotes the construction of an intelligent power platform, and brings the operation and control of power and equipment of the entire plant under unified monitoring and management. By carrying out the intelligent transformation project on the automatic doffing of protofilament, realizing automatic yarn feeding for twisted weaving, and starting to implement the construction of monitoring and control systems for wastewater, waste gas, steam, natural gas, and other energies, we strive to build energy-saving, efficient and intelligent factories.

Energy Conservation, Consumption Reduction and Pollution Control

Through management improvement and equipment upgrading, the comprehensive energy consumption and pollutant emission levels per ton of product of Shenma Cord Fabric Development Co., Ltd. are far below the relevant national standards, and are in leading positions in the industry. Through the implementation of environmental protection and energy conservation projects such as reduction of solid waste, smart water cooling, high and low pressure overflow, and low nitrogen combustion transformation of heat conduction oil furnaces, costs were saved by about RMB 12.5 million, and 5.5 tons of nitrogen oxides and other pollutants were reduced in emissions, bringing environmental benefits. Through full participation and process management, the Company has further improved the environmental protection and energy conservation awareness and management level of all employees, laying a good foundation for the next step of green and sustainable development.

Material Recycling and Energy Reuse

The Company has taken multiple innovative measures to achieve material recycling and efficient reuse of energy. Let's take Shenma Cord Fabric Development Co., Ltd. as an example. By fully recovering waste N66 industrial yarns and realizing 100% reuse of waste yarns through advanced melting granulation technique, the company has effectively reduced resource waste and environmental pollution. At the same time, we have introduced drying-free paper tubes to replace traditional paper tubes. Drying-free paper tubes can be reused up to 20 times. This not only reduces material consumption in the production process, but also significantly reduces energy consumption caused by the drying process, contributing to energy conservation and emission reduction. In addition, we have also continuously promoted the implementation of environmental protection and energy conservation projects, including the 1205 waste heat reuse project in protofila production, which effectively recovers and utilizes the waste heat generated during the production process. We have built a smart water cooling system to achieve the recycling of water resources and refined management of energy consumption.

Key Performance

In 2023, Scope 1 and Scope 2 carbon emissions of Shenma Cord Fabric Company (the parent company) were 221.98/145,708.94 tons of CO₂e, totalling 145,930.92 tons of CO₂e. The total carbon emissions of Scope 1 and Scope 2 decreased by 35.6% compared with 2022. Based on the operating income of the parent company, in 2023, Scope 1 and Scope 2 carbon emission intensity of Shenma Cord Fabric Company was 0.111 ton/10,000 yuan, a decrease of 13.2% compared to Scope 1 and Scope 2 carbon emission intensity in 2022, which was 0.128 tons per 10,000 yuan.

Green Factory Area of Shenma Cord Fabric Development Co., Ltd.





ESG Governance

Shenma Corporation has always adhered to the concept of sustainable development, continuously enhanced the Company's sustainable development capabilities. In our long-term development strategy, the Company strives to continuously improve our ESG management and enhance our core competitiveness.

By integrating sustainable concepts into our business operations and long-term plan, we are committed to reducing environmental impact through management optimization and green innovation. We identify substantive issues that are aligned with the Company's core competencies, formulate development strategies that are consistent with our global goals, and strive to achieve balanced economic, social, and environmental development.

Table of Contents for This Chapter:

- ESG Governance System
- Stakeholder Communication
- Substantive Issue Identification
- Response to Sustainable Development Goals (SDGs)

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



ESG Governance Structure

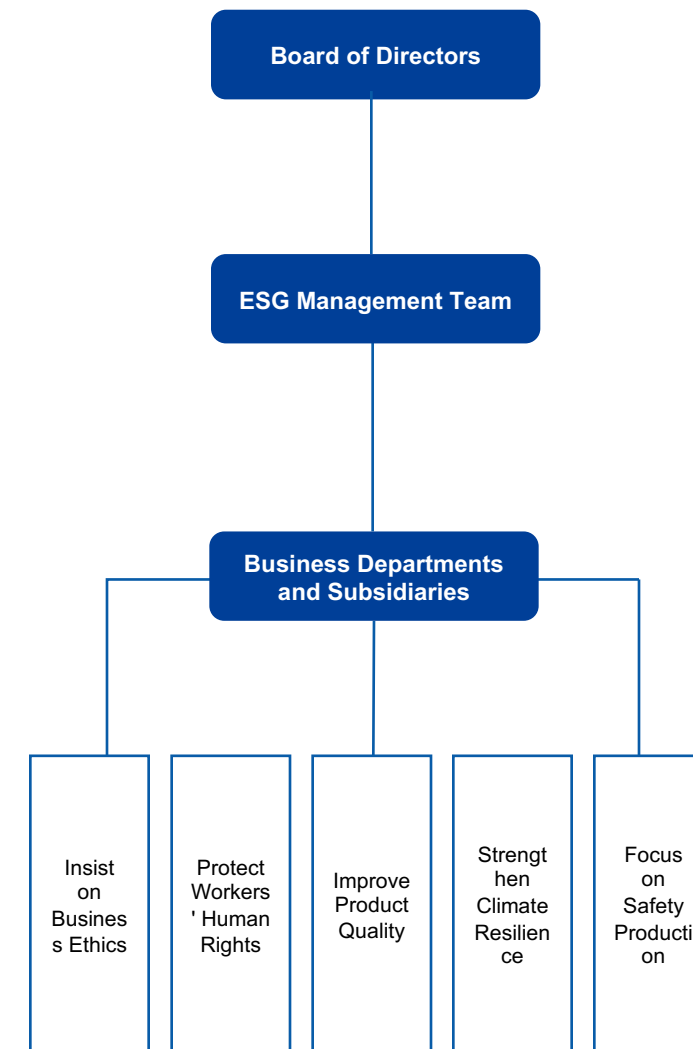
Shenma Corporation practices the sustainable development concepts through practical actions, integrates environmental, social, and corporate governance (ESG) into the entire operation process of the Company, and ensures the effective implementation of the Company's sustainable development concepts through institutionalized and systematic management structure.

In 2023, the Company continued to improve its top-down ESG management structure. Covering the group and holding companies, the Company's ESG governance system has established a "governance-management-execution" three-tier ESG management structure characterized by complete structure, clear hierarchy, well-defined powers and responsibilities, and efficient operation, effectively ensuring the efficient promotion of work on ESG.

The Board of Directors is responsible for making decisions and supervising the Company's ESG matters. The ESG management team is responsible for coordinating the specific implementation of various work on ESG under the guidance of the Board of Directors (including specific ESG-related work to be implemented by various departments and subsidiaries), is responsible for the Company's sustainable development strategy and ESG governance, and formulates relevant policies and specific measures.

Sustainable Development Concepts of Shenma Corporation

Core Concept		
Enterprise Development, Employees' Affluence		
Enterprise Style	Management Concept	Safety Concept
Be Truthful, Do Practical Work, and Seek Tangible Results	Everyone Fulfills Their Responsibilities, Every Task Reaches All Standards	Life Comes First, Safety is Paramount
Marketing Concept	Studying Concept	Talent Concept
Grow with Customers	Studying Makes the Future	Talent is a Man Who Does His Job Well
Quality Concept	Cost Concept	Integrity Concept
Quality is the Lifeblood of the Company	Every Penny Saved is a Penny Gained	Take Pride in Honesty and Integrity in One's Job



Board of Directors

Be responsible for making decisions on major issues related to the sustainable development of the Company, and also for reviewing the Company's annual sustainability report.

ESG Management Team

The Office of the Board of Directors is responsible for researching and formulating the Company's sustainable development strategy and policies, and supervising, inspecting, evaluating, and providing recommendations on the Company's implementation of sustainable development management. The Strategy and Sustainable Development Committee reports its work to the Board of Directors and is accountable to the Board of Directors.

Business Departments and Subsidiaries

Be responsible for collaboratively formulating and implementing strategic plans and goals of sustainable development, while establishing governance structures, planning as a whole and promoting project implementation. Collaborating with dedicated personnel to implement and execute relevant businesses, and track work performance in the following five respects: insisting on business ethics, protecting workers' human rights, improving product quality, strengthening climate resilience, and focusing on safety production.

Case | Shenma Corporation Held a Training Workshop on Knowledge on Sustainable Development

On September 26, 2023, the training workshop on Knowledge on Sustainable Development of Shenma Corporation was held in the conference room of South No. 1 Building. Nearly a hundred people, including heads of the technology center and relevant departments Shenma Corporation, as well as competent leaders of various units in the nylon chemical sector and responsible persons of relevant businesses participated in the workshop. The contents of the training workshop covered topics such as sustainable development, quality training, and dual carbon management policies.



Stakeholder Communication

In 2023, Shenma Corporation continued to pay attention to the opinions of stakeholders from all walks of life, including shareholders, investors, customers, regulatory authorities, employees, and suppliers. Under the guidance of ESG philosophy, the Company has established a normalized communication mechanism with various stakeholders through various forms, and effectively responded to their demands based on the Company's experience accumulated in the industry and deep understanding of ESG philosophy.

Stakeholders	Issues of Concern		Communication Channels	
Shareholders and Investors	Corporate Governance Strengthen Investor Relations Management	Management of Intellectual Property Rights Anti Commercial Bribery and Anti Corruption	General Meeting of Shareholders Information Disclosure	Performance Briefing Domestic and International Strategy Meetings
Customers	Innovation-driven Development Data Security and Customer Privacy	Customer Service Responsible Marketing	Innovation in Scientific Research Customer Privacy Protection Measures	Customer Service System
Government and Regulatory Authorities	Corporate Governance Compliance and Risk Control Anti Unfair Competition	Public Welfare and Charity Rural Revitalization Common Progress in the Industry	Supervision and Inspection Receiving Visitors	Policy Implementation
Employees	Employees' Rights and Interests Talent Development	Occupational Health and Safety	Employee Activities Employee Assessment and Promotion	Employee Training
Suppliers	Supply Chain Safety Anti Commercial Bribery and Anti Corruption	Equal Treatment for Small and Medium Enterprises Common Progress in the Industry	Cooperation and Transactions Daily Communication	Contract Execution
Community and Ecological Environment	Energy Utilization Water Resource Utilization Waste Disposal Campaign against Climate Change	Pollutant Discharge Environmental Compliance Management Circular Economy	Waste Management System Conservation Management System	Low Carbon Awareness Cultivation
Academic Institutions	Innovation-driven Development Talent Development	Public Welfare and Charity Common Progress in the Industry	Academic Exchanges Industry-university-research Cooperation	Talent Cooperation Projects Vocational Education

Materiality Assessment

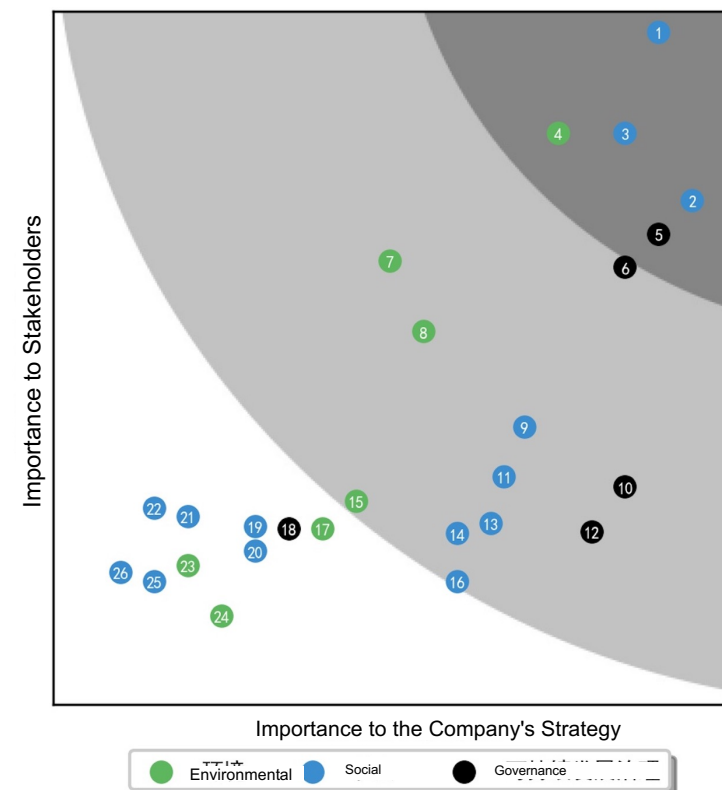
In 2023, the Company carried out the identification of sustainable development issues, as well as the evaluation and screening of the importance of these issues. The report disclosed and responded to the management and practical performance of the 26 issues identified.

From the perspective of the process, in the identification stage, the Company identified the important issues that have an impact on itself and stakeholders, and formed a library of substantive issues mainly by taking into account international standards (GRI, SDGs, etc.), major national economic and social development issues, cutting-edge trends in sustainable development in the industry, and the Company's development strategy.

In the evaluation stage, the Company invited experts in sustainable development and other stakeholders to fill out a questionnaire on the importance of the issues, and took internal employees' evaluation of the importance of the issues into consideration, thus forming a two-dimensional evaluation of the importance of the issues.

In the screening stage, the Company constructed a substantive analysis matrix based on the evaluation results of the issues, and obtained the ranking results of the importance of the issues. For issues with high substantive contents, the report focused on the disclosure, discussion and analysis of these issues.

Analysis of Shenma Corporation's ESG Issues



Substantive Issues	Comprehensive Ranking
Product Safety and Quality	1
R&D Innovation	2
Occupational Health and Safety	3
Against Climate Change	4
Corporate Governance	5
Anti Commercial Bribery and Anti Corruption	6
Pollutant Discharge	7
Environmental Compliance Management	8
Talent Development	9
Investor Relations Management	10
Management of Intellectual Property Rights	11
Compliance and Risk Control	12
Supply Chain Safety	13
Employees' Rights and Interests	14
Energy Utilization	15
Customer Service	16
Water Resource Utilization	17
Anti Unfair Competition	18
Common Progress in the Industry	19
Equal Treatment for Small and Medium Enterprises	20
Privacy and Data Security	21
Responsible Marketing	22
Circular Economy	23
Waste Disposal	24
Public Welfare and Charity	25
Rural Revitalization	26

Corporate Governance

Shenma Corporation has always adhered to the principles of integrity, transparency, and compliance, and has been committed to building an efficient and standardized corporate governance system. The Company strictly implements the working processes of the General Meeting of Shareholders, the Board of Directors, and the Board of Supervisors, ensures that all decision-making processes are open and transparent, and respects and protects the rights and interests of shareholders and stakeholders. The Company adheres to the principle of integrity management, regularly provides professional training to employees to enhance their understanding of and the importance attached to business ethics, and ensures that the Company's business activities are conducted within a legal and ethical framework. For any form of corrupt behavior, the Company adopts a firm zero tolerance policy and has established a comprehensive anti-corruption mechanism which include internal supervision, audit supervision, and anonymous reporting systems, so as to ensure that any improper behavior can be quickly detected and corrected.

Key ESG Performance

- ✓ In 2023, the Company held **18** meetings of the Board of Directors, and optimized the performance of duties by the members of the Board of Directors
- ✓ In 2023, the Company released **9** regular announcements and **159** provisional announcements
- ✓ In 2023, the Company implemented over **200** rounds of bidding supervision, effectively maintaining a fair competitive environment for invitation and submission of bids and ensuring the maximization of the Company's interests
- ✓ In 2023, all subsidiaries of the Company involved in information security issues actively carried out training on information security system, with a training coverage rate of **100%**

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



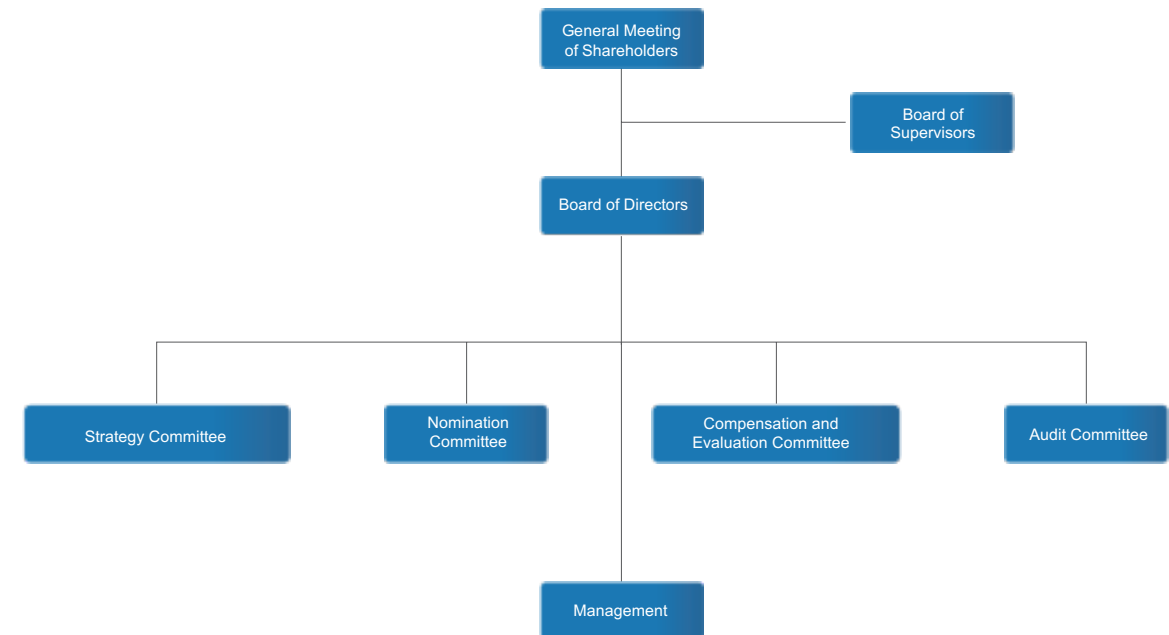
Governance Structure

The Board of Directors of Shenma Corporation has been continuously committed to safeguarding the legitimate rights and interests of the Company and all shareholders, actively fulfilled management responsibilities, continuously improved corporate governance capabilities, constantly strengthened the independence and diversification of the Board of Directors, actively engaged in dialogues with investors and participated in investor relations management, and standardized information disclosure.

The Management System

The Company is engaged in standardized operation according to law in strict accordance with the provisions and requirements of relevant national laws, regulations and normative documents, such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Code of Corporate Governance for Listed Companies. At present, the Company has formed a corporate governance structure with clearly-defined powers and responsibilities, effective checks and balances, scientific decision-making, and coordinated operation. The actual situation of corporate governance meets the requirements of relevant laws and regulations, and there is no problem requiring rectification within a specified period of time by regulatory authorities. The General Meetings of Shareholders, the Board of Directors and the Board of Supervisors of the Company are operated in a legal and compliant manner with timely, accurate, and fair information disclosure and standardized and effective internal controls. They have effectively safeguarded the interests of the Company and its investors.

There are four specialized committees under the Company's Board of Directors, namely the Strategy Committee, the Audit Committee, the Nomination Committee, and the Compensation and Evaluation Committee, which provide consultation and suggestions for major decisions of the Board of Directors to ensure the professionalism and efficiency of the discussions and decisions of the Board of Directors. The Company has established an operational mechanism featuring the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the Management. In 2023, the Audit Committee held 6 meetings.



Key Performance of Corporate Governance

Indicator	Unit	2021	2022	2023
General Meeting of Shareholders	Time	4	12	8
Board Meeting	Time	11	17	18

Diversification of the Board of Directors

The Company has been committed to diversifying its board of directors for a long time. As of the end of 2023, the Board of Directors consists of 9 directors. Among them, there are 3 independent directors, accounting for 33.3% of the board members; there is one female director, accounting for 11.1% of the board members. The board members have rich knowledge and experience in industry experience, financial management, and other areas, which helps the Board of Directors make the best decisions and promote the sustainable and healthy development of the Company. The backgrounds of the board members can be found in the "Corporate Governance" section of the 2023 Annual Report, specifically under "IV. Information on Directors, Supervisors, and Senior Management".

The independent directors of the Company are all senior professionals with professional knowledge in accounting, finance, and technology, and meet the independence requirements of the Measures for the Administration of Independent Directors of Listed Companies, the Guidelines No. 1 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Standardized Operation, including but not limited to not holding any positions in the Company other than independent director, having no relationship with the Company or its controlling shareholders that may hinder independent and objective judgment, and not obtaining any additional undisclosed benefits from the Company, its controlling shareholders, or their affiliates. To ensure the independence of the Board of Directors, the number of independent directors accounts for 66.7% of the members of the Audit Committee and the Nomination Committee, 100% of the members of the Compensation and Evaluation Committee, and 33.3% of the members of the Strategy Committee.

General Meeting of Shareholders

- Composed of all shareholders of the Company, is the governing body of the Company.
- Exercise and decide on the Company's business policies and investment plans in accordance with the law.
- Elect and replace directors and supervisors who are not employee representatives, and decide on matters related to their remunerations.
- Deliberate and approve the reports of the Board of Directors.
- Deliberate and approve the reports of the Board of Supervisors.
- Deliberate and approve the Company's annual financial budget plans and final accounting plans.
- Deliberate and approve the Company's profit distribution plans and loss recovery plans and other authorities.

Board of Directors

- Composed of 9 directors, including 3 independent directors and 1 Chairman.
- The Chairman is elected by the Board of Directors with a majority vote of all directors.
- Convene General Meetings of Shareholders in accordance with the law and report its work to the General Meetings of Shareholders.
- Implement the resolutions of the General Meetings of Shareholders.
- Determine the Company's business and investment plans.
- Develop the Company's annual financial budget plans and final accounting plans.
- Formulate profit distribution plans and loss recovery plans for the Company and other authorities.

Board of Supervisors

- Composed of 5 supervisors, and the Board of Supervisors has 1 Chairman.
- The Chairman of the Board of Supervisors is elected by a majority of all supervisors.
- Exercise the right to review the Company's regular reports prepared by the Board of Directors in accordance with the law and provide written review opinions. The written review opinions shall explain whether the preparation and review procedures of the report comply with relevant regulations, and whether the content is true, accurate, and complete.
- Inspect the Company's finances in accordance with the law, and supervise the performance of Company duties by directors and senior management personnel.

Building of the Board of Supervisors

The Board of Supervisors of the Company is responsible to the General Meeting of Shareholders. The Board of Supervisors shall inspect and supervise the legality of the performance of duties by the directors and senior management personnel of the Company, and safeguard the legitimate rights and interests of the Company and shareholders. The term of office for the supervisors of the Company is 3 years, and they can be re-elected for consecutive terms. Supervisors who are not employee representatives shall be elected and dismissed by the General Meeting of Shareholders; supervisors who are employee representatives shall be elected and dismissed democratically by employees of the Company through the Employee Representatives' Assembly, the Employee's Assembly, or other forms. As of the end of 2023, the Board of Supervisors of the Company consists of 5 supervisors, with 1 chairman.

Minority Investor

Shenma Corporation attaches great importance to investor relations management and has formulated institutional documents such as the Investor Relations Management Measures in accordance with relevant laws, regulations, and securities regulatory rules.

Adhering to the concept of "respecting investors and rewarding investors", Shenma Corporation has set up a full-time position for investor relations management under the office of the Board of Directors, equipped with dedicated staff for continuous management and maintenance of investors. Shenma Corporation strives to build a positive relationship between it and its investors, advocates the concept of rational investment, value investment, and long-term investment, fosters a rational and mature investment culture, deepens investors' understanding and recognition of Shenma Corporation, improves corporate governance, and maximizes corporate value.

To ensure that resolutions are made by the General Meeting of Shareholders in a fair and open manner, all proposals at the General Meeting of Shareholders of Shenma Corporation are voted on to safeguard the interests of all shareholders. Shenma Corporation sends a notice to shareholders 15 or 20 days before the General Meeting of Shareholders. Some directors, supervisors, and senior management personnel of Shenma Corporation attend the General Meeting of Shareholders to have in-depth exchanges with investors. To increase the proportion of shareholders participating in the General Meeting of Shareholders, in addition to the on-site voting, Shenma Corporation also provides shareholders with online voting methods (trading system voting platform or Internet voting platform). Furthermore, Shenma Corporation proactively contacts the top 100 shareholders two days before the meeting to invite them to participate in online voting.

Shenma Corporation communicates and interacts with investors on a daily basis through various channels such as telephone, email, WeChat official account, and the SSE E-interactive platform. In addition, Shenma Corporation regularly holds performance briefings, receives offline research visits from institutional and individual investors, actively participates in collective investor reception day activities in the respective jurisdiction, and engages in multi-channel and comprehensive communication and interaction with a wide range of investors. Through effective and sufficient communication and dialogue, Shenma Corporation aims to establish a good image and enhance the understanding of Shenma Corporation in the capital market.

Shenma Corporation attaches great importance to the compliance and transparency of information disclosure operations. It strictly adheres to the regulations on information disclosure supervision and has formulated internal information disclosure management systems such as the Information Disclosure Management Measures, the Insider Information Registration and Management System, and the Accountability System for Major Errors in Annual Report Information Disclosure. Shenma Corporation strictly follows the requirements of the Guidelines for Announcement Formats of the Shanghai Stock Exchange to standardize the standards and submission process of information disclosure, actively fulfills its information disclosure obligations, and ensures that the content of information disclosure is true, accurate, and complete.

Key Performance

In 2023, Shenma Corporation released **9** regular announcements and **159** temporary announcements.

Dividend Distribution and Investor Returns

According to the relevant provisions of the Regulatory Guidelines for Listed Companies No. 3 - Distribution of Cash Dividends of Listed Companies issued by the China Securities Regulatory Commission, as well as the Articles of Association of Shenma Industrial Co., Ltd., Shenma Corporation's profit distribution can be made in the form of cash, shares, a combination of cash and shares, or other methods permitted by laws and regulations. When selecting the method of profit distribution, Shenma Corporation prefers to use cash dividends as the primary method compared to other methods such as stock dividends. The objective of the cash dividend policy is to maintain a fixed dividend payout ratio. When conditions for cash dividends are met, priority should be given to cash dividends for profit distribution, and Shenma Corporation should distribute at least 30% of its realized distributable profits in cash each year. The proportion of cash dividends in the current profit distribution is calculated as the cash dividends divided by the sum of cash dividends and stock dividends.

In order to reward investors and foster a long-term investment philosophy among shareholders, in accordance with the relevant provisions of the Articles of Association of Shenma Industrial Co., Ltd. and based on its actual situation, Shenma Corporation plans to use 1,031,398,528 shares, which is the total share capital at the end of 2023 (1,044,178,658 shares) minus the current share balance of 12,780,130 shares in its repurchase special account, as the base for distributable share capital for the year 2023. A cash dividend of RMB 1.37 per 10 shares (including tax) will be distributed, totaling RMB 141,301,598.34.

Sustainability-linked Compensation

The Remuneration and Evaluation Committee of the Board of Directors of Shenma Corporation complies with laws and regulations such as the Labor Law of the People's Republic of China, and reviews the remuneration policies and plans for directors and senior executives, taking into account factors such as its Articles of Association, corporate policies and objectives, remuneration levels in peer companies, as well as the specific responsibilities and time commitment of its directors and senior executives. The committee also provides recommendations on evaluation matters.

The remuneration of Shenma Corporation's directors, supervisors and senior executives is distributed in accordance with its established remuneration policies, which consist of basic salary, performance-based salary, special contribution rewards, and incentives based on achieving specific milestones. Shenma Corporation evaluates its directors, supervisors and senior executives on the basis of established performance evaluation standards and procedures. The remuneration levels of these individuals are adjusted according to the evaluation results, Shenma Corporation's operating conditions, and the positions held by them. The allowance for independent directors is determined by the General Meeting of Shareholders. The remuneration information of directors, supervisors and senior executives is disclosed annually in Shenma Corporation's annual report.

In addition, Shenma Corporation incorporates ESG indicators into the performance evaluation of directors and senior executives as monitoring indicators, which mainly include safety production (including but not limited to safety penalties, safety accidents, occupational accidents, etc.), environmental protection (including but not limited to environmental pollution accidents, environmental penalties, etc.), lawful and compliant operations, and business ethics. In case significant negligence is found in any aspect of the evaluation, Shenma Corporation will incorporate this into the performance evaluation calculation process according to the relevant regulations of the Human Resources Department, and the performance evaluation results will be directly linked to remuneration.

Credit Enhancement

Fareast Credit Rating Co., Ltd. has issued a Credit Rating Report on the Public Offering of Convertible Corporate Bonds by Shenma Industrial Co., Ltd., in which Shenma Corporation's main credit rating is AA+ with a stable outlook, and the credit rating of the issued convertible corporate bonds is AAA.

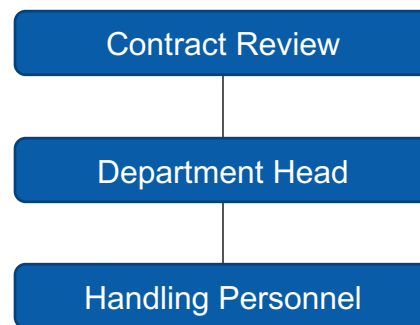
Compliance and Risk Control

Compliance Management

Ensuring integrity and compliance management is an important cornerstone for Shenma Corporation's steady and long-term development. Shenma Corporation consistently adheres to the principle of law-based management, and continuously improves its compliance management policies and systems. In accordance with its compliance management requirements and work needs, and in order to strengthen contract management, Shenma Corporation has formulated and issued the Measures of Shenma Industrial Co., Ltd. for the Administration of Contract Signing Authorization, standardizing the behavior of contract signing and improving the level of integrity and compliance management as well as risk prevention and control.

Compliance Management Framework

With regard to the compliance management system, Shenma Corporation has established a three-tier compliance governance structure, with the handling personnel of the contract sponsoring department serving as the first line of defense, the head of the contract sponsoring department serving as the second line of defense, and contract review serving as the third line of defense.



1. Improvement of the Compliance Management System

To strengthen contract management, Shenma Corporation formulated and issued the Measures of Shenma Industrial Co., Ltd. for the Administration of Contract Signing Authorization, standardizing the behavior of contract signing and enhancing the level of integrity and compliance management as well as risk prevention and control.

2. Promoted Construction of the Compliance Management System

Shenma Corporation clarifies its compliance objectives, establishes compliance policies and procedures, and ensures that employees understand and comply with relevant regulations. Shenma Corporation establishes a dedicated compliance team or committee responsible for supervising and promoting compliance affairs, as well as providing compliance training and consultation.

3. Compilation of a Risk Inventory and Compliance Manual to Integrate Compliance into Comprehensive Risk Management

Shenma Corporation develops relevant contents based on risk identification and classification, risk assessment, and risk priority ranking results.

4. Strengthened Management and Control of Overseas Compliance Risks

Shenma Corporation conducts dynamic monitoring of changes in overseas laws and regulations to ensure risk minimization.

Case | Compliance Training for Shenma Corporation's ERP Contract Management System

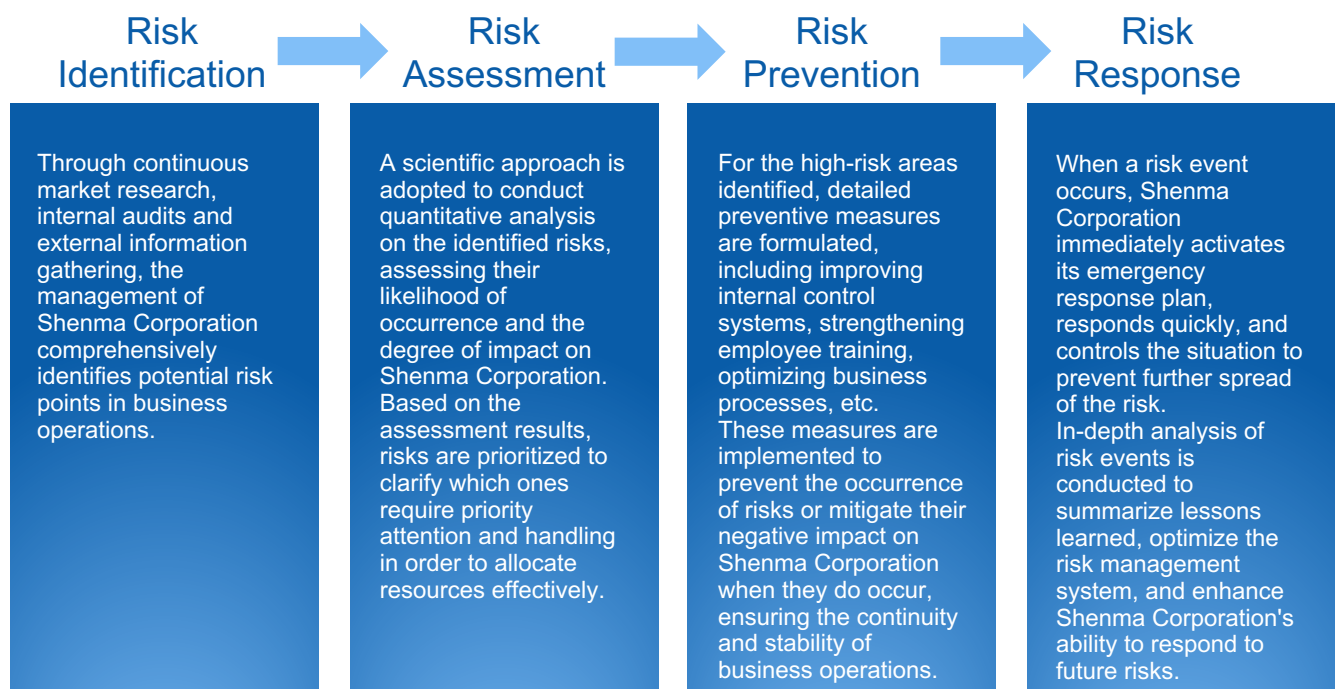


Shenma Corporation is fully aware that in a rapidly changing business environment, the close integration of compliance management and technological innovation is crucial for its steady development. Therefore, Shenma Corporation spares no effort in promoting widespread participation of employees in the online compliance training program for ERP contract management system, aiming to build an efficient and compliant contract management system. Through this well-designed training program, Shenma Corporation has not only enabled the handling personnel and heads of the contract sponsoring departments to deeply understand their core role in the contract review process, but also equipped them with the skills to comply with the regulations in key aspects such as contract uploading and approval. This comprehensive and in-depth training has not only enhanced the professional capabilities of employees, but also raised their awareness of compliance, ensuring that every employee becomes a promoter and practitioner of Shenma Corporation's compliance culture.

