

2023 Annual Environmental, Social, and Governance (ESG) Report

Hunan Aihua Group Co. Ltd.

AiSHi
THINK AHEAD

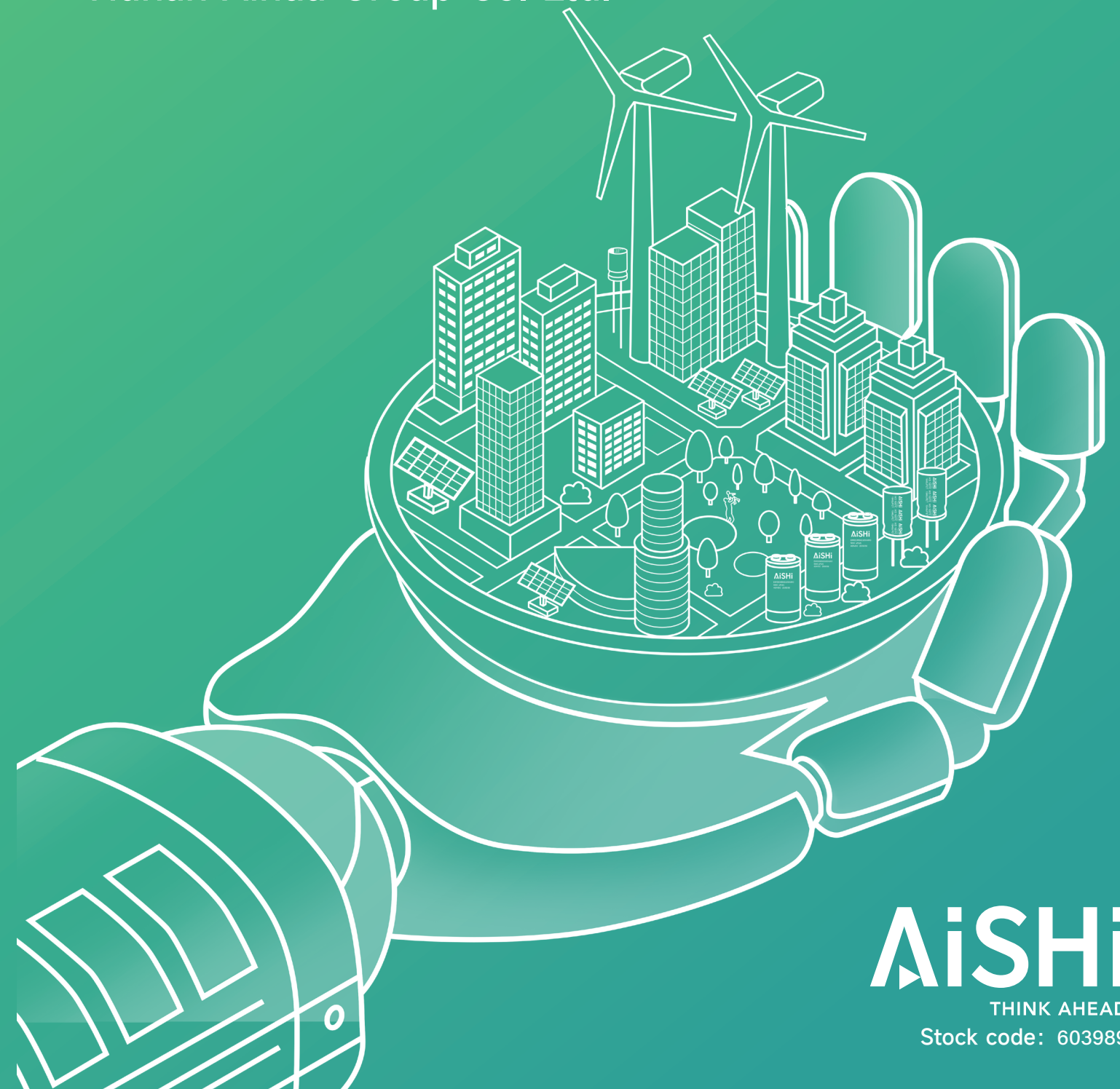
AiSHi
THINK AHEAD.

Hunan Aihua Group Co. Ltd.

The Aihua Group: East Taohualun Road Yiyang City, Hunan, China

Phone: +86-737-618-4466

Postal Code: 413000



AiSHi
THINK AHEAD
Stock code: 603989



About This Report	01
Message from the Chairman	03
Glance at Aihua Group	05
ESG Governance	11

Annex	89
Key Performance Form	89
Indexes	95
Feedback Form	97

1	Compliant Operations, Promoting Enterprise Development	
	Commitment to Corporate Governance	19
	Adherence to Business Ethics	23

2	Low-Carbon Actions, Painting An Ecological Picture Together	
	Implementation of Green Operation	27
	Enhancement of Resource Utilization	30

3	Innovative Development,Writing a New Chapter with Technology	
	R&D Management System	41
	Protection of Intellectual Property Rights	45

4	Collaborative Advancement, Fueling Industrial Upgrading	
	Focusing on Data Security	49
	Strengthening Product Responsibility	51
	Enhancing Customer Service	55
	Sustainable Supply Chains	57

5	Employee Orientation, Building A Harmonious Team	
	Protection of Employees' Rights and Interests	65
	Employee Health and Safety	71
	Employee Training and Development	79

6	Warmth Transmission, Creating a Harmonious Future	
	Commitment to Education and Public Welfare	85
	Contribution to Rural Revitalization	86



About This Report

This is the first Environmental, Social and Governance Report (the “ESG Report”) issued by Hunan Aihua Group Co., Ltd. (hereinafter referred to as “Aihua Group”, “the Company”, or “we”). In the principles of objectivity, standardization, transparency, and comprehensiveness, this report provides a detailed disclosure of the Company’s practices and performance in environmental, social, and governance for the year 2023.

Reporting Scope

This report covers Hunan Aihua Group Co., Ltd. and its branches and subsidiaries. Unless otherwise specified, the scope of this report is consistent with that of the Company’s Annual Report.

Reporting Period

This report covers the period from January 1, 2023 to December 31, 2023 (the “Reporting Period”). To improve the comparability and completeness, some sections of this report may be appropriately referred to previous years or contains forward-looking statements. This report is released on an annual basis, consistent with the financial year.

Preparation Basis

- Shanghai Stock Exchange “Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Listed Companies” (Revised in December 2023)
- Chinese Academy of Social Sciences (CASS) “Guidelines for Preparing Corporate Social Responsibility Reports in China (CASS-ESG 5.0)”
- 2022 Sustainability Reporting Standards of the Global Reporting Initiative (“GRI Standards”)
- Sustainable Development Goals (SDGs) of the United Nations
- Sustainability Accounting Standards Board Foundation’s SASB Standards (for Electrical and Electronic Equipment Industry)

Data Sources

Data sources used in this report include public data from government agencies, the actual operational data, annual financial data, internal statistical reports of the Company, third-party questionnaire surveys, third-party evaluations or interviews, etc. The financial data in this report is expressed in RMB. For any discrepancy between this report and the financial statements, the financial statements shall prevail.

Definition

Term	Interpretation
Aihua Group, we, or the Company	Hunan Aihua Group Co. Ltd.
Aihua Fuxian	Yiyang Aihua Fuxian Electronics Co., Ltd.
Mianyang Zijiang	Mianyang High-tech Zone Zijiang Electronic Components Co., Ltd.
Xinjiang Rongze	Xinjiang Rongze Aluminum Foil Manufacturing Co., Ltd.
Jiangsu Lifu	Jiangsu Lifu Electrode Foil Co., Ltd.
Sichuan Aihua	Sichuan Aihua Electronics Co., Ltd.

Access to this Report

You may download the electronic version of this report at Shanghai Stock Exchange (<http://www.sse.com.cn>) or the Company’s official website (<http://www.aishi.com/>), where you can find further insights about the Company. This report is released in both Chinese and English versions. For any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Feedback

If you have any questions or suggestions regarding this report or the Company’s social responsibility work, welcome to contact us through the following contact information:

- Tel.: 737-618-4466
- Postal Code: 413000
- Official Website: <http://www.aishi.com/>
- Email: aihua@aishi.com
- Address: East Taohualun Road (South of Zizhu Road), Yiyang City, Hunan Province, China



Message from the Chairman

In 2023, after 38 years of development and accumulation, we continued to uphold our long-term vision and strove to build a more valuable renowned brand in such an era of order reconstruction.

As a leader in the global capacitor market, Aihua Group has always been committed to the mission of “becoming the most trustworthy capacitor manufacturer in the world”. In 2023, facing the escalating global energy crisis, we continuously optimized our product mix, actively responded to the “carbon peaking and carbon neutrality” goals, implemented the development philosophy of “lucid waters and lush mountains are invaluable assets”, strictly adhered to the international standards, and fully fulfilled our corporate social responsibility, and released the first ESG Report since our listing on the stock exchange.

Prioritizing corporate governance to share rights and responsibilities

“The greatest management in the world is faith”. Aihua Group has always been committed to optimizing governance structure and systems, strengthening standardized operations, deepening internal control mechanisms, firmly combating corruption and advocating integrity. We focus on investor relationship management, and actively safeguard shareholders' rights and interests, to lay a solid foundation for the long-term development of the Company. Through continuous improvement of the governance system, we inject new vitality into the Company's sustainable development and take on our responsibilities as a leader in the industry.

Prioritizing green development to seek harmonious coexistence

“We must do our part in environmental protection”. Aligning with China's “carbon peaking and carbon neutrality” goals, Aihua Group continues to explore the path to the harmonious coexistence between the production mode and the ecological environment, striving to build an efficient, low-carbon, and circular green manufacturing and management system. We are firmly committed to revitalizing the natural environment, making blue sky and white clouds the norm, and doing our part to build a better world where man and nature coexist harmoniously. In 2023, we obtained certification as a national green factory.

Prioritizing product quality to pursue business progress

“Good products start with good craftsmanship”. Aihua Group firmly believes that the technology is the cornerstone of products and that product quality is the foundation of development. We uphold a quality management philosophy that embraces full employee engagement, all-around coverage and whole-process monitoring, and continuously optimize the product development and service quality, to better meet the market demand. In doing so, we create the distinctive allure of our brand and foster satisfaction and trust among our customers. In 2023, we won the high recognition and praise of many industry-leading customers such as Inventronics, BYD, Luxshare, Enpower and ZTE.

Prioritizing employee benefits to create a better future together

Employees are our most valuable assets and the core driving force of the Company's development. Aihua Group is dedicated to nurturing harmonious labor relations, always caring for employees' health and well-being, and striving to create a safe and supportive working environment for employees. Meanwhile, we highly value talent selection, cultivation, utilization, and retention. Through regularly organizing labor skill competitions, labor knowledge contests, the Aihua Academy self-learning platform and other methods, we create a comprehensive development platform. We stand shoulder to shoulder with our employees, jointly building a brilliant future.

Prioritizing public welfare to contribute to the betterment of society

We believe self-reliance fuels prosperity and altruism sustains longevity. In 2023, Aihua Group continued to advance its “Aihua Clean-Up” public welfare initiative. While achieving stable economic benefits, we remained committed to the ethos of giving back to society. We cultivated more volunteers and extended the reach of “Aihua Clean-Up” to more rural communities, schools, and enterprises. Furthermore, we also focus on environmental protection and promote green and sustainable development, to achieve a win-win balance between economic benefits and social responsibility and jointly build a happier and more livable society.

In 2023, Aihua thrived with strength, conviction and synchronization in clear vision and definite plans. Looking ahead, Aihua Group will keenly identify new opportunities, actively embrace new developments, and delve deeper into exploring new patterns. We will continuously enhance our corporate governance capabilities and strategic vision, striving to create greater value for our employees and shareholders. We will remain true to our original aspirations, move forward steadily, and fulfill our corporate social responsibility with practical actions, contributing positively to environmental protection and social development.

Chairman of Aihua Group

Ai Lihua





Glance at Aihua Group

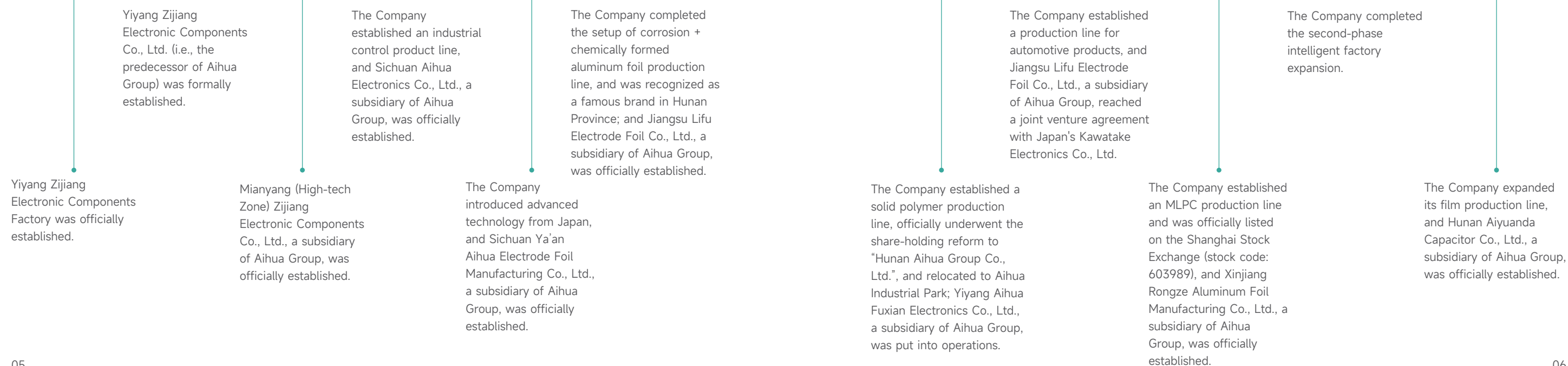
Company Profile

Hunan Aihua Group Co. Ltd. (stock abbreviation: Aihua Group; stock code: 603989) was established in 1985, with a development history of 38 years, and listed on the main board of the Shanghai Stock Exchange in May 2015. The headquarters is located at Taohualun East Road (South of Zizhu Road), Yiyang City, Hunan Province, China. The Company is a manufacturing enterprise group mainly engaged in the design, manufacture, and sale of aluminum electrolytic/film capacitors, and the integration of electrode foil and equipment manufacturing. With an annual production capacity of up to 19 billion capacitors, the Company operates 9 major production bases and has more than 4,800 employees in locations such as Yiyang City, Hunan Province, and Mianyang City, Sichuan Province.



Milestones

1985 1993 1996 2002 2003 2005 2010 2013 2015 2021 2023



Corporate Culture



Vision

To build a century-old enterprise and create a happy Aihua



Mission

To become the most trustworthy capacitor manufacturer in the world



Values

Be virtue, philanthropic, responsible, and benefiting the country and its people



Development Goal

To create a new Aihua and become a world-class Chinese capacitor manufacturer



Development Strategy

To become an active force for the sustainable development with excellent culture, build "Aihua" a world-renowned brand with original and leading technology and quality, and make "Aihua" synonymous with the highest cost-effectiveness.



Spirit

Innovative, courageous, honest and conscientious



Quality Standard

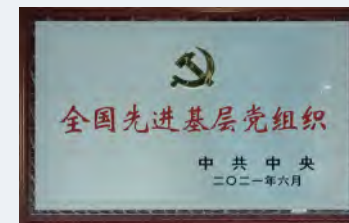
Adhering to the ten bottom lines of quality and ensuring that no substandard products are released



Business Principles

To provide genuine goods at fair prices, ensure fair trade, and treat all customers with honesty and integrity

Honors



Advanced community-level Party organizations

CPC Central Committee



Hunan Governor's Quality Award

People's Government of Hunan Province



National Green Factory

Ministry of Industry and Information Technology



Model Unit for Cohesion and Development in 2022

Unified Front Work Department under CPC Heshan District Committee, Yiyang City



Outstanding Contribution Collective for the Implementation of the Xiangmeizi Energy Home Project

Women's Federation of Hunan Province



2023 Model Enterprise of Safety Culture Construction in Hunan Province

Hunan Occupational Safety and Health Association



Outstanding Contribution Award for the "One Village, One Enterprise" Initiative

Unified Front Work Department under CPC Yiyang Heshan District Committee, Federation of Industry and Commerce in Heshan District, Yiyang City



Top Ten Enterprises Practicing the Strategy of "Three Highlands, Four New Missions"

Unified Front Work Department under CPC Yiyang Heshan District Committee, Federation of Industry and Commerce in Heshan District, Yiyang City



2023 Healthy Enterprise of Yiyang City

Health Commission of Yiyang City

► Overview of 2023

Milestones in 2023

March

The Company obtained certification as a national green factory.

[illegible]

June

The Company's capacitor products debuted at the 28th Guangzhou International Lighting Exhibition.



September

The Company participated in 2023 The First Global Supplier and Partner Conference of Inventronics (Hangzhou) Inc. and won the 2023 Global Excellent Partner Award.



November

The Company signed a co-chain cooperation agreement with the State Grid.



The Company attended the BYD New Energy Vehicle Core Supplier Conference.



May

The Company supported GaN Systems Cup to build an academic innovation highland.



July

The Company's capacitor products debuted at the Electronica China.



October

The Company participated in the 2023 China New Energy Vehicle Charging and Drive Technology Conference (EVCP2023).



December

The Company won the “Excellence Award” issued by 21dianyuan for the capacitor industry.



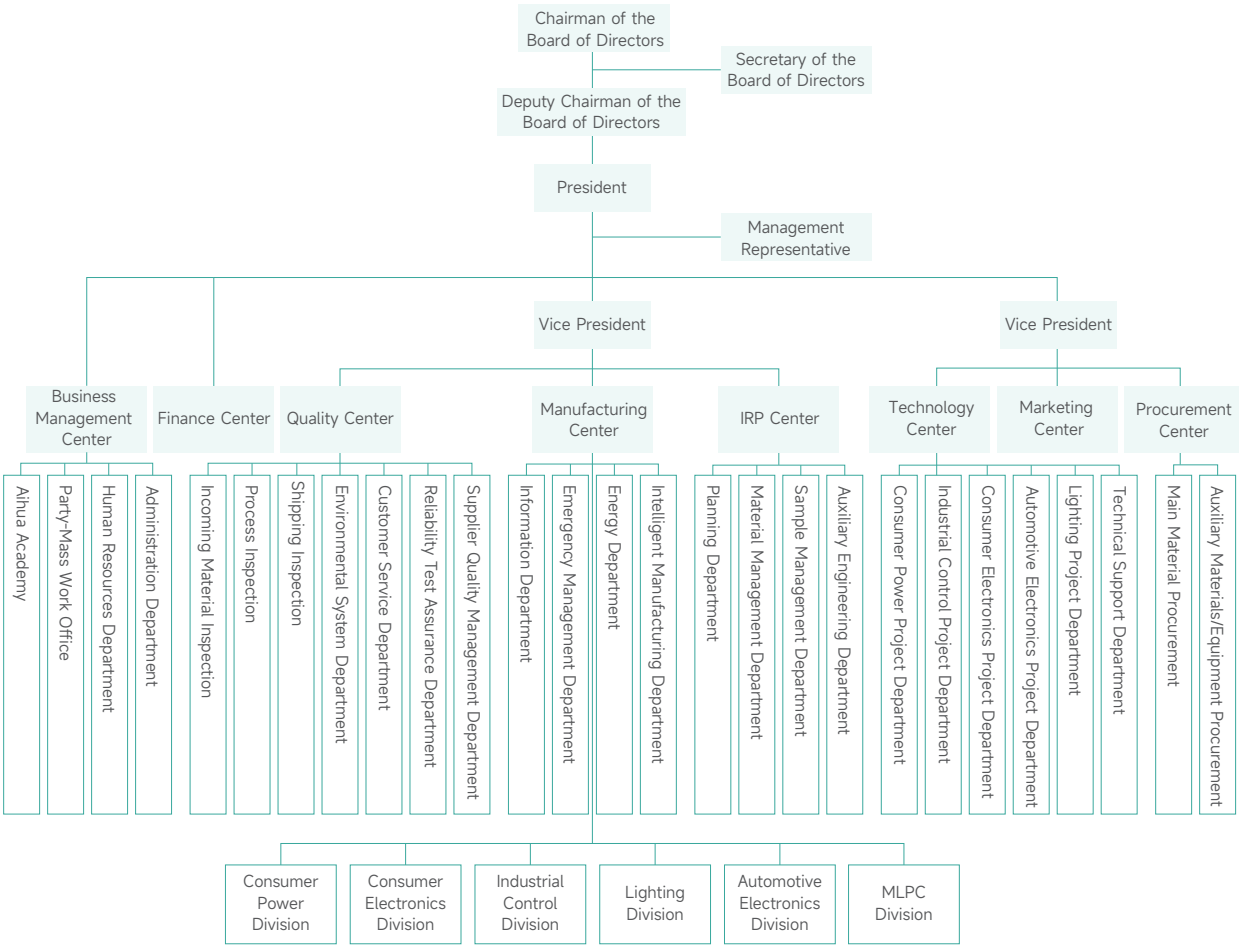
ESG Governance

With the increasing global attention to sustainable development, ESG governance has become a core component of corporate governance. The Company integrates the core philosophy of ESG governance into strategic decision-making process and all aspects of daily operations. While pursuing economic benefits, the Company establishes a correct sense of social responsibility and creates a comprehensive, efficient, and sustainable ESG governance system.

ESG Management System

Aihua Group prioritizes social responsibility management. To implement the RBA Code of Conduct, we have formulated the *RBA Management Manual* in conjunction with the Company's realities, giving specific provisions for labor, health and safety, environment, ethical standards, supplier responsibility, etc. Our employees are required to strictly comply with relevant laws and regulations, actively fulfill corporate social responsibilities, continuously improve social responsibility management performance, and build a positive corporate image.

The Company has established a social responsibility organizational structure consisting of the president, management representatives, departments, employee representatives and employees. Each party has clearly defined responsibilities, ensuring efficient collaboration. The RBA principles, social responsibilities, environmental health and safety, and ethical standards are implemented in all aspects of the Company's production and operation. Detailed RBA management objectives have been formulated to continuously promote the high-quality development of the Company.



Social Responsibility Organization Chart

RBA Management Objectives	Achievement
100% social insurance coverage rate	✓
Zero major safety accidents (including personal injury and death, equipment accidents, traffic accidents, fires) and security incidents	✓
100% workplace occupational hazard detection compliance rate	✓
100% environmental monitoring compliance rate	✓
5% YOY reduction in carbon emissions	✓
0 business ethics violation	✓
100% timely handling of employee complaints	✓

Commitment to ESG Development

Aihua Group deeply recognizes that while promoting high-quality business development, we must closely align with national expectations and societal needs. Adhering to the social responsibility policy of “Making Employees, Customers and Society Satisfied, and Creating a Happy Aihua”, the Company has formulated the ESG development commitments. Through close cooperation with all stakeholders, we strive to achieve the harmonious coexistence of enterprise, society, and environment, and jointly build a sustainable development blueprint for the earth and human society.

Aihua Group's Commitments to Sustainable Development	
Business ethics	We commit to operating with integrity, strictly upholding the principles of reasonableness, legality, and fair competition, prohibiting any form of corruption or bribery, and following the highest standards of ethical requirements.
Environmental protection	We commit to reducing adverse impacts on society, the environment, and natural resources during the manufacturing process, obtaining and registering environmental permits, taking effective measures to prevent pollution and conserve resources, and providing world-class products that meet environmental requirements.
Labor and Human Rights	We commit to actively responding to international consensus, respecting the human rights and legitimate interests of every employee, strictly prohibiting the use of child labor, forced labor, and illegal discrimination in production and operation management, paying labor remuneration on time, and providing employees with a safe and healthy working environment.
Sustainable Purchasing	We commit to integrating environmental protection, business ethics, labor, and human rights into the supplier management mechanism, formulating a code of conduct for suppliers, providing training on RBA standards, and ensuring that suppliers strictly comply with relevant laws, regulations, and RBA standards.

ESG Development Goals

The Company is committed to practicing the philosophy of “carbon peaking and carbon neutrality” and shaping a unique ESG brand image. We promote our businesses around the United Nations’ 2030 Sustainable Development Goals (SDGs). While continuously improving our ESG strategy system in line with clear ESG management principles, we take specific measures across various aspects of the Company’s development to comprehensively support ESG development, and work together with partners, employees and all stockholders from all walks of life to jointly promote global sustainable development.

SDGs	Content of SDGs	Chapters	Initiatives
	End poverty in all its forms everywhere	Warmth Transmission, Creating a Harmonious Future	Strengthen social responsibility, actively participate in education and public welfare activities, respond to the call of the state, and support rural revitalization efforts.
	Ensure healthy lives and promote well-being for all at all ages	Employee Orientation, Building A Harmonious Team	Adhere to the principle that the life safety and physical health of employees are paramount; carry out occupational health and safety management system certification, strengthen the investigation and rectification of safety hazards in production, and provide employees with a safe and healthy working environment.
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Employee Orientation, Building A Harmonious Team	Establish training academies and the “Aihua Group Cloud Platform” to provide all employees with convenient, flexible, and efficient learning service and resources.
	Achieve gender equality and empower all women and girls	Employee Orientation, Building A Harmonious Team	Adhere to the principle of equal pay for equal work, ensure female employees are entitled to maternity leave, prenatal check-up leave, breastfeeding leave and other legal rights, and provide restrooms and lactation rooms for female employees.
	Ensure availability and sustainable management of water and sanitation for all	Low-Carbon Actions, Painting An Ecological Picture Together	Formulate water conservation plans, implement water conservation measures thoroughly, enhance water recycling, and monitor wastewater to ensure compliance with discharge standards.
	Ensure access to affordable, reliable, sustainable and modern energy for all	Low-Carbon Actions, Painting An Ecological Picture Together	Continuously increase the proportion of clean energy usage, and install solar photovoltaic power generation systems on rooftops.

SDGs	Content of SDGs	Chapters	Initiatives
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Employee Orientation, Building A Harmonious Team	Strictly prohibit any form of forced labor and fully safeguard the personal freedom of employees.
	Build risk-resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Innovative Development, Writing a New Chapter with Technology	Improve the research and development incentive system, establish innovation incentive mechanisms, adhere to industry-university-research cooperation and digital construction, and strengthen the protection of intellectual property rights.
	Reduce inequality within and among countries	Employee Orientation, Building A Harmonious Team	Eliminate any form of discrimination and advocate for a diverse workplace environment.
	Ensure sustainable consumption and production patterns	Collaborative Advancement, Fueling Industrial Upgrading	Strengthen product quality control, carry out quality management system certification, provide customers with high-quality service, and improve the after-sales service system.
	Take urgent action to combat climate change and its impacts	Low-Carbon Actions, Painting An Ecological Picture Together	Establish the “carbon peaking and carbon neutrality” goals and actively carry out carbon verification.
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Compliant Operations, Promoting Enterprise Development	Operate in accordance with laws and regulations, improve internal control, establish anti-occupational fraud and anti-unfair competition management mechanisms, and emphasize investor relations management.
	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	Collaborative Advancement, Fueling Industrial Upgrading	Integrate ESG standards to the introduction, audit, evaluation and grading of suppliers, continuously provide ESG training for suppliers, and strengthen the management of conflict minerals.

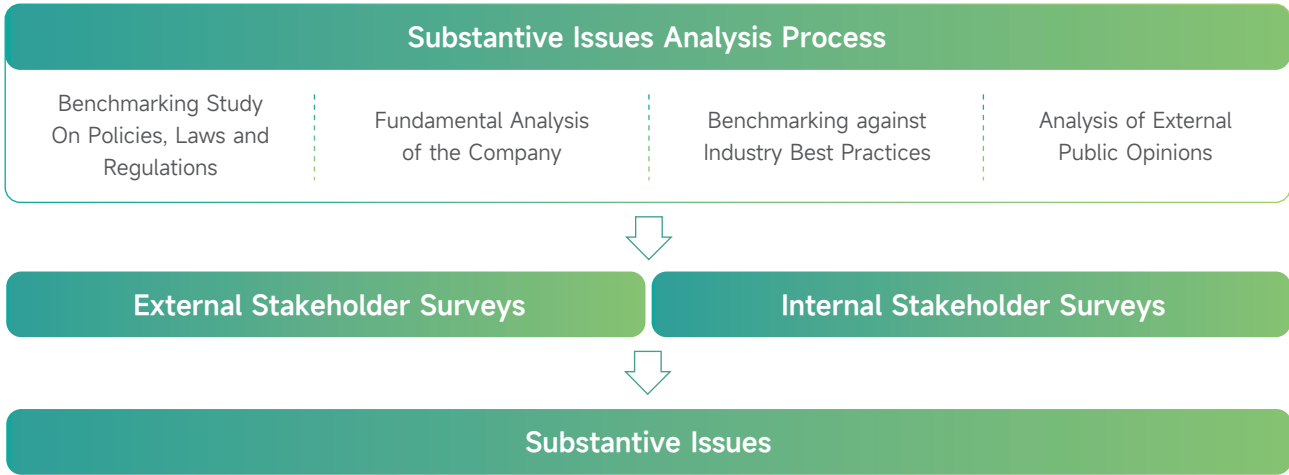
► Communications with Stakeholders

Aihua Group always prioritizes communication with stakeholders. We establish efficient and regular communication mechanisms, and deeply understand, identify and promptly respond to the social responsibility issues that concern each stakeholder, to achieve sustainable development and win-win outcomes between the Company and our stakeholders.

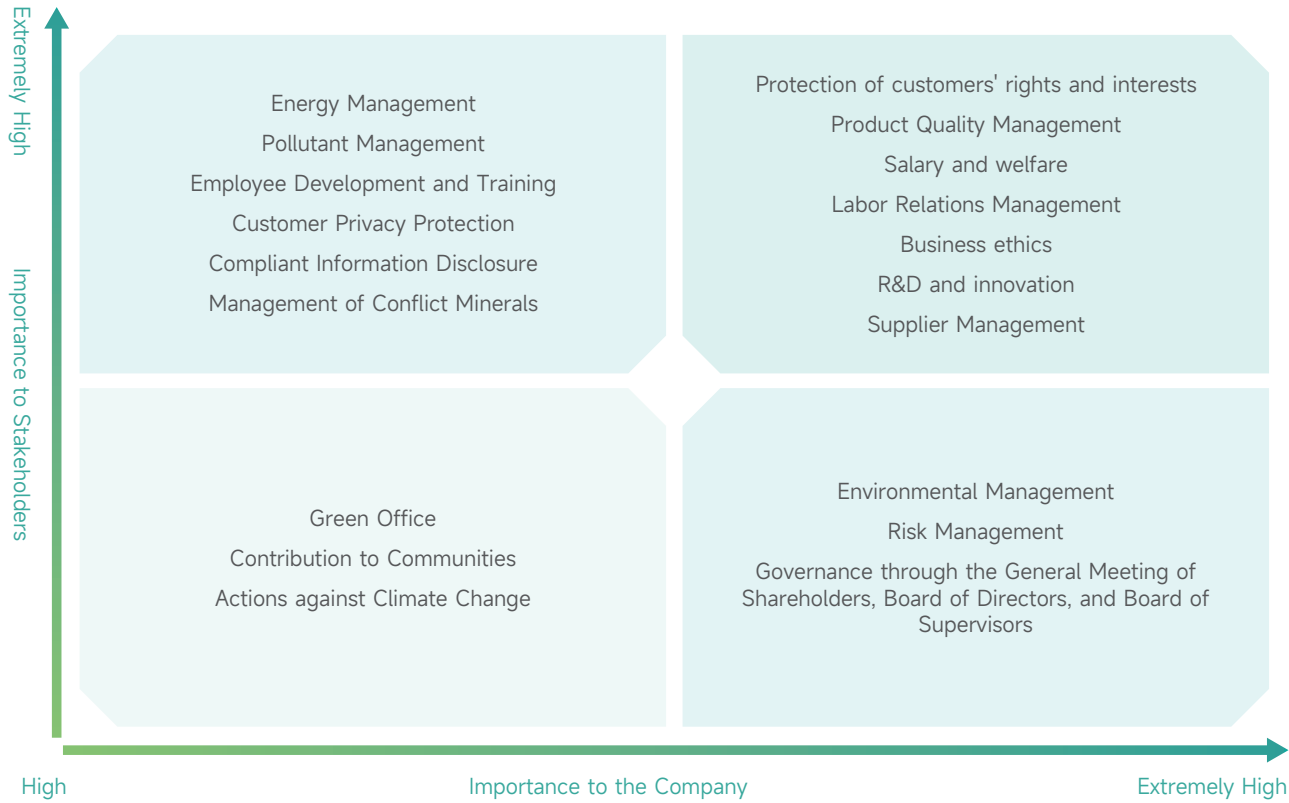
Stakeholder Category	Demands and Expectations	Communication and Response
Government and regulatory agencies	Improvement of Corporate Governance Lawful tax payment Implementation of Rural Revitalization	Compliant Operation Full Tax Compliance Fulfillment of Social Responsibilities
Investors and Shareholders	Protection of Shareholders' Rights and Interests Corporate governance Openness and Transparency Internal Control and Risk Management Anti-Corruption and Anti-Bribery	General Meeting of Shareholders Timely and Accurate Information Disclosure Performance Briefing Investor Hotline Whistleblower Hotline for Anti- Occupational Fraud and Anti-Bribery
Customers	Information Security Supply of High-Quality Service Product Quality Product Innovation	Data Protection System Satisfaction Surveys Communication with Customers through the Complaint Platform Quality Training
Employees	Protection of Employees' Rights and Interests Occupational health and safety Skill Training and Career Development	Regular Training Employees' Congress Employee Care Activities Regular Medical Checkups Clear Career Advancement Pathways
Suppliers	Responsible supply chain Common Development	Supplier Conference Empowerment Training Regular Assessment and Audit
Community and Environment	Public Charity Employment Promotion Pollutant Management Resource Management Green Office	Social Welfare Provision of Employment Opportunities Enhancement of Environmental Management

► Analysis of Substantive Issues

The Company prioritizes ESG rating indicators in the capital market. Taking account of national policies, laws and regulations, we analyze our own sustainable development challenges, establish a mechanism for identifying substantive ESG issues, and determine the annual material issues by analyzing and researching the concerns of internal and external stakeholders.