With the in-depth implementation of the training, the online operational efficiency of Shenma Corporation's ERP contract management system has been significantly improved, resulting in a substantial reduction in the contract processing cycle and a simultaneous increase in work efficiency and quality. Moreover, the standardized contract management process has effectively reduced the legal and operational risks faced by Shenma Corporation, building a solid defense for its sustainable development. These positive changes not only demonstrate the forward-thinking and execution capabilities of Shenma Corporation in compliance management, but also earn more trust and opportunities in the fierce market competition.

Risk Control

Shenma Corporation attaches great importance to various risks faced during business development, continuously improves its comprehensive risk management system, enhances risk identification and response mechanisms, organizes and conducts comprehensive risk assessments, conducts targeted management of annual major and important risks, and prepares comprehensive risk management reports. At the same time, Shenma Corporation continuously improves its internal control system, strengthens internal control supervision and management, and provides a solid foundation for sustainable development. In 2023, Shenma Corporation did not experience any significant risk events.



Business Ethics and Anti Corruption

Anti-corruption System

Shenma Corporation strictly abides by China's anti-corruption laws and regulations, the United Nations Convention against Corruption, as well as anti-corruption and anti-bribery laws and regulations applicable in other countries (regions) where it operates. In accordance with its own and its business partners' regulations and commitments on honest employment and anti-corruption, Shenma Corporation continuously strengthens the cultivation of an honest culture. Shenma Corporation and its employees shall not engage in or accept corruption, bribery, fraud, money laundering, or any other unethical behavior, regardless of the reason or form, in any geographical location. Additionally, Shenma Corporation's suppliers, contractors and service providers are required to comply with the aforementioned regulations. When conducting domestic and overseas business and investments, Shenma Corporation strictly adheres to the principles and regulations of anti-corruption, anti-commercial bribery, anti-fraud and anti-money laundering mentioned above.

Shenma Corporation has established and continuously improved its anti-corruption policy and institutional system, ensuring comprehensive coverage of all its agencies, businesses and personnel. This provides a solid foundation for Shenma Corporation's long-term steady development. Shenma Corporation has formulated relevant systems such as the List of Responsibilities of the Shenma Corporation Party Committee in Fulfilling the Principal Responsibility for Comprehensively Governing the Party with Strict Discipline and the List of Responsibilities of the Shenma Corporation Discipline Inspection Committee in Fulfilling the Supervisory Responsibility for Comprehensively Governing the Party with Strict Discipline. Additionally, Shenma Corporation's Party committee has signed the Target Responsibility Letters for Fulfilling the Principal Responsibility for Comprehensively Governing the Party with Strict Discipline with branches, and with senior, middle-level and primary-level leaders. Managers and employees who are Party members must also abide by the Code of Conduct for Clean and Self-Disciplined Officials of the Communist Party of China as well as other regulations on honest employment, and be subject to supervision.

To implement the anti-corruption policies, Shenma Corporation has issued the Notice of Shenma Corporation Party Committee on Conducting Inspections and Evaluations of Leading Cadres, incorporating anti-corruption assessment into the performance appraisal system, and linking the assessment results with salary, position and rank adjustments.

Corruption Risk Control

Shenma Corporation has taken robust measures in areas with high corruption risks, such as the selection and promotion of cadres, supervision of the misuse of resources, and supervision of business tenders and bids. These measures have promoted the improvement of Shenma Corporation's management level and the cultivation of an honest culture.

Cadre Recruitment and Selection: Shenma Corporation has implemented the "Four Systems" reform for middle-level managers, including the systems of recruitment through competition, term limits, position-based salary and elimination. The recruitment and selection of cadres are conducted in an open, fair and impartial manner through various forms such as "three recommendations and one examination" or "three recommendations and three examinations". Shenma Corporation's Discipline Inspection Committee oversees the entire process to ensure that there is no corruption risk in the personnel selection mechanism.

Misappropriation of Resources: On the one hand, by organizing inspections of office space used in violation of regulations, Shenma Corporation has promptly identified and corrected existing problems, effectively curbing the abuse of resources. On the other hand, in response to the issue of leading cadres potentially using special resources such as rare and valuable products for personal gain, Shenma Corporation has launched a special rectification campaign and required managers at or above the primary level to sign the Personal Commitment Letter, thereby strengthening their awareness of honesty and self-discipline.

Business Tenders and Bids: Shenma Corporation has strengthened supervision to ensure the standardization and transparency of bidding and tendering activities. The supervision departments of Shenma Corporation's headquarters and subsidiaries actively participated in the bidding process, conducting over 200 bidding supervision activities throughout 2023. This effectively maintained a fair and competitive bidding environment and ensured the maximization of Shenma Corporation's interests.

Case | Eight Key Responsibilities of Shenma Corporation's Leading Cadres in Clean Governance

(I) **Emphasis on Political Construction.** Shenma Corporation's leading cadres shall implement the spirit of General Secretary Xi Jinping's speech, supervise and urge the implementation of the responsibility of comprehensively governing the Party in the new era, and ensure the effective implementation of the decision and deployment of the 20th CPC National Congress through strong political supervision. Shenma Corporation's leading cadres shall strengthen the supervision and inspection of "the top leaders", grasp the laws governing the construction of Party conduct and the fight against corruption, give full play to the role of the "six-in-one" comprehensive supervision system, and consciously regulate behaviors with the "Ten Red Lines".

(II) **Focus on Implementation of Decisions.** Shenma Corporation's leading cadres shall implement the deployment requirements of the Group Party Committee and the Company Party Committee regarding the construction of Party conduct and the fight against corruption, formulate work plans, target requirements and specific measures, clarify the responsibilities and task assignments of the leadership team, leading cadres, internal functional departments and business units, and promote the implementation of responsibilities.

(III) **Strengthening of Theoretical Study.** Shenma Corporation's leading cadres shall continuously promote the study and implementation of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, consistently advocate Party members and cadres to enhance their "four consciousnesses", strengthen their "four self-confidences" and achieve "two upholdings", consistently implement the strategic approach of comprehensively governing the Party with strict discipline, safeguard the centralized and unified leadership of the Party, urge the implementation of the Party's theories, lines, principles and policies, and maintain the advanced nature and purity of Party members at all times.

(IV) **Continuous Improvement of Conduct and Discipline.** Shenma Corporation's leading cadres shall implement the spirit of the eight-point decision of the CPC Central Committee on improving conduct; continuously rectify formalism and bureaucratism that affect the implementation of decision-making and deployment, ignore and infringe upon the interests of the masses and increase the burden on the grassroots level; deeply rectify hedonism and extravagance that harm the image of the Party and are strongly opposed by the masses; seriously rectify issues such as the irregular distribution of allowances and subsidies; and create a good atmosphere of integrity, honesty and dedication to work.

(V) **Strengthened Constraints of Power.** Shenma Corporation's leading cadres shall strictly implement the responsibility of comprehensively governing the Party with strict discipline, enforce democratic centralism, perform duties and exercises power in accordance with rules, regulations and laws as well as the "three major and one important" system and the factory (enterprise) affairs disclosure system, and ensure that the exercise of power is open and transparent. Shenma Corporation's leading cadres shall strictly follow the regulations in selecting and appointing cadres, and prevent and correct irregularities in the selection and appointment process.

(VI) **Thorough Investigations and Research.** During the year, Shenma Corporation's leading cadres shall conduct research on the construction of Party conduct and the fight against corruption, and promptly resolve prominent issues. Shenma Corporation's leading cadres shall be familiar with the situation of Party conduct construction and anti-corruption work within their own departments or units, supervise and inspect the integrity of personnel within their scope of responsibility, and promptly engage in conversations and reminders for any potential issues.

(VII) **Fulfillment of Supervisory Responsibilities.** Shenma Corporation's leading cadres shall support and ensure that discipline inspection and supervision personnel conduct disciplinary reviews in accordance with rules and regulations, maintain a high-pressure stance on improving conduct and discipline and punishing corruption, promptly coordinate and resolve major situations and prominent issues, and ensure that those who violate rules and disciplines are held accountable seriously.

(VIII) **Deepening of Case-based Reform.** Shenma Corporation's leading cadres shall take case-based reform as a powerful tool to promote the governance of the Party and an effective measure to optimize the political ecology, adhere to the integrated promotion of the "three no's" principle (no corruption, no collusion, and no tolerance for corruption), make good use of discipline inspection and supervision suggestions, enhance the effectiveness of case-based reform and governance, and uphold the main theme of "strictness" throughout the entire process of supervision and discipline enforcement.

Employee Integrity Training

To strengthen its corporate culture of anti-corruption and integrity, Shenma Corporation has intensified its anti-corruption publicity and education efforts. Based on the situation and tasks of different periods, Shenma Corporation has carried out various activities such as promoting reform through case studies, organizing anti-corruption publicity and education months, promoting family values and education, collecting quotes on integrity, organizing the viewing of a series of warning educational films, and visiting integrity education bases. These efforts have continuously fostered a strong atmosphere of daring to take responsibility, acting with integrity, and working with honesty.

Overall, Shenma Corporation has incorporated integrity education into its employee training programs and implemented a tiered responsibility system. Shenma Corporation headquarters and its subsidiaries make full use of electronic screens, display boards and factory bulletin boards to disseminate knowledge about laws and regulations.

Focus on the key dates: Shenma Corporation gives early reminders and early prevention during important holidays, promotes Party members and cadres to conscientiously implement the spirit of the central Party leadership's eight-point decision, the code of conduct for clean and self-discipline, and the "Twelve Prohibitions", so as to avoid the occurrence of holiday syndrome.

Focus on key persons: All leaders at or above the middle level participated in the signing and notification of the "Ten Red Lines" for Party building and operation; managers at or above the primary level participated in the lecture on integrity and the video conference on promoting case-based reform; all Party members participated in the knowledge test on the Party's regulations on disciplinary sanctions.

Case | Collective Discussion Meeting of Shenma Corporation Party Committee on Integrity

Shenma Industrial Co., Ltd.

On July 12, 2023, Shenma Corporation Party Committee held an annual collective discussion meeting on integrity. The meeting emphasized the importance of improving conduct and building integrity for the healthy development of enterprises, pointing out that in the context of the new era, strengthening integrity and self-discipline and creating a clean and upright corporate environment are the unshirkable responsibilities of every Party member and cadre. By citing the profound lessons learned from corruptions in domestic and foreign enterprises in recent years, the meeting warned everyone to remain sober-minded at all times, stay vigilant in maintaining integrity and self-discipline, and resolutely refrain from crossing the red line of discipline.



Case | Trainings of Nylon Chemical Co., Ltd.

Shenma Industrial Co., Ltd.

1. Members of the leadership team of Nylon Chemical Co., Ltd. utilized the learning session of the Central Group to seriously study the Public Notification of the Central Commission for Discipline Inspection and the National Supervisory Commission on Seven Typical Cases of Violating the Spirit of the Central Party Leadership's Eight-point Decision and the Public Notification of the Henan Provincial Commission for Discipline Inspection and Supervisory Commission on Five Typical Cases of Meal Gathering in Violation of Regulations.

2. The Discipline Inspection Committee of Nylon Chemical Co., Ltd. organized members of the leadership team, secretaries of various Party branches, and relevant personnel for political and ideological work to study a series of three videos analyzing corruption cases titled The Transformed Original Intention, Zhu Xi, and The Harm of Greed three times, sounding the alarm for Party members and cadres through studying these cases.

Supply Chain Anti-corruption

Shenma Corporation explicitly prohibits suppliers from engaging in any form of corruption, bribery, and other unethical behaviors. Shenma Corporation conducts due diligence before selecting suppliers to confirm whether they have been involved in corrupt practices and whether they have the ability to operate in compliance. The supply contract should clearly state the anti-corruption commitments of both parties, requiring suppliers to comply with anti-corruption laws and ethical standards.

Shenma Corporation signs a Clean Business Responsibility Statement with suppliers and contractors, clearly communicating its requirements for clean business practices and anti-corruption, and attaches the Clean Business Responsibility Statement as an annex to the procurement contract (agreement), making it equally legally binding. At the same time, Shenma Corporation entrusts third-party business credit evaluation agencies to conduct legal person credit certification for suppliers, regularly tracks changes in the creditworthiness of suppliers and contractors, and uses big data technology to monitor their business anomalies, administrative penalties, punishments for dishonesty and other aspects in real-time, so as to promptly identify risks from suppliers and contractors and avoid business risks.

For violations of anti-corruption regulations, Shenma Corporation implements clear handling measures, which are divided into notification, suspension of trading qualifications, cancellation of trading qualifications, inclusion in its "blacklist" and reporting to judicial authorities for criminal liability according to the seriousness of the circumstances. If suppliers registered on the EPEC platform violate the relevant regulations on honest conduct, Shenma Corporation will also publicly announce the handling results on the platform.

Regular Audit Supervision

In 2023, Lixin Certified Public Accountants, an external audit firm, conducted an internal control audit on Shenma Corporation and its 18 second-tier subsidiaries, covering various aspects such as organizational structure, development strategy, human resources, corporate culture, capital activities, procurement operations, sales operations, product quality, safety production, energy conservation and environmental protection, tax management, production management, asset management, research and development, engineering projects, subsidiary management, investment management, contract management, guarantee operations, related-party transactions, financial reporting and information disclosure, internal audit, internal information transfer, and information system management. The high-risk areas of focus mainly included capital activities, procurement operations, sales operations, asset management, guarantee operations, investment management, and related-party transactions.

Based on the identification of significant deficiencies in the internal control over financial reporting, as of the base date of the internal control evaluation report, there were no significant deficiencies in the internal control over financial reporting. The Board of Directors believes that Shenma Corporation has maintained effective internal control over financial reporting in all material aspects in accordance with the requirements of the enterprise internal control standard system and relevant regulations.

Based on the identification of significant deficiencies in the internal control over non-financial reporting, as of the base date of the internal control evaluation report, there were no significant deficiencies in the internal control over non-financial reporting.

Key Performance

In 2023, Shenma Corporation headquarters and its subsidiaries organized 34 integrity education and training sessions, with a total of 10,164 participants, achieving a 100% coverage rate for integrity education.

Whistleblower Protection

The whistleblower protection mechanism plays a vital role in Shenma Corporation's anti-corruption efforts. This mechanism encourages employees to actively expose improper conduct, corruption and violations within Shenma Corporation by providing them with confidentiality, security and legal protection. It not only enhances employees' sense of trust and belonging, making them believe that Shenma Corporation has a firm commitment to maintaining integrity and fairness, but also provides an important avenue for Shenma Corporation's management to promptly identify and rectify issues. Therefore, the whistleblower protection mechanism is an essential component of Shenma Corporation's anti-corruption system, and it is of great significance for maintaining Shenma Corporation's reputation, safeguarding shareholders' interests, and promoting a healthy corporate culture.

In 2023, the subsidiaries of Shenma Corporation gradually improved their report acceptance and whistleblower protection policies and mechanisms, aiming to ensure that the personal information, report content, and reporting process of whistleblowers are strictly confidential and protected, thereby avoiding any form of retaliation or infringement. This system not only provides whistleblowers with the option of anonymous reporting but also establishes dedicated reporting channels and handling agencies to ensure that the reported information is processed in a timely, fair and professional manner. Furthermore, Shenma Corporation has formulated strict disciplinary measures to resolutely investigate and punish any acts of retaliation against whistleblowers, creating a safe and fearless environment for whistleblowing. The establishment of this system demonstrates Shenma Corporation's commitment to integrity culture and its zero-tolerance attitude towards corruption, laying a solid foundation for its healthy and sustainable development.

1. Reception of Reports

- Reporting channels: Shenma Corporation has established multiple channels for reporting corruption, including but not limited to telephone hotlines, email, online reporting platforms, physical mailboxes and face-to-face reporting, so as to facilitate employees, customers, suppliers and members of the public to easily submit reports.
- Information reception: A dedicated reporting reception agency or department is responsible for receiving reports, ensuring that the reporting channels are unobstructed. The reported information received will be recorded and saved in detail for subsequent verification.

2. Review and Assessment

- Information organization: The reporting reception agency sorts out the reported information received by it, including verifying the whistleblower's identity (except in cases of anonymous reporting), the subject being reported, the content of report, etc.
- Preliminary assessment: The reporting reception agency conducts a preliminary assessment based on the nature, severity and urgency of the reported content to determine whether an immediate investigation procedure needs to be initiated. Reports involving major violations of laws and regulations will be prioritized for processing.

3. Investigation and Verification

- In-depth investigation: The investigation team will conduct a thorough investigation and verification of the content of report in accordance with relevant laws and regulations as well as rules and regulations of Shenma Corporation. During the investigation process, various means will be used to collect evidence materials, including but not limited to reviewing documents, interviewing relevant personnel and conducting on-site inspections.
- Principle of confidentiality: Throughout the investigation process, the principle of confidentiality is strictly adhered to so as to ensure that the personal information of the whistleblower and the content of report are not disclosed.

4. Disposal and Feedback

- Disposal decision: Based on results of the investigation and verification, Shenma Corporation will dispose of the corruption involved in accordance with relevant laws and regulations as well as its rules and regulations. The disposal decision may include disciplinary actions, legal proceedings, and other measures.
- Feedback to the whistleblower: Under the premise of complying with laws and regulations as well as its rules and regulations, Shenma Corporation will provide feedback on the disposal to the whistleblower.

Antitrust Policy

Shenma Corporation strictly abides by relevant national laws and regulations such as the Anti-Monopoly Law of the People's Republic of China, the Provisions on Prohibition of Monopoly Agreements, the Provisions on Prohibition of Abuse of Market Dominant Position, and the Provisions of the State Council on Thresholds for Prior Notification of Concentrations of Undertakings. Shenma Corporation commits to avoiding monopolistic behaviors in future business operations and ensuring fair competition within the industry. Shenma Corporation will actively take various measures to ensure that all participants in the market have equal opportunities, and that no single party can manipulate the market or suppress competitors. Shenma Corporation will comply with all relevant laws and regulations, respect the rules stipulated in competition laws, and also encourage other market participants to join us in contributing to the prosperity and innovation of the industry.

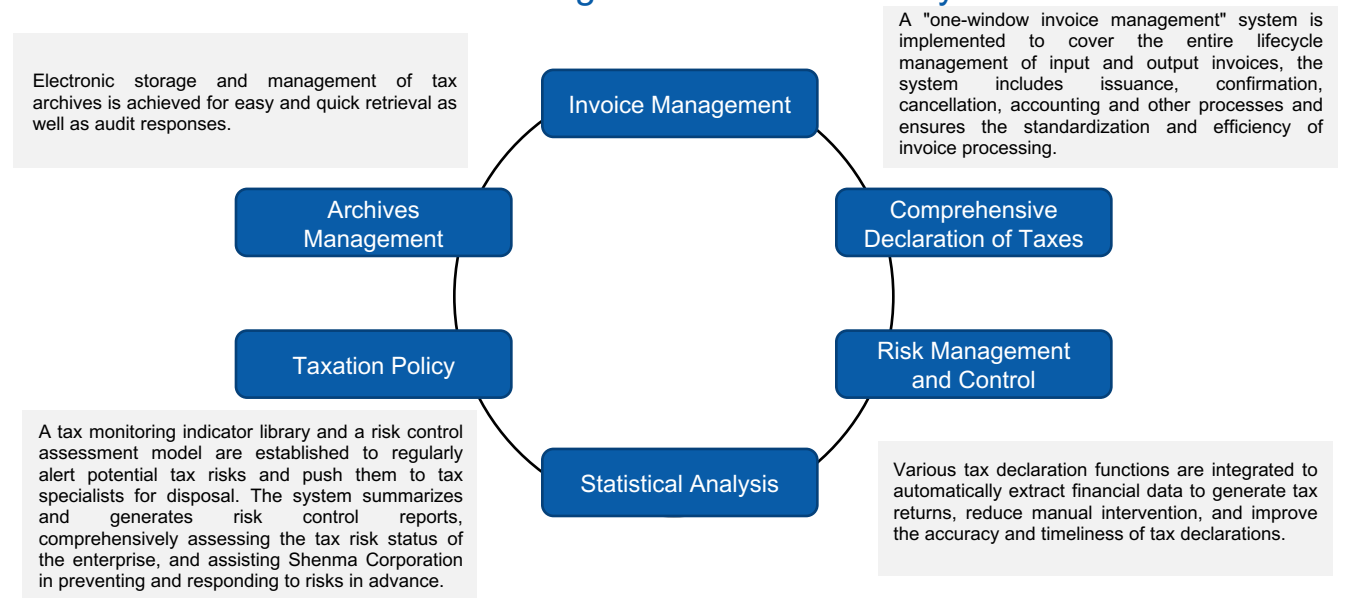
The chemical industry in which Shenma Corporation operates typically does not involve monopoly issues due to the intense and diversified competition in the market. The chemical industry encompasses a wide range of products and applications, with multiple suppliers competing in each sub-sector. Furthermore, while the chemical industry often requires significant technical and capital investments, being upstream in the industrial chain, the relatively homogenized products and services make it difficult to establish a sustainable monopolistic landscape, resulting in a relatively low overall risk of monopoly for Shenma Corporation. During the reporting period, Shenma Corporation did not experience any incidents that resulted in penalties for violations of the Anti-Monopoly Law of the People's Republic of China or the Law of the People's Republic of China Against Unfair Competition.

Tax Policy

Shenma Corporation strictly abides by laws and regulations such as the Law of the People's Republic of China on Enterprise Income Tax and the Law of the People's Republic of China on the Administration of Tax Collection as well as applicable laws in the locations of its overseas operations. Shenma Corporation conscientiously fulfills its prescribed tax obligations and has established a comprehensive system for financial and tax management. In daily tax-related matters, tax and financial managers at all levels conduct reviews, and external tax and financial intermediaries issue relevant tax-related assurance reports, effectively reducing tax-related risks.

Shenma Corporation continuously engages in cooperative exchanges with stakeholders and pays taxes with integrity. For information on tax payments in 2023, please refer to Shenma Corporation's 2023 Annual Report. In 2023, to enhance the efficiency and compliance of tax management, Shenma Corporation was fully committed to building an integrated information system that deeply integrates "business, finance, taxation, and law". This system seamlessly integrates with all key business processes within the enterprise, including procurement, production, sales, finance, taxation and legal affairs, breaking down information barriers between departments and enabling real-time data sharing and intelligent analysis. This not only significantly improves work efficiency but also substantially reduces tax risks and operating costs, providing solid data support for corporate decision-making.

Tax Information Management and Control System



Cybersecurity and Data Protection

Shenma Corporation strictly complies with legal provisions such as the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, the Regulations on Classified Protection of Cybersecurity, and the Regulations on Security Protection of Critical Information Infrastructure. To ensure the secure and stable operation of Shenma Corporation's information systems and promote the in-depth development of informatization work, the Information Security Management Measures of Shenma Industrial Co., Ltd. has been formulated, establishing a standard network security management system with this Measures as its core. Furthermore, Shenma Corporation has established a Cybersecurity and Informatization Leading Group to coordinate, supervise and oversee its cybersecurity work. This group reviews Shenma Corporation's medium- and long-term cybersecurity plans and annual plans, promotes the implementation of various cybersecurity tasks and related responsibilities, and effectively prevents the abuse of customers' personal information, ensuring that the collected personal information is only used for legitimate and relevant purposes. In 2023, Shenma Corporation did not experience any major cybersecurity incidents.

The Management System

To enhance the level of information security management, ensure the normal conduct of business activities, and prevent losses to itself and its customers caused by disruptions to information systems, data loss and the disclosure of sensitive information, Shenma Corporation has undertaken work in compliance with ISO 27001: Information Technology - Security Techniques - Information Security Management Systems - Requirements. This includes establishing, implementing and continuously improving a documented information security management system, as well as formulating an Information Security Management Manual. All employees strictly adhere to the requirements of the Information Security Management Manual, conscientiously follow the information security management policy, implement the various requirements of the manual, and strive to achieve Shenma Corporation's objectives for information security management.

Physical Security Control Measures	Access Control Measures	Password Policy	Network Security Control	Data Backup and Recovery	Physical Document and Media Security Management
Security access control, video surveillance systems, secure transmission media, computer room security protection, etc.	User authentication, access permission management, multi-factor authentication, etc.	Strong password requirements, regular password changes, non-reuse of passwords, encrypted password storage, etc.	Network firewalls, intrusion detection and prevention systems, antivirus software, security configuration and patch management, etc.	Regular backups of important data are performed, and corresponding recovery mechanisms are established to address data loss.	Safe custody of storage devices, confidentiality labeling, and regular destruction of unused files and media.

Information Security Trainings

Shenma Corporation actively engages in information security training, recognizing it as a crucial cornerstone for safeguarding the security of its core assets and ensuring business continuity. Shenma Corporation regularly conducts a variety of information security training courses, covering topics such as the latest security threat landscape, compliance requirements, best practices sharing, and specific protection skill enhancements. By inviting internal security experts and employees to serve as instructors, and adopting various forms such as online live broadcasts, offline seminars and simulation exercises, Shenma Corporation ensures that every employee can acquire targeted and highly practical information security knowledge.

Key Performance

In 2023, all subsidiaries of Shenma Corporation involved in information security issues actively conducted trainings on information security system, with a training coverage rate of **100%**.

Protection of Intellectual Property Rights

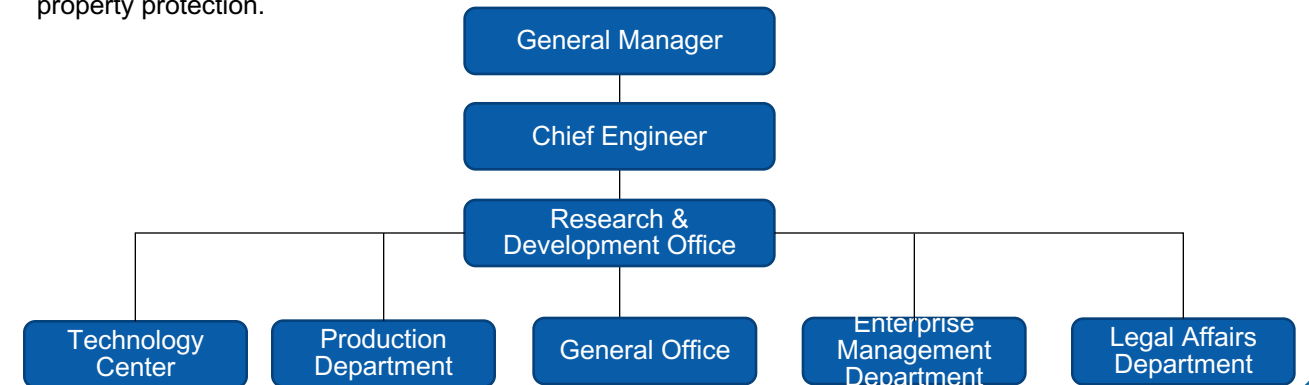
Shenma Corporation strictly abides by relevant laws and regulations related to intellectual property protection, including the Civil Code of the People's Republic of China, the Criminal Law, the Tort Liability Law, the Patent Law, the Trademark Law, the Copyright Law, the Anti-Unfair Competition Law, as well as the national standard Enterprise Intellectual Property Management, and fully implements intellectual property protection measures. Shenma Corporation's subsidiaries have formulated and continuously updated policies and systems for intellectual property protection, such as the Patent Management System, the Patent Management Measures, the Opinions on Strengthening Legal Protection of Intellectual Property Rights and the Detailed Rules for the Assessment and Reward of R&D Personnel, so as to provide clear implementation norms for promoting patent management and legal protection of intellectual property rights.

In order to further protect Shenma Corporation's core interests, safeguard the legitimate rights and interests of intellectual property rights holders, encourage inventions and creations, improve innovation capabilities, enhance market competitiveness, reduce investment risks in scientific research and effectively leverage the supporting role of intellectual property rights in the field of science and technology for Shenma Corporation's production, operation and transformation development, all subsidiaries of Shenma Corporation have established specialized intellectual property management systems.

Case | Intellectual Property Protection System of Nylon Chemical Co., Ltd.



Intellectual property protection is an important safeguard for technological innovation. Currently, Nylon Chemical Co., Ltd. has established a standardized intellectual property management system under the guidance of Shenma Corporation's technological innovation management department to ensure that its technological innovation achievements are effectively protected. At the same time, it strengthens the promotion and training of intellectual property rights to raise employees' awareness of intellectual property protection.



Case | Performance of Trainings on Intellectual Property Protection of Shenma Aramid Fiber Technology Development Co., Ltd.



Shenma Aramid Fiber Technology Development Co., Ltd. has organized and completed the revision and compilation of documents for its intellectual property management system, with the documents being revised three times in 2023, and the revised documents have been promulgated and distributed. It organized a 4-hour intellectual property management training for 80 persons, and held 4 internal communication meetings on intellectual property. It revised and improved its reception management system, standardizing and strengthening the management of visits by external personnel, and implemented 65 approvals for visits to confidential areas.

Product Liability

As a leading enterprise in the chemical industry, Shenma Corporation is fully aware of the importance of product responsibility and customer service to sustainable development. In 2023, we actively promoted the improvement of product quality and the optimization of customer service, dedicated to providing customers with high-quality, safe and environmentally friendly chemical products. We not only strictly comply with industry standards, but also have established a comprehensive product traceability system to ensure that the entire lifecycle of our products meets environmental protection requirements. Furthermore, we have strengthened our customer feedback mechanism, continuously improving customer satisfaction by promptly responding to and resolving customer issues. We firmly believe that only by achieving excellence in product responsibility and customer service can we achieve long-term sustainable development, and win the trust of customers and the recognition of the market.

Key ESG Performance

- In 2023, Shenma Corporation obtained **18** invention patents and **58** utility model patents, of which two patents were granted by other countries. The national and industry standards it participated in drafting, including the national standard Para-aramid Filament Yarns, the industry standard Nylon 66 Salt, the industry standard Cyclohexanol for Industrial Use and the industry standard Cyclohexene for Industrial Use, were released and implemented.
- In 2023, all key subsidiaries of Shenma Corporation have passed quality management certification. Among them, subsidiaries such as Shenma Cord Fabric Company, Nylon Chemical Co., Ltd., Shenma Huawei Plastic Co., Ltd., Shenma Engineering Plastic Co., Ltd. and Shenma Cord Fabric Development Co., Ltd. have all passed ISO9001 and IATF16949 certifications; Shenma Huawei also holds CQC product certification, UL product certification and GRS international recyclable standard certification.
- In 2023, Shenma Corporation continued to improve its customer service system and strengthened the "1231" rapid response mechanism.