The Company conducts questionnaire surveys with investors, employees, customers, and other stakeholders, and based on the survey results, identifies and evaluates the importance of substantive ESG issues. Referring to the industry standards and considering our own realities, we organize and prioritize substantive ESG issues, we develop a substantive issue matrix from two dimensions: "Importance to the Company" and "Importance to Stakeholders".





01

Compliant Operations, Promoting Enterprise Development

Upholding the principles of integrity, transparency, openness, and efficiency in corporate governance, Aihua Group establishes a corporate governance mechanism featuring clear responsibilities and coordinated operation. We continually improve our policy system and internal control system, comprehensively prevent and resolve risks, and enhance long-term enterprise value, to safeguard sustainable development and create a good return for shareholders.

► Commitment to Corporate Governance

19

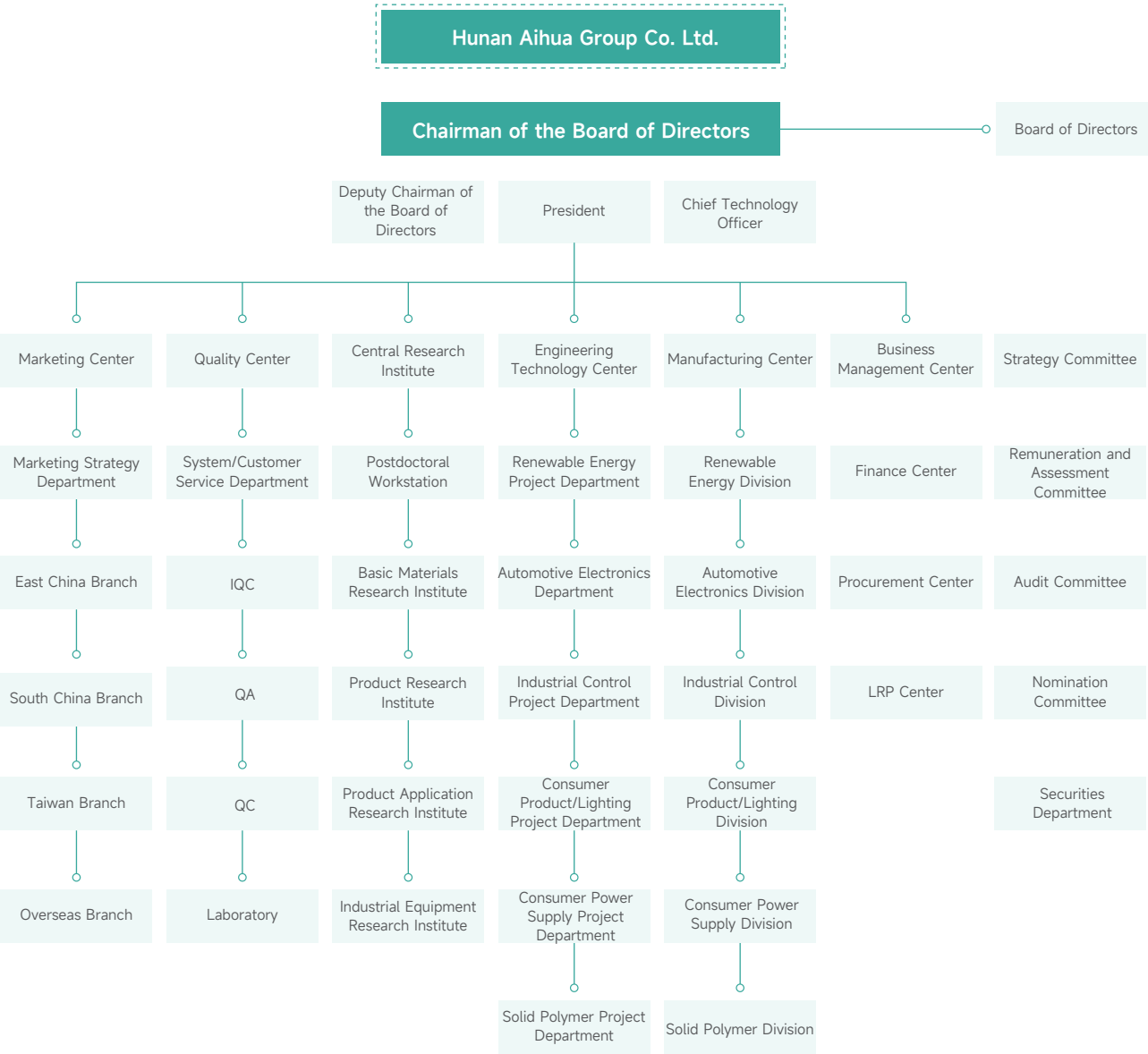
► Adherence to Business Ethics

23

Commitment to Corporate Governance

Governance through the General Meeting of Shareholders, Board of Directors, and Board of Supervisors

Aihua Group strictly follows the requirements of laws, regulations and regulatory 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 *Governance Code for Listed Companies*, constantly improves corporate governance structure and internal management system, and effectively promotes the standardized management work to ensure the efficient operation of the Company. The Company has established a modern governance framework centered around the General Meeting of Shareholders, the Board of Directors and the executive management, with a clear division of responsibilities. This ensures mutual checks and balances and coordination between internal control and external supervision, and provides solid guarantees for the implementation of major decisions and the standardized operation of daily business activities.



Governance Framework

Aihua Group convenes and holds General Meeting of Shareholders in a standardized manner strictly pursuant to the *Articles of Association*, the *Rules of the Shareholders' General Meeting* and other systems, and adopts a combination of on-site and online voting to facilitate the participation of investors in voting at General Meeting of Shareholders. This effectively safeguards shareholders' rights and interests, and ensures that all shareholders, in particular the small and medium-sized shareholders, enjoy an equal status and fully exercise their rights. The Board of Directors deliberates and resolves on all major matters of the Company in accordance with the *Rules of Procedure of the Board of Directors* to fully safeguard the Company's compliant operation. The Board of Supervisors convenes regular meetings in accordance with the *Rules of Procedure for the Board of Supervisors*, supervises the Company's finance as well as the compliance of the Company's directors and management in performing their duties in accordance with applicable laws and regulations, and effectively safeguard the legitimate rights and interests of the Company and relevant shareholders.

Key Performance

During the Reporting Period,

the Company held **2** General Meetings of Shareholders (including **1** Extraordinary General Meeting of Shareholders) at which **16** resolutions were passed; 6 meetings of the Board of Directors at which **28** resolutions of the Board of Directors were passed, with an attendance rate of **100%**; and **5** meetings of the Board of Supervisors at which **21** resolutions of the Board of Supervisors were passed, with an attendance rate of **100%**.

Board Committees

The Board of Directors of the Company consists of four specialized committees: the Strategy Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Audit Committee. Each committee performed its duties in accordance with the *Procedures for the Work of the Committees*, which provided ample assurance for the scientific and professional deliberations and decisions of the Board of Directors.

Key Performance

During the Reporting Period,

the Audit Committee convened **7** meetings, the Compensation and Assessment Committee convened **1** meeting, and the Strategy Committee convened **3** meetings.

Diversity and Independence of the Board of Directors

When planning the composition of the Board of Directors, Aihua Group gives full consideration to the diversity of members in the Board of Directors, including but not limited to age, gender, professional experience and qualification, culture and educational background. The Company firmly believes that the diversity of the Board of Directors has a favorable impact on the Company's governance structure, innovativeness and market resilience, and contributes to enhancing the Company's scientific and comprehensive decisions and long-term steady development. As at the end of the Reporting Period, the Company had 7 directors, including 3 female directors, with the proportion of female directors being 42.86%.

Aihua Group has clearly stipulated the duties of independent directors in the *Procedures for the Work of Independent Directors*, and taken necessary measures to ensure that independent directors can effectively exercise their powers. Independent directors convenes the meetings of the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee of the Company, and express independent opinions to the Board of Directors and the General Meeting of Shareholders as required. They also offer independent and professional advice on significant matters, to effectively safeguard the legitimate rights and interests of shareholders. As at the end of the Reporting Period, the Company had 3 independent directors, with the percentage of independent directors being 42.86%.

Information Disclosure

Aihua Group strictly adheres to relevant laws, regulations and the *Information Disclosure Management System*, earnestly fulfills the strict requirements of regulatory authorities at all levels regarding information disclosure, continuously strengthens supervision and control over relevant responsible personnel, establishes a top-down auditing mechanism, ensures the truthful, accurate, complete, timely, and fair disclosure of significant company information, and ensures that all shareholders have equal rights to access relevant information, meeting the decision-making needs of investors. During the Reporting Period, the Company made external disclosure of 6 periodic reports and 89 interim announcements, without any penalties due to violations in information disclosure.

Investor Relations Management

To enhance corporate governance level and improve transparency in operations, Aihua Group has established the *Investor Relations Management System* and the *Investor Rights Protection System*. These systems clearly define the objectives and basic principles of investor relations management, as well as relevant communication target and content. During the Reporting Period, the Company continued its investor relations management efforts, actively engaging with investors through various channels such as roadshows, performance briefings, teleconferences, telephone calls, and the SSE E-Interactive platform. These interactions strengthened communication between the Company, investors and potential investors, facilitated investors to get an understanding of the Company, and fully protected investors' legitimate rights and interests such as the right to know and the right to vote.

Key Performance

During the Reporting Period,

the Company held **1** investor open day and **4** performance briefings, answered **1,080** investor calls, engaged in **20** email exchanges, and had **39** interactions through the SSE E-Interactive platform, addressing a total of **1,200** investor inquiries with a response rate of **100%**.

Protection of Shareholders' Rights and Interests

In 2023, Aihua Group formulated the *Shareholders' Dividend Return Plan for the Next Three Years (2023-2025)* to further improve the profit distribution policy and enhance the transparency and operability of profit distribution decisions. The plan provides clear provisions on the planning period and adjustment mechanism for shareholder dividends, the specific content of the shareholder dividend return plan (including the form and priority of profit distribution, specific conditions and proportions of cash dividends, differentiated cash dividend policies, distribution conditions for stock dividends, etc.), decision-making mechanisms for profit distribution, and decision-making mechanisms for adjusting profit distribution policies.

Key Performance

		Unit	2021	2022	2023
Bonuses/ Dividends	Total Cash Dividends (including tax)	RMB 10,000	11,956.04	11,954.08	10,567.67
	Cash Dividends per 10 shares (including tax)	RMB	3	3	2.65
	Total Share Repurchase Amount	RMB 10,000	5,263.30	2,324.23	/
	Proportion of total amount of repurchase price and proposed cash dividend in the net profit attributable to shareholders of the listed company in the consolidated financial statements	%	35.33	32.02	30.11

Note: Data of 2023 is subject to the deliberation and resolution by the General Meeting of Shareholders.

Internal Control Audit

Aihua Group has always been committed to optimizing internal control and risk management, constructing a stable internal control management mechanism, and providing strong support for the sustainable development of the Company. To ensure the continuous optimization of internal control and the timeliness of risk prevention, the Company conducts internal audits four times a year on a regular basis, and hires auditors to audit the effectiveness of internal control in financial reports and issue internal control audit reports.

Connected Transactions

Aihua Group has formulated the *Connected Transaction Management System* which provides clear provisions on the involved matters, basic principles, scope of connected persons, pricing principles, disclosure decision-making procedures and other aspects of connected transactions, to further standardize the decision-making of connected transactions of the Company, ensure that the related transaction contracts entered into between the Company and related parties comply with the principles of fairness, impartiality, and openness. Meanwhile, the Company strictly implements a avoidance mechanism for connected transactions. When the Board of Directors and the General Meeting of Shareholders deliberate on connected transactions, directors and shareholders involved in connected transactions must avoid voting.



Adherence to Business Ethics

Aihua Group always adheres to the highest standards of business ethics and shapes a clean and self-disciplined corporate style through system optimization, systematic training and cultural construction. The Company strictly regulates the ethical behavior of employees, management and business partners in the principles of fairness, impartiality and transparency to build a healthy and positive operating environment.

Anti-Corruption and Anti-Bribery Systems

Aihua Group attaches great importance to business ethics management and has formulated the *Business Ethics Management Procedures*, the *Anti-Occupational Fraud Management System and other systems* and norms, to require all employees to abide by the highest standards of business ethics at all times, and prevent the occurrences of corruption, conflict of interest, fraud, money laundering and other violations of business ethics. The Company has established an anti-occupational fraud work mechanism composed of the Board of Directors, the Audit Committee, the Audit Department, the President, and the Party-Mass Work Office. The Board of Directors and the Audit Committee are responsible for supervising and reviewing anti-occupational fraud management work, while the Audit Department, as the executive body of the anti-occupational fraud management work, is responsible for formulating and executing internal audit plans against anti-occupational fraud risks, investigating internal occupational fraud incidents, and assisting the Party-Mass Work Office in anti-occupational fraud publicity. The President (CEO) is responsible for assessing occupational fraud risks, establishing specific control procedures and mechanisms, and implementing the Board of Directors’ opinions on occupational fraud.

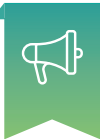
The Company continuously strengthens business process audits, regularly conducts assessments of the corruption risks of each department in the process of exercising power in business activities, identifies the probability, level, and severity of business ethics risks for risk factors that may pose potential risks of corruption and bribery, formulates strict risk prevention and control measures for each department based on assessment results, and issues a complete *Business Ethics and Corruption Risk Assessment Form*. To foster a culture of integrity, the Company has established a normalized anti-occupational fraud prevention system, including: induction training on the anti-occupational fraud system for all new employees, one anti-occupational fraud publicity campaign a year, a *Commitment to Honesty and Integrity* required from each of the managers and employees in key positions, and guidelines for handling gifts received by employees, etc. In addition, the Company also regularly organizes CSR online training to enhance the anti-corruption and anti-bribery awareness of all employees.

Key Performance			
		Unit	2023
Anti-Corruption and Anti-Bribery Training	Times of training on business ethics and anti-corruption	Time	1
	Number of employees participating in training on business ethics and anti-corruption	Person	296
	Total duration of training on business ethics and anti-corruption attended by employees	Hour	187.5
	Percentage of employees participating in training on business ethics and anti-corruption in total employees	%	8
	Percentage of business partners receiving training on the Company’s anti-corruption policies and practices	%	100

Whistleblowing Mechanism

To regulate the ethical behavior of employees and protect the interests of the Company and relevant shareholders, Aihua Group explicitly conveys to all employees and partners a “zero tolerance” attitude towards occupational fraud and corruption and has signed the *Agreement on Social Responsibility and Occupational Health and Safety* with all suppliers. The Company’s anti-occupational fraud management follows the principle of all-staff supervision, and discloses a variety of whistleblowing channels such as telephone, e-mail and suggestion box, to encourage all employees to report any bribery, occupational fraud and other violations of business ethics that have occurred or may occur.

For complaints and whistleblowing, the Company has clearly stipulated the whistleblowing procedures and whistleblower protection measures in the *Anti-Occupational Fraud Management Mechanism*, and the Audit Department is responsible for accepting and responding to such complaints and whistleblowing, and recording them in the *Occupational Fraud Report Form*. The Company encourages real-name whistleblowing, and strictly maintains the confidentiality of whistleblower information, except when is required to make such disclosure for cooperating with government investigations. Meanwhile, the Company strictly prohibits any retaliation against whistleblowers. If a whistleblower suffers retaliation, personal attacks, or financial losses due to reporting internal occupational fraud within the Company, the Company assumes full responsibility. Additionally, the Company provides different levels of cash rewards to employees who report confirmed occupational frauds, and gives priority to them in annual assessments and promotions. In 2023, the Company did not have any litigation cases due to corruption and bribery.



Anti-Fraud and Anti-Bribery Reporting Hotline: 18973797209

Anti-Fraud and Anti-Bribery Reporting Email: Liuy@aihuaglobal.com

Anti-monopoly and Anti-unfair Competition

To ensure fair competition with peers, Aihua Group has established the *Advertising and Fair Trade Management System*, which explicitly prohibits the Company from taking any actions that may interfere with or harm competitors, or engaging in any form of unfair competition. Furthermore, the *Business Ethics Management Procedures* stipulate that the Company shall be strictly prohibited from signing monopoly agreements with any entity in the same industry or any third-party organizations, and conscientiously accepts the supervision of industry associations. The Company’s Labor Union is an anti-monopoly supervisory body. If any suspected monopolistic behavior occurs, any entity or individual has the right to report it to the Labor Union or the state anti-monopoly agency, and the Company will take serious action if they are recognized as constituting monopoly acts. During the Reporting Period, the Company did not face any litigation or significant administrative penalties due to unfair competition practices.



02

Low-Carbon Actions, Painting An Ecological Picture Together

Aihua Group actively responds to the global call for green and low-carbon development by implementing a series of environmental protection measures to effectively reduce the negative impact of operations on the environment and contribute to achieving the “carbon peaking and carbon neutrality” goals. Facing global climate change, Aihua Group sets an example by continuously deepening energy conservation and emission reduction efforts, firmly following the path of environmental friendliness and sustainable development, and striving to be a leader and promoter in the green transformation of the industry.

- Implementation of Green Operation 27
- Enhancement of Resource Utilization 30

Implementation of Green Operation

Environmental Management System

Aihua Group strictly abides by the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes*, the *Law of People's Republic of China on the Prevention and Control of Noise Pollution* and other laws and regulations and industry standards concerning environmental protection, and adheres to the environmental management policy of “high quality, consumption reduction, compliance with laws and regulations, prevention of pollution, safety and health”. The Company implements the philosophy of green environmental protection into all aspects of production and operation, and continues to build an efficient environmental management system. During the Reporting Period, the Company continued to increase investment in energy conservation and environmental protection, with a total investment of RMB 5.103 million.

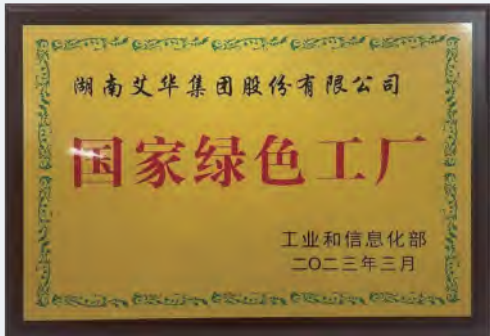
Based on development realities, the Company has set up environmental management targets to promote the steady improvement of environmental protection.

Environmental Management Objectives of the Company for 2023			
Environmental Indicators		Environmental Management Objectives for the Reporting Period	Actual Achievement
Energy Conservation	Electricity Consumption	1.00 yuan per KPCS (annual mean)	0.966 yuan per KPCS (annual mean)
	Water Consumption	0.03 yuan per KPCS (annual mean)	0.029 yuan per KPCS (annual mean)
Harmless Treatment of Hazardous Wastes		100% harmless treatment	100% harmless treatment
Waste Gas Pollution Control		1.Limit Value stated in Table 2 of GB16297-1996 Integrated Emission Standard of Air Pollutants 2.DB12/524-2020 Emission Control Standard for Industrial Enterprise Volatile Organic Compounds	Achieved
Wastewater Treatment		Compliance with Grade III emission standards in Table 4 of GB8978-1996	Achieved
Noise Control		Compliance with the limit value stated (i.e., < 60dB in daytime and < 50dB in nighttime) in Grade 2 mission standard in Table 1 of GB12348-2008 Emission Standard for Industrial Enterprise Noise at Boundary	Achieved
Prevention of Potential Leaks and Fires From Solvent Storage		No leaks or accidents	No leaks or accidents

The Company and its subsidiaries actively make efforts to obtain environmental management system certification. During the Reporting Period, the Company and several of its subsidiary companies have obtained ISO 14001:2015 (Environmental Management System) certification and been honored as the national “green factory”.



ISO 14001 Environment Management System Certification Certificate



National Green Factory



ISO 14001 Environment Management System Certification Certificate for Aihua Fuxian



ISO 14001 Environment Management System Certification Certificate for Mianyang Zijiang



ISO 14001 Environment Management System Certification Certificate for Xinjiang Rongze

Management of Environmental Risks

To enhance the Company's capability to prevent and respond to sudden environmental pollution incidents, Aihua Group has developed an *Emergency Response Plan for Sudden Environmental Incidents*. Through self-assessment, the Company systematically identifies and evaluates environmental impact factors, and develops an *Internal and External Environment and Occupational Health and Safety Factor Risk and Opportunity Analysis and Evaluation Form*, to promptly rectify environmental risk hazards. Meanwhile, the Company carries out emergency drills, including drills for handling facility failures and hazardous chemical leakage and other emergencies, to enhance employees' emergency response capabilities, reduce the potential harm caused by sudden environmental incidents, and achieve prevention and effective control of adverse environmental factors.

Environmental Actions

Aihua Group actively practices the philosophy of green development and continuously promotes clean production. The Company has established a comprehensive incentive mechanism for cleaner production, and set up a clean production audit leader group to guide the clean production efforts of the Company. This reduces or avoids the generation and emission of pollutants in the process of production, service and product use, and improves the efficiency of resource utilization.

In addition, the Company actively publicizes the philosophy of environmental protection in the daily production and operation process, and promotes the establishment of energy-saving and environmental protection awareness among employees. From operation processes to operation practices, the Company strives to conserve water and electricity by starting with the little things around us, and actively participates in public welfare activities to build environmental protection and benefit the people and repay society.

Supporting the Creation of a Civilized City and Conducting Volunteer Service Activities for Creating Civilization

Case Study

In March 2023, to advocate for a healthy and civilized lifestyle, create a clean, tidy, civilized, and harmonious working environment, and promote the creation of a civilized city, Aihua Group organized the "Aihua Clean-Up" volunteer team to offer volunteer service for creating civilization around the main and secondary roads, backstreets alleys near Aihua Group. Promoting the spirit of "dedication, friendship, mutual assistance, and progress" in volunteer services, we actively supported Yiyang City's efforts to create a nationally recognized civilized urban area, sparking widespread enthusiasm for nationwide participation.



Volunteer Service Activities for Creating Civilized Urban Area

Key Performance

	Unit	2023
Violations of laws and regulations concerning environmental protection	Case	0
Environmental Incidents	Case	0
Compliance Rate Observed in Pollutant Monitoring	%	100
Synchronized Operation Rate of Environmental Facilities	%	100
Compliance Rate of "Three Simultaneities" in Environmental Protection for Construction Projects	%	100
Number of Environmental Training Sessions	Time	1
Person-times of Participants in Environmental Training	Person-times	92

Management of Carbon Emission

To achieve the "carbon peaking and carbon neutrality" goals, Aihua Group actively implements the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy*, the *Action Plan of the State Council for Carbon Peaking Before 2030*, and the work requirements of government and industry regulatory authorities at all levels. We support the Chinese government's commitment to "strive to achieve carbon peaking by 2030 and carbon neutrality by 2060", and take carbon emission management as one of the important pillars of our sustainable development strategy. We have formulated the *Management Procedures for Energy Consumption and Greenhouse Gas Emission*, to identify sources of greenhouse gas emissions, improve production efficiency, and reduce greenhouse gas emissions per unit of product. Additionally, we regularly invite third-party organizations to verify the greenhouse gas emission situation. During the Reporting Period, the Company met the requirements of the verification criteria, and reached the reasonable assurance level and met the substantive requirements.



Greenhouse Gas Emission Verification Statement

Key Performance

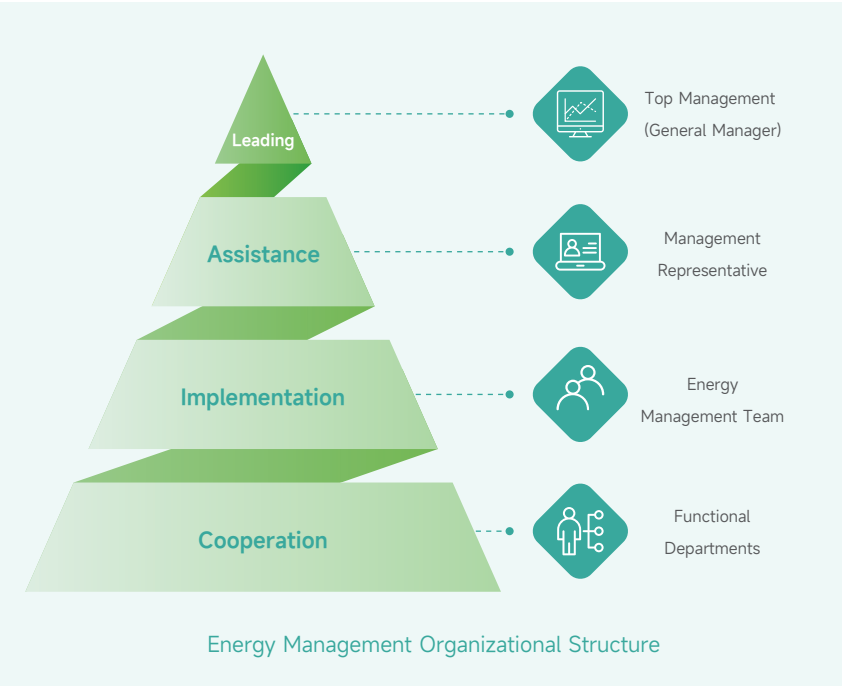
	Unit	2021	2022	2023
Total Emission of Greenhouse Gases	tCO ₂ e	78,917.44	73,546.36	74,997.71
Greenhouse Gas Emission Intensity	tCO ₂ e per million yuan of revenue	24.44	21.35	22.20
Direct Greenhouse Gas Emissions (Scope 1)	tCO ₂ e	1,393.13	1,855.23	3,054.62
Indirect Greenhouse Gas Emissions (Scope 2)	tCO ₂ e	77,524.31	71,691.13	71,943.09

Enhancement of Resource Utilization

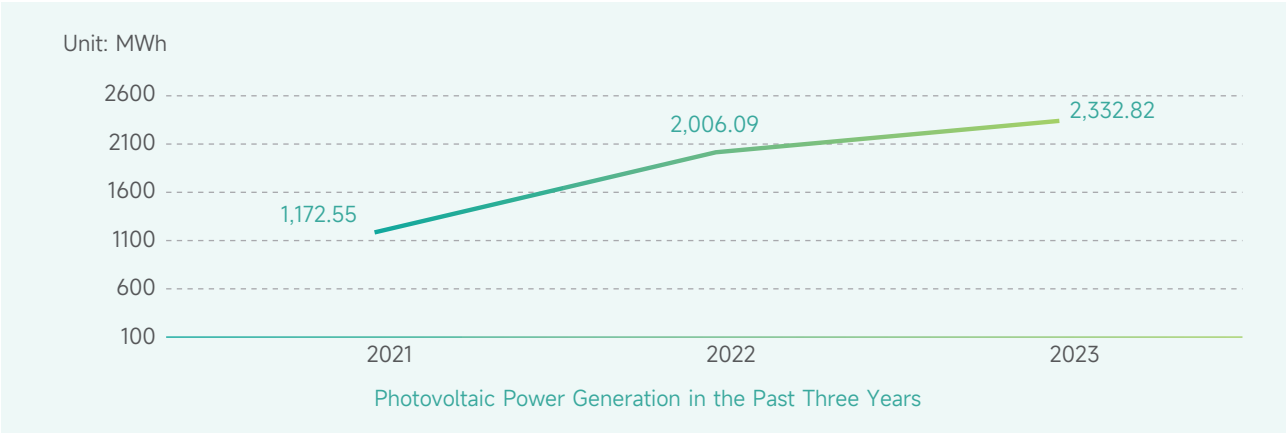
Energy Management System

To realize our sustainable development strategy, we have formulated the *Energy Management Manual* in accordance with *ISO 50001-2018 Energy Management System* and *RB/T101-2013 Certification Requirements for Energy Management Systems of Electronic Information Enterprises*. Adhering to the philosophy of sustainable development, the Company scientifically manages all energy management work, and mobilizes all corporate resources to become an enterprise with a higher level of "clean production, circular economy, energy conservation, and environmental protection".

The Company implements an organizational structure led by the top management, clarifies the responsibilities of each department, and promotes energy management work. The Company has established an energy management team to organize and deploy energy management-related work, plan and review the energy management system, and organize the establishment, statistics, analysis and improvement of energy management system objectives and indicators. Currently, the Company has obtained ISO 50001 (Energy Management System) certification.



ISO 50001 Energy Management System Certification Certificate



In deploying digital equipment management systems, the Company has established an intelligent power monitoring system to realize the real-time monitoring of transformers and distribution room operations, as well as a real-time monitoring system for the operation of the compressed air system, which can monitor the operation of air compressors and the usage of compressed air in each factory in a real-time way and accurately count the gas production of air compressors and the gas usage in each factory. In addition, the Company adopts cloud desktops for computer terminals to reduce terminal power consumption, thereby reducing the energy consumption of IT infrastructure.



Digital Energy Management System

Energy Conservation and Emission Reduction Measures

Aihua Group actively adopts a number of energy-saving measures to improve the efficiency of energy use through optimized energy management, energy-saving technological transformation, and the deployment of digital management systems for equipment, etc.

In terms of optimizing energy management, the Company has formulated the *Management Procedures for Energy Consumption and Greenhouse Gas Emission*, to reasonably utilize energy resources, continuously reduce energy resource consumption, and minimize greenhouse gas emissions. The procedures stipulate that the Energy Department is responsible for inspecting the consumption of major energy resources in production workshops, and measuring and statistically analyzing energy resource indicators, strictly controlling production energy consumption. Meanwhile, the Company establishes energy consumption targets and implementation plans, regularly collects and monitors energy consumption data every month, analyzes the reasons for months that do not meet the standards, and proposes improvement measures.