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



R&D Innovation

Management of Scientific and Technological Innovation

Shenma Corporation has implemented an innovation-driven development strategy, deeply promoted reforms in the scientific and technological system and mechanism, and fully leveraged the synergistic advantages of production, sales and R&D for "mutual promotion and support". Relying on scientific research platforms such as the National Enterprise Technology Laboratory for Nylon Intermediates, the Key Full-Process Laboratory for Nylon Engineering Plastics, and the Key Full-Process Laboratory for Nylon Fibers. This has enabled the realization of a comprehensive R&D platform integrating the entire process from nylon raw material intermediates to nylon chip engineering plastics to nylon fibers, providing integrated support for the development of products across the entire nylon industry chain.

Sustained R&D Input

Shenma Corporation has made enhancing its R&D capability a strategic priority, ensuring that a certain proportion of annual operating revenue is invested in R&D to guarantee sufficient resources for the development of new products and the tackling of key technologies. This continuous investment of funds has not only strengthened Shenma Corporation's technological R&D capability but also accelerated the rapid development and application of new technologies and products.

Improvement of Innovation Platform

Shenma Corporation actively promotes technological innovation, encourages independent innovation strategies, and provides comprehensive testing platforms and R&D facilities. On the one hand, Shenma Corporation improves product utilization and production efficiency through technological innovation. On the other hand, it achieves energy conservation and consumption reduction by optimizing formulations and processes. In addition, Shenma Corporation regularly organizes technical exchanges and trainings to enhance the professional skills and innovation capability of its R&D personnel.

Improvement of IP Protection

Shenma Corporation attaches great importance to intellectual property protection and has initiated the construction of an intellectual property compliance management system to comprehensively protect the achievements of technological innovation. By establishing key laboratories covering the entire process, intensifying the recruitment of professional R&D talents, and conducting deep cooperation with external research institutes, Shenma Corporation is accelerating the industrialization of R&D projects to ensure that scientific and technological achievements can be transformed into real productive forces.

External Cooperation and Resource Integration

During the R&D process, Shenma Corporation fully utilizes external resources and actively seeks opportunities for cooperation and exchange with other enterprises, research institutions and government departments. By collaborating with research institutions, universities and enterprises on technology development, Shenma Corporation achieves resource sharing and complementary advantages, driving research and breakthroughs in the directions of green and low-carbon practices, energy conservation and consumption reduction, large-scale equipment, personalized products, and development of new raw materials.

Key Performance

In 2023, Shenma Corporation's R&D expenditure was RMB 444 million, accounting for 3.43% of its operating revenue, representing a 9.09% increase over the previous year. As of the end of 2023, Shenma Corporation had a total of 930 R&D personnel, including 3 doctor's degree holders and 93 master's degree holders.

Innovation Layout across the Entire Industrial Chain

Nylon Raw Material Intermediates

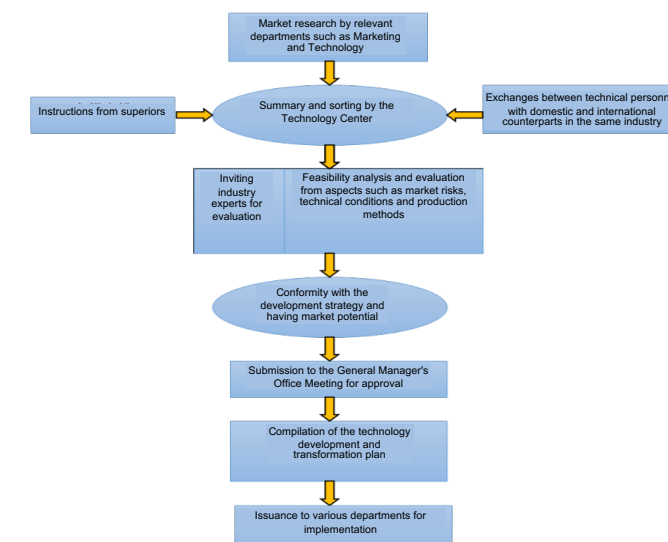
Nylon Chemical Co., Ltd. has set the research on key organic intermediates and catalyst technologies for nylon 66 synthesis as its long-term research goal, continuously promoting innovative development, optimizing resource allocation, and improving resource utilization efficiency. In the R&D process, Nylon Chemical Co., Ltd. fully utilizes external resources and actively seeks opportunities for cooperation and exchange with other enterprises, research institutions, government departments, etc. It engages in technological development cooperation with research institutions, universities and enterprises to achieve resource sharing and complementary advantages.

Nylon Chemical Co., Ltd. adheres to the goal of "cultivating high-level, highly skilled, innovative and compound talents", and has established a research team consisting of scientific researchers and technicians including the Chairman (professor-level Senior Engineer), General Manager (professor-level Senior Engineer), Chief Engineer (professor-level Senior Engineer) and key personnel from the Technology R&D Center and various branches. It also concurrently employs experts and professors from well-known universities and institutions to promote technological innovation. Nylon Chemical Co., Ltd. has issued the Interim Measures of Nylon Chemical Co., Ltd. for the Management of Scientific and Technological Research, established a R&D team within the Technology R&D Center, and clarified the responsibilities for the management of scientific and technological research projects. This team is primarily responsible for the application, organization and implementation of R&D projects, project evaluation, management of R&D funding, performance evaluation and incentives, and intellectual property management.

Nylon Chemical Co., Ltd. currently possesses the Henan Key Laboratory for Polyamide Intermediates, which is led by one Director, two Deputy Directors, and comprises renowned domestic experts in the field. The initial Academic Committee consists of 18 members, and there are over 10 full-time researchers. The laboratory undertakes major R&D projects, sector-focused R&D projects and independently initiated research projects, focusing on three research directions: technology research on key organic intermediates and catalysts for nylon 66 synthesis, development and utilization of new carbon-6 materials related to nylon 6 and 66 intermediates, as well as development and utilization of chemicals and materials related to polyamide intermediates.

In 2023, Nylon Chemical Co., Ltd. actively promoted the R&D of key technologies and breakthroughs in the "new generation of cyclohexanol process", focusing on green and low-carbon practices, energy conservation and consumption reduction, large-scale equipment, personalized products, and the development of new raw materials. It investigated the "cyclohexane dehydrogenation" and "cyclohexene indirect hydration" processes, and conducted scale-up experiments on the results of small-scale R&D, so as to make technological breakthroughs and build reserves for developing new cyclohexanol production processes. Additionally, it actively engaged in the R&D of "new hexamethylenediamine processes" and "new adipic acid reaction systems", aiming to develop and complete entire process packages, form core intellectual property rights, and prepare long-term strategic planning for the enterprise.

Project Development Process of Nylon Chemical Co., Ltd.



Nylon Chip Engineering Plastics

Shenma Engineering Plastic Co., Ltd. has established a systematic innovation management system, responsible for implementing the scientific and technological strategic planning and standardizing scientific and technological management work. To accelerate the R&D process, Shenma Engineering Plastic Co., Ltd. has established a research and development system centered on the Key Full-Process Laboratory for Engineering Plastics, with a primary focus on structural integrity and the needs of research and development projects. This system combines the characteristics of existing production lines and adopts a task group responsibility system as its main form. Each task group consists of a leader, core members and participating members, with the leader taking overall responsibility. This system provides greater room for creativity and stimulates the potential for technological innovation.

In 2023, Shenma Engineering Plastic Co., Ltd. firmly focused on developing high-end and differentiated products, accelerated the development of functional and high value-added products, and made concerted efforts to adjust the industrial structure. The development of projects related to nylon 66 high-end serial products for injection molding and spinning was fully completed, and the relevant products were launched into the market. The main R&D projects that Shenma Engineering Plastic Co., Ltd. participated in include the Development and Application of High-Strength Yarn Chips, and the achievement transformation projects include the Research and Development of Nylon 66 High-End Serial Products for Spinning and the Research and Development of Nylon 66 High-End Serial Products for Injection Molding.

Shenma Huawei Plastic Co., Ltd. encourages an independent innovation strategy in technological advancements, providing a comprehensive testing platform. On one hand, it enhances product utilization through technological innovations; on the other hand, it achieves energy conservation and consumption reduction by optimizing formulations and processes. In terms of technical exchange and training, Shenma Huawei Plastic Co., Ltd. regularly organizes internal training sessions and arranges for R&D personnel to participate in external professional skill trainings, such as the Chinaplas, UL flame retardant training, synthetic resin exhibitions, and training on scientific research quality management systems. Employees are encouraged to participate in the implementation of key projects and contribute to the output of patents and intellectual property rights. In 2023, Shenma Huawei Plastic Co., Ltd. mainly undertook the development of modified nylon 66 engineering plastics and the R&D of nylon engineering plastics for use in the electric vehicle industry. Shenma Huawei Plastic Co., Ltd. has become a strategic partner with leading companies in such sectors as consumer electronics and automotive. Shenma Huawei Plastic Co., Ltd. has jointly established a R&D platform with Shanghai Shenma Engineering Plastics Co., Ltd. The latter has established technical cooperation relationships with multiple higher education institutions and research institutes, boasting strong R&D capability.

Nylon Fiber / Innovative Applications

Shenma Corporation has consistently prioritized enhancing its R&D capability as a strategic focus, and has increased its financial support for the development of core products and the resolution of key technologies year by year. Leveraging its technological advantages, Shenma Corporation accelerates the industrialization of scientific and technological achievements, enhances product quality and technological content, and focuses on serving customers and the market. It has established a technological innovation system that prioritizes product development and is supported by technological development, ensuring that its products and technologies remain at the forefront of the industry.

To ensure the effective implementation of Shenma Corporation's R&D strategy, its subsidiaries have established specialized R&D management departments and implemented targeted R&D policies. For example, Shenma Cord Fabric Development Co. Ltd. has established a Technical Committee, the highest and most authoritative organization in terms of technology development, responsible for reviewing, evaluating, and declaring achievements of key science and technology projects. It has also formulated and issued the Incentive Measures of Pingdingshan Shenma Cord Fabric Development Co., Ltd. for Scientific and Technological Innovation Assessment in the New Era (Trial) applicable to science and technology projects and research tasks. To better motivate high-end university graduates in their work, Shenma Cord Fabric Development Co. Ltd. has formulated and issued the Measures of Shenma Cord Fabric Development Co. Ltd. for Performance Appraisal of High-End University Graduates (Trial).

In terms of R&D direction, Shenma Corporation's subsidiaries set their R&D directions and goals based on customer needs and Shenma Corporation's overall strategy.

Shenma Cord Fabric Company

has gradually expanded its business from producing nylon 66 industrial yarns and cord fabrics, which were the main framework materials for rubber tires, to various fields including non-tire products and dual-use products for military and civilian purposes. By implementing a development strategy of "focusing on yarns and fabrics while pursuing related diversification", it aims to drive its growth towards becoming a global leader in high-end functional materials.

Shenma Cord Fabric Development Co. Ltd.

has undertaken the construction of the Key Full-Process Laboratory for Nylon Fibers within the "six batches" system for technological innovation of the Group, encompassing the entire research process from basic research on nylon polymers and fibers, to the development of new products and technologies, to industrialized application research, and to performance testing and analysis evaluation.

Shenma Cord Fabric Company possesses a national-level enterprise technology center and a laboratory accredited by China National Accreditation Service for Conformity Assessment (CNAS). It has received 18 science and technology progress awards at the provincial, municipal and Group levels, and has drafted and formulated 2 national standards and 3 textile industry standards.

Shenma Cord Fabric Development Co. Ltd. has a total of 9 R&D laboratories, 5 pilot production laboratories, and 2 pilot test stations. Eight industry-leading analytical testing equipment have been newly added. It has been basically completed and meets the current R&D needs for five major high-end nylon fiber research tasks, including "high strength, fine denier, flame retardant, civilian use, and eco-friendliness". In 2023, 33 scientific research projects were organized and implemented, including 1 major science and technology project ("open bidding") in Pingdingshan City, 1 major strategic research task, 2 projects for the transformation of scientific and technological achievements, and 3 sector-focused key research tasks.

Aramid, BPA, and Others

In terms of R&D platform establishment, Shenma Polycarbonate Material Co., Ltd. has set up a R&D center to promote innovation and transformation from multiple dimensions, including basic research, new products, new material applications and technological breakthroughs. In 2023, to better leverage external technological resources, it applied for and was approved to establish a provincial polycarbonate technology R&D center, aiming to enhance its core technology reserves and achieve high-quality development. In terms of talent team building, it is committed to nurturing internally grown talents and actively recruiting high-end talents from the industry to build a vibrant R&D team, enabling continuous evolution of its organizational system.

In accordance with Shenma Corporation's work ethos and guidance, Shenma Aramid Fiber Technology Development Co., Ltd. has completed the project initiation of the High-Performance Para-Aramid Fiber Preparation Industrialization Technology Development and Demonstration Innovation Team jointly with Henan Provincial Academy of Sciences, and submitted the application on the latter's official website. It has also compiled materials such as the project proposal and detailed special fund allocations for the task High-Performance Para-Aramid Fiber Preparation Industrialization Technology Development, and completed the initiation of major scientific research projects for the Group. Additionally, it is responsible for summarizing the quarterly progress of the achievement transformation project High-Performance Para-Aramid Fiber Preparation Industrialization Technology Development and Demonstration Project and submitting corresponding supporting materials to the Group's Scientific and Technological Innovation Department for project evaluation.

Innovation Achievements

In 2023, Shenma Corporation continued to intensify scientific R&D efforts based on domestic and international market demands and its development strategies, identifying several key research tasks. On the basis of independent innovation, Shenma Corporation strengthened industry-academia-research collaboration, achieved breakthroughs in a large number of significant key technologies, and further accelerated the transformation of scientific research results. These efforts comprehensively enhanced Shenma Corporation's core competitiveness and promoted high-quality development.

Awards and Qualifications (2023)

- Nylon Chemical Co., Ltd. has received one Henan Provincial Science and Technology Progress Award, and has been certified as a "National Intellectual Property Advantageous Enterprise". Additionally, its high-tech enterprise certification is still valid.
- Shenma Polycarbonate Material Co., Ltd. has been recognized as a provincial-level "High-tech Enterprise".
- Shenma Huawei Plastic Co., Ltd. has been recognized as a provincial-level specialized, refined, innovative and unique enterprise, as well as an innovative small and medium-sized enterprise.
- Shenma Engineering Plastics Co., Ltd. was recognized as a high-tech enterprise in 2010, and Shenma Engineering Plastics Technology Development Co., Ltd. was recognized as a high-tech enterprise in 2021, both of which are still valid.
- Shenma Cord Fabric Development Co., Ltd. has been certified as a high-tech enterprise, and acts as Henan Provincial Fiber Framework Material Engineering Technology Research Center, Henan Provincial Enterprise Technology Center and other R&D platforms. In 2023, it was also awarded the title of "Gazelle Enterprise" in Henan Province.

Research Breakthroughs

In 2023, Shenma Corporation and its subsidiaries successively carried out and completed research tasks such as the Development and Application of High-end Serial Products for Injection Molding on a 40,000-ton Continuous Production Line, the Development and Application of Nylon 66 Resin for High-Viscosity Industrial Yarn, the Research and Application of a 40,000-ton/year Nylon 66 Continuous Polymerization Plant to Meet Diversified Product Needs, the Development and Application of Aramid Canvas Process Technology, the Research and Application of Bio-based Nylon 56 Serial Fibers, and the Long-lasting and Environmentally Friendly Anti-Drip Flame-Retardant Nylon Fibers, achieving abundant technical reserves.

Market Recognition

In 2023, Shenma Corporation improved the quality of Nylon 66 high-end serial products for spinning, actively expanding the Nylon 66 spinning market, increasing the market share, and achieving good economic benefits. Shenma Corporation successfully developed the second generation of ultra-high-strength nylon industrial yarn for use in aircraft tires, and has provided various specifications of self-developed ultra-high-strength industrial yarn to many international and domestic key customers. The product indicators fully meet customer requirements, making it another new profit growth point for Shenma Corporation.

Key Performance

In 2023, Shenma Corporation obtained **18** invention patents and **58** utility model patents, of which two patents were granted by other countries. The national and industry standards it participated in drafting, including the national standard Para-aramid Filament Yarns, the industry standard Nylon 66 Salt, the industry standard Cyclohexanol for Industrial Use and the industry standard Cyclohexene for Industrial Use, were released and implemented.

Case | Development and Application of Bio-based Nylon 56 Serial Fibers by Shenma Cord Fabric Company

Shenma Industrial Co., Ltd.

To explore the spinning, twisting and dipping processes of Nylon 56 and to develop Nylon 56 fine denier yarns and industrial yarns as well as Nylon 56 industrial yarn dipped type cord fabric, Shenma Cord Fabric Company conducted research on Nylon 56 spinning processes in 2023. It has achieved stable spinning on a single spindle, and the strength of the industrial yarns has met the expected target. Currently, Shenma Cord Fabric Company is conducting follow-up evaluations of twisting and dipping, and it is expected that a complete set of technological packages for the industrialized production process of related new products will be formed in the future.



Case | Development of Post-consumer Nylon 66 Recycled Fibers by Shenma Cord Fabric Company

Shenma Industrial Co., Ltd.

In order to develop post-consumer recycled fibers, promote the high-value utilization of post-consumer Nylon 66, and promote the green and sustainable development of the enterprise, Shenma Cord Fabric Company has initiated the development of post-consumer Nylon 66 recycled fibers. Currently, the recycled fibers and recycled chips have obtained the Global Recycled Standard (GRS) certification. It has completed the fiber-forming tests for 4 types of post-consumer Nylon 66 recycled chips and is conducting downstream trial experiments. In the future, Shenma Cord Fabric Company is committed to achieving stable mass production of post-consumer recycled fibers and establishing a stable supply capability.



Case | Research Breakthroughs of Shenma Cord Fabric Development Co., Ltd. after Open Bidding

Shenma Industrial Co., Ltd.

In 2023, Shenma Cord Fabric Development Co., Ltd. participated in the major science and technology project of Pingdingshan City titled Development and Application Research of High-performance Air Spring Special Dipped Cord Fabric. Through analyzing the air suspensions used in different brands of automobiles, it obtained information on the skeleton materials and bladder rubber layers used in air suspensions. Furthermore, it developed a high-adhesion dipping system for air suspensions, which improved the adhesion performance by 8.3% compared to the original basis. This not only enhanced its core competitiveness in the automotive components field but also improved the durability and safety of air suspensions through technological innovation, laying a solid foundation for exploring the high-end automotive accessories market. In 2023, Shenma Cord Fabric Development Co., Ltd. completed the development of technologies for the stable production of ultra-high-strength Nylon 66 industrial yarn for aircraft tires through the Research on Process Technology and Application of Special Ultra-High-Strength Nylon 66 Framework Material for Aviation Tires. This achievement has enabled the continuous and stable production of ultra-high-strength industrial yarn. Furthermore, it completed the development of technologies for twisting, weaving and dipping of ultra-high-strength Nylon 66 framework material, demonstrating a stable industrialization capability. Additionally, the transformation of the double-bath dipping machine was completed, enabling the stable industrialized production of aramid and aramid composite cords. This marks a significant breakthrough in the field of aviation tire materials, not only satisfying the demand for high-performance materials in the aviation industry but also enhancing production efficiency and product quality through technological innovation. It provides crucial material support for the sustainable development of the aviation industry.

Green Innovation

Shenma Corporation is deeply aware of the profound significance of green R&D strategies to the Company. Therefore, we are committed not only to promoting the innovation of products and the upgrading of technologies, but also to developing more environment-friendly, low-energy consuming, and highly cost-effective chemical products, thereby sharpening the competitive edge and enhancing the image of our brands. For a society, green R&D strategies are an important means of achieving sustainable development of the chemical industry. Reducing the emission of hazardous substances and mitigating the pollution of environment help to protect the ecological environment and promote the harmonious co-existence between man and Nature.

The widespread use of nylon has brought multifaceted value and impact to the human society. By continuously improving our production technologies and optimizing our production processes, we are committed to improving the performance of our nylon products and significantly mitigating their impact on the environment throughout the process of their production.

Lightweight and Energy Conservation

Nylon is a light material. It can be used to substitute metal parts and help to lighten products, thus lowering energy consumption and transportation cost. In turn, this helps to reduce energy consumption and carbon emissions, and is therefore of positive significance to environmental protection.

Durability and Lengthened Service Life

Nylon is highly wear-resistant and durable, and can therefore help to lengthen the service life of products made of the material. This not only saves resources and cost, but also reduces the generation of waste and the occurrence of environmental pollution.

Innovation and Technological Advancement

The constant improvement and application of nylon materials boost the technological advancement and innovation across industries. For instance, in the automobile industry, the use of nylon boosts the design of more lightweight and efficient engine parts and, in turn, improves the fuel efficiency of automobiles.

Case | The Innovation of Green Nylon

Shenma Industrial Co., Ltd.

The high-end injection moulding and spinning N66 products of Shenma Engineering Plastics Co., Ltd., have entered the stage of industrialization. The injection moulding nylon 66 has now replaced its equivalent previously used by the Company for the same purposes. Thanks to new processes and additives, it cuts down on the pollution generated by old products and therefore contributes to the improvement of production environment.

The raw liquid-colored and high-strength nylon 66, a product developed by Shenma Cord Fabric Development Co., Ltd., has such strengths as high color fastness and low generation of waste water in the dyeing and printing processes. As a green fiber advocated at home and abroad, it has been certified with China Chemical Fibers Association and shortlisted as a trendy Chinese fiber product 2024/2025.

Digital Transformation

The Company is committed to creating a smart factory that is intelligent in all respects and that deeply integrates IT with manufacturing technologies to make the manufacturing industry more intelligent, automated, and digitalized. The several critical information networks already established by the Company and the smart applications preliminarily enabled by them have laid a sound foundation for the creation of such smart factory. The Company has accelerated the deep integration of IT with manufacturing industries, which is the core driver for the construction of a smart factory. By introducing advanced IT technologies, such as cloud computing, internet of things (IoT), big data analytics, etc., the Company not only makes its production processes more transparent and controllable, but also makes its decision-making much more scientific and timely. Such in-depth integration not only optimizes the allocation of resources, but also improves both the efficiency of production and the quality of products.

By the end of 2023, the Company has established several information networks, including QIMS. The introduction of QIMS enables the monitoring of quality across the production chain from the raw materials coming in to the finished product going out, because the system collects and analyzes data in real time to ensure that products meet the highest quality standards and therefore significantly lowers the defective rate of products and raises the satisfaction level of customers. Meanwhile, the use of the ERP logistics management system makes the management of the supply chains more efficient and precision, thus helping to optimize the management of inventory and significantly lower the cost of logistics. The construction of the Motive Energy Cloud Platform, on the other hand, further improves the efficiency of energy use by intelligently regulating it to reduce waste, thereby assisting enterprises to achieve green and sustainable development.

Regarding intelligent applications, the Company has preliminarily intelligitized the production and warehousing, among other things, of such key products as industrial yarns and cord fabrics. By introducing intelligent equipment and automated production lines, the Company has managed to precisely control its production process and make it operate efficiently. The smart warehousing system, moreover, adopts IoT technologies to automatically manage and intelligently dispatches inventory, thus making the warehouse operations more efficient and accurate.



Quality Assurance

Upholding the concept that "quality is the lifeline of an enterprise", Shenma Corporation has created an all-round quality management system. According to laws and regulations of the People's Republic of China such as the Environmental Protection Law, the Production Safety Law, the Product Quality Law, etc., and focusing on customer satisfaction, the Company has implemented the quality system at every link of its operations from product R&D, raw materials procurement, manufacturing, finished product inspection, all the way to after-sale services. Moreover, the Company has ensured the stability and excellence of its product quality by enforcing rigorous quality control standards and introducing advanced quality test technologies and tools. In addition, ongoing quality improvement efforts, quality awareness raising on the part of employees, and the close collaboration between the upstream and downstream operations also bolster the Company's quality management system and help to lay a solid foundation for its long-term development.

Lifecycle Quality Control

1 Quality Control of Incoming Materials



The Company strictly implements the incoming inspection of quality for procured materials. To this end, our subsidiaries have made rules and regulations governing the quality inspection of incoming materials. More specifically, the subsidiaries have done so in detail according to the characteristics and requirements of their respective business. Such tiered management strategy that takes local conditions into account helps to ensure that each subsidiary can effectively control the quality of incoming materials. For instance, Shenma Cord Fabric Company elaborates in its Quality Handbook the processes, standards, and requirements of inspection for its incoming materials. Nylon Chemical Co., Ltd. issues the Inspection Control Procedures for Incoming Materials, prescribing that labs are responsible for assuring the quality of raw materials. Shenma Cord Fabric Development Co., Ltd. formulates a Quality Handbook and a Collection of Procedural Documents for the Quality Management System that cover all aspects of quality management and, particularly, set targeted standards for the inspection of incoming materials to ensure that all materials entering the production line meet the Company's standards and effectively prevent the waste of resources and the increase of cost due to the quality defects of raw materials.

2 Maintenance of Production Equipment



The Company is deeply aware that production equipment is the foundation of and the key to corporate production activities. Therefore, we service our production equipment on a regular basis according to the characteristics of our production processes and the state of our equipment. To standardize the servicing process, for example, Nylon Chemical Co., Ltd. has issued the Equipment and Facility Control Procedures to elaborate the requirements and steps of the routine maintenance, regular servicing, fault troubleshooting and restoration for its production equipment. As a result, it not only ensures that its production equipment is in good conditions and therefore lengthens the service life of such equipment, but also improves the efficiency of its production and lowers its loss from shutdown attributed to equipment failures. On top of that, the Company encourages all employees to participate in the maintenance and servicing of its equipment and creates an environment where all people take part in maintaining equipment, thus providing a strong support for its steady development.

3 Standardizing Production Processes



The standardization of production processes bears directly on the quality of products. For this reason, the Company's subsidiaries have issued relevant rules and regulations to standardize their production processes. For example, the Department of Production Technologies, Nylon Chemical Co., Ltd. has carefully formulated and thoroughly enforced the Operations Control Procedures for the Production Process. The procedures are designed to standardize production flows, tighten the management of processes, and exercise delicacy management over the monitoring and measurement activities throughout the production process. Relying on its Quality Handbook, Shenma Cord Fabric Company and Shenma Cord Fabric Development Co., Ltd., has elaborated the requirements and standards for its quality management. These measures not only ensure that the Company's production processes operate in an orderly and efficient manner, but also significantly improves the stability and consistency of product quality.

4 Non-conforming Product Control



Undoubtedly, The quality control of non-conforming products is of great importance to the Company's products. In fact, it is a key line of defense to ensure that the Company's products comply with due standards and safeguard the reputation of the Company's brands. Therefore, the Company and its subsidiaries have formulated perfect procedures to assure the quality of non-conforming products. Shenma Polycarbonate Material Co., Ltd. has created a close-knit quality management system through a slew of well-developed documents, such as the General Guidelines for Monitoring, Measurement, Analysis, and Assessment, the Output Control of Non-conforming Products, the Non-conformity, Corrective Actions and Emergency Control, and the General Guidelines for Continuous Improvements, to effectively prevent and control the manufacturing and circulation of non-conforming products. In practice, the system has ensured the stability of product quality, forestalled the occurrence of quality incidents, and further consolidated the Company's leading position across the industry.

5 Sales and Customer Review

The Company recognizes the importance of standardizing sales processes and customer review to the quality of its products. Therefore, the Company has ensured that every link of its operations ranging from production to delivery revolves around the needs of its customers and effectively forestalls quality problems attributed to information asymmetry or misunderstanding. Shenma Polycarbonate Material Co., Ltd. formulates such systems as Product Sale and Customer Requirements Review, and Outsourced Processes, Products, and Services to precisely capture and meet customer needs through systematic review and, in the meantime, strictly control the quality of products and services from external suppliers, with a view to securing the excellence and stability of its product quality in all respects.

Key Performance

In 2023, all key subsidiaries of Shenma Corporation have passed quality management certification. Specifically, subsidiaries such as Shenma Cord Fabric Company, Shenma Cord Fabric Development Co., Ltd., Shenma Engineering Plastics Co., Ltd., and Shenma Huawei Plastic Co., Ltd. have all passed the ISO9001 and IATF16949 quality management certifications; Nylon Chemical Co., Ltd. has been certified with the ISO9001 quality management system; and Shenma Huawei Plastic Co., Ltd. has additionally passed the CQC, UL, and GRS certifications.

Product Quality Training

Shenma Corporation is deeply aware of the crucial significance of quality culture construction to the Company. As the Company's slogan "Empowering the Company with Quality to Create Premium Products" indicates, quality stands for corporate reputation and image, and is the core connotation of a brand. To strengthen employees' awareness of quality, the Company tries to establish among its employees a sense of crisis that "quality bears on development because it bears on market and in turn on benefits". Following a quality-oriented approach, the Company infuses quality awareness into its corporate culture and the mind of its officers and employees, with an aim of turning it into voluntary actions by every employee. In an industry that is increasingly competitive and strict in product quality, the construction of a quality culture not only gives prominence to the quality awareness and professional skills of employees, but also promotes the understanding and implementation of the quality management system across the Company. By conducting quality training activities on a regular basis, the Company has ensured that every employee actively participates in and promotes quality management, thus making contribution to its efforts to improve product quality, sharpen market competitiveness, and achieve sustainable development.

Case | Construction of Quality Culture by Nylon Chemical Co., Ltd.



In 2023, Nylon Chemical Co., Ltd. made significant achievements in the construction of its quality culture. In close collaboration with relevant departments, the subsidiary's Production Department made thorough and detailed plans for its production processes. It not only prepared elaborate process flows, process documents, and operation instructions, but also innovatively established a random inspection mechanism to ensure that every link complies strictly with established standards. On a weekly basis, the department organized personnel to inspect the compliance with process specifications in all respects, effectively promoting the implementation and continuous improvement of process standards.

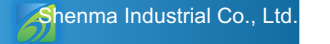
To ensure its leadership in technological terms, Nylon Chemical Co., Ltd. spared no efforts to promote the R&D and application of new processes, technologies, and materials. Through independent innovation, it has made successive breakthroughs in the development of bottleneck technologies, securing its leading position in terms of production techniques. These efforts not only improved the competitiveness of the subsidiary's products, but also enabled it to better adapt to the market.

Nylon Chemical Co., Ltd. implemented a slate of quality and safety training programs that covered the training of occupational skills and enhanced the appraisal of internal performance training, and therefore, significantly sharpened employees' professionalism and operating skills in practice. Particularly, Nylon Chemical Co., Ltd. organized study sessions to help raise the education level of its employees, thus giving its lowly educated employees valuable opportunities to seek continuing education. While strengthening quality training, it helped its employees obtain higher diplomas or degrees, hone their professional competences, and expand their career development space.

In addition, Nylon Chemical Co., Ltd. undertook extensive quality control (QC) activities. In these activities, systematic training enabled the subsidiary's employees to use statistical tools skillfully, thus significantly strengthening their data analytic capability and innovative thinking. The measure not only optimized the control of the production process, but also stoked employees' creativity, injecting a powerful impetus into the subsidiary's continuous improvements and high-quality development.



Case | Regular Quality Review by Shenma Huawei Plastic Co., Ltd.



In strict accordance with various requirements of the quality management system, the Company enforces seamless quality control throughout its operations from product design, production, inspection to delivery in order to ensure that every link meets established quality standards and customer expectations.

To continuously validate and improve the efficacy of its quality management system, the Company organizes regular reviews for its products, processes, systems, and internal operations on a yearly basis to take stock of its production processes, quality control links, and management systems in all respects. In addition, the Company attaches importance to the management of suppliers, and ensures the quality of raw materials and spare parts at their sources through supplier review.

With respect to various reviews, the Company collects and analyzes their results in detail, and on that basis, conducts management review. This exercise is not only a summary and reflection of what was done in the past year, but also a planning and prospect of what is to come in the future. According to findings from the management review, the Company puts forward plans to make ongoing improvements so as to optimize its management processes, improve its ability to manage product quality and processes, and secure its leading position across the industry.

HSF Management

The chemical industry chain the Company belongs to may involve several hazardous substances, which are mainly derived from raw materials, production, and waste treatment, among other things. The Company's raw materials may contain such hazardous chemical substances as heavy metals and polycyclic aromatic hydrocarbons. If not properly handled, these substances may be left behind in products, thus causing threat to the environment and human health. The solvents and catalysts used in production may also generate volatile organic compounds (VOCs) and hazardous waste gases that pollute workshop environment and the atmosphere. Improperly treated waste may lead to the leak of hazardous substances, soil pollution, and water contamination as well.

To effectively control hazardous substances, Shenma Corporation has established a sound policy system, including strict procurement standards for raw materials, to ensure that such materials purchased by the Company comply with environmental requirements and to reduce the use of harmful substances. Moreover, the Company has utilized clean production technologies, and optimized its production processes, to cut back on the generation and emission of hazardous substances. Furthermore, it has tightened the management of waste to ensure its proper disposal and prevent the leak of hazardous substances. Some of the Company's subsidiaries have passed international certifications, such as the ROHS and REACH systems, demonstrating that their production and products conform to international standards for environmental protection.