In terms of energy-saving technological transformation, the Company and Aihua Fuxian have centralized air supply for compressed air. Due to the pipelines between the new plant and the second and third air compressor rooms, the gas-to-electricity ratio in the old plant has decreased from above 0.125 to below 0.10, saving approximately 800,000 kWh of electricity in 2023. The Company has built a 2.448MW photovoltaic power generation facility on the open roof space, which generated 2.33 million kWh of photovoltaic power in 2023. During the Reporting Period, the Company reduced carbon emissions by 262 tCO₂e.



Green Photovoltaic Power Generation Panels in Factory Areas

Key Performance

	Unit	2021	2022	2023
Gasoline	ton	258.40	278.60	314.30
Note: The above data includes that of Aihua Group, Aihua Fuxian, and Jiangsu Lifu.				
Diesel	ton	14	16	14
Note: The above data includes that of Aihua Group and Aihua Fuxian.				
Total Direct Energy Consumption	tce	400.61	433.25	482.86
Total purchased electricity	MWh	959,322.84	1,189,476.11	1,182,231.38
Note: The above data includes that of Aihua Group, Aihua Fuxian, Xinjiang Rongze, Jiangsu Lifu, Sichuan Aihua, and Mianyang Zijiang				
Total Indirect Energy Consumption	tce	117,900.78	146,186.61	145,296.24
Total Energy Consumption	tce	118,301.39	146,619.86	145,779.10
Energy Consumption Intensity	tce per million yuan of revenue	36.58	42.56	43.14

Water resource management

Aihua Group pays attention to the consumption of water resources in production and life, and is committed to saving water resources, preventing waste, and building a water-saving enterprise. The Company has formulated internal regulations such as the *Planned Water Use Management System*, the *Water Conservation Management System*, and the *Water Conservation Statistics System* to reasonably utilize water resources in daily operations.

To promote sustainable development, the Company has developed a ten-year water conservation plan and will gradually implement the following measures: first, continue to strengthen basic work and improve water conservation management; and second, continuously update water-saving equipment, improve and perfect the water supply system, fully utilize recycled water, and enhance management and execution to achieve the Company’s ten-year water conservation goals. During the Reporting Period, the Company used 3,000 tons of recycled water.

Water Conservation Measures

Establishment of Specialized Positions

Formulation of Reward and Punishment System

Enhancement of Equipment Management

Upgrading of Water-saving Equipment

Recycling and Reuse of Water Resources

Ten-Year Water Conservation Goal

Enhancement of Water Conservation Publicity

Strengthen the functions of the water conservation leader group and the technical office, and appoint water stewards to coordinate related water conservation management work in the Company.

Formulate the *Quota Assessment System* and the *Water Conservation Reward and Punishment System* for planned water use and water conservation according to the realities of the Company.

Strengthen the management of water-using equipment, pipelines and appliances, regularly maintain water-using equipment to ensure their normal operation, and effectively eliminate breakage, percolation, seepage and leakage.

Introduce and utilize advanced water-saving technologies, continue to improve and update the existing water-supplying and water-using facilities, improve the utilization rate of tap water, deeply explore the space for recycled water utilization, and increase the utilization rate of recycled water.

Use wastewater discharged from the water production room for air-conditioning in summer to recycle and reuse water resources.

Reduce water consumption by 5% per million production value year by year.

Conduct water conservation publicity among employees and provide training on water conservation to enhance each employee’s awareness of water conservation.



Key Performance

	Unit	2021	2022	2023
Quantity of Municipal Water Purchased	ton	2,659,374	2,557,965	2,655,976
Water Resource Consumption Intensity	ton per million yuan of revenue	822.29	742.54	786.04

Note: The above data includes that of Aihua Group, Aihua Fuxian, Mianyang Zijiang, Xinjiang Rongze, Jiangsu Lifu, and Sichuan Aihua.

Packaging Material Management

Aihua Group has formulated the *Management Standard for Environmental Management-Related Substances*, which clearly defines relevant content such as avoiding over-packaging and making packaging materials environmentally friendly. The Company continuously strengthens the management of packaging materials, uses recycled materials, and recycles and reuses suppliers’ (aluminum housing) outer boxes to reduce the consumption of packaging materials. Additionally, the Company optimizes the cutting process using a new cutting machine during production, significantly reducing the scrap rate of foil and paper cutting and the waste of raw materials. Furthermore, the Company continues to improve the use of packaging materials and actively promotes environmentally friendly packaging materials. During the Reporting Period, the packaging materials used by the Company are environmentally friendly materials (cartons, PE straps, packing tapes, etc.) that comply with RoHS and other environmental requirements for hazardous substances such as halogen.

Key Performance

	Unit	2021	2022	2023
Total Quantity of Packaging Materials Used	ton	3,700	3,277	2,929
Quantity of Paper Packaging Materials Used	ton	3,600	3,200	2,800
Quantity of Plastic Packaging Materials Used	ton	88	68	121
Quantity of Other Packaging Materials – Foam, EPE foam, etc.	ton	12	9	8

Note: The above data includes that of Aihua Group and Aihua Fuxian.

Pollutant Treatment

Aihua Group actively practices the environmental philosophy of “lucid waters and lush mountains are invaluable assets”. We have established pollution management systems such as the *Management Procedures for Wastewater, Waste Gas, and Noise at Boundary*, and the *Waste Classification, Collection, Treatment and Control Procedures*. These systems ensure the whole-process control of wastewater, waste gases, noise and solid wastes generated due to the activities, products, and service of the Company, thereby guaranteeing compliance with emission standards. The Quality Center of the Company is responsible for inspecting the daily discharge of wastewater, waste gas, and noise at boundary, as well as the disposal of all waste. Each relevant department is responsible for the daily management of wastewater and waste gas generated, the management, daily inspection and maintenance of emission facilities, and the classification and collection of waste.

For wastewater, waste gas, solid waste and noise, the Company carries out targeted treatment and monitoring. Additionally, third-party testing companies are entrusted to conduct tests and issue testing reports. During the Reporting Period, the Company’s wastewater, waste gas and noise were discharged in compliance with relevant standards, without any violations or abnormalities.



Wastewater Treatment and Monitoring

Treatment Measures

- Industrial wastewater: Wastewater generated from product cleaning and wiping activities is discharged into the sewage treatment station through sewage pipes.
- Domestic wastewater: Wastewater from toilets, canteens and similar locations, after settling and filtering in septic tanks, is discharged into the sewage pipe network of the industry parks.
- Wastewater from equipment, pipeline and workshop floor cleaning activities: Production workshops should regularly clean equipment, pipeline surfaces, and workshop floors. Wastewater from cleaning activities, if containing oily materials, is collected by the production workshop into dedicated containers and irregularly transferred to hazardous waste warehouses.

Monitoring Methods

- Prominent signs should be provided at each wastewater discharge outlet (domestic wastewater, production wastewater, etc.).
- The Quality Center regularly commissions third-party organizations to monitor the water quality of each wastewater discharge outlet. If the wastewater fails to meet standards as monitored, measures should be taken in accordance with the *Procedures for Corrective Actions and Preventive Actions*.
- Monitoring frequency: 1 time/half a year.



Waste Gas Treatment and Monitoring

Treatment Measures

- Domestic waste gases: Cooking stoves in the canteen should be equipped with range hoods to prevent cooking fumes from being directly discharged into the atmosphere; and the sulfur content in canteen gas should be strictly controlled to reduce SO2 emissions.
- Industrial waste gases: Production workshops should be equipped with ventilation devices and other waste gas treatment facilities.

Monitoring Methods

- Prominent signs should be provided at each gas discharge outlet (domestic waste gas, industrial waste gas).
- The Quality Center commissions qualified organizations to monitor the waste gas emission in accordance with the monitoring plan filed with the environmental protection bureaus. If the waste gas fails to meet standards as monitored, measures should be taken in accordance with the *Procedures for Corrective Actions and Preventive Actions*.
- Monitoring frequency: 1 time/half a year.



Noise Treatment and Monitoring

Treatment Measures

- Soundproof rooms and noise reduction equipment are installed in factory areas, and the existing equipment is improved.
- Employees are required to wear noise protection equipment, control personal behavior, and prohibited from making loud noise when passing through the aisle outside the workshop.

Monitoring Methods

- Control measures should be taken in accordance with the requirements of the *GB 12348-2008 Emission Standard for Industrial Enterprises Noise at Boundary*.
- The Quality Center commissions qualified organizations to monitor the noise emission in accordance with the monitoring plan filed with the environmental protection bureaus. Any measured values exceeding the limits should be reported to the Management Representative.
- Monitoring frequency: 1 time/half a year.



Solid Waste Treatment and Monitoring

Treatment Measures

- Temporary storage areas for "recyclable waste", "non-recyclable waste" and "hazardous waste" should be set up in the workshop. The workshop is responsible for the management of such wastes, while the Quality Center and the Finance Center are responsible for disposal. In the process of waste recycling, a *Waste Recycling Contract* must be signed.
- Different recycling containers meeting specific requirements are used according to the type of wastes, indicating the classification and responsible person. This prevents negative environmental impacts caused by the leakage and scattering of wastes.
- The relevant personnel of each department shall collect, classify and label the hazardous wastes produced by the department, and record them in the *Hazardous Waste Management Ledger* when handing over them to other personnel.

Monitoring Methods

- Domestic wastes in urban areas are uniformly collected by waste cleaning companies.
- The Company's wastes are outsourced for disposal. When industrial solid waste and hazardous waste pile up to a certain amount, the Quality Center and the Finance Center should immediately notify third-party qualified institutions to clear the site. Hazardous waste should be cleared by units with permits issued by the environmental protection authorities, with hazardous waste transfer manifests should be maintained. General industrial solid waste should be cleared by the environmental protection authorities and its commissioned units or waste recycling companies.



Waste Gas Treatment Facilities



Wastewater Treatment Facilities



Noise Reduction Equipment



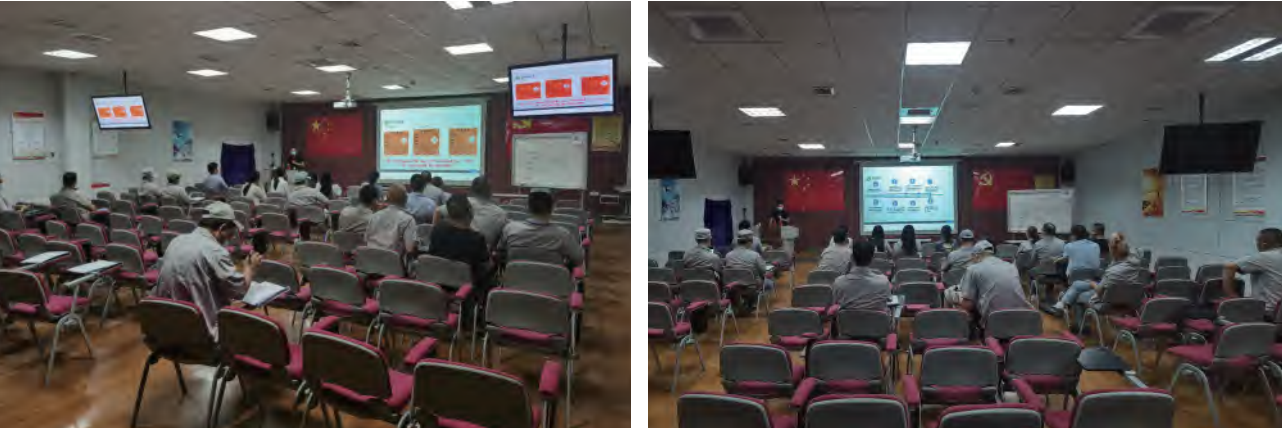
Partitioned Storage of Hazardous Wastes



Pollutant Management Measures

Aihua Group effectively implements the management principle of “reduction, recycling, and harmless treatment” of pollutants, and actively promotes the recycling and reuse of pollutants. For the general wastes such as incoming empty bottles, used barcode cores and general packaging materials generated in the production process, the Company treats them with methods such as comprehensive utilization through external sales and recycling by manufacturers. Trays used in the transportation of raw materials and products are recycled and reused.

In addition, in order to enhance the emergency response capability of all staff and promote the improvement of the safety production, the Emergency Management Department of the Company organizes multiple emergency drills for sudden accidents, and actively conducts pollutant discharge management training activities to publicize the philosophy of green development, popularize the knowledge of pollutant management, and enhance employees’ awareness of safety and environmental protection.



Training on Pollutant Emission Management

Emergency Drill for Hazardous Waste Leakage

Case Study

In May 2023, Aihua Group provided comprehensive training on hazardous waste leakage treatment knowledge and organized an emergency drill for hazardous waste leakage incidents. In the emergency drill, in the simulated event of a waste electrolyte leakage, personnel from relevant departments of the Company gave emergency responses in accordance with the established procedures. The emergency drill reflected the spirit of all the staff of the Company, deepened employees’ clear understanding of how to deal with the sudden hazardous waste leakage, and played a positive role in promoting the Company’s safety production work.



Emergency Drill for Hazardous Waste Leakage



Key Performance

		Unit	2021	2022	2023
Waste type	Quantity of General Waste Generated	ton	2,035.35	2,062.20	2,180.15
	Quantity of General Waste Recycled	ton	1,375.26	1,402.37	1,519.94
	Disposal Volume of General Industrial Solid Waste	ton	1,375.26	1,402.37	1,519.94
	Note: The data above includes that of Aihua Group, Aihua Fuxian, and Sichuan Aihua.				
	Quantity of Hazardous Waste Generated	ton	76.37	191.45	190.82
	Quantity of Hazardous Waste Disposed of	ton	76.37	191.45	190.82
	Note: The data above includes that of Aihua Group, Aihua Fuxian, and Xinjiang Rongze.				
Waste water	Wastewater Discharges	10,000 tons	124.24	210.32	164.68
	Note: The data above includes that of Aihua Group, Aihua Fuxian, Mianyang Zijiang, Xinjiang Rongze, Jiangsu Lifu, Sichuan Aihua				
Waste gases	Waste Gas Emissions	10,000 m3	46,425.60	42,883.50	51,949.00





03

Innovative Development, Writing a New Chapter with Technology

Innovation is the inexhaustible driving force for enterprise development. Aihua Group attaches great importance to technological innovation and development, adheres to technological innovation as the first driving force for company development, and continuously optimizes the R&D and innovation management system. This enhances the core technology R&D and independent innovation capabilities of the Company. As a world-class national enterprise with leading technology, Aihua Group constantly accelerates the pace of digital transformation, continuously improves digital capability, builds digital platforms, and steadily pushes forward the digitalization process based on realities to achieve high-quality development.

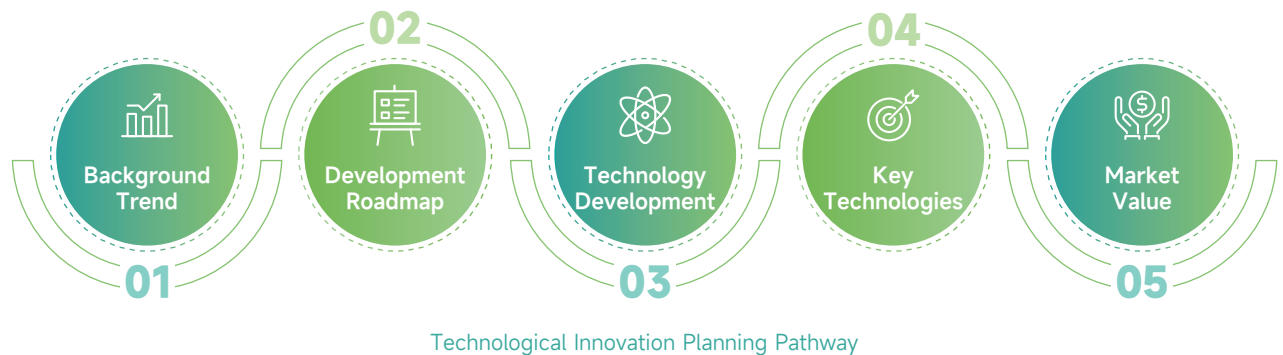
- R&D Management System 41
- Protection of Intellectual Property Rights 45

R&D Management System

To strengthen the control of internal project R&D, the Company has formulated the *Design and Development Control Procedure* to ensure that newly designed and developed products meet customer expectations and market demands with reliability and safety, and guarantee the completeness, rigor and compliance of the new product development process.

Goals and Planning

Supported by the R&D system and investment, the Company continues to promote product innovation and has formulated a planning path for technological innovation.



R&D Platform

The Company actively promotes the construction of R&D platforms, and expands the industry-academia-research cooperation. The Company is recognized as a national high-tech enterprise, a national technological innovation demonstration enterprise, a national enterprise technology center, and a provincial engineering technology research center, and has established a collaborative R&D center for post-doctoral research and a national CNAS-accredited laboratory.



Cooperative R&D Initiatives

The Company adheres to technology innovation as the foundation, market demand as the orientation, and cooperative projects as the link, fully leveraging the technical leadership role of universities and expert teams. This gathers innovative resources, introduces technological achievements from universities and innovative teams, and promotes close industry-academia-research cooperation.

In the aspect of industry-academia-research cooperation, the Company has established long-term cooperation and R&D exchange relations with domestic universities and colleges. During the Reporting Period, the Company reached an agreement and signed a contract with Huazhong University of Science and Technology on the project of "R&D of New Technology for Foamed Aluminum for Extrusion-formed Capacitors".

To better integrate teaching, scientific research, and practical production, promote the quality improvement of higher-education talent cultivation, and advance the common progress of enterprise production technologies, the Company and Hunan City University, in the principle of "deep cooperation, practical results, mutual benefit, and common development", jointly applied for the "Hunan Provincial Key Laboratory for All-Solid-State Energy Storage Materials and Devices", aiming to deepen comprehensive cooperation in scientific research and product development in the field of all-solid-state energy storage materials and devices.

Encouraging R&D and Innovation

The Company places great importance on the development of R&D technologies, continuously mobilizes the innovative enthusiasm of R&D personnel, and formulates and implements relevant policies and measures to incentivize R&D. Additionally, the Company increases R&D resource input, continuously enhances independent innovation capabilities and core competitiveness, and promotes the rapid development of R&D technologies.

Mode	Measures
Improving Management Modes	<ul style="list-style-type: none">Implement a fully projectized management mechanism under the technology-driven system, align R&D, production and quality personnel to common goals, and develop the corresponding project incentive mechanisms.Establish an agent system to train key personnel and form a complete departmental talent pipeline.Provide special development channels for key R&D personnel, with detailed plans including training programs, individual files, etc.
Enhancing Assessment Mechanisms	<ul style="list-style-type: none">Establish an assessment mechanism combining project management with performance management, and provide monthly and annual performance rewards.Conduct talent review and capability assessments for technical R&D personnel in the middle and end of each year, to incentivize the development of technical R&D personnel in terms of promotion, salary increase, and job rotation.
Increasing Incentive Measures	<ul style="list-style-type: none">Formulate a special patent reward system, with rewards for patents.Establish an annual excellent employee reward mechanism.Implement subsidy rewards and other measures for vehicle allocation, housing allocation, and talent recruitment for core R&D technical personnel.

►► **Protection of Intellectual Property Rights**

The Company always prioritizes the protection of intellectual property rights, strictly abides by national intellectual property laws and regulations, comprehensively carries out the application, protection and management of intellectual property rights, encourages employees for invention and creation, and promotes the popularization and application of scientific and technological achievements. The Company has formulated the *Administrative Measures for the Protection of Intellectual Property Rights*, with the post-doctoral workstation responsible for the management of relevant intellectual properties.

To strengthen the management of intellectual property rights in the process of internal project R&D and effectively protect intellectual property rights, the Company applies for and protects patents and intellectual property rights, and employs a third-party organization to identify risks of patent infringement and provide countermeasures.

Key Performance

Key Performance	2023
Investment in R&D	RMB 186.4596 million
Percentage of R&D investment in operating income	5.52%
Number of R&D personnel	557 persons
Percentage of R&D personnel	11.60%
Percentage of the Number of R&D Personnel (by Academic Qualification)	
Employees with a doctoral degree	2 persons
Employees with a master's degree	22 persons
Employees with a bachelor degree or below	533 persons
Percentage of the Number of R&D Personnel (by Age)	
Employees under 30 (exclusive) years old	160 persons
30 to 40 years old (including 30 but not 40)	245 persons
40 years old or above	152 persons
Total number of authorized patents	426 patents
Total number of authorized invention patents	81 patents
Total number of authorized utility model patents	338 patents
Total number of authorized design patents	7 patents
Total number of trademarks	80 trademarks
Total number of published papers	19 papers





Collaborative Advancement , Fueling Industrial Upgrading



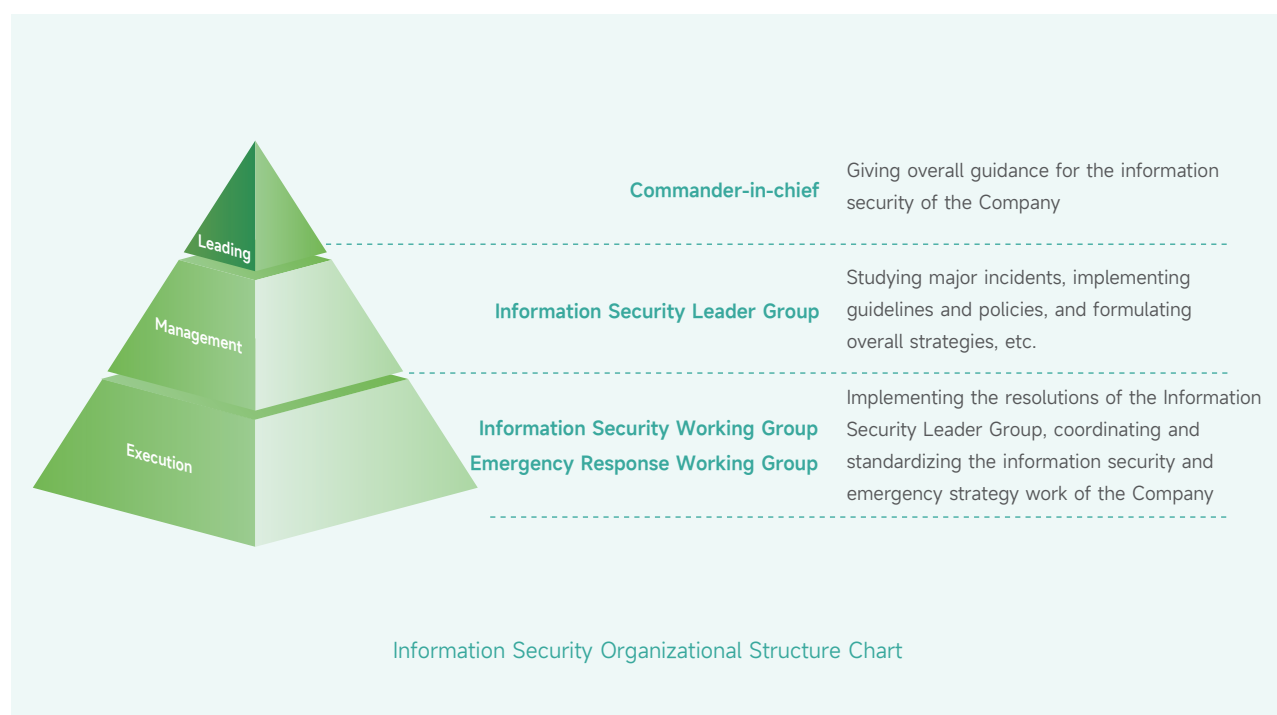
Aihua Group upholds the philosophy of win-win cooperation, and works closely with all partners to promote the development and innovation of the industry. We consider quality as our life, service as our bridge, and cooperation as our driving force, and continuously enhance our competitiveness and market influence. On the future development path, we will continue to persistently uphold the principle of prioritizing quality, constantly improve the quality of our products and services, forge forward with customers and suppliers, and create a more brilliant tomorrow together.

- ▶ Focusing on Data Security 49
- ▶ Strengthening Product Responsibility 51
- ▶ Enhancing Customer Service 55
- ▶ Sustainable Supply Chains 57

► Focusing on Data Security

Information Security Management System

Protecting information security is a crucial responsibility for us. To strengthen information security management, Aihua Group has established the *Information Security Management Measures*. We continuously enhance our information security management efforts and apply security controls over various information systems, including the ERP, OA, CRM, and MES information systems. This significantly improves the usage efficiency and authenticity of our information systems. Additionally, we have formed an organizational structure with the Information Security Leader Group as the management body and the Information Security Working Group and the Emergency Response Working Group as the execution bodies. The groups are responsible for the construction and protection of information security across the entire company.



Normalized Governance of Data Security

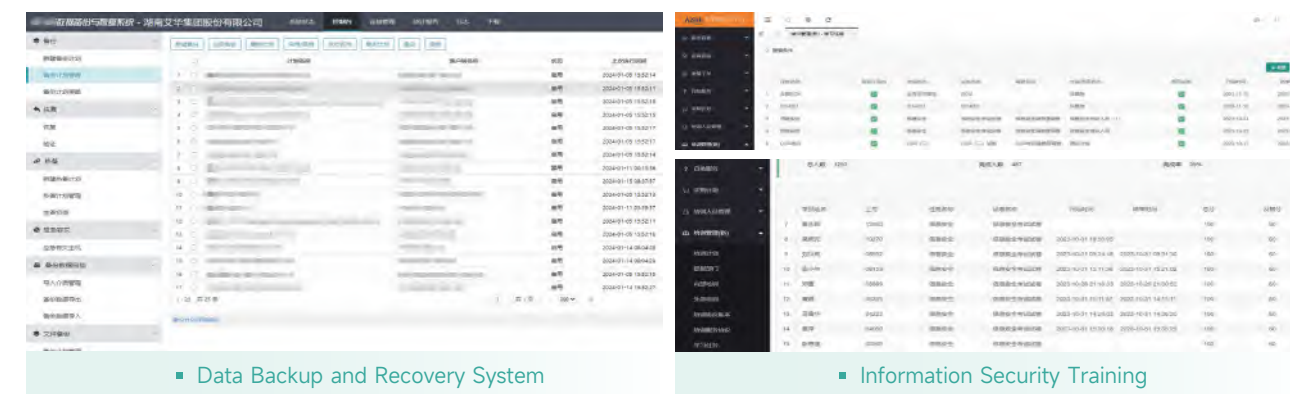
To regulate our information management and safeguard the integrity, confidentiality, and availability of data, Aihua Group has developed the *Data Classification and Grading Management System* to classify and grade data, identify the sensitivity of data, and apply targeted protective actions. Furthermore, to enhance the confidentiality of company information and protect employee privacy, we have established the *Confidentiality Management Procedures* to regulate and manage the confidential information of our company and our customers, suppliers, consumers, and employees; and sign related confidentiality provisions and conduct due diligence on the information security of third when cooperating with the third party, if any, to safeguard information and data security. In addressing information security issues that arise during overall operations, we provide stakeholders with reporting procedures and encourage them to report through official channels, such as the Public Security Bureau's Cybersecurity Brigade and the Reporting Center of the Office of the Central Cyberspace Affairs Commission, to safeguard our data security.

Additionally, we conduct risk self-assessments to thoroughly understand the security status of our information systems. Regarding information security risks such as weak passwords found in the HR, OA, and mobile management platform systems identified during self-assessments, we mandate that responsible departments rectify these issues within a specified time limit and supervise and follow up the rectification.

Enhancement of Information Security Management

Aihua Group has comprehensively enhanced our information security construction and implemented multiple measures to safeguard the security and credibility of information and data. We have established a collaborative digital matrix by signing LEC cloud service agreements with third-party organizations, significantly boosting our digital management capabilities. Furthermore, we have bolstered our technical support capabilities by adopting advanced information security protection technologies, improving the management level of information and data security. We have also deployed data backup and recovery systems to ensure the security of data storage.

Additionally, to raise the information security awareness of relevant departments and employees, Aihua Group has developed information training plans, conducted related training as scheduled, and maintained relevant training records. During the Reporting Period, we have intensified efforts in training, assessing, and promoting data security and privacy protection to enhance the information protection awareness and capabilities of all employees.



Improvement of Information Emergency Management

To ensure the security of our information systems, Aihua Group has developed an *Emergency Response Plan for Network and Information Security Incidents*. Adhering to the principles of "laying stress on prevention, assuming responsibilities by grades, and acting decisively", we continuously enhance and refine our emergency management measures for network and information security to manage the security of our networks, computers, related hardware, and system operating environments. Additionally, we have established an Emergency Response Leader Group to ensure the rapid initiation of emergency response procedures in the event of hacker attacks, destructive software or system attacks, database failures, or internal LAN disruptions, thereby minimizing the harm and impact of information security incidents.

We have also developed the *Emergency Response Plan for Network and Information Security Emergency Drills* and established emergency operation mechanisms for robust network and information security. We also organize safety training and emergency drills to improve our emergency response capacities and continuously solidify our information emergency management foundation.

An AIMES System Recovery Drill Conducted by Aihua Group

Case Study

In March 2023, under the leadership's direction, Aihua Group successfully conducted an emergency response drill for the emergency repair support business of the AIMES system. This drill aimed to assess our rapid response, comprehensive coordination capabilities, and emergency mechanism implementation during information system emergency incidents. When users reported issues with the use of the AIMES system, our Information Department promptly identified the problem, evaluated repair strategies, and recovered the system. This emergency drill allowed us to further refine the connectivity and feasibility of various accident contingency plans and emergency response measures, significantly enhancing our comprehensive response and emergency response capacities during emergencies involving our server rooms.



■ AIMES System Emergency Response Drill

Key Performance

	Unit	2023
Total amount invested in information security	RMB 10,000	200
Number of information security training sessions	Time	2
Number of participants in training	Person	1,200
Training coverage rate	%	25
Number of violations of information security and privacy protection	Case	0

Strengthening Product Responsibility

Quality management system

Product quality is the lifeline of an enterprise. Aihua Group, adhering to ISO 9001 and IATF 16949:2016 standards, has established a comprehensive quality management system and appointed management representatives to oversee and ensure the integrity and effectiveness of the operation of relevant systems. An independent Quality Center has also been established to oversee the overall quality management across the Company. The Quality Director, acting as our quality representative, is responsible for developing product quality strategies and addressing quality issues promptly.

We have developed the *Quality Manual* according to our internal and external environmental factors, the special requirements of customers, and the reality of our company to ensure the construction of a comprehensive customer-oriented and end-to-end quality management process. In addition, we have developed relevant second-order, third-order, and fourth-order process documents, work instructions, and forms to ensure comprehensive quality management.

We also continuously advance the certification of the quality management system. During the Reporting Period, we have passed the certification of *IATF 16949:2016 Quality Management System*, *ISO 9001:2015 Quality Management System* and *IECQ QC080000:2017 Hazardous Substances Process Management System*, and obtained the respective certificates.



IATF 16949 Quality Management System Certification Certificate



IECQ QC080000 Hazardous Substances Process Management System Certification Certificate



ISO 9001 Quality Management System Certification Certificate

Quality Management Measures

To implement customer-oriented and end-to-end comprehensive quality management, Aihua Group has formulated detailed process standardization and implementation plans, such as the *APQP Control Procedures* and *Design and Development Control Procedures*, ensuring that our employees develop designs according to the demands of customers and related parties, use our experience and lesson library/DFX/feasibility analysis to identify and control project risks, adopt professional quality tools such as APQP/FMEA/control plans/MSA/DOE/SPC/CPK, and control crucial processes such as sample verification/pilot production verification/entry-exit reviews to ensure the maturity of product designs. We have also prepared the *Control Plans* and *QC Flow Chart* to ensure the effective implementation and control across the whole chain of "Person, Machine, Material, Method and Environment" during the production process.