Case | Reduction of Hazardous Substances by Shenma Huawei Plastic Co., Ltd.



Shenma Huawei Plastic Co., Ltd. adopts a green approach to its raw materials by strictly enforcing the hazardous substance management requirements for electric and electronic products. In addition to meeting the requirements of domestic and foreign regulations governing the management of hazardous substances, it takes the initiative to limit the use of other harmful elements. For instance, it uses halogen-free glass fibers that do not contain fluorine, and materials that have been ROHS or REACH-certified.



Customer Service

Following the "Quality First, and Customer Foremost" concept, the Company has optimized its services, enhanced communication with customers, and listened to them to offer excellent customer experiences in strict accordance with applicable provisions governing the labeling of products, in addition to such laws as the Consumer Protection Law, Anti-unfair Competition Law, and E-commerce Law of the People's Republic of China. Shenma Corporation entrusts the sale of its products to International Trade Co., Ltd. Following the specifications and requirements of the ISO9000 system, the latter has established a closed-loop complaint management process consisting of such steps as "acceptance, handling, and follow-up interview" to ensure that customer complaints are addressed in a timely and proper manner.

The Company offers customers sound after-sale services, including the replacement and return of products. It has professional service teams to respond to customer inquiries and complaints in a timely manner, to solve customers' problems, and to improve customer satisfaction.

Product quality

The Company undertakes to offer customers premium products conforming both international standards and customer requirements, so as to ensure that its products are safe, reliable, and durable. Through strict quality management systems, it effectively supervises and controls its suppliers, production and inspection processes to ensure the stability and improvement of its product quality.

Price strategies

According to market developments and customer needs, the Company formulates reasonable price strategies to ensure the price competitiveness and profit margin of its products. With a flexible pricing mechanism, it adopts differentiated pricing for different customers, regions, timing, etc. to meet diversified customer needs.

Delivery methods

According to customer choices and requirements, the Company allows for a variety of delivery modes, such as FOB, CIF, and T/T (30 days, 45 days, etc.). By optimizing logistics networks, it chooses the best transportation means and channels to ensure that its products are delivered in a timely manner and arrive at their destinations safe and sound.

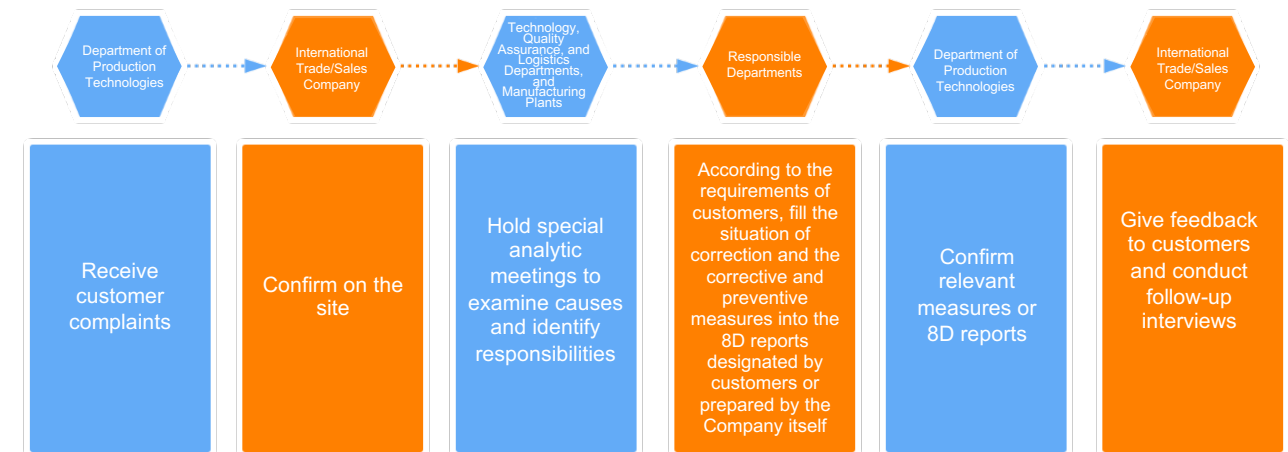
After-sale services

The Company promises to offer customers sound after-sale services, including the replacement and return of products. It has professional service teams to respond to customer inquiries and complaints in a timely manner, to solve customers' problems, and to improve customer satisfaction.

"1231" Quick Service Mechanism

To learn about customer needs in a timely and thorough manner, do a good job in services before and in the middle of sale, and address customer needs and feedback promptly and effectively, the Company has formulated the Marketing Service Procedures, a system designed to manage customer feedback. Under the system, the Company has set up a "1234" quick service mechanism to standardize after-sale service flows, make quick response to customer appeals, and provide customers with solutions efficiently. On a yearly basis, the Company regularly plans, implements, measures, analyzes, and assesses activities aimed to meet customer needs, and deliver customer satisfaction reports, to validate the conformity of its products and services, ensure continuous and effective improvements of its quality systems, and raise the level of customer satisfaction, thus improving the image of the Shenma brand.

Customer Feedback Handling Process





Timely Delivery

Shenma Corporation largely adopts a continuous or uninterrupted production mode. According to such factors as market trends, customer orders, product and raw material inventories, etc., it assigns production tasks and organizes production on a monthly basis to ensure full delivery. Taking overall market situation and its production capacity and business goals into account, it makes annual and monthly production and operation plans for its main products for the next year. In addition, the management will on a monthly basis discuss production plans, made decisions on them, and then assign production tasks to production units. According to the marketing reports from the sales department, the management will adjust the types of products and the quantities of their production as well.

The Company adopts the advanced PLC control system throughout the process of production. Due to a high level of automation, it can effectively lower the consumption of energy. More, it uses the ERP system for operations such as the inbound/outbound movement of inventory, contracting, and settlement. The purpose is to ensure the safety of production and the timely supply of products that meet both the quality and quantity requirements. Such sound ability to continuously supply and deliver products is an important basis on which the Company gains the trust of its customers and engage in long-term cooperation with them; it helps the Company to win a high level of market recognition.

Communication and Satisfaction Survey with Customers

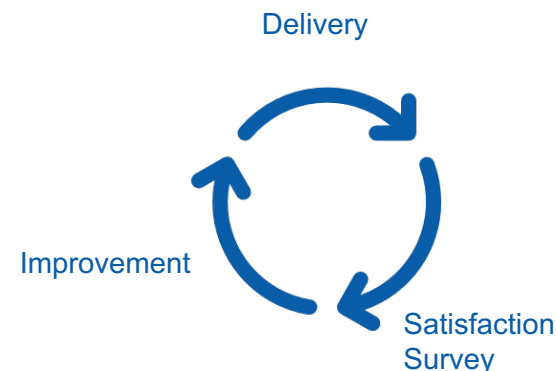
Communication is a key means of building deep relations and understanding between the Company and its customers. Regular and effective communication with customers enables the Company to directly get feedback from and learn about the needs of its customers and, in turn, provides the Company with valuable market insights and product development orientations. The voices of customers can help the Company optimize existing products and services, make them better meet market demand, and improve the satisfaction and loyalty of its customers. In the meantime, communication with customers helps to create and maintain a good corporate image, enhance customer perception and trust, and lay a solid foundation for the long-term development.

On top of that, the Company conducts customer satisfaction surveys on a regular basis to assess the quality of services, the performance of products, and the effectiveness of customer relations management. Through systematic and scientific surveys, the Company can get a true and holistic view of customers' feelings and expectations about its products and services, and detect potential problems and inadequacies. The data from such surveys not only point out the direction, but also quantify the results, of the Company's improvement measures, making them more targeted and effective.

Case | Customer Satisfaction Surveys by International Trade Co., Ltd.

Shenma Industrial Co., Ltd.

In an effort to better get feedback from the market, in each December, International Trade Co., Ltd. will distribute or mail satisfaction questionnaires to around 40 customers through the personnel of its sales department. In the first quarter of the next year, the questionnaires will be collected and forwarded to the marketing department, and the marketing department will be responsible for recording the results of the survey and keeping the record properly. The process ensures that the Company and International Trade Co., Ltd. can obtain customer feedback on a regular basis, so as to continuously improve their products and services and raise the level of their customer satisfaction.



Case | The Company's Business Visits to Jiangsu and Shandong Provinces

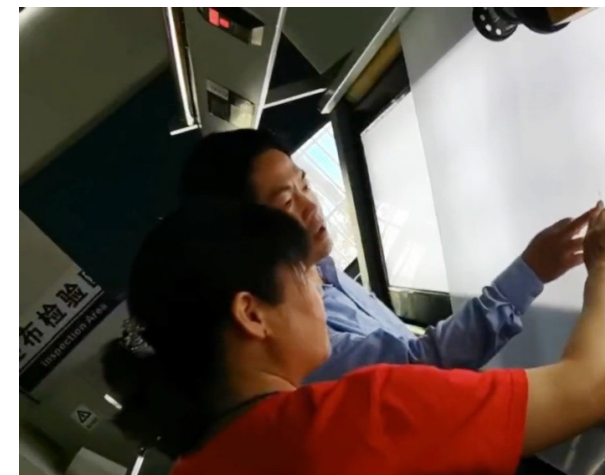
Shenma Industrial Co., Ltd.

To effectively address the grim market landscape and further integrate the domestic and overseas markets, shortly after the business trip to North America, the Executive Deputy General Manager of Shenma Corporation and the Executive Director of International Trade Co., Ltd. embarked on yet another business tour to tap the domestic market. From May 25 to 27, 2023, the two leaders led a business delegation to visit Jiangsu and Shandong Provinces.

On May 25, the delegation visited the TORAY China's Suzhou Plant in Jiangsu Province and held business talks with its General Manager. The two sides agreed to take advantage of the visit to boost strategic cooperation in engineering plastics. They communicated on the development of Shenma Corporation, emphasizing the good old days of cooperation between the two parties. Also, they hoped to strengthen their friendship through the visit, achieve strategic cooperation, and move forward toward the goal of meeting each other halfway and realizing win-win cooperation. Both sides envisioned a brand new chapter of cooperation for a bright prospect for them. The two sides also communicated on the history, advantages, and main business of TORAY. The Japanese company said that it highly valued its partnership with Shenma Corporation and was fully confident and highly expectant of the future development of both companies after the cooperation between the two resumed.

On May 26, the delegation went to Yantai, Shandong Province to visit Linglong Tire Co., Ltd. and hold talks with the latter's Vice President, Chief Financial Officer, and Chief Marketing Officer. The two sides reached a consensus on strengthening cooperation in the next stage. The Company's leaders stressed that Linglong Tire Co., Ltd. is a strategic partner of Shenma Corporation and is also a long-term customer of the Company's subsidiary International Trade Co., Ltd. and the potential of cooperation between the two sides is huge. They hoped that the two sides would enhance communication and deepen cooperation in the next step to make use of their mutually complementary advantages for common development.

On May 27, upon invitation, the Company's leaders attended in Qingdao the opening ceremony of the first sports meet organized by the National Engineering Research Center for Rubber and Tire. After the ceremony, they held talks with President, Assistant to President, and General Manager of the Procurement Center, of Sailun Group Co., Ltd. The two sides compared notes with regard to product quality, demand and supply, and market situations, among other things, and reached a consensus on bilateral cooperation.



Responsible Marketing

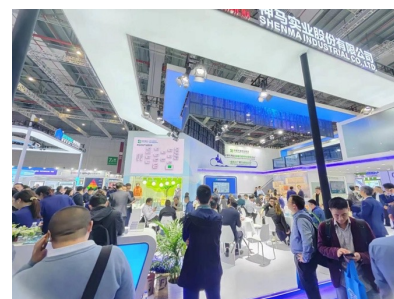
In strict accordance with the Consumer Protection Law and Advertising Law of the People's Republic of China, Shenma Corporation has created a professional marketing team. It takes such foundational measures as improving rules and regulations, standardizing business processes, etc. to ensure compliance and, particularly, avoid all forms of false advertising or hyping. The Company, as well as its subsidiary International Trade Co., Ltd., makes internal policies to emphasize the importance of honest publicity and responsible marketing. In practice, it uses true data and statistical results to support the communication of its products, thus ensuring that the effects or features it claims are fully evidenced. According to the requirements of the hazardous communication standards (HCS), the Occupational Safety and Health Administration (OSHA), and local authorities, the Company expressly describes in its product labels such information as ingredients, the content of hazardous substances, the method of safe use, and the method to recycle/dispose, among other things, to ensure that the information on its products and on their safe use are highly transparent. During the reporting period, the Company provided all marketing personnel with training on unfair competition, so it did not give rise to any litigations concerning responsible marketing.

Case | Participation in CHINAPLAS 2024 by Shenma Corporation



CHINAPLAS 2024, an international rubber plastic exhibition, was successfully held at the National Exhibition and Convention Center (Shanghai) from April 23 to 26, 2023. The exhibition was unprecedented in terms of its scale. Shenma Corporation had eight internal organizations participate in the exhibition. To facilitate the exhibition, the marketing department organized a working group of more than 20 people to provide technical, commentary, and sales services on site. The star products of the nylon industry chain, as well as their downstream applications, were exhibited at the event. They fully demonstrated the Company's strength and technological prowess in particular as a result of decades of hard work in the nylon industry.

Focusing on the key messages "a globally outstanding flagship enterprise for high-end functional materials" and "green factories for green life", the Company chose booths and booth construction plans suitable for its corporate image. After careful initial selection, the working group continuously upgraded the high-end downstream applications to be displayed at the exhibition. On the exhibition site, the Company set up an exhibition area dedicated to its high-end products. The area systematically displayed the application of the Company's products in such fields as automobile, rail transit, electronic products and electric appliances, aviation and space, military industry and fire fighting, health, civilian use, and clean energy.



Responsible Marketing Training

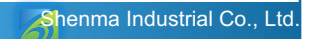
Case | Technical Exchange and Training by International Trade Co., Ltd.



On June 20, 2023, International Trade Co., Ltd. invited Xu Shuliang, Chief Advisor of Shandong Sailun Group Co., Ltd. and National Engineering Research Center for Rubber and Tire, and Executive Deputy Director of the Eve Rubber Institute, to attend a technical exchange and training event. Present at the event were Executive Deputy General Manager, and Deputy General Manager of Shenma Corporation, Executive Director, and Party Secretary of International Trade Co., Ltd., as well as relevant leaders, key business personnel, and staff members of International Trade Co., Ltd., Shenma Cord Fabric Company, and Shenma Cord Fabric Development Co., Ltd. On that occasion, Deputy Director Xu started his lecture by looking back on the history and future development orientations of tires, and then went on to elucidate the design concepts, product features and performance advantages of liquid gold tyres. The presentation was highly informative, vivid, and brilliant. At the end of the event, Xu interacted with his audience and answered questions on the R&D and production of tires in detail. As a senior tire designer who had designed close to a hundred types of tires for medium-to-high-end automobiles, Xu had his unique understanding of the R&D and production of tires in general. His presentation imparted participants with a lot more of newer and higher-level knowledge on tires, and was therefore highly enlightening for them to improve their professional skills and do a better marketing job in the future.



Case | International Trade Co., Ltd. Improved Marketing Compliance through Job Rotation Training



On February 2, 2023, leadership members of International Trade Co., Ltd., including Executive Director and General Manager, escorted 32 newly recruited college graduates to Shenma Cord Fabric Development Co., Ltd. to participate in a 40-day job rotation training. The training was highly valued by leaders of Shenma Corporation and strongly supported by Shenma Cord Fabric Development Co., Ltd. It was designed to help new recruits gain a better understanding of the production processes and performance characteristics of cord fabrics and industrial yarns, thus facilitating the marketing work in the next step.



Climate and Environment

Committed to green and sustainable development, Shenma Corporation has an ardent sense of responsibility and mission in the sphere of climate and environmental protection. The Company is deeply convinced that a good environment is the bedrock of long-term development, so it incorporates environmental protection into its development strategy. In 2023, Shenma Corporation prioritized such work as deepening energy conservation and emission reduction measures, increasing the share of clean energy use, and boosting the green renovation of production processes, with a view to cutting down on carbon emission and pollutant discharge. In the future, the Company will actively participate in the carbon trading market, so as to help achieve the carbon emission reduction goals through market mechanisms. Through the foregoing measures, Shenma Corporation will try to do its part in the global efforts to address climate change and protect the Earth, our home.

Key ESG Performance

- In 2023, Shenma Engineering Plastic Co., Ltd., Shenma Cord Fabric Company, Shenma Cord Fabric Development Co., Ltd., and Nylon Chemical Co., Ltd. disbursed **RMB 8.7 million, 23.69 million, 6.60 million, and 45.80 million** in environmental protection, respectively, indicating the Company's strong concern for the environment. During the reporting period, the Company did not give rise to any accidents with major environmental impact.
- By the end of 2023, the Company's subsidiaries, including Nylon Chemical Co., Ltd., Shenma Cord Fabric Company, Shenma Cord Fabric Development Co., Ltd., and Shenma Huawei Plastic Co., Ltd., have passed the ISO 14001 environmental management system certification. Meanwhile, Shenma Cord Fabric Development Co., Ltd. was given the title "National Green Factory" by the Ministry of Industry and Information Technology.

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



Environmental Management

In a rigorous effort to carry out the ecological civilization thought of General Secretary Xi Jinping, Shenma Corporation delivers on the green development philosophy that "lucid waters and lush mountains are invaluable assets, and an enterprise will not survive if it fails to protect the environment". On the condition of safety and green development, the Company sharpens its sense of urgency and responsibility to treat the environment, and does the environmental protection and management work in strict accordance with the Environmental Protection Law and Environmental Impact Assessment Law of the People's Republic of China, to ensure that the waste water and waste gases it emits, the noises it makes, and the solid waste it generates, as well as their management, meet the requirements of laws and regulations. Moreover, it establishes and continuously improves its environmental protection policies and systems. The Company has formulated clear environmental protection goals and indicators, and included such goals into its performance appraisal system. Moreover, it reports and discloses its environmental performance on a regular basis.

Comprehensive Environmental Management System

Name	Environmental Management System	Environment Risk Management
Shenma Cord Fabric Company	<p>Environment Treatment Concept and Objectives</p> <ul style="list-style-type: none"> Under the condition of protecting the environment, comply with laws and regulations, pursue continuous improvement, and take the sustainable development path. Strengthen the management of waste water, waste gases, and solid waste, strictly control the total amount of pollutant emissions, and achieve the recycling and reuse of resources for the purpose of improving the environment continuously. 	<p>The company conducts environmental risk identification and assessment work on a yearly basis. According to the company's environmental risk assessment report, environmental risks at the company are assigned to the category of relatively large risks.</p>
Shenma Cord Fabric Development Co., Ltd.	<p>Environment Treatment Concept and Objectives</p> <ul style="list-style-type: none"> In recent years, following a green development model featuring environment-friendliness, energy conservation, and emissions reduction, the company planned and implemented a string of environmental protection, energy conservation, and equipment renovation projects. Thanks to its advanced technologies and delicacy management, the company has passed the environmental management system certification. <p>System and Policy</p> <ul style="list-style-type: none"> According to the requirements that "the Party and the administration are equally responsible, and a post has dual responsibilities, for environmental protection" and that "one who manages an industry must also manage environmental protection across the industry; one who manages production must also manage environmental protection in the production process, and one who manages operations must also manage environmental protection during the operations", the company has established sound environmental protection organizations, and specified their respective responsibilities. 	<p>On a yearly basis, the company conducts environmental risk assessment, improves its risk prevention and control measures, and makes emergency environmental incident response plans that are filed with the environmental authorities. In addition, it undertakes waste water, waste gas, noise, soil, and ground water tests, with the results found to comply with the pollutant emission standards in their entirety.</p>
Nylon Chemical Co., Ltd.	<p>Environment Treatment Concept and Objectives</p> <ul style="list-style-type: none"> Upholding the concept that "an enterprise will not survive if it fails to protect the environment", the company sets the "zero violations and zero complaints" goal for its pollutant emissions. <p>System and Policy</p> <ul style="list-style-type: none"> The company has created such management systems as the environmental protection responsibility system for all and the environmental protection performance appraisal system, including the Measures for the Management of Simultaneous Design, Simultaneous Construction, and Simultaneous Use of Environmental Protection Facilities for projects Developed by the Company and the Environmental Protection Responsibility System. 	<p>The company has prepared an Emergency Environmental Incident Response Plan, and after expert review, filed it with the competent authority for environmental protection. Moreover, it organizes rehearsals for the plan on a regular basis. The company's emissions of pollutants have all met standards, without dealing any impact on its employees and local communities.</p>

Name	Environmental Management System	Environment Risk Management
Shenma Engineering Plastic Co., Ltd.	<p>Environment Treatment Concept</p> <ul style="list-style-type: none"> In strict accordance with laws and regulations, prevent accidents, lower risks, optimize operating environment, pursue continuous improvement, and take the sustainable development path, with environmental protection as the condition precedent and safe production as the safeguard. <p>Environmental Objectives:</p> <ul style="list-style-type: none"> >1. to avoid all types of environmental pollution accidents; >2. to meet the emission standards for waste gases: the concentration of non-methane hydrocarbon emitted shall not exceed 60mg/m³, while that of the smoke dust, sulfur dioxide, and nitrogen oxide shall not go beyond 5mg/m³, 10mg/m³, and 30mg/m³, respectively. <p>System and Policy</p> <ul style="list-style-type: none"> The Occupational health, Safety and Environment Management Handbook is a framework document for the HSE management system of Shenma Engineering Plastic Co., Ltd. It details the company's HSE guidelines and objectives, and puts forward concrete requirements for the company's HSE management system. 	<p>Shenma Engineering Plastic Co., Ltd. conducts environmental risk identification and assessment work on a yearly basis to prevent and control various types of emergency environmental incidents in all respects. The company optimized its environmental risk identification and assessment methods and processes in terms of the assignment of value to risk control capability indexes, the correction coefficient for risk indexes, and the distribution of the environmental risk ratings, worked out an Emergency Environmental Incident Response Plan, and organized all departments to try and evaluate it. In 2023, the company carried out a series of measures, such as making and implementing a tiered environmental risk control plan, delegating the risk control responsibilities, treating hidden problems that may entail environmental risks, and accelerating the exit of facilities within the ecological red lines.</p>
Shenma Polycarbonate Material Co., Ltd.	<p>Environment Treatment Concept and Objectives</p> <ul style="list-style-type: none"> Upholding the sustainable development philosophy and revolving around "the Green Enterprise Action Plan", Shenma Polycarbonate Material Co., Ltd. has launched a slew of measures to enhance the management of its environmental impact and risks and to minimize the environmental footprint of its operations. <p>System and Policy</p> <ul style="list-style-type: none"> The company has enacted an environmental protection system with the following five measures as its pillars: the Measures for the Management of Biological and Environmental Incidents, the Measures for the Management of Accountability for Biological and Environmental Incidents, the Special Response Plan for Emergency Environmental Incidents, and the Measures for the Management of Radioactivity. 	<p>The company conducts environmental risk identification and assessment work on a yearly basis. In 2023, the company identified a total of 20 tier-1 environmental risks. By formulating and implementing a tiered environmental risk control plan, delegating the risk control responsibilities, treating hidden problems that may entail environmental risks, and accelerating the exit of facilities within the ecological red lines, it managed to downgrade 10 of such tier-1 environmental risks.</p>
Shenma Huawei Plastic Co., Ltd.	<p>Environment Treatment Concept and Objectives</p> <ul style="list-style-type: none"> Pollution control and prevention concept: give priority to the prevention of pollution, and reduce the adverse impact on environment by way of technological improvements, and management and control measures. <ul style="list-style-type: none"> Environmental responsibility and principle of fairness: an organization shall assume the responsibility for the environment, including by taking measures to reduce the impact on the environment, and protecting the rights and interests of its employees, the communities, and other stakeholders. <p>System and Policy</p> <ul style="list-style-type: none"> The company makes concrete action plans to achieve its environmental goals and indicators, and has senior management assess the suitability, adequacy, and efficacy of its environmental management system. 	<p>On a yearly basis, the company conducts environmental risk assessment, improves its risk prevention and control measures, and makes emergency environmental incident response plans that are filed with the environmental authorities. In addition, it undertakes waste water, waste gas, noise, soil, and ground water tests, with the results found to comply with the pollutant emission standards in their entirety.</p>

Key Performance

In 2023, Shenma Cord Fabric Company, Shenma Cord Fabric Development Co., Ltd., Nylon Chemical Co., Ltd., and Shenma Engineering Plastic Co., Ltd. disbursed RMB 23.69 million, 6.60 million, 45.80 million yuan, and 8.70 million in environmental protection, respectively, indicating the Company's strong concern for the environment. During the reporting period, the Company did not give rise to any accidents with major environmental impact.

Environment-related Honors and Credentials

Shenma Corporation has proactively implemented the Notice on Further Promoting the Review of Clean Production in Key Industries issued by the Chinese government. Its subsidiaries have each set up a leading group for environmental protection to carry out the Company's guideline that "a comprehensive approach to pollution treatment shall be adopted to advance clean production and build a green, safe and harmonious enterprise".

In 2023, the Company enforced a strict environmental management system, further stepped up its environmental protection efforts, and scored significant achievements. We are committed to mitigating the environmental impact of our production by actively rolling out energy conservation and emission reduction technologies and ensuring the effective implementation of various environmental protection measures. In succession, we have won multiple important honors and credentials related to environmental protection, including the internationally accepted ISO 14001 environmental management system certificate, which evidences our outstanding performance in environmental management. What's more, we have been rated a National Green Factory, which not only reflects our leading position in green manufacturing and sustainable development, but also improves our social image and market competitiveness.

Display of Key Environment-related Honors and Credentials



Key Performance

By the end of 2023, Shenma Cord Fabric Company, Shenma Cord Fabric Development Co., Ltd., Nylon Chemical Co., Ltd., and Shenma Huawei Plastic Co., Ltd., all of which are subsidiaries of the Company, have passed the ISO 14001 environmental management system certification. Meanwhile, Shenma Cord Fabric Development Co., Ltd. was given the title "National Green Factory" by the Ministry of Industry and Information Technology.

Biodiversity Management

Shenma Corporation upholds its responsibility and mission of protecting the environment on one hand and is committed to improving its clean production on the other hand, thus promoting pollutant reduction and carbon emission reduction simultaneously. In 2023, the Company had no business that is located within or in the vicinity of ecological conservation areas, and therefore did not exert direct or indirect impact on biodiversity.

Pollution Emission Control

The Company is committed to curbing pollution in an all-round manner and in strict accordance with laws and regulations, such as the Water Pollution Control and Prevention Law, the Air Pollution Control and Prevention Law, the Solid Waste Pollution Control and Prevention Law, and the Noise Pollution Control and Prevention Law. In the production process, we adopt advanced environmental protection technologies and equipment to ensure that the waste water, waste gas, and solid waste we emit and the noise we make meet national standards in their entirety. At the same time, the Company has established a sound environmental monitoring and management system that conducts environmental protection audits and evaluations on a regular basis to ensure that all pollution control and prevention measures are put in place. Through these rigorous control measures, the Company has effectively ameliorated its impact on the environment, continuously promoted green development, and earnestly performed its social responsibility.

According to the State Council's Action Plan for Continuous Improvement of Air Quality, Pingdingshan City is one of the "2+36" cities designated by the Chinese government as focal areas for air pollution control and prevention across the Beijing-Tianjin-Hebei region and its surrounding areas. With respect to such region with relatively higher environmental compliance risks, the Company responded actively by adjusting the NOx emission standard for its heat conduction oil furnaces (steam boilers) to 30mg/m³ from 50mg/m³ and renovating its oil heating furnaces according to higher emission standards for NOx.

Air Pollution Management

According to the requirements of its pollutant emission permits, the Company should monitor its waste gas outlets by way of self- and online monitoring measures, among other things, and compare the results of such monitoring with the national, local, and industry standards to determine whether its waste gas satisfies the said standards. In the meantime, the Company constantly investigates and researches state-of-the-art pollution treatment processes and technologies, with a view to optimizing its production processes, adjusting its production structure, improving its energy efficiency, and reducing its waste gas emissions by technological means.

In 2023, the Company's main pollutants included NOx, sulfur dioxide, particulates, non-methane hydrocarbon, formaldehyde, ammonia, etc., and the overall compliance rate for its waste gases stood at 100%.

Total Amount of Air Pollutant Emissions

Name	Unit	Particulates	NOx	VOC	SO2	Non-methane Hydrocarbon
Shenma Cord Fabric Company	Metric Ton	-	-	8.99	-	-
Shenma Cord Fabric Development Co., Ltd.	Metric Ton	7.32	14.17	23.81	-	-
Nylon Chemical Co., Ltd.	Metric Ton	11.57	136.75	-	35.90	-
Shenma Engineering Plastic Co., Ltd. (including Shenma Engineering Plastics Technology Development Co., Ltd.)	Metric Ton	-	5.89	1.13	-	0.06
Shenma Boliemai (Pingdingshan) Air Bag Wire Co., Ltd.	Metric Ton	6.45	-	-	-	10.12
Shenma Nylon Technology Co., Ltd.	Metric Ton	0.86	-	-	-	0.41
Shenma Puli Materials Co., Ltd.	Metric Ton	-	-	-	-	0.43
Shenma Polycarbonate Material Co., Ltd.	Metric Ton	6.60	1.03	1.48	-	-



Case | Air Pollutant Management System of Shenma Engineering Plastic Co., Ltd.

Shenma Engineering Plastic Co., Ltd. has laid down the Guidelines for the Implementation of Air Pollution Control and Prevention, and constructed VOC treatment facilities to prevent untreated waste gases from being emitted directly into the atmosphere and ensure that the emission of such waste is up to standards. Moreover, it has installed VOC online monitoring facilities to keep track of its pollutant emissions and provide a basis for its compliance in pollutant emissions. Furthermore, it inspects its environmental protection facilities on a daily basis and services them on a regular basis to ensure their normal operation.

In 2023, we upgraded our facilities and processes to improve the efficiency of waste gas treatment and reduce the emission of pollutants, and installed automobile GPS positioning and monitoring systems and smart access management systems to automatically identify the level of emissions from vehicles entering our premises and prohibit those that do not comply with the emission standards from accessing our properties. In addition, we set the goal of "cutting 10% of the NOx generated per unit of our production capacity by 2025 in comparison with 2021".

Case | Air Pollutant Management System of Shenma Cord Fabric Development Co., Ltd.

In recent years, Shenma Cord Fabric Development Co., Ltd. upgraded the waste gas treatment facilities for dipping operations at its dipping plant #1, dipping plant #2, and dipping plant for the eastern quarters, installed online monitoring systems for waste gases and environment-friendly access management system for trucks, and standardized the construction of warehouses for hazardous and waste substances. By investing in hardware construction, tightening management, and defining responsibility, it has secured the operating efficiency, safety, and stability of its environmental protection facilities.

- In the process of condensation polymerization, Nylon 66 will produce the waste gas Hexamethylenediamine (HMDA), which is easily dissolvable in water. To ensure compliance with the emissions standards, Shenma Cord Fabric Development Co., Ltd. adopts the disinfection and recycling, and close-head foam-water sprinkler systems to treat the waste gas.
- N66 industrial yarn will produce low molecular polymers, a waste gas, in the spinning process. The gas will be collected and fed into the bag filters for treatment. It will be discharged only after it is found to have met the emission standards.
- N66 industrial yarn will produce soot, a waste gas, in the spinning process due to the use of spinning oil. The gas will be collected and fed into the electric tar removers for treatment. It will be discharged only after it is absorbed by the high-voltage, static electricity capture method and found to have met the emission standards.
- The natural gas boilers and heat conducting oil furnaces have been renovated to reduce the level of their nitrogen emissions during combustion.
- The N66 dipped type cord fabric will produce a slither of formaldehyde in the dipping process, and the burning of natural gas may generate particulates, sulfur dioxide, and NOx. To treat the pollutants, the dipping plant #1 adopts the process that combines the close-head foam-water sprinkler and HIW active carbon absorber systems, while the dipping plant #2 and the plant in the eastern quarters resorts to the process that combines the sprinkler, high gravity field separator, and wet electric tar remover systems.
- The waste gases at the sewage treatment stations are disposed of through sprinklers and integrated biological filters and discharged only after they are up to standards.

Case | Air Pollutant Management System of Shenma Polycarbonate Material Co., Ltd.