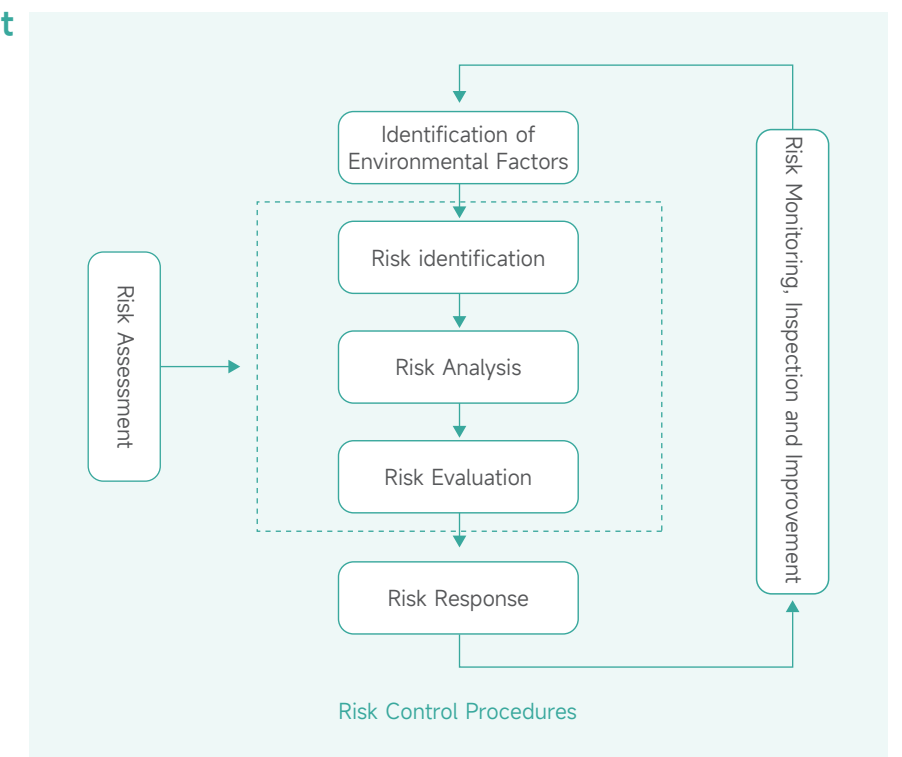
Following the *Procurement Control Procedures* and the *External Supplier Control Procedures*, Aihua Group guides supplier selection and retention and enhances supplier and incoming material quality maturity through threshold setting/supplier certification and selection/material verification/supplier performance evaluations/supplier coaching/continuous supplier improvement/supplier risk assessments, and the Red-Yellow-Green Light management.

To maintain the stable operation of production equipment and ensure product quality, Aihua Group has formulated the *Production Equipment Control Procedures* to control aspects such as equipment baselines, equipment procurement requisitions, acceptance, spot checks, service and maintenance.

Additionally, we have established the *Nonconforming Product Control Procedures*, which stipulate the identification, recording, review, and disposition of nonconforming products to prevent the unintended use and delivery of nonconforming products, ensuring they are appropriately managed, effectively resolved and appropriately improved. Aihua Group has also developed clear product recall procedures. If any nonconforming product is found to have been shipped or delivered to any customer by any internal employee, the Head of the Quality Control Department should immediately report the issue to the Quality Center and organize the establishment of a Nonconforming Product processing Group to initiate the product recall procedures. In 2023, there were no incidents of product recalls.

Quality Risk Management

To ensure that our quality management system and the process management system for hazardous substances meet their intended outcomes, Aihua Group has developed the *Risk Control Procedures* to identify, analyze, evaluate, respond to, supervise, inspect, and improve risks for product quality. We have established a Risk and Opportunity Assessment Team that is responsible for comprehensive and systematic quality risk management.



Quality Training

Aihua Group places high importance on fostering employees' awareness of quality, cultivating a culture and atmosphere of pursuing excellence in quality, and continuously enhancing the practical skills of our employees in quality-related roles. During the Reporting Period, Aihua Group actively conducted quality training, integrated expertise and quality enhancement into the training, and systematically developed quality management talents.

Zero Defects, Aihua in Action

Case Study 1

To launch the "2023 Quality Month" campaign and foster a robust atmosphere of engaging in quality management throughout the whole process among all employees, Aihua Group held a "Kick-off Meeting for the '2023 Quality Month'" in May 2023, of which the participants include the General Manager, department heads, engineers, and process supervisors from each division.



■ Kick-off Meeting for the "2023 Quality Month"

Focusing on the theme of "Manufacturing Zero-Defect Products and Establishing a Quality Powerhouse", the meeting was organized into 5 modules: awards, a knowledge contest, quality training, rational suggestions, and CIP sharing. At the meeting, the Director of the Quality Center and the General Manager of the Automotive Electronics Division awarded the "Quality Stars" who demonstrated exceptional performance in quality initiatives, giving full recognition for the efforts of the award winners. Additionally, further requirements and expectations for further quality control were put forward. Following the meeting, participants engaged in a knowledge quiz and shared training insights on quality awareness, tools, and control methods. They collectively expressed a commitment to uphold stringent standards in their ongoing work, striving together with the Company to build a "Quality Powerhouse" and enhance our reputation for quality.

Kick-off Meeting for the Month Themed "Lean Improvement"

Case Study 2

To enhance our lean management and improve product quality, Aihua Group held a kick-off meeting for the month themed "Lean Improvement" in December 2023. The meeting was attended by management from all centers and divisions.

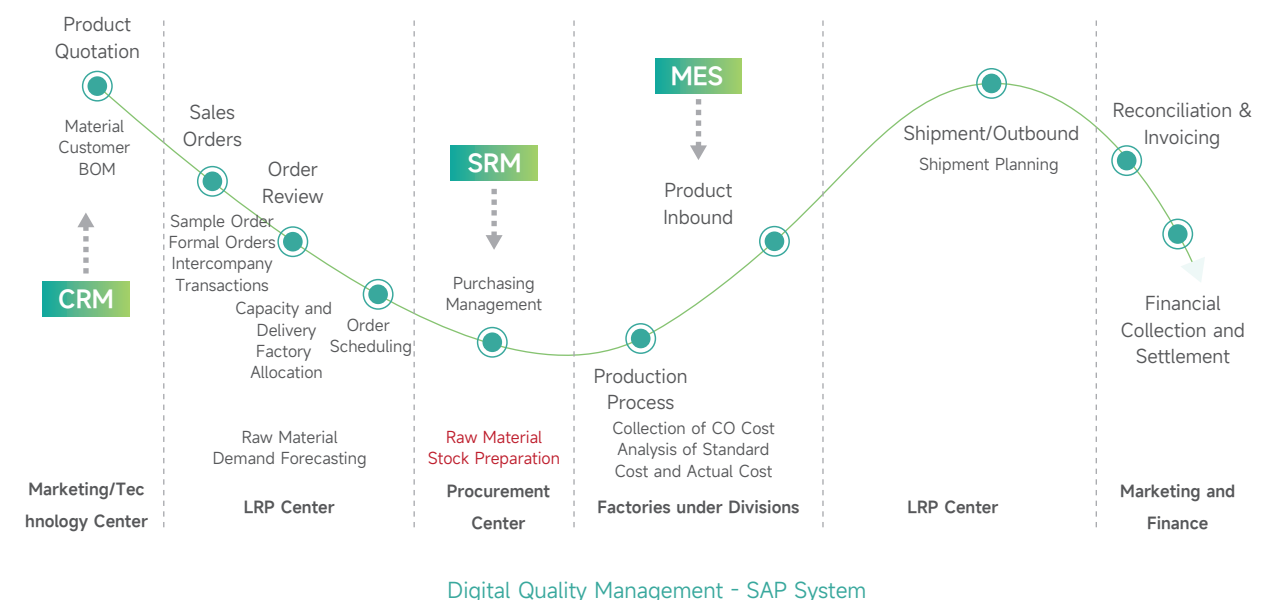
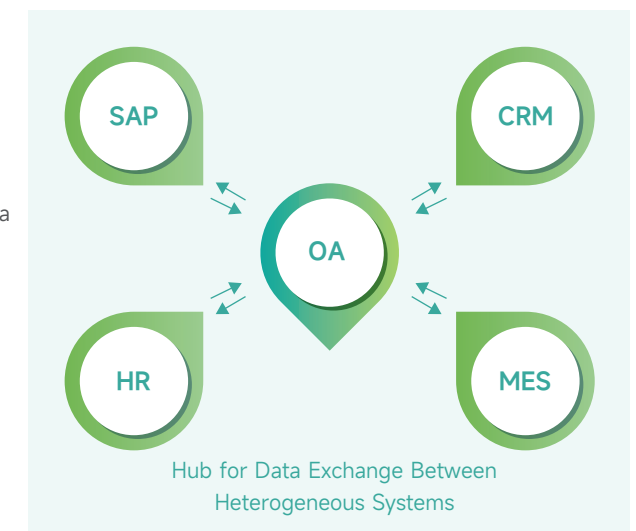


■ Kick-off Meeting for the Month Themed "Lean Improvement"

At the meeting, the Director of the Manufacturing Center made a detailed deployment for training empowerment, campaigns themed "Lean Improvement", the initiation of rational suggestions, and other aspects under the goal of "adhering lean production and continuously improve eight aspects", aiming to engage all employees in the work mode of "lean production" under the leading role of the management. General Managers from each division reiterated the importance of lean management principles and urged all employees to actively permeate the idea of "lean management" into daily tasks, so as to continuously inspire their potential and creativity in production.

Digital Quality management

Leveraging advanced technological platforms, Aihua Group continuously adopts quality improvement tools to actively drive digital quality management and achieve information technology-based quality management. We utilize the OA system as a data exchange hub to retrieve data from other heterogeneous system and transmit data to other heterogeneous systems after process approvals, ensuring the efficient use of data across systems. We use the SAP system to enable the real-time monitoring of various performance indicators during product production, which significantly enhances factory production management and product quality while reducing operational costs. Furthermore, we continuously advance the MES operation to achieve seamless traceability from raw materials to finished products, and from suppliers to customers, and the precise traceability of products. Through the reproduction of the entire production process of product batches, we provide comprehensive data and information for quality improvement.



Digital Quality Management - SAP System

Key Performance

	Unit	2023
Product Percent of Pass	%	99.47
Times of annual quality internal audits	Time	1
Sessions of quality culture training	Time	11
Person-times of participants in quality culture training	Person-times	1,084
Total hours of quality culture training	Hour	3,252

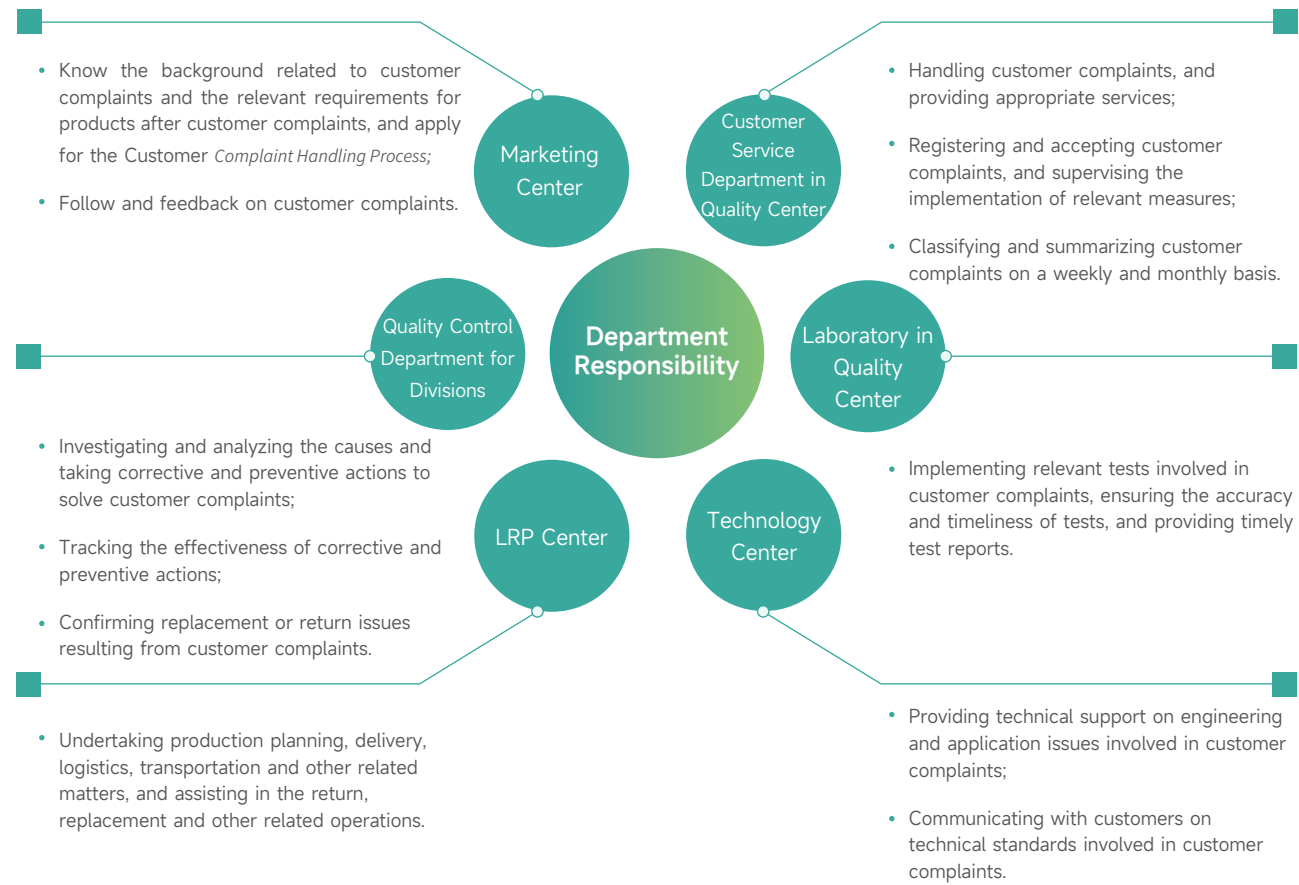
Enhancing Customer Service

Customer Service System

Aihua Group always focuses on customers and has established customer service systems covering product sales and after sales, customer complaint handling and customer satisfaction management. We have also developed systems, such as *Customer Service Management Rules*, *Control Procedures for the Handling of Customer Complaints*, and *Control Procedures for Customer Satisfaction Surveys*, to continuously improve our management efficiency and standardization level. To better deliver customer service, we established a Marketing Center. Acting as the customer service hub, the Marketing Center makes irregular visits to customers to review and promptly respond to customers' concerns about sales, pricing, and services.

Handling of Customer Complaints

Aihua Group standardizes customer complaints to promptly meet customer needs and quickly resolve their issues, thereby enhancing our service quality. We have established efficient systems and procedures for handling feedback and complaints, such as the *Control Procedures for the Handling of Customer Complaints*, and designated the Quality Director to track the progress of the handling of major customer complaints and supervise and implement relevant improvements. Departments such as the Marketing Center, Customer Service Department of the Quality Center, Divisions, and Quality Control Department each fulfill their specific roles and collaborate effectively to quickly address customer feedback, minimize the negative impacts of issues, and continuously improve product quality.