Shenma Polycarbonate Material Co., Ltd. has devised and implemented a Special Action Plan for Ozone Pollution Control and Prevention. On top of that, it has adopted multiple highly effective measures to reduce the emissions of waste gases, including by removing coal dust, waste gases, and dust through bag filters, treating the waste gases from retired oil furnaces and BPA facilities through high-temperature combustion, and disposing of the PC modified waste water through active charcoal absorption equipment. In the end, all waste gases are up to standards and discharged through the exhaust pipes

Treatment of Waste Water

To put the water pollution risk under strict control, the Company has carried out clean production in all respects, tightened the management of water pollution control and prevention facilities, and upgraded relevant pollution control and prevention work according to requirements that are even stricter than the national and local standards. At the same time, according to government requirements, we have installed online ambient environment monitoring facilities to monitor the emissions of water pollutants in real time, and taken pre-alert and reporting measures to detect and manage our problems in a timely manner and ensure the compliance of our water pollutant emissions.

In 2023, the Company primarily tested pollutants such as COD, ammonia nitrogen, total nitrogen, total phosphorus, suspended substances, formaldehyde, and absorbable organic halide according to the national standards Integrated Wastewater Discharge Standard, and Emission Standard of Pollutants for the Synthetic Resin Industry, among others.

Total Amount of Water Pollutant Emissions

Name	Unit	COD	Ammonia Nitrogen
Shenma Cord Fabric Company	Metric Ton	79.90	7.80
Shenma Cord Fabric Development Co., Ltd.	Metric Ton	5.31	0.18
Nylon Chemical Co., Ltd. (including Shenma Engineering Plastic Co., Ltd.)	Metric Ton	124.70	6.30
Shenma Engineering Plastics Technology Development Co., Ltd.	Metric Ton	4.68	0.07
Shenma Boliemai (Pingdingshan) Air Bag Wire Co., Ltd.	Metric Ton	0.47	0.04
Shenma Puli Materials Co., Ltd.	Metric Ton	1.34	0.06
Shenma Polycarbonate Material Co., Ltd.	Metric Ton	9.10	0.05

Case | Waste Water Discharge Control Measures of Subsidiaries

The Company's main subsidiaries have devised their water pollution control and prevention policies, respectively. For instance, Shenma Engineering Plastic Co., Ltd. has worked out the Guidelines for the Implementation of Water Pollution Control and Prevention to strictly lay down the processes for the treatment and discharge of waste water.

In addition, Shenma Engineering Plastic Co., Ltd., Shenma Cord Fabric Development Co., Ltd., and Shenma Cord Fabric Company have each implemented integrated and advanced strategies to treat and reduce the amount of their waste water. The phase 1 project of their sewage treatment works adopt an efficient 3-level combined treatment process. The first level is the enhanced pre-treatment that removes large particulates and suspended substances from the waste water; the second level is the A/O biochemical process that uses microorganisms to downgrade organic substances; and the third level is the deep processing treatment that further purifies the water to ensure that it meets a high standard when discharged. With regard to the VOCs generated in the process of sewage treatment, the Company has specifically designed a VOC collection and treatment system that integrates multiple technologies such as alkaline washing towers, biological filter beds, and plant extract removal to effectively get rid of hazardous gases. The treatment facility is a steel structure covered by fluorocarbon fiber films; it is not only efficient in processing waste, but is also environment-friendly and pleasing to the eyes. The waste water that has gone through the whole process of fine treatment has completely satisfied the discharge standards and, in the end, safely discharged into the municipal sewage treatment plants. All this manifests the Company's sound commitment and actions in environmental protection.

Management of Waste

According to the Solid Waste Pollution Control and Prevention Law of the People's Republic of China, the Company manages the waste generated in the process of production and operations by category, and comprehensively uses or non-hazardously disposes it all. Moreover, following the four principles of "reduction, recycling, safe disposal, and planning" for the treatment of solid waste, the Company has continuously improved relevant policies and systems.

The industrial solid waste produced by Company includes, among other things, dry oil streaks. They are all reused to reduce the amount of the solid waste generated. On the other hand, the hazardous solid waste of the Company has been entrusted to the care of qualified companies according to laws and regulations, and has been 100% treated.

In accordance with the Solid Waste Pollution Control and Prevention Law, Hazardous Waste Transfer Management Measures, and National Catalogue of Hazardous Waste of the People's Republic of China, Shenma Corporation has formulated a Solid Waste Management System and a Hazardous Waste Management System to manage dangerous waste by category. In addition, it has tried to minimize the amount of waste by improving its production processes and enhancing its management, among other measures, and regularly entrusted qualified third-party providers to handle its hazardous waste for compliance purposes. Meanwhile, it has organized regular training on hazardous waste management to raise employees' awareness.

Total Amount of Waste Generated¹

Name	Unit	Amount of Hazardous Solid Waste Generated	Hazardous Solid Waste Disposal Rate
Shenma Cord Fabric Company	Metric Ton	197.29	100%
Shenma Cord Fabric Development Co., Ltd.	Metric Ton	322	100%
Nylon Chemical Co., Ltd.	Metric Ton	445.48	100%
Shenma Engineering Plastic Co., Ltd. (including Shenma Engineering Plastics Technology Development Co., Ltd.)	Metric Ton	16.64	100%
Shenma Polycarbonate Material Co., Ltd.	Metric Ton	1,175.06	100%

Name	Unit	Amount of General Industrial Solid Waste Generated
Shenma Cord Fabric Company	Metric Ton	5,405
Nylon Chemical Co., Ltd.	Metric Ton	215,680

¹The data cover key waste-generating enterprises.

Case | Waste Management System of Shenma Cord Fabric Company



With respect to the management of waste, the Company has adopted multi-tiered reduction and compliance measures. On one hand, it resells waste yarns to other companies to achieve circular use of resources; and on the other hand, within the Company itself, it reuses waste insulated cotton that is reusable to reduce its dependence on raw materials. With respect to general industrial solid waste that can not be directly used, the Company entrusts professional third party service providers to dispose of it in an environment-friendly manner to ensure that it is properly processed. With regard to hazardous waste, the Company chooses qualified professional companies to handle it even more strictly in accordance with laws and regulations to ensure environmental safety. These measures together constitute the Company holistic and effective waste reduction and management system.

Case | Waste Management Cooperation with Third Parties by Shenma Huawei Plastic Co., Ltd.



To ensure safe, lawful, and efficient waste treatment, Shenma Huawei Plastic Co., Ltd. strictly screens third party providers to confirm that they have the professional qualifications and capacities necessary to dispose of particular types of waste. In that process, Shenma Huawei Plastic Co., Ltd. carefully examines the track record, technological prowess, environmental protection facilities, and compliance record of the candidates to ensure that they are competent to do the delegated tasks. Subsequently, Shenma Huawei Plastic Co., Ltd. signs detailed written agreements or contracts with the third party companies selected, explicitly providing for key details of the services, such as the type, quantity, and expected treatment method of the waste, the amount of fees, and the term of the services agreed upon. The practice not only secures the rights and interests of the two parties, but also ensures that the entire process of waste treatment is transparent and traceable. During the implementation of the contracts signed, Shenma Huawei Plastic Co., Ltd.'s environmental protection department will assume the supervisory responsibility to keep a close eye on the entire process of waste treatment by the third party, including the collection, transportation, and ultimate treatment of waste. Shenma Huawei Plastic Co., Ltd. requires that all steps must be in strict accordance with the standards and procedures agreed up by the two sides on one hand and comply with national and local environmental protection laws and regulations on the other hand. By way of regular inspection, on-site audit, and data comparison, it ensures that every link of the waste treatment process is up to the highest standard to effectively avoid environmental pollution risks and maintain the sustainability of both the enterprise and the society at large.



Resource Conservation and Circular Economy

Water Conservation

Following the scientific outlook on development, Shenma Corporation has constantly improved the management of water resources to build a water conservation-oriented enterprise, achieve the reasonable allocation of water resources, and raise the overall utilization rate of the same, focusing on the objective of lowering the water intake per unit of product. The Company has strengthened the communication and education efforts to raise the awareness of water conservation. Moreover, it has established a long-term water conservation mechanism to do its part in the building of a water conservation-oriented society. The Company's water sources are primarily municipal water supply enterprises, so it does not adversely affect the use of local water resources.

Its subsidiaries have all created sound water resources management frameworks and systems to make the use of water more reasonable and reduce the consumption of water across the Company. For example, Shenma Engineering Plastic Co., Ltd. issued a Water Metering Management System and a Water Conservation Management System; Shenma Cord Fabric Development Co., Ltd. improved its water conservation management organizations, revised, enacted and implemented its water supply and conservation systems in a timely manner, including the Water Conservation Management System, the Water Use Management and Appraisal Measures, the Responsibility System for Water Conservation Management Personnel, etc.; Nylon Chemical Co., Ltd. set up a leading group for the water conservation work and designated the management department and personnel for water use and conservation; and the Shenma Cord Fabric Company also improved its water management system by establishing a water conservation leading group. Every year, the subsidiaries appointed professional companies to detect leaks across their running water supply networks and repair damages in a timely manner. Meanwhile, the Company prevents water leaks through regular inspection. Thanks to a water reclamation system, it manages to use the reclaimed water to flush toilets. In addition, the Company makes energy conservation education plans on a yearly basis, and participates in water conservation publicity events, e.g., the World Water Day and the China Water Week, to reduce water consumption and tap the potential to save water.

Key Performance

In 2023, Shenma Cord Fabric Development Co., Ltd. consumed a total of **1.14** million tons of water, with the consumption intensity standing at **22** tons per unit of production, and the circular utilization rate at **97%**.

In 2023, Nylon Chemical Co., Ltd.'s total water intake stood at **9.90** million m³, including **4.10** million m³ from water supply companies, and **5.80** million m³ from reclaimed water resources of the public utilities. The subsidiary produced **2.62** million m³ of reclaimed water by itself, with the reclaimed water circular utilization rate standing at **26%**.

In 2023, Shenma Huawei Plastic Co., Ltd. consumed a total of **30,000** tons of water throughout the year, with the unit water consumption standing at **1.76** tons per unit of the production measured by ton, and the circular utilization rate at **30%**.

Case | Water Conservation Policies and Measures of Shenma Cord Fabric Company



In an active response to the water conservation call, Shenma Cord Fabric Company has implemented a series of effective and sustainable measures set to reduce the waste and improve the utilization of water resources.

Leak Detection across the Underground Water Supply Network

The company regularly appoints professional teams to conduct comprehensive and careful test on the underground water supply network to detect potential leaks. Through advanced detection technologies and equipment, the measure precisely identifies the points of leak across the networks and repairs the damages in a timely manner.

Intelligent Renovation of Toilets to Save Water

To save water on a daily basis, the company renovates its toilets for the purpose of saving water intelligently. Concrete measures include installing induction-type faucets and flushes, which can automatically turn the devices off after the users leave, thus preventing waste of water attributed to negligence.

Promoting the Use of Water-saving Devices

The company actively promotes the use of water-saving devices, e.g., faucets and sprinklers, in the office areas and the workshops. By means of advanced water-saving technologies and designs, e.g., flow throttles and air injection, these devices help to effectively reduce the waste of water in everyday operations.

Case | Water Conservation Policies and Measures of Shenma Cord Fabric Development Co., Ltd.



The water production system of Shenma Cord Fabric Development Co., Ltd adopts the reverse osmosis technology that can extract pure water from raw water through effective membrane-based separation. The acid and alkali consumption is just 2-3% of the ion exchange technology. Therefore, it greatly reduces the discharge of waste water and raises the overall utilization rate of water resources.

Shenma Cord Fabric Development Co., Ltd. is committed to renovating water use facilities, such as those in the office areas and dining halls, eliminating devices and facilities that do not comply with water conservation standards, and installing water-saving faucets and flush toilets such as the induction faucets complying with national standards, and the self-closing flush valves, to save raw water.

Case | Key Water Conservation Policies and Measures of Shenma Corporation



Shenma Corporation keeps using water in a circular way to reduce its dependence on natural water resources and lower its water bills and waste water treatment cost, while showing its commitment to environmental protection and determination to pursue green development.

- For instance, its Shenma Cord Fabric Company invested over RMB 3 million in 2021 to implement a waste water deep processing and reclamation project. On a daily basis, the project managed to reclaim and reuse 1,200 tons of waste water, with the recycling rate reaching 60%. The reclaimed water was mainly used for non-domestic purposes such as irrigation, toilet flushing, and sprinkling (steam-condensated water) in the production areas.
- Shenma Cord Fabric Development Co., Ltd. decreases the replenishment of fresh water by having the circulating and freezing water circulate on its own, notching up a reutilization rate of 96%.
- Likewise, Shenma Huawei Plastic Co., Ltd. circularly uses the cooling water for production-purposed profiles, the cooling water for gear boxes, and the pure cooling water, with the reutilization rate standing at 30%.
- Nylon Chemical Co., Ltd. mixes the circularly used water with the water reclaimed by the public utilities and uses the mixed water to replenish its circular water system designed for sanitation and greening purposes. The share of the water so circularly used is 97%.

Raw Materials and Circular Economy

Shenma Corporation is deeply aware of the direct relationship between the circular economy and the emphasis on the maximum use of resources and the minimum generation of waste. Through circular use and reclamation, the Company manages to reduce its dependence on new resources, alleviate environmental pollution, and achieve sustainable development. For enterprises in a resource-intensive industry, strengthening the management of raw materials and promoting the development of circular economy not only help to decrease their production cost and increase their economic benefits, but also help to reduce their environmental pollution, improve their corporate image, and lay a sound foundation for their long-term steady growth. In 2023, in an active response to the global trend to seek sustainable development, the Company took the circular use of resources as one of its core development strategies. Through tech innovation, process optimization, and personnel training, among other efforts, it managed to push the circular use of resources forward.

Case | Circular Use of Gypsum Side Products by Shenma Aramid Fiber Technology Development Co., Ltd.

In producing continuous para-aramid fiber filaments, Shenma Aramid will produce waste water containing thin sulfuric acid at the concentration of 8% or so. At present, the waste water is neutralized with solid calcium hydroxide. In the process of neutralization, the sulfuric acid will react with the calcium hydroxide, and produce solid calcium sulfate. The slurry containing solid calcium sulfate then goes through the filter press to remove the solid gypsum. Afterward, the liquid is discharged after the pH value control process. The resulting solid gypsum, which contains 30% or so of water, is packaged into ton bags and sold to third parties. In the pilot production of Shenma Aramid Fiber Technology Development Co., Ltd., the company managed to produce around 135 tons of gypsum on a monthly basis with a single production line put into operation, and around 300 tons when two lines were put into operation. After the para-aramid project with a production capacity of 4,000 tons per year is put into operation in 2024, the company will be able to produce around 29,000 tons of gypsum on a yearly basis.

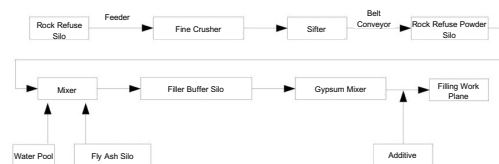
The gypsum, a chunk-like side product, has a water content of 30% and is not directly marketable. Therefore, a circular use idea for the side product is to reduce its water content, add additional equipment to process it, and utilize it according to market demand. In addition, thanks to the company's advantage in industrial synergy, expanding the use of the gypsum, i.e., using it to refill excavated mines, is another good idea.

(1) Brick Making with Gypsum

Unlike other companies that use steam or electric heating to dispose of the gypsum, Shenma Aramid Fiber Technology Development Co., Ltd. takes advantage of its industrial synergy to handle the side product. More specifically, it uses the residual heat of the high-temperature exhaust to dry and bake the gypsum. In this way, it only needs to make a little investment in equipment to recycle and reuse the residual heat and gypsum resources, thus further lowering the cost of production and operation.

(2) Mine Filling Experiment

Out of the need to fill mines, the company sends technological personnel to find out the proportion of gypsum to be added to the filling materials. To do the experiment, the technological personnel add a certain share of gypsum to the rock refuse used as the filling material, put it in a mould, and observe how long it takes for the mixture to condensate and solidify. Moreover, they test the strength of the product to determine whether it has met the technical requirements, such as the designed time for it to coagulate and the bearing strength.



Energy Management

The Company's energy sources are primarily electricity, natural gas, steam, and coke. Energy consumption is the primary source of the greenhouse gases produced by the Company. Following the principles of conserving energy and reducing its consumption, the Company has taken a string of measures, such as improving its energy conservation technologies and detecting unreasonable use of energy, to raise its energy efficiency and increase both of its environmental and economic benefits.

The Company has strictly complied with laws and regulations such as the Energy Conservation Law and Renewable Energy Law of the People's Republic of China. Its subsidiaries have also established sound energy management frameworks and systems to improve their energy consumption and conservation and reduce their emission of greenhouse gases.

- Shenma Cord Fabric Company has created an Energy Management System, and audited the system on a yearly basis, as required. In 2023, Shenma Cord Fabric Company further revised its Energy Management Performance Appraisal Plan and enforced the new version of the plan. Moreover, the Company set up a leading group for the energy conservation management work, and had its internal organizations designate heads and personnel responsible for energy management, thus creating an energy management network.
- Shenma Cord Fabric Development Co., Ltd. formulated Energy Management Performance Appraisal Measures and consolidated the incentives and processes for energy management by including energy-related performance into the scope of performance appraisal against relevant leaders.
- Shenma Engineering Plastic Co., Ltd. and Shenma Polycarbonate Material Co., Ltd. respectively created an Energy Management System, set up a leading group for the energy conservation management work, and had their top management take the responsibility for energy management, thus forming an energy management network.
- In light of its production and operations, Nylon Chemical Co., Ltd. worked out such energy management documents as Energy Management Handbook, Procedural Document for the Energy Management System, Energy Management Operating Document, and Energy Management System. The Energy Management Operating Document, particularly, laid down the requirements for areas such as the division of responsibility, the classification of energy, the statistical measurement of energy, the management of statistical measurement, and the incentives and punishment for energy management. In the meantime, the Company has been certified with the ISO 50001:2018 energy management system.

Key Performance

In 2023, Shenma Cord Fabric Company consumed a total of **51,991.5** tons of standard coal, with electricity accounting for **54.87%**, natural gas for **30.68%**, steam for **14.25%**, and gasoline and diesel combined for **2%**.

In 2023, Shenma Cord Fabric Development Co., Ltd. consumed a total of **39,208** tons of standard coal. From the structural point of view, the consumption of electricity totaled **23,455** tons of standard coal, accounting for **60%**; the consumption of natural gas totaled **12,870** tons of standard coal, accounting for **33%**; and other consumptions accounted for **7%**.

In 2023, Shenma Engineering Plastics Technology Development Co., Ltd. consumed a total of **6,931** tons of standard coal, with the consumption per ton of product standing at **0.20** tons of standard coal.

In 2023, Shenma Huawei Plastic Co., Ltd. used a total of **5** GWh of electricity, with the consumption per ton of product standing at **376** kWh.

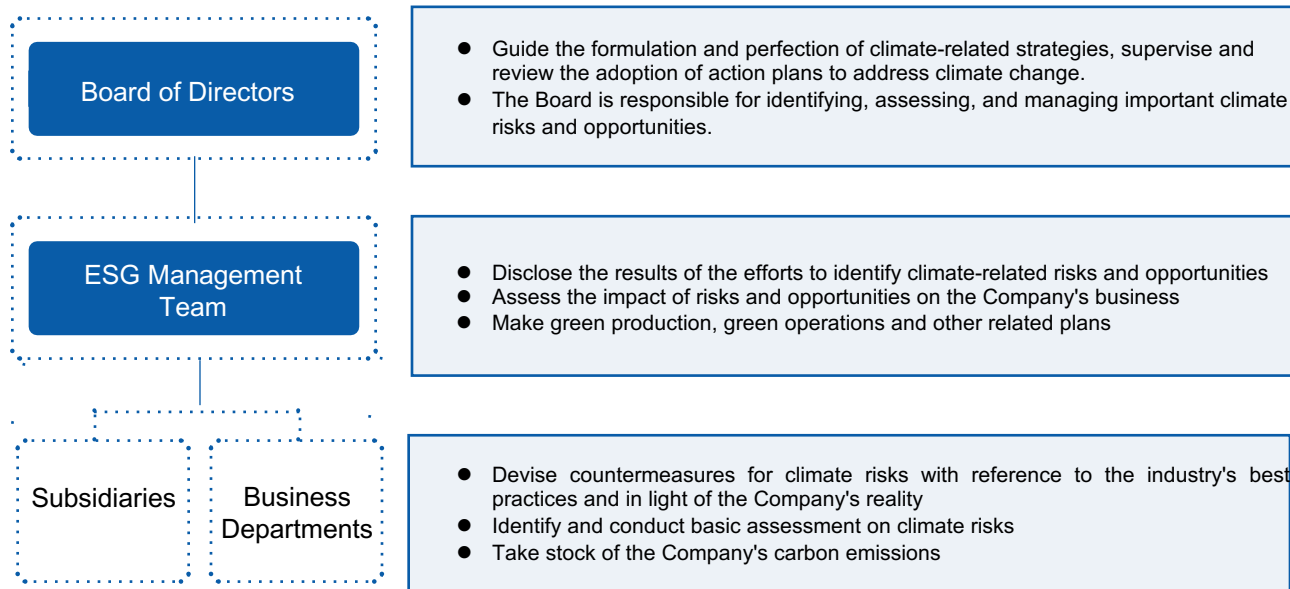
Against Climate Change

The Company is committed to energy conservation, environmental protection, and green and low-carbon development. It has conducted technological renovation for its office areas, and strongly advocated environment-friendly office practices to cut down on the waste of resources and raise the utilization rate of resources and energy in its offices. The Company encourages its departments and operations at all levels to practice the green development philosophy by measures such as recycling waste by category, saving energy, adopting green means of mobility and green catering services, etc., thus putting low-carbon operations in place.

In 2023, in support of the TCFD's initiative, the Company referred to the TCFD framework, identified the climate-related risks and opportunities that may have an impact on it, and took effective countermeasures. The Company integrates the ESG concept deeply into its business, and considers the climate and environment factors in every link of its operations.

Climate Risk Management Framework

The Company actively responds to the government's Dual Carbon (i.e. Carbon Peaking and Carbon Neutrality) goals. In 2023, it established an ESG governance system led by its Board of Directors, and in the meantime, incorporated the responsibilities related to climate risks and opportunities into the terms of references for its ESG management team, with a view to creating a foundational climate governance working system across the Company.



Management of Climate Risks and Opportunities

Shenma Corporation attaches great importance to the impact of climate change on the sustainable development of its business, and refers to the disclosure framework of the Task Force on Climate-related Financial Disclosure (TCFD) to identify major climate risks and opportunities facing the Company. With reference to the TCFD framework, the Company has identified the climate-related risks and opportunities that may have an impact on it. The Company integrates the ESG concept deeply into its business, and considers the climate and environment factors in every link of its operations.

Risk Types		Risk Descriptions	Countermeasures
Transitional Risks	Policy and Legal Risks	<ul style="list-style-type: none"> • In the context of the Dual Carbon goals, the government is pushing the shift from focusing on the total amount and intensity of energy consumption to focusing on the total amount and intensity of carbon emissions, and accordingly, may issue more rigorous laws and regulations aimed at restricting or curbing carbon emissions to push enterprises to embark on the green and low-carbon transition path. This will bring compliance risks to high-emitting and high energy-consuming industries. Likewise, this may increase the Company's investment in energy conservation and emission reduction and in turn increase its compliance cost. • China Carbon Emissions Trading Exchange (CCETE) has been established and begun to implement the carbon emissions quota system. In the future, key carbon-emitting industries like petrochemical may be included into the market. Therefore, the Company's compliance cost in terms of carbon emissions may grow accordingly. • The government is continuously deepening the formaldehyde emissions control efforts by making laws and regulations set to reduce the emission and escape of formaldehyde. As a result, the Company may have to constantly step up the building of a MRV technical system for the emissions of formaldehyde, increase investment in relevant facilities and technologies, and at the same time, take more effective measures to minimize the leak of formaldehyde. All this may add to the Company's operating cost. 	<p>The Company will adhere to the concept of "energy transition for green development", accelerate the optimization of its industrial structure, and ramp up tech innovation to push its energy consumption to shift from a high-carbon mode to a low-carbon one and from a focus on fossil energy to a focus on clean energy, thus forming green production and consumption patterns more quickly and contributing to the ecological civilization and sustainable development.</p> <ul style="list-style-type: none"> • As the economy grows and the demand for energy increases, the Company will proactively adjust its energy mix, cut the use of coal for heating and power generation purposes, vigorously develop clean energy, and maximize the use of new energy such as wind power and solar power. • Try to adjust the structure of products, develop high-performance, green, safe, and special chemicals, increase the value added to products, and lower the energy consumption per unit of product. The project can extend the adipic acid industry chain, increase the value added to products, and expand the scale of the upstream products while diversifying, serializing and refining downstream products, thus making the structure of products more reasonable. • Strengthen tech innovation, enhance energy conservation management, upgrade or renovate traditional equipment through technologies that can systematically optimize energy supply, save electricity, or use residual heat and pressure, and promote efficient energy-saving technologies to improve the energy efficiency of equipment. Analyze the thermal energy of different equipment with a view to using it comprehensively according to its grade, renovate the traps across the stream piping, and roll out energy-saving lighting, to lower energy consumption. • Accelerate the research on the control of greenhouse gas and air pollutant coordinated treatment technologies. Conduct technical renovation on existing CDM greenhouse gas emission reduction devices. With reference to the content control requirements for pollutants in the exhaust gases of adipic acid, focus the waste gas treatment on the flue gas from the adipic acid operations, such as the high-concentration N₂O and NO_x. Develop a new N₂O decomposition catalyst that is highly selective, active, and environment-friendly and features low cost and low bulk density to replace the imported cobalt-nickel-zirconium catalysts. The new catalyst is a supported molecular sieve catalyst that has low bulk density, low activation temperature, and high efficacy and can therefore help to reduce carbon emissions. So far, it has been industrially applied to the adipic acid facility on a pilot basis and proven to be highly effective. • Apart from digesting and absorbing the CDM carbon reduction technologies, in 2022, the Company implemented a NO_x emission reduction project on its adipic acid facility. The project adopted direct catalyzation method to process the waste gases from the Company's adipic acid facility, such as the greenhouse gases NO_x and N₂O. With a reduction rate of 98%, it managed to cut the emission of greenhouse gases by 11.60 million tons of carbon dioxide equivalent on a yearly basis, so it was highly effective. At the same time, the Company could provide high-quality adipic acid to the market to make existing nylon products more competitive. • Actively contact higher learning institutions and research institutes to research the possibility of using CO₂ to produce carbon-based materials (e.g., carbon nanotubes) and lightweight foaming materials, as well as chemicals of high value such as DMF, degradable plastics, and acetic acid, among other things. Currently, we are studying the feasibility of supplying our CO₂ to the PC industrial park, and planning to build a food-grade liquid CO₂ project with an annual capacity of 300,000 tons in partnership with other companies. By implementing the foregoing measures, we can turn CO₂ into "a treasure", "clean" and "reduce the carbon emissions" of traditional coal chemical industry. Meanwhile, the space on the Company's premises will be used to develop sustainable energy, e.g., wind and solar power, with a view to reducing the emission of CO₂ through the use green electricity, building a leading demonstration base for carbon emission reduction in China, and providing a strong safeguard for high-quality development.
	Market Risks	<ul style="list-style-type: none"> • The society is increasingly concerned about climate change and sustainable development. In the future, a growing number of consumers will be inclined to use green and low-carbon products and services, thus denting the demand for traditional energy products with relatively higher carbon emission intensity. 	
	Technological Risks	<ul style="list-style-type: none"> • The transition to low-carbon economy is driving fast development and iteration of technologies, so the Company must continuously ratchet up its R&D and investment efforts in areas such as renewable energy, energy conservation and emission reduction, to provide support for the achievement of the Dual Carbon goals, but this will lead to an increase in the operating cost. 	
	Reputational Risks	<ul style="list-style-type: none"> • The chemical industry's actions to address climate change are lavished more and more attention by stakeholders. If the Company fails to take substantially influential measures, it may be increasingly challenged by interested parties, including investors, and therefore have its corporate reputation adversely affected. 	
Physical Risks	Acute Risks	<ul style="list-style-type: none"> • Extreme weather events, such as storm rains, typhoons, and floods, are occurring at an increasingly higher frequency. They may damage production equipment, interrupt transportation, and disrupt the supply chain, and in turn, lead to lowered production capacity, increased operating cost, and narrowed profit margin. • Extreme weather events are likely to cause secondary disasters and production accidents, which may pose a threat to personal safety and ecological environment and inflict economic losses. 	<ul style="list-style-type: none"> • Monitor and guard against extreme weather events, make targeted disaster response plans in light of the characteristics of the business place, conduct emergency response drills on a regular basis, and build a regular reserve of disaster prevention and relief materials. • Inspect production and operation facilities on a regular basis, upgrade and renovate them as required, and elevate the level of disaster control and prevention.
	Chronic Risks	<ul style="list-style-type: none"> • Changes in the precipitation, extreme fluctuations of the climate, and long-term rises of the average air temperature, among other things, may raise the Company's capital construction cost (e.g., by way of protracted project term, and accelerated depreciation of equipment), and the insurance premium for equipment and personnel. • The rise or fall of average air temperature may lead to an increase in the demand for cooling water for equipment or in the demand for cooling/heating in the production/office areas, and in turn, cause the Company's operating cost to grow. 	<ul style="list-style-type: none"> • Encourage subordinate enterprises to identify the vulnerability of the climate in their regions, and consider climate risks in their infrastructure development. • Continuously step up the energy conservation and emission reduction efforts, raise the efficiency of energy and water use, and lower the dependence on natural resources. • Provide stakeholders with extensive education on climate change, advocate and carry out the low-carbon and environmental protection concepts.

Energy Conservation and Carbon Reduction

The Company is committed to implementing a comprehensive energy conservation and carbon reduction strategy. It strives to reduce carbon emissions and promote sustainable development by optimizing energy uses, promoting green technologies, and making management innovations. The Company ceased to use steam at the end of April 2023, and supplies steam precisely during the heating season, leading to a saving of 48,000 tons of steam, which is equivalent to a reduction of around 15,000 tons of carbon emissions. The Company's production plant has completed the direct cabling corder renovation project (phase 2) and can therefore save 4.8 GWh of electricity, a direct reduction of 2,700 tons of carbon emissions, on a yearly basis.

Case | Energy Saving and Carbon Reduction Measures by Shenma Cord Fabric Development Co., Ltd.



Shenma Cord Fabric Development Co., Ltd. efficiently recycled, utilized and transformed the waste heat from the raw silk production process, which has achieved remarkable results. By making full use of this waste heat during the non-heating season, Shenma Cord Fabric Development Co., Ltd. managed to decommission the steam system, reducing up to 32,000 tons of steam consumption. This initiative not only significantly reduces energy consumption, but also reduces carbon emissions from steam production, contributing significantly to the green and sustainable development of Cord Fabric Development.

Case | Energy Saving and Carbon Reduction Measures by Nylon Chemical Co., Ltd.



- (1) In 2023, Nylon Chemical Co., Ltd. carried out energy-saving modification of vacuum pump of the KA oil plant to improve efficiency, reduce steam consumption by 16,000 tons/year, and save 2,000 tons of standard coal per year, which translates into reducing 7,000 tons of CO₂e per year.
- (2) Nylon Chemical Co., Ltd. has carried out energy-saving upgrades to the C17401B steam-type lithium bromide unit at No. 2 refrigeration station. This project was put into operation at the end of 2023, saving 8,000 tons of steam per year and 8 million tons of standard coal per year, which translates into a CO₂ reduction of 2,000 tons/year.

Case | Energy Saving and Carbon Reduction Measures by Shenma Engineering Plastic Co., Ltd.



Single Pump Operation for Single Thermal Oil Heater at Power Stations

We exercise the strategy of single-pump operation for single thermal oil heater at the power station, and adjust the heating load of the thermal oil heater and the delivery efficiency of the pumps in a fine way to ensure that only the necessary number of pumps are used to match the current demand for thermal oil, thus avoiding overheating and ineffective delivery, significantly reducing the energy consumption and operation costs, and realizing the goal of energy saving and efficiency.

Recycling of Liquid Ring Water for Polymerizer Vacuum Pumps

In the production of the polymerizers, we have implemented a strategy to recycle and reuse the liquid ring water of the vacuum pump. This innovative approach not only significantly reduces the direct consumption of clean water resources in vacuum pumping operations, but also improves overall energy efficiency by optimizing water resource allocation. With advanced treatment technology, we can ensure the quality of the reused liquid ring water, thus maintaining the efficient and stable operation of the vacuum pumps, further reducing energy consumption and costs caused by frequent water replacement, and saving both the energy and the water resources.

Use of Renewable Energies

Through self-development or purchase, the Company is actively promoting the efficient use of renewable energy, such as solar and wind power, to substitute traditional fossil fuels, reduce the burden on the environment, and achieve the widespread use of clean energy.

Building Photovoltaic Power Stations

- In October 2023, Shenma Cord Fabric Company began to push for the construction of a 5 MW distributed photovoltaic power station. By June 2024, the construction of the 5 MW PV power station has been completed, ready to get connected to the power grid and generate electricity. Thus far, the constructor has submitted the grid connection plan to relevant authorities for review. Once approved, the station will be connected to the grid as soon as possible to lower the cost of electricity use.
- In 2017, Shenma Cord Fabric Development Co., Ltd. began to use green photovoltaic power. By 2024, it has developed a PV power generation capacity of 34 MW and used 58 GWh of electricity from PV power stations on a cumulative basis. In 2023, Shenma Cord Fabric Development Co., Ltd. used the remaining unused roof, open space, parking lots, pipe corridors, walls and other areas to build 22 MW photovoltaic power plants. We coordinated to speed up the construction, improved the access solutions, and strived to complete the project as soon as possible to ensure the stable operation of the system.
- The distributed PV power plant with a total installed capacity of 1.13 MWh invested by Nylon Chemical Co., Ltd. was successfully put into operation at the end of 2023, with an annual power generation capacity of about 1.1 GWh, which can reduce about 140 tce per year, which translates into reducing 600 tons of CO₂e.
- Shenma Engineering Plastics Technology Development Co., Ltd. has built PV power generation project of clean energy in 2023, with an annual capacity of 550 MWh.

Green Power Trading

- Shenma Huawei Plastic Co., Ltd. conducted market-based power procurement in 2023, with about 1.45 GWh of the electricity used every year being green power.

Indicators & Objectives

To have a more exhaustive understanding of the company's carbon emissions, Shenma Corporation organized each subsidiary to check on their carbon emissions, which covered all the production units of the company; and invited SGS Technical Services to conduct an internal audit of the carbon emissions data. We have carried out carbon checks on major emitters with reference to the greenhouse gas accounting system, GB/T 32150-2015, ISO 14064 and other standards, with the following data results.

Greenhouse Gas Emissions Statistics

Subsidiaries	Category 1 (tons of CO ₂ e)	Category 2 (tons of CO ₂ e)	Total (tons of CO ₂ e)
Shenma Cord Fabric Company	221.98	145,708.94	145,930.92
Nylon Chemical Co., Ltd.	30,000,000	1,081,000	31,081,000

Safety and Employee Management

In terms of safety and employee management, Shenma Corporation always adheres to the concept of “people-oriented, safety first”, and regards the safety and health of employees as the most valuable asset. The company is convinced that only by ensuring the safety of every employee can we guarantee the stable operation and sustainable development of a corporation. In 2023, Shenma Corporation continued to build upon our safety management system and place safety as one of the top priorities of corporate management. The company made plans to enhance the safety awareness and self-protection capabilities of our employees by strengthening safety education and training; at the same time, we have optimized the safety management process and improved the safety management system to ensure that all safety measures are effectively implemented. In addition, the company increased investments in safety facilities and introduced advanced safety monitoring technology to enhance our capabilities in accident prevention and emergency response.

Key ESG Performance

- In 2023, the company did not have any incidents of labor discrimination, harassment, child labor, forced labor and other violations to the labor human rights.
- In 2023, Shenma Corporation trained a total of 10,180 people, including 7,594 people in safety training, 1,643 people in skills training, 447 people in continuing education, and 496 people in ideological and political educational training. We also organized more than 10 thematic trainings covering intellectual property rights, the spirit of contract, psychological counseling, sustainable development, and orientation for college graduates.

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



Equality and Employment

Shenma Corporation, with our actions, supports the internationally recognized norms and tenets related to respect for human rights, such as the UN International Bill of Human Rights and the Declaration on Fundamental Principles and Rights at Work. And we also strictly abide by the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Labor Contracts, the Social Insurance Law, Labor Dispute Mediation and Arbitration Law and other laws and regulations where we operate, and we adhere to the concepts of safeguarding the rights and interests of our employees. In 2023, there were no labor-related violations. All regular employees signed labor contracts, and the labor contract signing rate was 100%.

Employment in Compliance

Shenma Corporation strictly abides by national laws and regulations, keeps strict control over the conditions and requirements for employment, and signs written labor contracts with employees in accordance with the principles of "equality, voluntariness and mutual consent". The texts of the contracts have been approved or overseen by the local labor authorities, covering the duration of the labor contract, the content and location of the jobs, working hours and policies for paid time off and vacations, the labor remuneration provisions, and the provisions on labor protection and protection against occupational hazards, etc., which are all in line with the mandatory requirements of the labor contract regulations. In addition, the company also has formulated a corresponding labor management system for employees to ensure that labor contracts are strictly implemented and employees' rights and interests are protected.

Employment System in Compliance

Recruitment and Employment Termination

- Recruitment: Shenma Corporation and all the subsidiaries formulate an equal recruitment policy, such as the Recruitment Management Measures for College Graduates of Shenma Cord Fabric Company, adhering to the principle of fair recruitment, equal competition, merit-based employment, and making the personnel employment mechanism more professional and reasonable.
- Employment termination: in accordance with the Labor Contract Law, Labor Dispute Mediation and Arbitration Law and other laws and regulations, Shenma Corporation and the subsidiaries formulate standardized termination policies, such as the Provisions on Handling Employee Violations of Shenma Cord Fabric Company, and terminate employment in accordance with relevant regulations and rules.

Remuneration and Promotion

- Remuneration: we adhere to the principle of equal pay for equal work. The company and all the subsidiaries have introduced remuneration policies according to the employees' positions, ability and performance, and competence in the talent market, such as the Remuneration Management System of Shenma Cord Fabric Company, Trial Scheme of Employee Performance Evaluation, and Company-wide Performance Evaluation Scheme of Shenma Engineering Plastic Co., Ltd., and we have designed ranks matching the positions and the corresponding remuneration structure to provide the employees with market-competitive salary and wages.
- Promotion: promotion is open to all employees and is based on their daily performance and business knowledge and skills, etc. to ensure that outstanding talents can get development and incentives.

Working Hours and Vacation

- The company and the subsidiaries have formulated attendance regulations, such as the Face Recognition Attendance Management Regulations of Shenma Cord Fabric Company (Trial) and the Sick Leave Management Regulations of Shenma Cord Fabric Company, covering annual leave, sick leave, maternity leave, etc. to ensure that the employees enjoy legitimate paid time off for rest and vacation. All these regulations have been effectively implemented.

Human Rights Protection

Shenma Corporation adheres to the development concept of "corporate development should be shared by employees", and strictly abides by the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights, Discrimination (Employment and Occupation) Convention, the International Convention on the Elimination of All Forms of Racial Discrimination, and other international human rights conventions and national human rights plans of action that have been ratified or signed by the Chinese government. We also strictly follow the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Civil Procedure Law of the People's Republic of China, the Civil Code of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Law of the People's Republic of China on the Protection of Rights and Interests of Women and the Law of the People's Republic of China on the Protection of Persons with Disabilities and other relevant domestic laws, as well as relevant laws, regulations, and rules of the countries in which we operate. Apart from the above, we also comply with the Universal Declaration of Human Rights, the UN Global Compact's Ten Principles and the National Human Rights Action Plan for 2021-2025. We fully respect and protect the rights and interests of our employees, such as the right to participate and the right to supervise. We reject any behavior that disregards and tramples on human rights, treat employees of different genders, regions, races, and religious beliefs fairly and impartially, and continue to build a diversified and equal workforce. At the same time, we make sustained efforts to safeguard the safety and health of our employees in a commitment to creating a safe and healthy working environment for our employees.

Human Rights Protection System

Policies

- We firmly resist any disregard for and abuse of human rights, and any form of discrimination against nationality, gender, age, race, religion, pregnancy and disability in recruitment, promotion, training and remuneration, and follow the principle of equal consultation and mutual benefit, so that we can work together with our employees to achieve common development. During the report period, we updated and issued the Labor Employment Management Measures of Shenma Industrial Co., Ltd. (for Trial Implementation) to further standardize the employment process and encourage the career development of our employees.

Management

- If any employee experiences any harassment due to gender, sexual orientation, race, national origin, age, religion, disability, marital status or other inappropriate considerations, or if the employee believes that he or she has been subjected to unlawful discriminatory treatment, the employee should immediately report the situation to his or her supervisor or to the Human Resources Department or Risk Control Department of the subsidiaries. All instances of harassment should be reported, including those occurring outside the office or outside office hours.

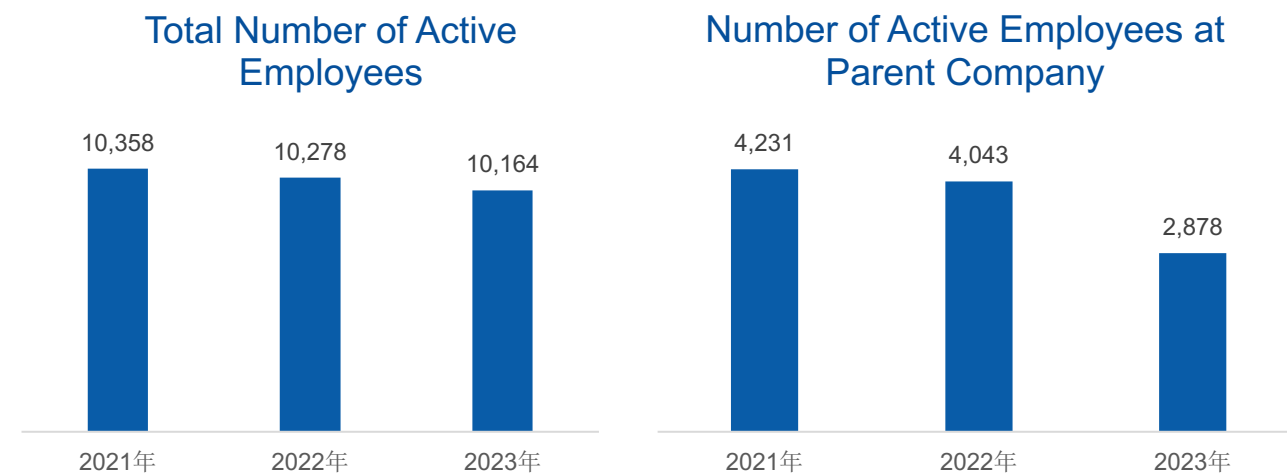
Key Performance

In 2023, the company did not have any incidents of labor discrimination, harassment, child labor, forced labor and other violations to the labor human rights.

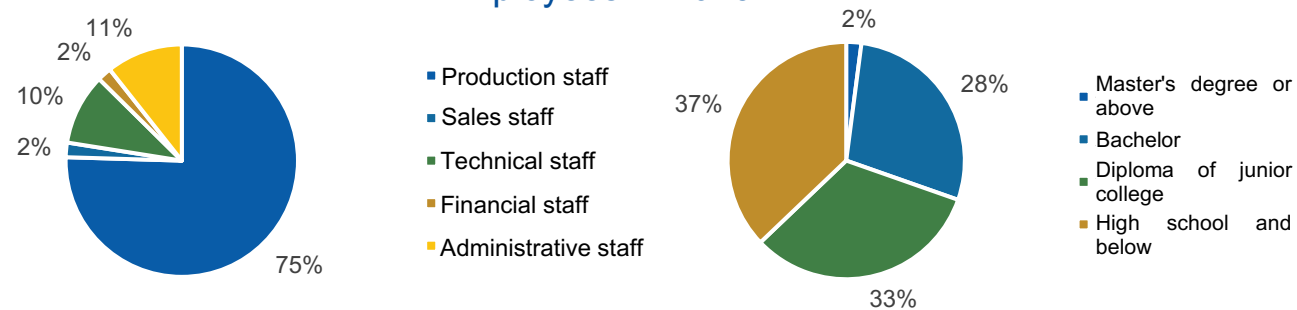
Equality and Diversity

Our recruitment is a combination of open recruitment and campus recruitment, attracting the best talents with our philosophy, culture, achievements and opportunities, as well as our policies and benefits. During recruitment and hiring, we place emphasis on the quality, potential, personality and academic qualifications, and hire employees in accordance with the principle of “openness, fairness, impartiality and meritocracy”. We recruit outstanding college graduates through a series of procedures, including the release of the recruitment plan, CV submission, CV screening, written tests, interviews, physical examinations, signing of internship agreements, and ultimately, signing of contracts.

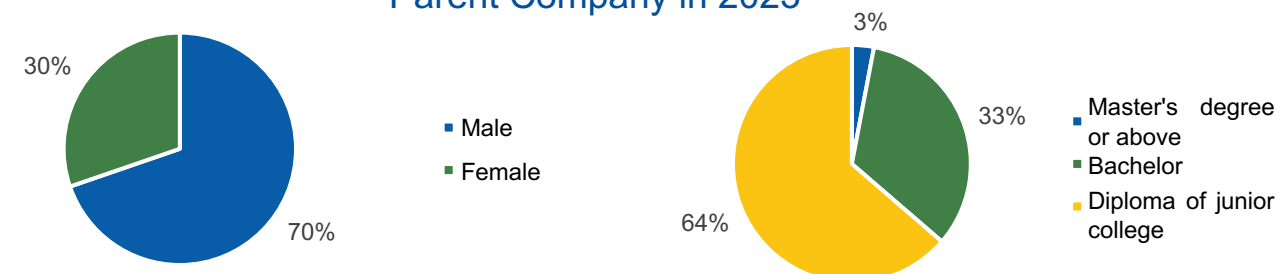
As of December 31, 2023, our total number of employees reached 10,164, of which a total of 3,214, or 31.6%, were women. Our employment can be categorized into contract employees, returning retirees, interns, part-timers, and outsourced employees.



Composition of All Active Employees in 2023



Employee Composition of the Parent Company in 2023



Case | Unified Recruitment of College Graduates for Shenma Cord Fabric Company



The recruitment of college graduates for Cord Fabric Company strictly implements the relevant regulations and the principle of “seven unification”, including unified release of recruitment notices, unified registration through the recruitment platform, organization of public examination with unified standards, unified allocation to the employer according to the plan, unified organization of education and training before onboarding, unified management during the internship period, and unified recruitment procedures.

Case | Annual Recruitment Plan Developed by Nylon Chemical Co., Ltd.



According to the actual needs of development, Nylon Chemical Co., Ltd. has formulated the strategic objectives and action plans for human resources in the near and long term. According to the requirements, Nylon Chemical has formulated the recruitment plan to recruit and train graduates with bachelor's degree in related majors for different positions, so as to meet the actual manpower needs of production and projects.

Care for Female Employees

Shenma Corporation attaches importance to the protection of female employees, and sets up a female workers' committee in the labor union to provide special care for female employees. We provide special physical examination for female employees every year, actively implement the provisions of maternity and breastfeeding leave, set up breastfeeding room for female employees, care for the physical and mental health of female employees, and include the special protection for female labor in the collective contract. We strictly implement the Special Provisions on Labor Protection for Female Workers and Employees in Henan Province, granting sanitary fees for special labor protection during menstruation and special health check-ups for female workers and employees.

The company and the subsidiaries rigorously implement the provisions of Articles 25 and 32 in Chapter 5 of the Regulations on Population and Family Planning of Henan Province. Before the child of an employee reaches the age of three, we will grant ten days of parental leave per year to each of the spouses. After reaching the age of 60, children will be granted nursing leave of up to a total of 20 days per year during hospitalization.

Case | Special Health Checkups for Female Employees at Nylon Chemical Co., Ltd.



To provide care for and safeguard the health rights and interests of female staff, the labor union of Nylon Chemical Company organized a 15-day health checkup for female staff, and 678 female staff underwent special health checkups by batches. In terms of checkups, the labor union carefully selected the checkup items to ensure that our staff could receive all the necessary checkups, which covered color Doppler ultrasound for mammary glands and gynecology, cervical TCT screening, etc.

Employee Welfare and Care

Shenma Corporation is committed to enhancing the well-being of the employees by providing comprehensive social insurance for regular employees, including pension insurance, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. Employees are provided with protection and benefits in the face of various kinds of risks and difficulties. Interns and returning retired employees are also included in our Employee Safety and Benefits Program, and enjoy accidental commercial insurance coverage provided by the company. If an accident occurs in the course of work or under special circumstances, employees will receive appropriate compensation and care. We believe that the happiness and satisfaction of our employees will continue to grow in the future, thus contributing positively to the development of the company and the cohesion of the team.

Remuneration System

Shenma Corporation brings the role of remuneration into full play, deepens the reform of the wage distribution system, continuously optimizes the implementation plan of performance evaluation, in an effort to stimulate the endogenous impetus for high-quality and high-efficiency development.

In 2023, we formulated the Wage Management Measures of Shenma Industrial Co., Ltd. and the Joint Management Measures on Wage of Shenma Industrial Co., Ltd. in 2023. In accordance with the strategy of promoting corporate high-quality development and the strategy of reasonable distribution of remuneration, the total wage base is reasonably determined along with the evaluation results, taking into account the corporation's annual production and operation targets, economic performance, labor efficiency, the level of employees' wages, the matching of wage distribution with labor quality and efficiency, affordability, and the wage guideline issued by the governmental agencies. Shenma Corporation brings the role of remuneration into full play, deepens the reform of the wage distribution system, continuously optimizes the implementation plan of performance evaluation, in an effort to stimulate the endogenous impetus for high-quality and high-efficiency development. We have established an income distribution system based on quality, efficiency and effectiveness, improved the mechanism where incentives can adjust the wage distribution, and realized the principles of "more work, more pay; no work, no pay" and "tilting the income towards the key technical positions, as well as the positions involving hard work, dirty environment, weariness and danger, and tilting the income towards the employees who have high-level business and technical skills, strong performance ability, and great contribution", and reasonably adjusted the wage distribution among various types of personnel to better reflect the orientation and incentive effects of our remuneration and benefits.

<p>Multi-dimensional Remuneration Incentives</p>	<p>Some subsidiaries have implemented a distribution policy that parallels remuneration incentives and non-remuneration incentives, and have built a multi-level remuneration distribution system based on multi-dimensional factors such as the value of the position, the level of competence, and the contribution of performance. They have also benchmarked the remuneration with the market to improve the remuneration competitiveness to attract key talents.</p>
<p>Assessments based on Production, Quality, Safety, etc.</p>	<p>The remuneration policies of certain subsidiaries are primarily based on the assessments of production, quality, safety and on-site management when evaluating and allocating remuneration to employees.</p>
<p>Combination of Performance Evaluation and Basic Salary</p>	<p>Certain subsidiaries adopt the "fixed salary + performance evaluation system" for remuneration, which combines performance evaluation with basic salary, while emphasizing hierarchical management and performance evaluation for all staff.</p>

Employee Welfare

Shenma Corporation pays employees' remuneration in full and on time every month, establishes and continuously improves the employee remuneration and welfare system, and in accordance with the relevant national and local policies and regulations, pays social insurance covering pension, medical care (including maternity), work-related injuries, unemployment, etc., and housing provident fund in full and on time for employees. At the same time, we provide employees with shuttle buses, staff canteens, honorary convalescence and recuperation, financial hardship relief, supplementary medical care, employee mutual aid activities, as well as Mid-Autumn Festival and Spring Festival benefits.

<p>Medical and Health Care</p>	<p>Housing and Transportation Subsidies</p>	<p>Paid Leave and Annual Leave</p>
<p>The company purchases medical insurance for the employees to cover basic medical expenses.</p>	<p>In order to alleviate the financial pressure on employees in terms of housing, some subsidiaries would provide housing subsidies or rental subsidies for employees.</p>	<p>We offer paid annual leave to our employees in accordance with national laws and regulations, so that they can have a full rest after their busy working hours.</p>
<p>Holiday & Birthday Benefits</p>	<p>Retirement & Pension</p>	<p>Team Building and Social Activities</p>
<p>On traditional holidays or on specific holidays of the company, we will send holiday bonuses or gifts to our employees to convey the company's appreciation for their hard work.</p>	<p>Some subsidiaries provide pension insurance for employees to make sure that they will be able to enjoy the appropriate pension benefits after retirement.</p>	<p>We also organize regular team building activities, outdoor development, potlucks, annual meetings, etc. to enhance communication and collaboration among employees and foster team cohesion.</p>

Case | Free Books for Employees at Nylon Chemical Co., Ltd.



In order to help the staff to strive for more advancement in their work, we have been carrying out reading and self-study activities to improve the overall quality of the workforce. In positive response to the labor union's call for more reading and better reading, we have advocated the campaign of reading for all, mobilized the enthusiasm of employees to read, enhanced their cultural literacy, and thus promoted high-quality corporate development. The launching ceremony of the reading campaign was held on April 23, 2023. We spent RMB 7,683.98 to buy and distribute a total of 203 books to 21 grassroots units.



Case | Celebrative Activities for Frontline Workers by Nylon Chemical Co., Ltd



During traditional festivals such as Dragon Boat Festival and Mid-Autumn Festival, the labor union of Nylon Chemical Co., Ltd. would carry out celebrative activities for the front-line staff still working on holidays, and send them festive greetings and presents such as rice dumplings, mooncakes, pomegranates and cantaloupes.

Internal Communications

Shenma Corporation establishes and continuously improves rules and regulations on collective consultation, staff representative assembly as well as open and democratic management; formulates work plans for democratic management; ensures the legitimate rights and interests of employees, such as the right to know, the right to participate and the right to supervise; and encourages employees to fully participate in the democratic management so as to enable each and every employee to make contributions to the development of the company.

Management System and Policy

The company takes an active role in organizing and carrying out collective consultation. On the basis of the staff representatives' opinions extensively solicited, the company would strengthen the communication between the labor union and the administrative departments to let them discuss together the relevant clauses of collective contract and special contracts. Once approved, these contracts would be signed by representatives of the labor union side and representatives of the administrative side, so as to make the contracts truly reflect the needs of the employees and safeguard the rights and interests of the employees.

The staff representative assembly is one of the most important channels of communication between the company and the employees. The company holds staff representative assembly on a regular basis to organize staff representatives to make proposals on corporate EHS, environmental protection, corporate management, production and operation, remuneration distribution, staff education and welfare, etc. These proposals are then collected and fed back by the responsible departments. At the same time, the company establishes a perfect closed-loop feedback mechanism for the processing of such proposals, and gives timely written feedback to respond and give explanations to the proposals that have not been officially filed for record and implementation.

The company has always been committed to building an open working environment, establishing labor union and labor dispute mediation committee and holding staff representative assembly on a regular basis. During the report period, our labor union has organized a series of events, such as talks with female workers, to gain an in-depth understanding of the collaborative problems encountered by our employees in the course of our business and to collect the voices of our employees, so as to create a better environment for the personal development and to enhance the sense of identity and belonging.

Shenma Corporation values employee feedback. In order to find our own shortcomings and better serve the staff, we regularly conduct online and offline employee satisfaction surveys. Based on the survey results, we would investigate, verify and rectify the problems, monitor the problems regularly through visits and questionnaires, listen to the staff's needs, collect their opinions and comments, keep the staff's concerns and aspirations in our heart, and try our best to improve ourselves and help the staff.

At the same time, the company's labor union and labor committee actively listen to the staff's voices, collect opinions and suggestions, and strive to solve the problems encountered by the staff, offer comfort to the workers in hardship, and maintain the Golden Autumn School Aid program every year so that every one of the staff can afford to see a doctor, and every one of the staff's children can afford to go to school.

Internal Communications and Performance Evaluation

Shenma Cord Fabric Company

Labor union: all employees are eligible to join labor union, and the company respects the wishes of employees to join the labor union. The labor union operates an ERP workshop where employees can raise issues of immediate concern to them.

Staff representative assembly: the company holds staff representative assemblies every year to guarantee the employees' rights to know, participate, express and supervise, to allow employee representatives to fully play their roles in democratic management and supervision, and to safeguard the legitimate rights and interests of the employees.

Shenma Cord Fabric Development Co., Ltd.

The company has created a staff representative assembly, a labor union as well as committees that consist of a lifestyle committee, a staff support committee, and a labor committee. All major decisions are voted into effect via the staff representative assembly. If employees and the labor union find any violations of state regulations, they can file a complaint or engage in mediation. In addition, the company would publicize the three levels of management, i.e. company level, sub-factory level and team level. Staff income and attendance would be publicized, and the employees would actively engage in the democratic management and participate in the staff representative assembly.

Nylon Chemical Co., Ltd.

Labor union: all employees are eligible to join labor union, and the company respects the wishes of employees to join the labor union. Labor union has a variety of communication channels through which employees can raise issues of immediate concern.

Staff representative assembly: the company holds staff representative assemblies every year to guarantee the employees' rights to know, participate, express and supervise, to allow employee representatives to fully play their roles in democratic management and supervision, and to safeguard the legitimate rights and interests of the employees. We have improved and perfected the mechanism of the staff representative assembly, and have considered and adopted 11 draft resolutions on salary subsidies, application for outstanding employee awards, system revisions, performance evaluation programs, and so on.

Employee counseling sessions: to conduct the employee counseling sessions, we would hold on to the "employee-oriented" management concept, listen to the opinions, suggestions and voices of the employees, reinforce the communication between the company and the employees, understand the needs of the employees, and try to solve their practical problems. Raise Staff's Awareness of Democratic Participation.

Shenma Polycarbonate Material Co., Ltd.

By establishing the staff representative assembly system, we make sure to protect the legitimate rights and interests of employees, such as the right to know, the right to participate and the right to supervise, and encourages employees to fully engage in the democratic management of the enterprise, so that every employee can contribute to the development of the company. At the same time, the Board of Directors includes employee directors to perform their duties for the employees in accordance with the law. Every year, we would convene the staff representatives assembly to discuss and review the motions submitted by the staff representatives and address them one by one.

Key Performance

In 2023, Shenma Corporation conducted an annual employee satisfaction survey, aiming to gain a deeper understanding of employees' perceptions and feelings about various aspects of the company. With these feedbacks, we would be able to optimize our management strategies and boost employees' dedication and overall work experience. The number of employees that should join this survey was **2,044**, and the number of employees who actually filled out the questionnaires was **1,725**. The participation rate was **84.4%**.

Based on the analysis of the survey, the employee dedication in 2023 shows a pretty healthy trend. From various organizational perspectives, employees in most organizations are relatively satisfied with the company's work environment, remuneration and benefits, career development, and teamwork. Compared on a global scale, Shenma Corporation's employee dedication is in the middle to upper tier, reflecting the excellent leadership of the company's management and the positive influence of the company's culture.

Employee Training and Development

Shenma Corporation closely follows the "High-Quality Action Plan of 'Certificate for Everyone to Build a Skilled Workforce in Henan'", highlights the two major principles of "safety" and "quality", stresses safety and skill enhancement, improves the training responsibility and management system, promotes the education and training development, and provides strong talent support to build the company into a high-quality and modernized enterprise. In order to accelerate the cultivation of operators with multiple skills and abilities to fit in different positions, the company has comprehensively promoted the Star Employee Evaluation System, set up a learning platform for corporate development, supported job training and skill competitions, and motivated staff to engage in the high-skilled talent selection and skill competitions, and guided the majority of the staff to grow in their positions.

Employee Training

The employee training system of Shenma Corporation focuses on "safety" and "quality", adheres to the benefit-centered approach, strengthens safety and skill improvement, and improves the training responsibility and management system. We have set the human resources department (training department) as the business department in charge of staff education and training, with the organization department, publicity department, labor union, production units, technology units, safety department and other departments as supporting departments, so as to build up a three-level training model involving the company level, the factory level, and the team level. We focus on the training of personnel in the "three positions", team leaders and general practitioners. We also work on training operators with multiple skills and abilities to fit in different positions so that employee in one position can shoulder multiple responsibilities and improve their overall competence. We actively push forward the action of vocational skill elevation and cultivate highly skilled talents.

At the same time, the company supports employees' career planning and provides sufficient training resources for employees to realize their personal development visions. In training, the company integrates education and training with employees' career development, creates multiple forms of training such as school-enterprise cooperation, order training, scenario simulation, on-site instruction, etc., and formulates cost reduction policies to stimulate employees to expand their knowledge, get more qualifications, and realize their own value.

Training System

The subsidiaries of Shenma Corporation have established a training management network with the Chairman of the Board of Directors and the General Manager as the leaders, and with the heads of each functional department as well as the managers and Party secretaries of production plants as the primary responsible individuals for employee training. The Departments of Organization and Human Resources serve as the functional departments for employee training and are mainly responsible for the management of employee training and for vocational skill training and examinations. The grassroots units have also established technical and training administrators. In this way, every level in this training hierarchy can be supervised to properly implement all the training.

Training Indicators and Targets for 2023

1. The average on-the-job staff training was no less than 40 hours with a training rate ≥ 95% ✓
2. The corporate officers, safety management personnel, special operations personnel and special equipment operators, team leaders, and other practitioners were 100% licensed to perform their duties. ✓
3. The coverage of onboarding training was 100%, and 100% new employees participated in the three-level safety training, and all transferred employees were trained and qualified for their new positions. ✓
4. 100% professional technicians were engaged in continuing education. ✓

Employee Training Policies and Programs at a Glance

<p>Shenma Cord Fabric Company</p>	<p>We have formulated the Employee Training Management Regulations for Shenma Cord Fabric Company and Implementation Opinions on Employee Training Management and EHS Training Inspection and Examination. We also actively practiced the spirit of the High-Quality Action Plan of 'Certificate for Everyone to Build a Skilled Workforce in Henan', which is being gradually implemented in line with the actual situation of the company and the requirements.</p>
<p>Nylon Chemical Co., Ltd.</p>	<p>Combined with the reality of the company, the company has formulated and issued the Annual Training Plan for Employee Education and Training, and the Corporate Training and Evaluation Measures. We have also established and attached great importance to a series of management systems to make sure all the systems are properly implemented, including Management Measures for Employee Training, Safety Training and Education Management Measures, Mentorship Management Measures, and Management Measures for Onboarding, Transferring and Certification Examinations.</p>
<p>Shenma Poly carbonate Material Co., Ltd.</p>	<p>In 2023, the employees attended the safety training, skill training, continuing education and ideological and political training organized by Shenma Corporation, social institutions and Nylon Chemical Co., Ltd. Jointly organized online and on-site training sessions with training institutes for safety supervisors, team leaders and general practitioners to help them complete the safety qualification training. Conducted joint training with Pingdingshan Quality Supervision Bureau and Pingdingshan Safety Technology Service Center for certificates of special operations personnel. Organized training for technicians, ideological and political education and training, and continuing education for professional and technical personnel.</p>
<p>Henan Shenma Long'an Chemical Co., Ltd.</p>	<p>By combining theory and practice, we receive transferred workers, provide theoretical training at the industry and trade vocational school and the Zhongping Information Center, and provide them with professional knowledge training that combines practical training of our chemical engineering counterparts.</p>

Key Performance

In 2023, Shenma Corporation trained a total of 10,180 people, including 7,594 people in safety training, 1,643 people in skills training, 447 people in continuing education, and 496 people in ideological and political educational training. We also organized more than 10 thematic trainings covering intellectual property rights, the spirit of contract, psychological counseling, sustainable development, and orientation for college graduates.

In 2023, the company co-organized with research institutes advanced training workshops on materials and chemicals, setting up practical courses on principles of chemical engineering, frontiers of materials development, and recent research methodologies of materials. At the same time, we also co-organized classes on intellectual property rights to enhance employees' awareness of and knowledge about intellectual property rights.

Case | 2023 Training Case of Shenma Cord Fabric Company

Every year, the company would formulate an apprenticeship training program for new college graduates for a period of 3-6 months, covering the company's raw silk, weaving, dipping, power, quality assurance and other related process modules.

Every year, the Youth League Committee would organize and carry out the mentorship program to promote the competence improvement of new college graduates and young workers, aiming to develop a group of young talents in the cord fabric industry who have outstanding business skills and qualities to contribute to the building the company into a world-class enterprise and to ensure the stable supply of talents.

Case | 2023 Training Case of Nylon Chemical Co., Ltd

Since 2018, the company has begun to select and recognize the outstanding teams and individuals in trainings. The recognition ceremony and EHS trainings are held together, raising the importance of trainings to the same high level as EHS trainings. The Star Employee System sets up different treatment between employees of different star ratings and serves as a channel for the employee's career growth in order to mobilize the employee's motivation and initiative, and strive to make the employee develop various skills and abilities. The customized training helps employees to fill up the skill gaps, bringing the quality of the workforce to a new level. With a focus on the customized training and practical examination, the company is able to ensure the employees are fully qualified for the job when onboarding and for the promotion as Star Employee, and reinforce the safety skills and knowledge of the employees, providing a solid support for the safe and stable operation of the company.

**Support for Professional Skills**

Shenma Corporation understands the importance of employees' professional skills to the development of the company, and therefore regularly organizes professional skill examinations, aiming to provide a platform for employees to show their professional working proficiency.

The company would reward employees who for the first time obtain certificates of mid-level technical worker, senior technical worker, technician and senior technician. If an employee obtains a skill certificate in accordance with the regulations, then on top of the incentives stipulated in the above documents, the employee taking part in the skill level recognition (appraisal) for the first time will be fully subsidized for the examination fee. Through this mechanism, the company is able to accurately assess the professional skill level of employees and provide a clear direction for their career development.

Employee Promotion and Development

In order to ensure that the performance of the employees can be evaluated reasonably, fairly and impartially, the company has established a set of all-employee performance evaluation mechanism with clear orientation, rational evaluation, effective incentives and strong discipline. This mechanism is based on employees' position responsibilities and daily performance, with key performance indicators (KPIs) clearly defined and quantitatively evaluated to ensure objectivity and fairness of the evaluation. The company's all-employee performance evaluation covers a variety of areas, including the key part of an employee's day-to-day work, attendance, comments from department heads, and other items that may raise or lower the score. This comprehensive evaluation system ensures that employees are fairly rewarded for their efforts and achievements. The results of the performance evaluation are closely related to the employees' salary, honors, promotion, etc., which motivates employees to continuously improve their work performance and realize their common development goals with the company.

Shenma Corporation has set up corresponding employee performance evaluation and promotion systems at the subsidiary level. Shenma Cord Fabric Company formulated the Trial Program for Employee Performance Evaluation. The Shenma Cord Fabric Development Co., Ltd. has the Wage Accounting Procedure (Revised) and Performance Evaluation Measures, and implements the management regulations for wage payment and pays wage based on evaluation every month. Shenma Engineering Plastic Co., Ltd. formulated the Regulations for the Evaluation and Recruitment of Professional Technical and Skilled Personnel, Implementation Rules for the Recognition of Special Talents by the Corporate Party Committee, and Party Committee's Implementation Program for the Selection and Appointment of Managers and Team Leaders at Basic Production Units, to improve an all-around talent development mechanism.

Case | Promotion System of Nylon Chemical Co., Ltd

On the one hand, the company has a sound multi-channel career development design. It consists of "four types, three tiers and six levels". First, we have multiple channels. On the basis of the original management channel, the company has opened three channels including R&D, technology and skills, and established a "1+4" system for positions and professional posts, i.e., the implementation of career development design for cross-channel talents + management for selection and appointment of managers, management of technical talents, management of skilled talents, and management of R&D personnel. We standardize the selection and appointment of managers and the management of technical talents to achieve multi-channel growth and promotion for employees. Second, we have multiple levels. We categorize the talents into three levels: key talent, backbone talent and assistant talent, i.e.: three major categories of B, C and D, which are further classified into six levels: B1, B2, C1, C2, C3 and D1. This multi-channel career-development system is established with clear categories, straight routes, clear hierarchy and orderly competition, which will stimulate the vitality of innovation and creativity, and promote the full use of talents and the best use of talents.

On the other hand, the company innovates the selection, appointment and management of Category D assistant talents. First, we select and appoint assistant talents with strict procedures. Considering the actual situation of the company, we constantly improve and optimize the qualifications for the selection of assistant talents, strictly implement the selection and appointment system of "three recommendations and three examinations", and appoint assistant talents through open, fair and impartial procedures, so as to make sure we are appointing the outstanding talents that are politically trustworthy, competent at work, tough in style, trustworthy to the public, ambitious, capable, and productive. We aim to form a good selection and recruitment mechanism that emphasizes on performance, practice, moral character and reputation. Second, we have built a recruitment and exit mechanism for assistant talents. We have set up an appointment system for assistant talents, specifying a three-year appointment time, automatic termination upon expiration, the need to re-compete for the post after termination, and automatic termination of assistant talents 5 years before they reach the statutory retirement age. We keep stimulating the vitality and competitiveness of the assistant talent pool with a variety of measures. Third, we have strengthened the supervision and assessment of assistant talents. The management and evaluation for assistant talents adopts a combination of annual evaluation and day-to-day management. The day-to-day management is conducted under a dynamic management system and a performance evaluation system, and the annual evaluation is conducted in conjunction with the annual evaluation of middle-level managers. We emphasize the application of evaluation results, and take the evaluation results as an important basis for honor awarding, promotion, and economic benefits. In recent years, 15 outstanding young talents of the post-80 and post-90 generations who have performed well in the evaluation have successively taken up the positions of middle-level managers, further optimizing the management structure.

Talent Retention

Shenma Corporation attaches great importance to the risk management of human resources, builds harmonious labor relations, promotes the strategy of “Developing a Stronger Enterprise with Talents”, strengthens the management of core talents, expands the space for the development of talents, establishes four promotion channels of management, expertise, R&D, and skills, carries out accurate and effective incentives, and creates a good ecology of respecting, loving, and engaging talents. All these measures have effectively minimized the loss of talents. In recent years, the company has had a very low turnover rate and the problem of talent loss has been effectively mitigated.

Measures to Mitigate Talent Loss

- For employees who have a tendency to resign, we would communicate actively with them to understand their requests and try our best to make them stay. The management personnel and carers of the factory workshop will communicate with the employees in the form of direct interviews and pre-resignation communication meetings, in order to protect the privacy of the employees and at the same time to understand the reasons for the employees' departure, so as to answer the employees' demands and to reduce talent loss.
- We attach importance to the individual needs of employees and the production needs of different units, open up suitable mobility channels for employees in search of a new position, and actively coordinate the balance of employment among different units to improve production efficiency.
- Employees are recruited through online and offline channels, and outstanding talents are offered support in terms of work environment, remuneration and benefits, development and promotion, and so on.
- According to Shenma Corporation's provisions, we would timely pay the salary and one-time subsidy for settling-in expenses to graduates of universities under the “Double First-Class Initiative”.

Case | Talent Retention Strategy of Shenma Nylon Chemical Co., Ltd



In order to ensure that high-quality young talents can join, stay and perform well, the Party committee of Shenma Nylon Chemical Co., Ltd. has developed and implemented the “Spark Plan” for outstanding young talents. Through a series of measures such as “continuous replenishment, seedling cultivation, bold employment, strict management along with generous support, and enhanced incentives”, we have comprehensively improved the political quality and competence of young talents. Focusing on the new requirements of the new era of high-quality transformation and development, the company has developed a loyal, honest and responsible team of high-quality and professional young talents in sufficient quantity and full of vitality, ensuring that the fire can be passed on to the next generation, and providing a constant flow of talents for the company's high-quality development.

In addition, the company selects the best of the best from the “double high” talents. We focus on the cultivation and growth of talents with high professional expertise and high operational skills, and implement special policies for “double-high” talents in key chemical technology and other core areas, so as to facilitate their growth paths. First, expert personnel are recognized as special talents. Each year, special talents are recognized in strict accordance with the procedures, who will be granted a monthly subsistence allowance. Second, we would also recognize professionals and highly skilled personnel. We would select chief operating technicians and chief operators and offer monthly allowance as per the respective standards. Third, we apply special incentive policies for the high-level talents. We apply special policies such as special salary and benefits as well as housing subsidies for the “Double First-Class Initiative” college graduates majoring in our fields.

Occupational Health and Safety

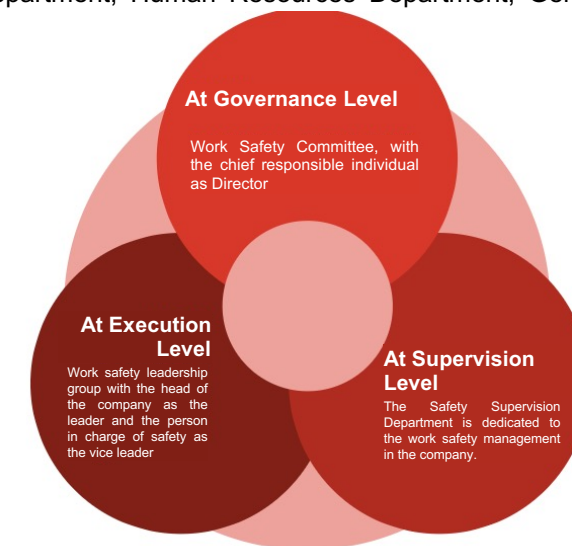
The company complies with the Work Safety Law of the People's Republic of China, Prevention and Control of Occupational Diseases Law of the People's Republic of China, Regulation on Work-Related Injury Insurances and the requirements of local laws and regulations of our operating locations, formulates and implements the management system for occupational health and safety, and applies safety management to all aspects of the business.

By the end of 2023, Shenma Engineering Plastic Co., Ltd., Shenma Yingcai Packaging Co., Ltd., Shenma Nylon Chemical Co., Ltd., Shenma Cord Fabric Development Co., Ltd., and Shenma Huawei Plastic Co., Ltd. have passed the certification of ISO 45001, the global standard for occupational safety and health management systems.

Work Safety

Governance Structure

Shenma Corporation strictly abides by laws and regulations including the Work Safety Law, Interim Measures for the Investigation and Management of Hidden Dangers in Workplace Accidents, Implementation Guidelines for the Investigation and Management of Hidden Dangers in Industry and Trade Enterprises, and Implementation Guidelines for the Investigation and Management of Hidden Dangers in Hazardous Chemicals Enterprises. In addition, we have formulated the Safety Committee Mechanism of Shenma Industrial Co., Ltd., the Responsibility System of Shenma Industrial Co., Ltd. on Work Safety, and the Measures for the Safety Wage Management of Shenma Industrial Co., Ltd. (Trial). With this systematic work safety governance structure, we have established that the member departments under the Work Safety Committee would include the Safety and Technology Department, Human Resources Department, General Affairs Department, and Finance Department.



Risk Management and Control

The company has formulated Safety Management System, Work Safety Responsibility System for All Staff, Provisions for Multi-Tier Control for Dual-Prevention of Safety Risks and Hidden Danger Investigation and Management, and Safe Operation Procedures. Due to the different production processes, the subsidiaries have also formulated their own regulations and rules, such as the Regulations on the Management of Dual Prevention Mechanism for Multi-Tier Work Safety Risk Control and Hidden Danger Investigation and Treatment of Henan Pingmei Shenma Polycarbonate Material Co., Ltd., and the Regulations on the Management of Dual Prevention Mechanism for Multi-Tier Work Safety Risk Control and Hidden Danger Investigation and Treatment of Henan Shenma Nylon Technology Co., Ltd., and the Action Plan for the Management of Dual Prevention System for Multi-Tier Work Safety Risk Control and Hidden Danger Investigation and Treatment of Shenma Boliemai (Pingdingshan) Air Bag Wire Co., Ltd. We are committed to strengthening production safety, preventing safety risks, reinforcing the investigation and control of hidden dangers, and systematically preventing and reducing the occurrence of production safety accidents.

From January to October 2023, Shenma Corporation identified a total of 2,670 hidden dangers, of which more than 2,068 were already rectified, with 1 in the process of rectification. For all kinds of hidden dangers detected during the inspection, each unit is required to formulate practical and effective rectification measures and set the rectification schedule, analyze the reasons for the hidden dangers, draw lessons from the these inspections, thoroughly rectify the dangers, and prevent the recurrence of such hidden dangers. We also post monthly inspection notices on the OA system to urge each unit to rectify hidden dangers on schedule, so as to make the hidden danger management and closed-loop rectifications open and transparent.

Strategy

In order to raise employees' awareness of safety risk prevention and to ensure employees are ready to respond to safety incidents when they occur, Shenma Corporation and the subsidiaries have formulated Emergency Response Plans for Safety Accidents and conduct regular emergency drills to ensure that employees can take prompt and effective action in case of emergency. The emergency drills include "three precautions" drills in summer and winter, ammonia leakage drills, and emergency drills for injuries caused by special equipments. This diversity ensures that employees are able to respond to different types of emergencies. And, in accordance with corporate regulations, the company conducts emergency drills on a regular basis according to an annual plan, which ensures that employees have the opportunity to practice emergency response during different seasons and time periods. This also helps to raise employees' awareness of emergency response.

Safety measures for employees and production

Safety Interlock System	<ul style="list-style-type: none"> The company utilizes the safety interlock system, which is an automated control system used to ensure that equipment and processes operate under specific conditions. A safety interlock system prevents unsafe operation, ensures that the equipment operates within safe limits, and avoids potential accidents.
Alarm System	<ul style="list-style-type: none"> The company installs alarm systems in the production units to monitor possible hazardous situations such as ultra high and low liquid levels. These systems can alert employees when a problem occurs so they can act quickly.
Technical Measures for Equipment Safety	<ul style="list-style-type: none"> The company has adopted a series of technical measures for equipment safety to prevent dangerous situations such as fire, explosion and poisoning. These measures may involve fire alarm systems, interlocks in case of ultra high and low liquid levels, grounding systems for lightning protection and anti-static protection.
Safe Storage of Hazardous Chemicals	<ul style="list-style-type: none"> The company has made special designs for the storage of hazardous chemicals in order to ensure safe storage and management of hazardous chemicals. This may involve alarms for high and low liquid levels, emergency shut-off devices, etc.
Auto-stop System	<ul style="list-style-type: none"> The company has installed an auto-stop system in the equipment to ensure that the equipment can be stopped immediately in the event of a problem, reducing the occurrence and spread of accidents.
Protective Measures	<ul style="list-style-type: none"> The company requires employees to wear labor protection items on site in strict accordance with regulations, which includes protective gears such as helmets, goggles, earplugs, and so on. These gears can reduce the risk of injuries in a hazardous environment.

Key Performance of Work Safety

Indicator	Unit	2022	2023
Amount invested in occupational injury insurance for practitioners (Unit: RMB 10,000)	RMB 10,000	130	91
Occupational injury insurance coverage rate	%	100	100
Number of safety accidents at workplace	Accident	1	2
Number of safety accidents per million man-hours	Accident/million man-hours	1	2
Death(s) on duty	Person(s) involved	0	0
Rate of death on duty	%	0	0
Number of work hours lost due to safety accidents	Hour	864	1,680

Case | Safety Culture Development of Shenma Cord Fabric Development Co., Ltd. in 2023



Build a strong safety mindset. The company adheres to the approach of "place safety in the first place, focus on prevention, and adopt comprehensive management", integrates development and safety, always takes safety development as the basic premise of high-quality development. We give full play to the four major functions of safety culture: guidance, cohesion, incentive, and discipline. Through the effective all-staff discussions on safety concepts, we have ignited the spark of safety culture among our employees. And with safety meetings of the factories and the pre-shift and post-shift meetings of the sections, the safety concept discussions are further promoted. As a result, we can see slogans coming out of the safety concept discussions by the employees are printed on their family photos and posted in the appropriate areas of the lockers in accordance with the unified norms, building this warm bridge that connects their professional life and family life. After full discussion from the bottom up, the company's safety culture torch was lit to form a safety concept adapted to the company's actual development characteristics.

Case | Safety Culture Development of Shenma Huawei Plastic Co., Ltd. in 2023



In 2023, all employees were trained in safety and fire safety; the company's leadership, safety management personnel, special operators, team leaders, and general operators were trained to obtain certificates of safety qualifications and certificates of safety operations; and operators received various internal corporate trainings. Employees who failed to pass the training for certificates paid for their own expenses and deducted RMB 100 from their performance salary; those who failed to pass the training examinations organized by the company, the random examinations by supervisors, the certificate examinations for onboarding, and the certificate examinations for safety qualifications were given 1-3 months of training before officially starting their jobs; if the personnel in charge of safety, the safety production managers, the special operators, and the team leaders were found to work without certificates, they would be fined RMB 50,000-100,000 for each person found, and their units would be fined RMB 5,000-10,000 by the company. For those who do not have qualification certificates and safety qualification certificates, for each person found, their unit would be fined RMB 2,000, and the individual would be fined RMB 500 and would be required to obtain a certificate.

Occupational Health Management

Occupational health and safety is an important part of the safety culture at Shenma Corporation. The company strictly abides by the Work Safety Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases and other relevant laws and regulations, and comprehensively strengthens the prevention and control of occupational diseases and health management of employees, so as to protect employees' physical and mental health in their work and life.

Occupational Health Management System

Occupational Health Policy Supervision

Shenma Corporation has formulated a clear occupational health and safety policy and is committed to complying with relevant laws and regulations and continuously improving occupational health and safety performance to ensure the health and safety of our employees. The company attaches great importance to occupational health management and strives to promote our health and safety culture. We have set up formal occupational health management policies for every key business. For example, Shenma Cord Fabric Company followed the laws, regulations and relevant standards to formulate the Occupational Health, Safety and Environment Management Manual, procedure documents, operation instructions, Prevention and Control of the Hazards for Occupational Diseases, 'Three Simultaneity' Management System for Safety and Occupational Disease Protection Facilities, Management of Individual Labor Protective Supplies, etc., all of which would serve as a guide for the occupational health of employees.

Occupational Health Risk Control

We conduct regular monitoring, periodic inspection and evaluation of workplaces, and publicize the results of the inspection. We also set up on-site occupational health bulletin boards, notification cards of occupational hazards, and safety warning signs to remind staff to pay attention to the prevention of occupational diseases.

Regular Medical Checkups

We also provide employees exposed to occupational hazards with medical checkups before employment and upon leaving the company, carry out on-the-job medical checkups on a regular basis, inform employees of the results in a timely manner, and set up personal occupational health monitoring files for employees.

Occupational Health Risk Control

The company establishes an occupational health management system in strict accordance with GB/T45001-2020 Occupational Health and Safety Management Systems, identifies and control occupational hazards, and establishes and implements 34 occupational health management systems, including Occupational Hazard Notification System, Occupational Hazard Declaration System, Occupational Health Publicity, Education and Training System, Management System for Employee's Protective Supplies, Management System of Employee's Occupational Health Monitoring Files, Routine Monitoring Management and Evaluation System for Occupational Hazards, Special Labor Protection System for Female Workers, Occupational Health and Safety Supervision Management System, etc. Meanwhile, the company also establishes occupational health objectives and annual work plans and implementation programs for the prevention and control of occupational diseases.

Occupational health risk identification and management



Shenma Cord Fabric Company

Hazardous factors that may cause occupational diseases in the company include: noise and compounds such as formaldehyde, ammonia and resorcinol. For the identified hazardous factors of occupational diseases, we have set up corresponding occupational health protection facilities, carry out inspections and maintenance in a standardized manner, and ensure the effective operation of the protection facilities. Every year, the company commissions a qualified third-party organization to carry out periodic inspection of hazardous factors, and conducts status quo evaluation of hazardous factors every three years with the results reported to the government agencies for health administration. At the same time, the company would feedback the inspection results to the production units, which would publicize them to the factory employees. The production units would regularly carry out routine monitoring of hazardous factors for occupational diseases, and the results of the monitoring would be publicized on the occupational hazards notification cards and occupational health bulletin boards.

Shenma Cord Fabric Development Co., Ltd.

Hazardous factors that may cause occupational diseases in the company include: noise, radiation, 1,6-HMDA, formaldehyde, sodium hydroxide, ammonia, resorcinol, epoxy resin, etc.; and major raw materials and auxiliaries such as N66 saline solution, nylon slice, spinning oil, potassium iodide, copper acetate, etc. Before a project starts, the company would organize pre-evaluation of occupational hazards, special chapter on design of occupational health protection facilities, and acceptance evaluation of occupational health protection facilities. We would also entrust qualified third-party agencies to conduct monitoring of occupational hazards every year and report the monitoring results to the Health Commission of Pingdingshan and the Occupational Health Department of Shenma Corporation, and update the occupational health management ledger. At the same time, the company's Safety and Environmental Protection Department would feedback the monitoring results to the production units. The employees of the production units would sign on the results as an acknowledgement of the occupational hazards and the hazard concentration in their positions as well as the protective measures.

Shenma Engineering Plastic Co., Ltd.

Hazardous factors that may cause occupational diseases in the company include: noise, radiation, and toxic and hazardous gas sulfuric acid. The company commissions a third-party inspection organization to carry out routine monitoring of occupational hazards on a monthly basis, and promptly makes rectifications when it discovers operation points where the hazards exceed the limits. We would also entrust qualified third-party agencies to conduct monitoring of occupational hazards every year and report the monitoring results to the Safety Supervision Department of Shenma Corporation and then enter the results into the occupational health management ledger. At the same time, the company's management would send the results to each grass-roots production unit and let the units to post notices or circulate the results among employees to inform them of the occupational hazards of their positions and the hazard concentration as well as the protective measures.

Shenma Polycarbonate Material Co., Ltd.

Hazardous factors that may cause occupational diseases in the company include: dust, carbon monoxide, chlorine, phosgene, phenol, methylene chloride, triethylamine, hydrochloric acid, sulfuric acid, acetone, noise, power-frequency electric fields, and high and low temperatures. The company has an emergency relief plan in place for acute poisoning by hazardous gases and occupational heat stroke accidents, and is equipped with emergency relief facilities. We offer workers PPE such as goggles, dust masks, gas masks, anti-noise earplugs, anti-static overalls, anti-static shoes, overalls, etc., and set up auxiliary rooms such as changing rooms, toilets, offices, bathrooms, etc.; we have established occupational health management departments and set up occupational hazard warning signs at workplaces; we conduct regular training and education on prevention and control of occupational diseases; we regularly check and maintain the protective facilities and keep records; and we record the distribution of PPE.

Shenma Yingcai Packaging Co. Ltd.

Hazardous factors that may cause occupational diseases in the company include: noise. The company would entrust qualified third-party agencies to conduct monitoring of occupational hazards every year and send the results to production units and let the units to post notices or circulate the results among employees to inform them of the occupational hazards of their positions and the hazard concentration as well as the protective measures.

Key Performance

In 2023, Shenma Corporation was not once penalized for violating laws and regulations related to occupational health and safety throughout the year, and the company's occupational health targets were achieved at a rate of 100%. During the report period, the company hired a third-party organization to inspect more than 100 operation points with potential occupational hazards, and the results of the inspection showed that all the operation points were 100% cleared of hazards. At the same time, the company has issued the Notice of Occupational Hazards to employees in positions with potential occupational hazards, and conducted all-around medical checkups of occupational hazards for them before and during their employment.

In 2023, Shenma Cord Fabric Company completed a total of 30 medical checkups for operators in positions with potential occupational hazards, and Cord Fabric Development Company completed a total of 500 medical checkups for operators in positions with potential occupational hazards, and transferred and reassigned 9 employees who were not suitable for these positions.

Case | Measures to Improve Employee Health by Shenma Cord Fabric Development Co., Ltd. in 2023

In 2023, Shenma Cord Fabric Development Co., Ltd. organized medical checkups for occupational hazards before, during, and after the employment, as well as monthly, quarterly, and annual inspections for occupational hazards. The company has also set up formaldehyde and ammonia leakage alarm device, glue sealed space to prevent the spread of odor, winding noise reduction space to reduce the exposure to noise, and issued PPE such as safety helmets, masks, face masks, and so on.



Key performance for occupational health management

Indicator	Unit	2022	2023
Number of occupational hazard accidents	Accident(s)	0	0
Coverage of employee medical checkups for occupational diseases	%	100	100
Availability, completeness, and correct utilization of PPE	%	100	100

Third-party Safety Management

Shenma Corporation pays great attention to the occupational health and safety of both the employees and the supply chain laborers. For suppliers and contractors, the company has established a production safety management system specifically for suppliers, and the subsidiaries have clearly defined the safety management requirements for the whole operation cycle from the screening of suppliers, training in the factory, management of the construction process, and the exit process. In addition, they have also adopted the methods of independent management by the business department in need, management by the appointed personnel in charge of different grids during construction, and safety supervision and management to strictly monitor the safety of the suppliers and contractors when they are in the factory, thus ensuring the stable and continuous operation of the company.

Name Third-party safety management system

Shenma Cord Fabric Company

For suppliers and contractors, the company has formulated systems such as Safety Management System for Related Parties and Construction (Operations) Management Provisions for Outsourced (Contracted) Labor and signed safety management agreements with related parties. These management systems stipulate the safety management requirements for the whole operation cycle, including the file recording and qualification review of suppliers and contractors, review of construction plans, safety education and training, and management of the construction process, etc. By strengthening the safety management of suppliers and contractors, and enforcing the safety responsibility of various personnel at all levels, the company ensures that the related operations comply with occupational health and safety management regulations.

Shenma Cord Fabric Development Co., Ltd.

For suppliers and contractors, the company has formulated Construction (Operations) Management Provisions for Outsourced (Contracted) Labor. We have also required the organizations that have business cooperation with us to sign the Safety Agreement on Outsourcing Construction, paid the safety deposit in proportion, booked the three-level education and training on safety, and adopted the methods of independent management by the business department in need, management by the appointed personnel in charge of different grids during construction, and safety supervision and management to strictly monitor the safety of the suppliers and contractors when they are in the factory, thus ensuring the stable and continuous operation of the company.

Other key subsidiaries

For suppliers and contractors, the company has established a production safety management system specifically for suppliers. Based on the reality, the subsidiaries have set up systems and clearly defined the safety management requirements for the whole operation cycle from the screening of suppliers, training in the factory, management of the construction process, and the exit process. In addition, they have also adopted the methods of independent management by the business department in need, management by the appointed personnel in charge of different grids during construction, and safety supervision and management to strictly monitor the safety of the suppliers and contractors when they are in the factory, thus ensuring the stable and continuous operation of the company.

Emergency response

Reinforced emergency response by Shenma Corporation According to the Guidelines for enterprises to develop emergency response plan for work place accidents (GBT 29639-2020), the company has revised the comprehensive and special emergency response plans and on-site handling solutions, and in accordance with the annual drilling plan, carried out emergency response drills for special cases such as extreme weather, poisoning and suffocation in confined space, and ammonia leakage.

Case | Measures to Improve Employee Health by Shenma Aramid Fiber Technology Development Co., Ltd. in 2023

In the first half of the year, the company organized various departments, grass-roots factories to carry out a total of 3 emergency drills and 3 emergency training, involving more than 50 employees. In June, which is also the safety production month, the company organized an emergency evacuation drill on the second floor of the R&D building of the Zhongshi plant, which further enhanced the emergency awareness and emergency response capability of the staff.

Social Responsibility Fulfillment

In terms of supply chain management and community contribution, Shenma Corporation adheres firmly to the philosophy of “win-win coexistence and giving back to the society”. The company understands that a stable and efficient supply chain system is the cornerstone of the company's sustainable development, while actively contributing to the community represents the company's social responsibility. In 2023, Shenma Corporation focused on strengthening supply chain synergy and integration, and successfully built a closer and more transparent supply chain partnership by optimizing supply chain process and improving supplier management, in order to achieve win-win objectives of cost reduction, efficiency improvement and quality assurance. At the same time, the company actively fulfilled community responsibilities with public welfare activities, donations, and support for local education to give back to the community, promoting community harmony and development, and demonstrating a good social image.

Key ESG Performance

- In 2023, the company committed a total of RMB 371,600 to donations and public welfare programs, benefiting 206 people.
- In 2023, the company committed a total of RMB 1,884,200 to poverty alleviation and rural revitalization programs, benefiting 2,709 people.

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



Supply Chain Management

Shenma Corporation has always regarded our suppliers as strategic partners, and actively seeks to establish long-term, stable relationships with companies that excel in quality, innovation and sustainability. We pursue not only a supply chain cooperation, but also a strategic and synergistic partnership, aiming to realize synergistic innovation in common areas and jointly promote the development and progress of the industry.

In the cooperation with outstanding suppliers, Shenma Corporation looks beyond business transactions and into shared values and sustainable development goals. We look forward to working closely with our suppliers on ESG topics such as product innovation, quality management, cost control and supply chain sustainability to address the challenges of the market and embrace the opportunities of the future. We encourage our suppliers to provide competitive products and services, and share market information and industry trends to better adapt to changes in the market. In 2023, Shenma Cord Fabric Company has developed a total of 415 suppliers. At the same time, Shenma Corporation values the economic contribution to local communities and pays attention to the environmental impact of the transportation. With 79.8% of our suppliers located in where we are operating (Henan Province), we can contribute to the development of the local community while saving on transportation resources.

In order to implement the supply chain management principles of Shenma Corporation and prevent ESG risks in the supply chain, we have established policies for our domestic and foreign suppliers, including the Supplier Management Measures, Procurement Procedures for Imported Materials, Systematic Assessment Forms of Supplier Quality, and Guidelines for Supplier Quality Control and Evaluation. Based on the policies above, we have improved the management procedures and systems for all aspects of the specific policies, measures and effects in terms of supplier access, review, evaluation and grading, and have refined the management rules.

ESG management system for suppliers of Shenma Cord Fabric Company

Supplier access	First, we would investigate a supplier's basic information with the Questionnaire for Preliminary Selection of Suppliers, carry out a preliminary evaluation and risk assessment, and assign the Development Department to organize an inspection of a new supplier after the preliminary evaluation is completed. We would examine the new supplier's production, delivery, corporate management, risk assessment, laboratory capacity, quality process and green production, and write a report on the examination to add to the supplier's file.
Supplier review	We require the supplier to have a legal personality and good credit standing; a sound and certified quality management system; good ability to fulfill contracts; and compliance with safety and environmental protection laws and regulations. After we examine all the materials provided by the supplier, the relevant technical departments would make an evaluation report to be included in the annual list of qualified suppliers as the basis for procurement.
Regular supplier evaluation	Combined with the product supply quality, reputation, quality assurance capability, the Procurement Department organizes annual evaluation on qualified suppliers, during which suppliers of Class A materials are evaluated and rated every year, while suppliers of Class B and Class C materials are evaluated on a biannual basis. By strictly controlling the supplier program, we are able to effectively monitor the quality of the raw materials we purchase and encourage our suppliers to continuously improve their quality. In this way, we ensure that the quality of the raw materials supplied is consistent and is able to meet production requirements on an ongoing basis. We have built a digital supply chain management platform to achieve green procurement. With the "supplier evaluation process" conducted once every year, we are able to monitor the high level, green and standardized operation of our suppliers, and eliminate those who fail to meet the green requirements.

Supplier ESG evaluation

Supplier supervision by Shenma Corporation's Procurement Department is one of the key measures to ensure product quality, on-time delivery, and high-level services. Shenma Corporation's assessment and evaluation regarding suppliers are primarily comprised of the following dimensions.

Product quality

Shenma Corporation requires suppliers to provide products that meet the company's quality standards and specifications. Our Procurement Department conducts regular inspections and sample checks of suppliers' products to ensure that their quality is at the desired level. Pass rate monitoring covers a product's physical properties, chemical composition, appearance, etc. This helps to ensure that the products on the production line are of high quality and meet the company's requirements.

Timely delivery

Shenma Corporation attaches great importance to the on-time delivery by suppliers. Our Procurement Department would monitor if the suppliers are able to deliver the products on time in accordance with the contracted delivery dates. On-time delivery is critical to production schedules and client satisfaction. Suppliers are required to produce and deliver within the contracted timeframe, otherwise it might impact our production schedule and also our clients' requests.

Customer Service

In addition to product quality and on-time delivery, suppliers' level of service also comes under scrutiny. The suppliers' service includes their support and assistance to the company in the pre-sales, sales and post-sales phases. The Procurement Department would assess the a supplier's capabilities in terms of customer service, technical support and problem solving to ensure that it is able to provide comprehensive support to meet the company's needs.

Transportation costs

Shenma Corporation requires the suppliers to strictly adhere to the agreed costs and conditions when transporting products. The Procurement Department would monitor if the transportation costs are consistent with the contract and ensure that there are no additional and unauthorized costs. This helps prevent unnecessary additional costs and ensures transparency and fairness in the transportation.

Environmental and social considerations

Shenma Corporation insists on environmental management as one of the key subjects in evaluating suppliers, reflecting the company's commitment to environmental protection and sustainable management philosophy. Our evaluation in this respect focuses on suppliers' certification of ISO 9001 and ISO 14001 systems, green product standards, etc. By evaluating the environmental management of suppliers, Shenma Corporation not only ensures that our own supply chain complies with environmental regulations and standards, but also promotes the continuous improvement of suppliers in environmental protection. This helps to reduce the company's environmental risks, improve overall environmental performance and create more sustainable value for employees, clients and society.

For ESG management of suppliers, we set specific quantitative targets, striving to use 1 to 3 years to make suppliers that rank top 50% in terms of procurement amount receive social responsibility audits of 70%; and make suppliers that rank top 30% in terms of procurement amount are actively engaged in regular supervision for dual-carbon projects to promote emission reduction.

ESG training for supply chain

In order to enhance the compliance awareness of the supply chain and strengthen the ESG governance of Shenma Corporation's supply chain, we carry out supplier seminars, symposiums, professional trainings and other activities from time to time to publicize the company's procurement policies, supplier management concepts, the company's business operations as well as the latest developments, so as to build up a good business atmosphere of win-win cooperation. We have also carried out special training on social responsibility audits to publicize the company's code of conduct on supply chain and the focus of social responsibility in the raw material procurement supply chain (including environment, labor, human rights, carbon emissions, etc.). In 2023, we completed special training on social responsibility for all procurement staff and raw material suppliers.

Case | Shanghai Shenma visited upstream suppliers for exchange and communication in 2023 

In 2023, Shanghai Shenma organized a visit to the office areas and factories of the upstream suppliers, which helped us better understand the importance of adopting lean manufacturing in order to achieve sustainable development of the company and the suppliers as well as the entire supply chain. By optimizing production processes, reducing resource waste, and improving energy efficiency and product quality, lean manufacturing not only reduces the environmental footprint, but also enhances our long-term competitiveness as an enterprise. This transformation towards lean manufacturing is not only in line with current societal expectations for green and low-carbon production, but also opens up a more robust and sustainable development path for suppliers. We firmly believe that by working together to promote lean manufacturing, we can contribute to environmental protection while promoting mutual prosperity and sustainable business development.



Human rights protection in supply chain

In order to clarify the respective rights and responsibilities of Shenma Corporation and the suppliers, and in order to promote the commitment to jointly comply with business ethics, laws and regulations, Shenma Corporation and the suppliers have signed the "Supplier Code of Conduct". This Code is not only a guiding principle for cooperation, but also a commitment to work together to ensure the sustainability and quality of our supply chain. The Supplier Code of Conduct includes a wide range of topics such as anti-corruption, human rights, safety and health, and environmental protection.

Human rights provisions for suppliers

- (1) Suppliers shall not employ any form of forced or coerced labor for any reason;
- (2) Suppliers shall hire employees on the basis of whether an applicant meets the job requirements, and shall not discriminate against employees due to gender, race, nationality, age, marital status, maternity status, sexual orientation, religion, or physical handicap;
- (3) Suppliers shall not employ minors under the age of 16 as laborers;
- (4) Suppliers shall provide work environments in which the health of employees is protected from the hazards of the work they perform and make sure employees can enjoy the average standard of living of the local population;
- (5) Suppliers shall have appropriate communication mechanisms and complaint channels to allow employees to express their claims and concerns to management;

EHS provisions for suppliers

- (1) Suppliers shall have a sound health and safety protection system with clear and specific precautions to protect the health and safety of their employees;
- (2) Suppliers shall provide employees with labor protective equipment that meets national or industry standards, and conduct regular education and training for employees on work safety;

Sign-up rate of the Supplier Code of Conduct of key subsidiaries in 2023

Name	Sign-up rate of Supplier Code of Conduct
Shenma Cord Fabric Company	100%
Shenma Cord Fabric Development Co., Ltd.	90%
Nylon Chemical Co., Ltd.	100%
Shenma Engineering Plastic Co., Ltd.	100%
Shenma Engineering Plastics Technology Development Co., Ltd.	100%

Public Welfare and Charity

Shenma Corporation actively fulfills social responsibilities, pays keen attention to social public welfare undertakings, and is committed to serving as an exemplary enterprise that is socially rewarding, green, and people-oriented. This concept is reflected in the company's actions over the years, including donations to disaster-stricken areas, establishment of a public welfare fund to support orphans' schooling and the Hope Project, and the establishment of a special fund for the Golden Autumn School Aid project and for the aid for people with work-related injuries, etc., which demonstrates the company's strong sense of social responsibility and charitable spirit.

Key Performance

In 2023, the company committed a total of RMB **371,600** to donations and public welfare programs, benefiting **206** people.

Case | Volunteer Companion Program for the Elderly by Shenma Cord Fabric Development Co., Ltd.



On the morning of March 9, 2023, the company's Communist Youth League Committee and the labor union jointly organized a unique volunteer program in memory of Lei Feng. Young volunteers brought bread, milk, eggs and other materials to the Kangleyuan Senior Citizens' Residence in Ye County to visit the elderly, practicing the spirit of Lei Feng and passing on the warmth of love with actions. Kangleyuan Senior Citizen's Residence is the largest senior care center in Ye County with complete facilities and first-class services. With a beautiful landscape and refreshing environment, it is a garden apartment complex integrating elderly care, fitness, leisure, entertainment, medical care and health care. When our volunteers arrived, the seniors basking in the sun in the courtyard welcomed their visits with happy applause. March is the "Lei Feng Month" in China. To carry out such a meaningful and warm voluntary program in March is not only to remember and pay tribute to Comrade Lei Feng, but also to educate and guide the company's employees. We hope that with programs like this, more employees could participate in volunteer services, practice socialist core values with actions, and showcase the excellent staff image and style of our company.



Case | Donation event by Nylon Chemical Co., Ltd.



In response to Shenma Corporation's social responsibility strategy, Nylon Chemical Co., Ltd. organized "99 Public Welfare - Relief Project for People in Difficulties in 2023", which was widely publicized via the large screens, workgroup messages and other platforms, calling on all the staff to actively participate and provide support and help for people in difficulties. The company's leaders and Party members set an example by taking the lead in making donations, guiding all employees to actively participate in charitable public welfare undertakings. This event ended with a total of 903 donations, amounting to RMB 27,488.28.



Case | Volunteer Program of "Learning from Lei Feng" by Shenma Cord Fabric Development Co., Ltd.



In order to inherit and carry forward the spirit of Lei Feng, and to remain true to the spirit of volunteering, on the morning of March 11, 2023, the Communist Youth League Committee of the company organized more than 10 young volunteers to carry out the "Learning from Lei Feng" volunteer program in Huangwan Village, Changcun Town, Ye County, which is the village where we provide paired assistance. The young volunteers came to Huangwan Village to clean the village roads as well as the office of the village committee. Afterwards, they went to Hongdingsi Primary School in Huangwan Village, distributing schoolbags, stationery cases, watercolor pens and other school supplies to the students and encouraging them to study hard to repay the society in the future.



Performance Table of Quantified Data

The Company adheres to the principle of "Quantification and Consistency" in disclosing the quantitative performance metrics that reflect the effectiveness of its sustainability management.

Statistics Scope During the Reporting Period

Unless otherwise specified, the statistics scope of governance and economic reporting is consistent with that of the Company's consolidated financial statements.

Corporate Governance and Economic Performance

Indicator	Unit	2021	2022	2023
General Meeting of Shareholders	Time	4	12	8
Board Meeting	Time	11	17	18

Indicator	Unit	2021	2022	2023
Independent Directors	Person(s) involved	3	3	3
Female Directors	Person(s) involved	1	1	1

Indicator	Unit	2022	2023
Number of Participants in Anti-Corruption Training	Person(s) involved	10,278	10,164
Number of Anti-Corruption Training Sessions Held	Time	62	34
Coverage Rate of Anti-Corruption Training	%	100	100

Indicator	Unit	2021	2022	2023
Operating Income	RMB 100 million	134.15	135.59	129.19
Net Profit Attributable to Shareholders	RMB 100 million	21.44	4.27	1.23
Total Assets	RMB 100 million	258.97	273.54	314.42
Total Dividends	RMB 100 million	10.70	1.36	1.41
Total Taxes Paid	RMB 100 million	2.97	0.00	0.98

Environment Performance

Name	Unit	Particulates	NOx	VOC	SO2	Non-methane Hydrocarbon
Shenma Cord Fabric Company	Metric Ton	-	-	8.99	-	-
Shenma Cord Fabric Development Co., Ltd.	Metric Ton	7.32	14.17	23.81	-	-
Nylon Chemical Co., Ltd.	Metric Ton	11.57	136.75	-	35.90	-
Shenma Engineering Plastic Co., Ltd. (including Shenma Engineering Plastics Technology Development Co., Ltd.)	Metric Ton	-	5.89	1.13	-	0.06
Shenma Boliemai (Pingdingshan) Air Bag Wire Co., Ltd.	Metric Ton	6.45	-	-	-	10.12
Shenma Nylon Technology Co., Ltd.	Metric Ton	0.86	-	-	-	0.41
Shenma Puli Materials Co., Ltd.	Metric Ton	-	-	-	-	0.43
Shenma Polycarbonate Material Co., Ltd.	Metric Ton	6.60	1.03	1.48	-	-

Name	Unit	COD	Ammonia Nitrogen
Shenma Cord Fabric Company	Metric Ton	79.90	7.80
Shenma Cord Fabric Development Co., Ltd.	Metric Ton	5.31	0.18
Nylon Chemical Co., Ltd. (including Shenma Engineering Plastic Co., Ltd.)	Metric Ton	124.70	6.30
Shenma Engineering Plastics Technology Development Co., Ltd.	Metric Ton	4.68	0.07
Shenma Boliemai (Pingdingshan) Air Bag Wire Co., Ltd.	Metric Ton	0.47	0.04
Shenma Puli Materials Co., Ltd.	Metric Ton	1.34	0.06
Shenma Polycarbonate Material Co., Ltd.	Metric Ton	9.10	0.05

Name	Unit	Amount of Hazardous Solid Waste Generated	Hazardous Solid Waste Disposal Rate
Shenma Cord Fabric Company	Metric Ton	197.29	100%
Shenma Cord Fabric Development Co., Ltd.	Metric Ton	322	100%
Nylon Chemical Co., Ltd.	Metric Ton	445.48	100%
Shenma Engineering Plastic Co., Ltd. (including Shenma Engineering Plastics Technology Development Co., Ltd.)	Metric Ton	16.64	100%
Shenma Polycarbonate Material Co., Ltd.	Metric Ton	1,175.06	100%

Name	Unit	Amount of General Industrial Solid Waste Generated
Shenma Cord Fabric Company	Metric Ton	5,405
Nylon Chemical Co., Ltd.	Metric Ton	215,680

Environment Performance

Indicator	Unit	2022	2023
Total Internal Energy Consumption	10,000 tons of standard coal	6.34	5.19
Fossil Energy Consumption	10,000 tons of standard coal	1.81	3.59
Non-Fossil Energy Consumption	10,000 tons of standard coal	4.53	1.60
Proportion of Non-Fossil Energy Usage	%	71.43%	69.12%
Energy Consumption Intensity	Tons of standard coal/yuan	0.179	0.224

In 2023, the Company's statistical scope only includes Shenma Cord Fabric Company

Subsidiaries	Category 1 (tons of CO2e)	Category 2 (tons of CO2e)	Total (tons of CO2e)
Shenma Cord Fabric Company	221.98	145,708.94	145,930.92
Nylon Chemical Co., Ltd.	30,000,000	1,081,000	31,081,000

Social Performance

Indicator	Unit	2022	2023
Amount invested in occupational injury insurance for practitioners (Unit: RMB 10,000)	RMB 10,000	130	91
Occupational injury insurance coverage rate	%	100	100
Number of safety accidents at workplace	Accident	1	2
Number of safety accidents per million man-hours	Accident/million man-hours	1	2
Death(s) on duty	Person(s) involved	0	0
Rate of death on duty	%	0	0
Number of work hours lost due to safety accidents	Hour	864	1,680

In 2023, the Company's statistical scope only includes Shenma Cord Fabric Company

Indicator	Unit	2022	2023
Total Investment in Donations and Public Welfare Projects	%	68.16	37.16
Total Investment in Poverty Alleviation and Rural Revitalization Projects	Time	70.52	188.42

Indicator	Unit	2022	2023
Total Employees	Person(s) involved	10,278	10,164
By Gender			
Male	Person(s) involved	6,907	6,950
Female	Person(s) involved	3,371	3,214
By Age			
Under 30 years old	Person(s) involved	1,065	1,098
31~50 years old	Person(s) involved	8,079	7,960
Above 50 years old	Person(s) involved	1,134	1,106
By Region			
Domestic	Person(s) involved	10,278	10,164
Overseas (Hong Kong, Macao and Taiwan)	Person(s) involved	0	0
By Education Level			
Bachelor's Degree and Below	Person(s) involved	1,0067	9,934
Master's Degree	Person(s) involved	209	227
Doctorate	Person(s) involved	2	3
By Group			
Ethnic Minorities	Person(s) involved	270	268
Persons with Disabilities	Person(s) involved	86	80

Indicator	Unit	2022	2023
Annual Training Expenditure (RMB 10,000)	RMB 10,000	199.9	1,330.0
Total Number of Trainees	Person(s) involved	10,278	10,164
Percentage of Employees Participating in Training	%	100%	100%
Senior Staff (Company's Senior Management)	%	100%	100%
Mid-level Staff (Department Managers)	%	100%	100%
Junior Staff	%	100%	100%
Average Training Hours per Employee	Hour	24	26

Indicator	Unit	2022	2023
Employee Union Participation Rate	%	100	100
Number of Employee Activities Held	Time	24	23
Total Number of Participants	People	9,680	9,485
Average Participation per Employee	Time	2.29	2.72

*In 2023, the Company's statistical scope expanded from only the Parent Company to include both the Parent Company and Nylon Chemical Co., Ltd.

GRI Content Index

Shenma Corporation prepared its report for the period from January 1 to December 31, 2023, with reference to the GRI Standards. The GRI Standard used is GRI 1: Foundation 2021.

Disclosure Items	Section
GRI2-1	Organizational Details About Shenma Corporation
GRI 2-2	Entities Included in the Company's Sustainability Report About This Report
GRI 2-3	Reporting Period, Frequency, and Contact Information About This Report
GRI 2-4	Information Restatement Performance Table of Quantified Data
GRI 2-5	External Assurance None
GRI 2-6	Activities, Value Chain, and Other Business Relationships Main Products and Businesses
GRI 2-7	Employees Equality and Employment
GRI 2-8	Workers Beyond Employees Equality and Employment
GRI2-9	Governance Structure and Composition Governance Structure
GRI 2-10	Nomination and Selection of the Highest Governance Body Governance Structure
GRI 2-11	Chair of the Highest Governance Body Governance Structure
GRI 2-12	Oversight Role of the Highest Governance Body in Managing Impacts ESG Governance System
GRI 2-13	Delegation of Responsibility for Managing Impacts ESG Governance System
GRI 2-14	Role of the Highest Governance Body in Sustainability Reporting ESG Governance System
GRI 2-15	Conflict of Interest Governance Structure
GRI 2-16	Communication on Material Concerns ESG Governance System
GRI 2-17	Collective Knowledge of the Highest Governance Body See 2023 Annual Report
GRI 2-18	Performance Evaluation of the Highest Governance Body Governance Structure
GRI 2-19	Compensation Policy Governance Structure
GRI 2-20	Process for Determining Compensation Governance Structure
GRI 2-21	Annual Total Compensation Ratio Not Disclosed Due to Confidentiality Requirements
GRI 2-22	Statement on Sustainability Strategy Chairman's Message
GRI 2-23	Policy Commitments See Individual Sections
GRI 2-24	Policy Integration Commitments See Individual Sections
GRI 2-25	Procedures for Remediating Negative Impacts See Individual Sections
GRI 2-26	Mechanisms for Seeking Advice and Raising Concerns Stakeholder Communication
GRI 2-27	Compliance with Laws and Regulations See Individual Sections
GRI 2-28	Association Membership Quality Assurance
GRI 2-29	Stakeholder Engagement Methods Stakeholder Communication
GRI 2-30	Collective Bargaining Agreements Employee Welfare and Care

Disclosure Items	Section
GRI 3-1	Process for Identifying Material Issues Substantive Issue Identification
GRI 3-2	List of Material Issues Substantive Issue Identification
GRI 3-3	Management of Material Issues See Individual Sections
GRI 201-1	Direct Economic Value Generated and Distributed Performance Table of Quantified Data
GRI 201-2	Financial Impact of Climate Change and Other Risks and Opportunities Campaign against Climate Change
GRI 201-3	Defined Benefit Plan and Other Retirement Plans Employee Welfare and Care
GRI 201-4	Government Financial Subsidies See 2023 Annual Report
GRI 202-1	Ratio of Standard Entry-Level Wage to Local Minimum Wage by Gender Not Disclosed Due to Confidentiality Requirements
GRI 202-2	Proportion of Senior Management from the Local Community Not Tracked
GRI 203-1	Infrastructure Investments and Support Services Public Welfare and Rural Revitalization
GRI 203-2	Significant Indirect Economic Impacts Public Welfare and Rural Revitalization
GRI 204-1	Proportion of Expenditures on Local Suppliers Supply Chain Management
GRI 205-1	Operational Sites Assessed for Corruption Risks Performance Table of Quantified Data
GRI 205-2	Communication and Training on Anti-Corruption Performance Table of Quantified Data
GRI 205-3	Policies and Procedures Confirmed Corruption Incidents and Actions Taken Business Ethics and Anti Corruption
GRI 206-1	Legal Proceedings Regarding Anti-Competitive Behavior, Anti-Trust, and Monopoly Practices Business Ethics and Anti Corruption
GRI 207-1	Tax Policies Tax Payment According to Law
GRI 207-2	Tax Governance, Control, and Risk Management Tax Payment According to Law
GRI 207-3	Stakeholder Engagement and Management Related to Tax Concerns Tax Payment According to Law
GRI 207-4	Country-by-Country Reporting Not Disclosed
GRI 301-1	Weight or Volume of Materials Used Performance Table of Quantified Data
GRI 301-2	Recycled Input Materials Used Resource Conservation and Circular Economy
GRI 301-3	Recycled Products and Packaging Materials Resource Conservation and Circular Economy
GRI 302-1	Internal Energy Consumption Resource Conservation and Circular Economy
GRI 302-2	External Energy Consumption Not Tracked
GRI 302-3	Energy Intensity Resource Conservation and Circular Economy
GRI 302-4	Reducing Energy Consumption Resource Conservation and Circular Economy
GRI 302-5	Reducing Energy Demand for Products and Services Resource Conservation and Circular Economy
GRI 303-1	Company's Interaction with Water as a Shared Resource Resource Conservation and Circular Economy
GRI 303-2	Managing Wastewater Impacts Resource Conservation and Circular Economy
GRI 303-3	Water Withdrawal Resource Conservation and Circular Economy
GRI 303-4	Wastewater Discharge Not Involved
GRI 303-5	Water Consumption Not Involved
GRI 304-1	Operational Sites Owned, Leased, or Managed by the Company in or Near Biodiversity-Rich Areas, Inside or Outside Protected Zones Not Involved
GRI 304-2	Significant Impacts of Activities, Products, and Services on Biodiversity Not Involved
GRI 304-3	Protected or Restored Habitats Not Involved
GRI 304-4	Species in Habitats Affected by Operations Listed in the IUCN Red List and the List of State Key Protected Wild Animals (LSKPWA) Not Involved

GRI Content Index

Disclosure Items		Section
GRI 305-1	Direct Greenhouse Gas (GHG) Emissions (Scope 1)	Campaign against Climate Change
GRI 305-2	Indirect GHG Emissions from Energy (Scope 2)	Campaign against Climate Change
GRI 305-3	Indirect GHG Emissions from Energy (Scope 3)	Campaign against Climate Change
GRI 305-4	GHG Emission Intensity	Campaign against Climate Change
GRI 305-5	GHG Reductions	Campaign against Climate Change
GRI 305-6	Emissions of Ozone-Depleting Substances (ODS)	Campaign against Climate Change
GRI 305-7	Emissions of Nitrogen Oxides (NOX), Sulfur Oxides (SOX), and Other Major Gases	Performance Table of Quantified Data
GRI 306-1	Waste Generation and Significant Impacts of Waste	Resource Conservation and Circular Economy
GRI 306-2	Management of Significant Impacts Related to Waste	Resource Conservation and Circular Economy
GRI 306-3	Waste Generated	Resource Conservation and Circular Economy
GRI 306-4	Waste Transferred for Disposal	Resource Conservation and Circular Economy
GRI 306-5	Waste Entering Disposal	Resource Conservation and Circular Economy
GRI 308-1	New Suppliers Screened based on Environmental Assessment Criteria	Supply Chain Management
GRI 308-2	Negative Environmental Impacts of the Supply Chain and Actions Taken	Supply Chain Management
GRI 401-1	New Employee Recruitment Rate and Employee Turnover Rate	Performance Table of Quantified Data
GRI 401-2	Full-Time Employees Benefits (excluding temporary or part-time employees)	Employee Welfare and Care
GRI 401-3	Parental Leave	Employee Welfare and Care
GRI 402-1	Minimum Notice Period for Operational Changes	The Company notifies in accordance with national laws and regulations
GRI 403-1	Occupational Health and Safety Management System	Occupational Health and Safety
GRI 403-2	Hazard Identification, Risk Assessment, and Incident Investigation	Occupational Health and Safety
GRI 403-3	Occupational Health Services	Occupational Health and Safety
GRI 403-4	Occupational Health and Safety Matters: Worker Involvement, Consultation, and Communication	Occupational Health and Safety
GRI 403-5	Occupational Health and Safety Training for Workers	Occupational Health and Safety
GRI 403-6	Promoting Worker Health	Occupational Health and Safety
GRI 403-7	Preventing and Mitigating Occupational Health and Safety Impacts Directly Related to Business Activities	Occupational Health and Safety
GRI 403-8	Workers Covered by the Occupational Health and Safety Management System	Occupational Health and Safety
GRI 403-9	Workplace Injuries	Occupational Health and Safety
GRI 403-10	Work-Related Health Issues	Occupational Health and Safety
GRI 404-1	Average Training Hours Per Employee Per Year	Employee Training and Development

Disclosure Items		Section
GRI 404-2	Employee Skill Enhancement and Transition Assistance Programs	Employee Training and Development
GRI 404-3	Percentage of Employees Receiving Regular Performance and Career Development Assessments	Performance Table of Quantified Data
GRI 405-1	Diversity of Governance Bodies and Employees	Governance Structure, Equality and Employment
GRI 405-2	Ratio of Basic Salary and Remuneration by Gender	Not Disclosed Due to Confidentiality Requirements
GRI 406-1	Discrimination Incidents and Corrective Actions Taken	Equality and Employment
GRI 407-1	Operational Sites and Suppliers at Risk of Violating Freedom of Association and Collective Bargaining Rights	Employee Welfare and Care, and Supply Chain Management
GRI 408-1	Operational Sites and Suppliers at Significant Risk of Child Labor Incidents	None
GRI 409-1	Operational Sites and Suppliers at Significant Risk of Forced or Compulsory Labor Incidents	None
GRI 410-1	Security Personnel Trained in Human Rights Policies or Procedures	Not Involved
GRI 411-1	Incidents Involving Violations of Indigenous Rights	Not Involved
GRI 413-1	Operational Sites with Local Community Engagement, Impact Assessments, and Development Plans	Industry Advancement, Public Welfare, and Rural Revitalization
GRI 413-2	Operational Sites with Actual or Potential Significant Negative Impacts on Local Communities	Not Involved
GRI 414-1	Social Standards Applied to Screen New Suppliers	Supply Chain Management
GRI 414-2	Negative Social Impacts in the Supply Chain and Actions Taken	Supply Chain Management
GRI 415-1	Political Donations	Not Involved
GRI 416-1	Assessment of Health and Safety Impacts of Product and Service Categories	Quality Assurance
GRI 416-2	Violations Related to Health and Safety Impacts of Products and Services	Quality Assurance
GRI 417-1	Requirements for Product and Service Information and Labeling	Customer Service
GRI 417-2	Violations Related to Product and Service Information and Labeling	Not Involved
GRI 417-3	Violations Related to Marketing Communications	Not Involved
GRI 418-1	Confirmed Complaints Involving Violations of Customer Privacy and Customer Data Loss	Customer Service



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

Dimension	No.	Issue	Corresponding Section
Environment	1	Campaign against Climate Change	Campaign against Climate Change
	2	Pollutant Discharge	Resource Conservation and Circular Economy
	3	Waste Disposal	Resource Conservation and Circular Economy
	4	Ecosystem and Biodiversity Protection	Environmental Management Resource Conservation and Circular Economy Campaign against Climate Change
	5	Environmental Compliance Management	Environmental Management
	6	Energy Utilization	Resource Conservation and Circular Economy
	7	Water Resource Utilization	Resource Conservation and Circular Economy
	8	Circular Economy	Resource Conservation and Circular Economy
Society	9	Rural Revitalization	Public Welfare and Rural Revitalization
	10	Social Contributions	Public Welfare and Rural Revitalization
	11	Innovation-driven Development	Sci-Tech Innovation
	12	Technology Ethics	Sci-Tech Innovation
	13	Supply Chain Safety	Supply Chain Management
	14	Equal Treatment for Small and Medium Enterprises	The Company pays procurement amounts to suppliers according to internal regulations. For accounts payable balance at the end of 2023, please refer to the Company's 2023 Annual Report.
	15	Safety and Quality of Products and Services	Quality Assurance
Sustainability Development and Related Governance	16	Data Security and Customer Privacy Protection	Information Security
	17	Employees	Equality and Employment Employee Welfare and Care Employee Training and Development Occupational Health and Safety
	18	Due Diligence	Stakeholder Communication Substantive Issue Identification
	19	Stakeholder Communication	Stakeholder Communication
	20	Anti Commercial Bribery and Anti Corruption	Business Ethics and Anti Corruption
	21	Anti-Unfair Competition	Business Ethics and Anti Corruption

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

Disclosure Content	Section, Page Number, or Other Notes
Corporate and Report Basic Information	Basic Report Information; About Shenma Corporation
ESG Management	1.1 Sustainable Development Management
ESG Risks and Opportunities	1.1 Sustainable Development Management
Stakeholder Communication	1.1 Sustainable Development Management
Assessment of Material Issues	1.1 Sustainable Development Management

Environment

Disclosure Content		Section, Page Number, or Other Notes	
Environmental Indicators			
Primary Indicator	Secondary Indicator	Tertiary Indicator	
Resource Consumption	Water Resources	E.1.1.1 Freshwater Consumption	Resource Conservation and Circular Economy
		E.1.1.2 Recycled Water Consumption	
	E.1.1.3 Proportion of Recycled Water		
	E.1.1.4 Water Resource Consumption Intensity		
Materials	E.1.2.1 Non-Renewable Material Consumption	Resource Conservation and Circular Economy	
	E.1.2.2 Toxic and Hazardous Material Consumption		
	E.1.2.3 Material Consumption Intensity		
Energy	E.1.3.1 Fossil Energy Consumption	Resource Conservation and Circular Economy Campaign against Climate Change	
	E.1.3.2 Non-Fossil Energy Consumption		
	E.1.3.3 Proportion of Non-Fossil Energy		
	E.1.3.4 Total Energy Consumption		
	E.1.3.5 Energy Consumption Intensity		
Packaging Materials	E.1.4.1 Packaging Material Usage	Resource Conservation and Circular Economy	
	E.1.4.2 Reduction and Lightweighting of Packaging Materials		
Pollution Prevention and Control	Wastewater	E.2.1.1 Compliance with Wastewater Discharge Standards	Pollution Emission Control
		E.2.1.2 Wastewater Management and Reduction Measures	
		E.2.1.3 Wastewater Discharge Volume	
		E.2.1.4 Wastewater Pollutant Emissions	
		E.2.1.5 Wastewater Pollutant Concentration	
Exhaust Gas	E.2.2.1 Compliance with Exhaust Emission Standards	Pollution Emission Control	
	E.2.2.2 Exhaust Emissions		
	E.2.2.3 Exhaust Emission Concentration		
Solid Waste	E.2.3.1 Compliance with Solid Waste Disposal Regulations	Pollution Emission Control	
	E.2.3.2 Management of General Industrial Solid Waste		
	E.2.3.3 General Industrial Solid Waste Disposal Volume		
	E.2.3.4 Hazardous Waste Management		
	E.2.3.5 Hazardous Waste Disposal Volume		



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

Environment

Disclosure Content			Section, Page Number, or Other Notes
Climate Change	GHG Emissions	E.3.1.1 GHG Sources and Types E.3.1.2 GHG Emission Management E.3.1.3 Scope 1 Emissions E.3.1.4 Scope 2 Emissions E.3.1.5 Scope 3 Emissions (Certain Subsidiaries) E.3.1.6 GHG Emission Intensity	Campaign against Climate Change
		Emission Reduction Management	E.3.2.1 GHG Emission Reduction Management Campaign against Climate Change
		Environmental Rights Trading	- Campaign against Climate Change
		Climate Risk Management	E.3.4 Climate Risk Management Campaign against Climate Change
Biodiversity	Impacts of Production, Services, and Products on Biodiversity	E.4.1.1 Impacts of Production, Services, and Products on Biodiversity	Environmental Management
Policies and Measures on Resource and Environmental Management	Low-Carbon Development Goals and Strategic Initiatives	E.5.1.1 Establishment of Low-Carbon Goals and Strategic Initiatives	Campaign against Climate Change
	Resource Management Measures	E.5.2.1 Water Resource Management E.5.2.2 Material Usage Management E.5.2.3 Energy Usage and Conservation Management	Resource Conservation and Circular Economy
		Statistics, Monitoring, and Evaluation Systems for Energy Conservation and Carbon Reduction	E.5.3.1 Monitoring, Statistical Reporting, and Evaluation System for Energy Conservation and Carbon Reduction Resource Conservation and Circular Economy
		Green Initiatives and Environmental Actions	E.5.4.1 Clean Production E.5.4.2 Green Technology Upgrades and Recycling E.5.4.5 Green Procurement and Supply Chain Management E.5.4.6 Environmental Public Welfare Activities Environmental Management Supply Chain Management Resource Conservation and Circular Economy Campaign against Climate Change Public Welfare and Charity
	Green and Low-Carbon Certifications	E.5.5.1 Environmental Management System Certification E.5.5.2 Green and Low-Carbon Enterprise Certification E.5.5.3 Green and Low-Carbon Product and Service Certification	Foster Green Living with Green Plants Environmental Management
	Environmental Compliance	E.5.6.1 Emergency Response Planning for Environmental Incidents E.5.6.2 Environmental Violations and Legal Compliance	Environmental Management

Society

Disclosure Content			Section, Page Number, or Other Notes
Employees' Rights and Interests	Recruitment and Employment	S1.1.1 Company Recruitment Policies and Implementation S1.1.2 Employee Structure S1.1.3 Prevention of Child Labor or Forced Labor	Equality and Employment
	Employee Compensation and Benefits	S1.2.1 Compensation Philosophy and Policies S1.2.2 Working Hours and Leave Policies S1.2.3 Compensation and Benefits Assurance S1.2.4 Employee Democratic Management	Employee Welfare and Care
	Occupational Health and Safety	S1.3.1 Occupational Health and Safety Management S1.3.2 Occupational Safety & Risk Prevention S1.3.3 Response to Safety Incidents and Work Injuries S1.3.4 Employee Care and Support	Occupational Health and Safety
	Employee Development and Training	S1.4.1 Employee Incentive and Promotion Policies S1.4.2 Employee Education and Training S1.4.3 Employee Career Planning and Job Transition Support	Employee Training and Development
	Employee Satisfaction	S1.5.3 Employee Turnover	Employee Welfare and Care
	Product and Service Management	Safety and Quality of Products	S2.1.1 Policies and Measures for Production Standard Management S2.1.2 Quality Management S2.1.3 Product Recall and Withdrawal S2.1.4 Negative Incidents Related to Products or Services
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Corporate Governance

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Reader Feedback Form

Dear Reader,

Thank you for reading the Sustainability Report 2023 of Shenma Industrial Co., Ltd.. To provide more valuable information to you and other stakeholders, and to effectively enhance the Company's ability and performance in fulfilling corporate social responsibility, we sincerely look forward to your opinions and suggestions.

Please rate the following questions on a scale of 1 to 5 (1 being the lowest score, 5 being the highest):

1. How would you rate this report?

1 2 3 4 5

2. How well do you believe Shenma Corporation is fulfilling its economic responsibilities?

1 2 3 4 5

3. How well do you believe Shenma Corporation is addressing its environmental responsibilities?

1 2 3 4 5

4. How do you evaluate Shenma Corporation's performance in corporate governance?

1 2 3 4 5

5. How would you rate Shenma Corporation's performance in terms of employee responsibility?

1 2 3 4 5

6. How well do you think Shenma Corporation handles its social responsibilities?

1 2 3 4 5

7. How would you rate the level of information disclosure in this report?

1 2 3 4 5

8. How would you rate the quality of the writing in this report?

1 2 3 4 5

9. How would you rate the design and style of this report?

1 2 3 4 5

10. Which topics in this report stood out to you the most?

11. Do you have any additional opinions or suggestions for this report?

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