Responsibilities of Each Functional Department for Customer Complaints

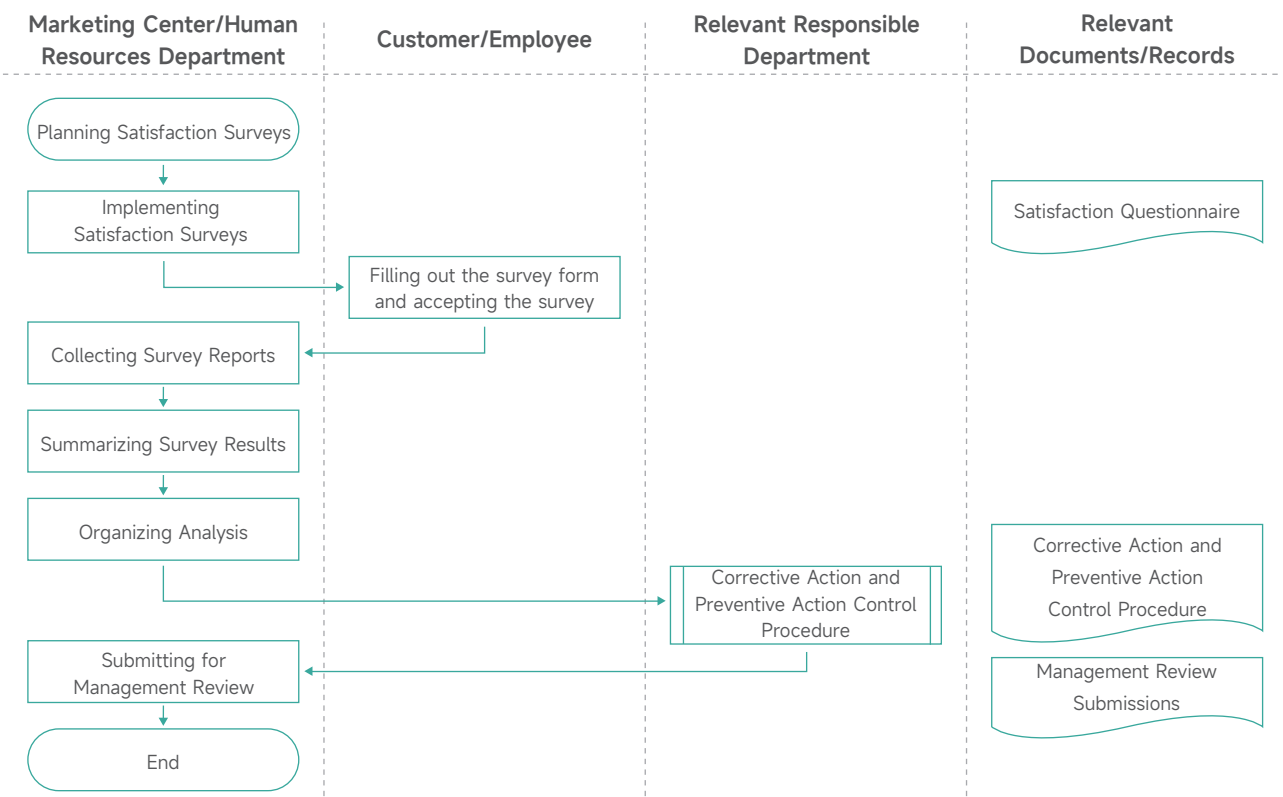
To improve the handling of customer complaints and enhance customer satisfaction and loyalty, we organize training for customer service personnel, aiming to enhance their professionalism, responsiveness, and efficiency.



Training on the Handling of Customer Complaints

Commitment to Customer Satisfaction

To strengthen and standardize customer satisfaction management, Aihua Group actively develops internal regulations such as the *Control Procedures for Customer Satisfaction Surveys* to boost customer experience and satisfaction. We conduct customer satisfaction surveys every six months to gauge customer opinions on product quality, delivery date, after-sales service, and pricing. If the overall satisfaction score falls below 90 out of 100, or any specific category scores below 4 out of 5, we will undertake internal analysis and develop improvement plans. During the Reporting Period, our customer satisfaction score reached 94.55 out of 100, with no significant loss of key customers.

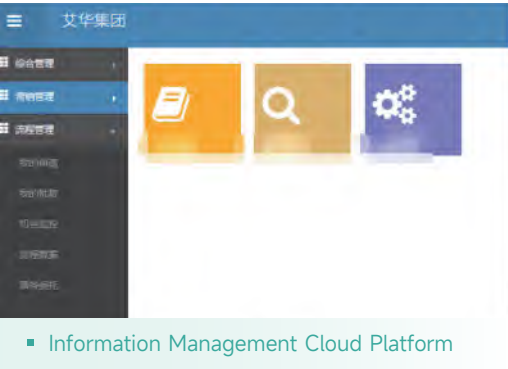


Customer Satisfaction Survey Process

Empowerment of Digital Service

To enhance the quality of after-sales services, Aihua Group is continuously enhancing the digitalization of customer service through platforms like the cloud and SAP system, thus enabling us to manage customer service digitally and intelligently, better understand customer needs, and provide customers with products and services with higher quality.

Additionally, we prioritize information confidentiality and personal privacy protection, rigorously implement the *Confidentiality Management Procedures*, and ensure the effective management and safeguarding of the confidential information of our company and our customers, suppliers, consumers, and employees. We archive, manage, protect, and maintain collected information on customers, suppliers, and others, set access permissions for personal information in computer systems, and comprehensively strengthen data security to prevent data and information loss and leaks.



Responsible marketing

Aihua Group strictly adheres to national laws and regulations such as the *Advertising Law of the People's Republic of China* and industry-specific regulations to undertake responsible marketing management. We have developed the *Procedures for the Management of Advertisements and Fair Trade*, which prohibits the use of advertising or other methods to make false claims about the quality, ingredients, performance, usage, or expiration of products, ensuring that product information is truthful and accurate.

Key Performance		
	Unit	2023
Number of clients participating in the survey	Person	53
Number of participants in special training on responding to customer complaints	Person-times	70
Total hours of special training on responding to customer complaints	Hour	140
Number of special training sessions on responding to customer complaints	Time	1
Number of appraisals on responding to customer complaints	Time	1
Pass rate of appraisals on responding to customer complaints	%	100

Sustainable Supply Chains

Supply Chain Management System

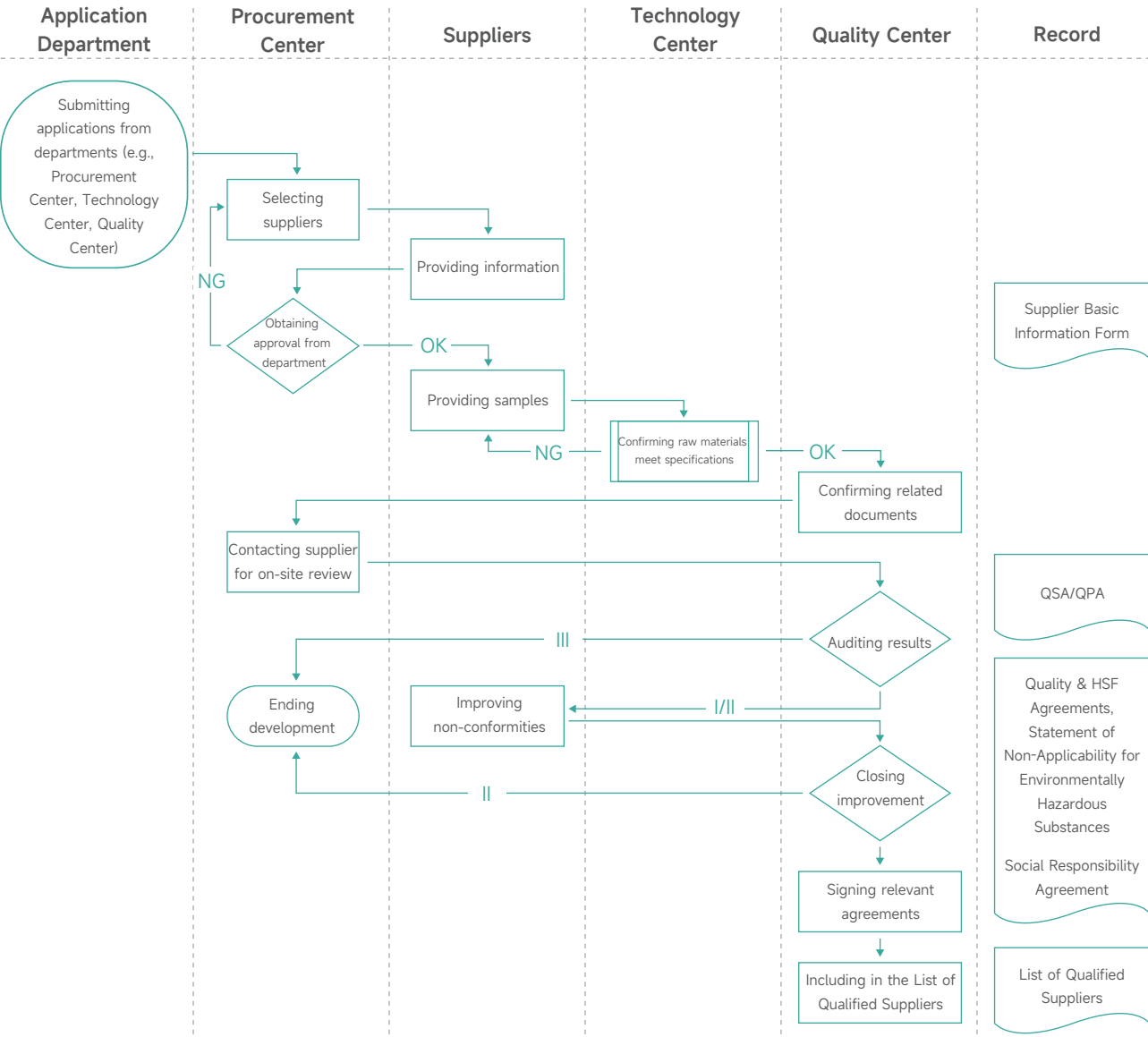
Aihua Group is dedicated to creating a responsible and sustainable supply chain system. When establishing and maintaining sound partnership with suppliers, we work together to strengthen supply chain responsibility management, actively empower suppliers, and promote the sustainable development of a healthy, stable, and environmentally friendly supply chain.

We have developed and implemented internal regulations and systems, such as *External Supplier Control Procedures*, *Procurement Control Procedures*, and *Honesty and Integrity Management Procedures*, to help optimize product quality, reduce operational costs, and increase efficiency through the construction of quality management systems for the products of our partner brands, supplier material risk assessment, and other modes.

Whole-Life-Cycle Management

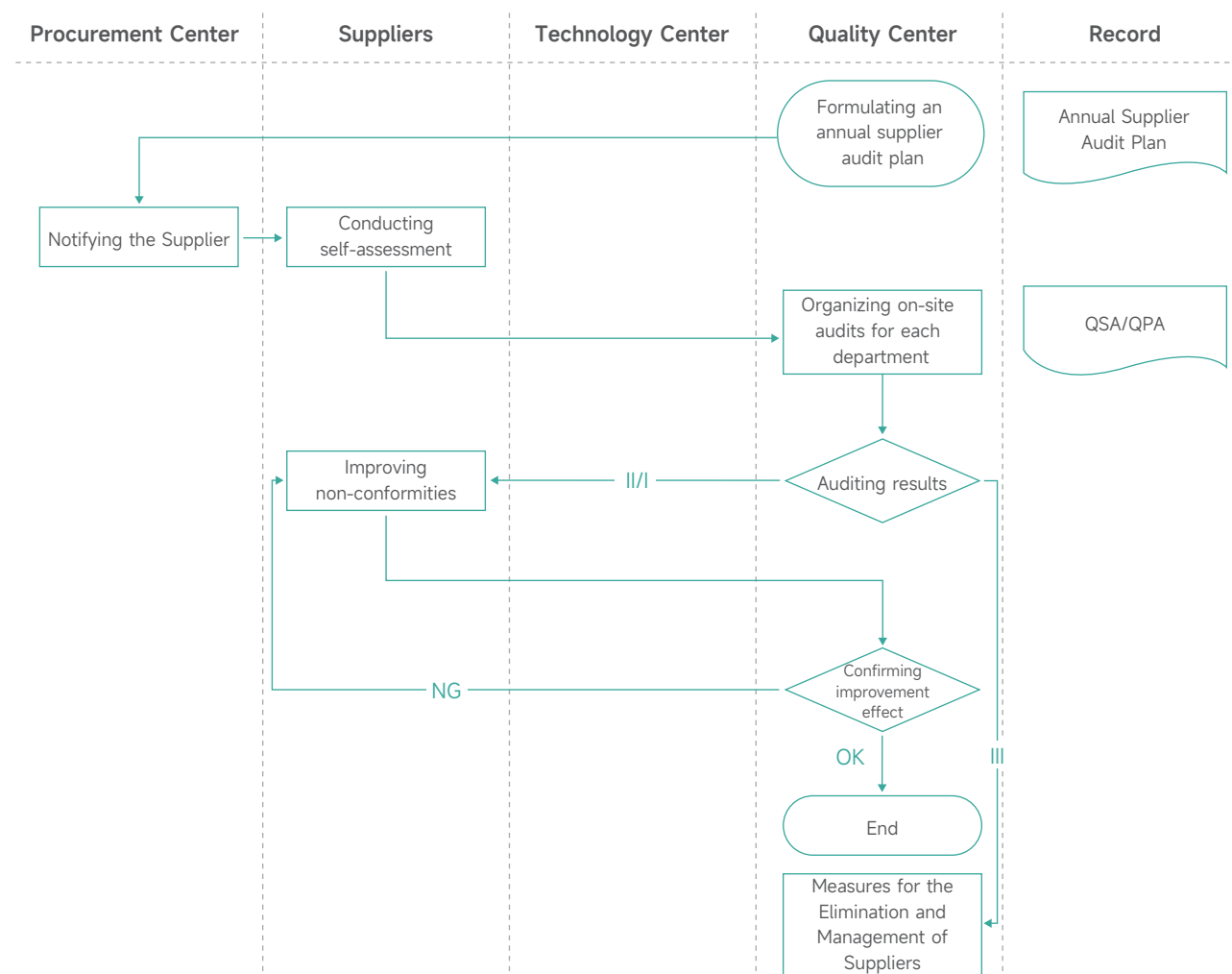
Aihua Group values supplier management and has established a variety of management measures and procedures for supplier development, auditing, evaluation, and classification, such as the *External Supplier Control Procedures* and *Procurement Control Procedures*, to realize the whole-life-cycle management of suppliers.

Supplier development: Our Purchasing Department is responsible for identifying suppliers based on the request proposed by relevant departments and assessing the qualification of suppliers based on different criteria according to the basic principles of compliance, reasonableness, fairness, and effectiveness. The suppliers of auxiliary materials should meet the following criteria: they should have obtained the ISO 9001 Quality System Certification; provide products that do not contain hazardous substances and meet the requirements under our *Environmental Management Substance Standards*; and have established a GP management system framework. The suppliers of main materials should not only comply with requirements for the suppliers of auxiliary materials, but should meet the following criteria: their capacity and cooperation willingness should meet our demands; and they should have good business philosophy and environmental consciousness. Only after passing a thorough validation process can suppliers be listed as qualified.



Supplier Development Flowchart

Supplier audit: We use methods such as document review, site inspections, and sample testing to rigorously evaluate new suppliers. They are required to submit documents including the *Quality and Environmental Protection Assurance Agreement*, the *Social Responsibility and Occupational Health and Safety Agreement*, the *Declaration for Non-use of Environmental Management Substances*, and the *REACH Compliance Report*. Furthermore, our company conducts on-site audits using the QSA and QPA audit forms to assess aspects such as quality system management, transaction information management, customer management, external supplier management, product design and development, and production process control, thus ensuring that all collaborating suppliers comply with our sustainable development strategies.



Supplier Audit Flowchart

Supplier evaluation: We have established a standard supplier evaluation system and supplier performance appraisal methods to evaluate the performance of suppliers based on factors such as costs, delivery time, product quality, technical performance, and cooperativeness, and determine to retain or eliminate them based on the evaluation results.

Supplier categorization: Aihua Group classifies suppliers into four categories—"A, B, C, and D"—based on the assessment results of supplier quality and link the classifications to order volumes. Our Purchasing Center consolidates the *Monthly Supplier Performance Appraisal Form* and distributes it to suppliers by the 15th of each month as a basis for adjusting order volumes and for technical assessments. By the 20th of each month, the Purchasing Center organizes the Quality Center and Technical Center to convene a meeting to determine the monthly procurement order allocations for suppliers. For suppliers that fail audits or are rated poorly in quality assessments, the Purchasing Center, Technical Center, and Quality Center should convene a meeting to discuss whether to phase out or support the suppliers and prepare relevant measures, such as stationing SOQ on the site and conducting full product inspections, to avoid delivery disruptions before any phase-out.

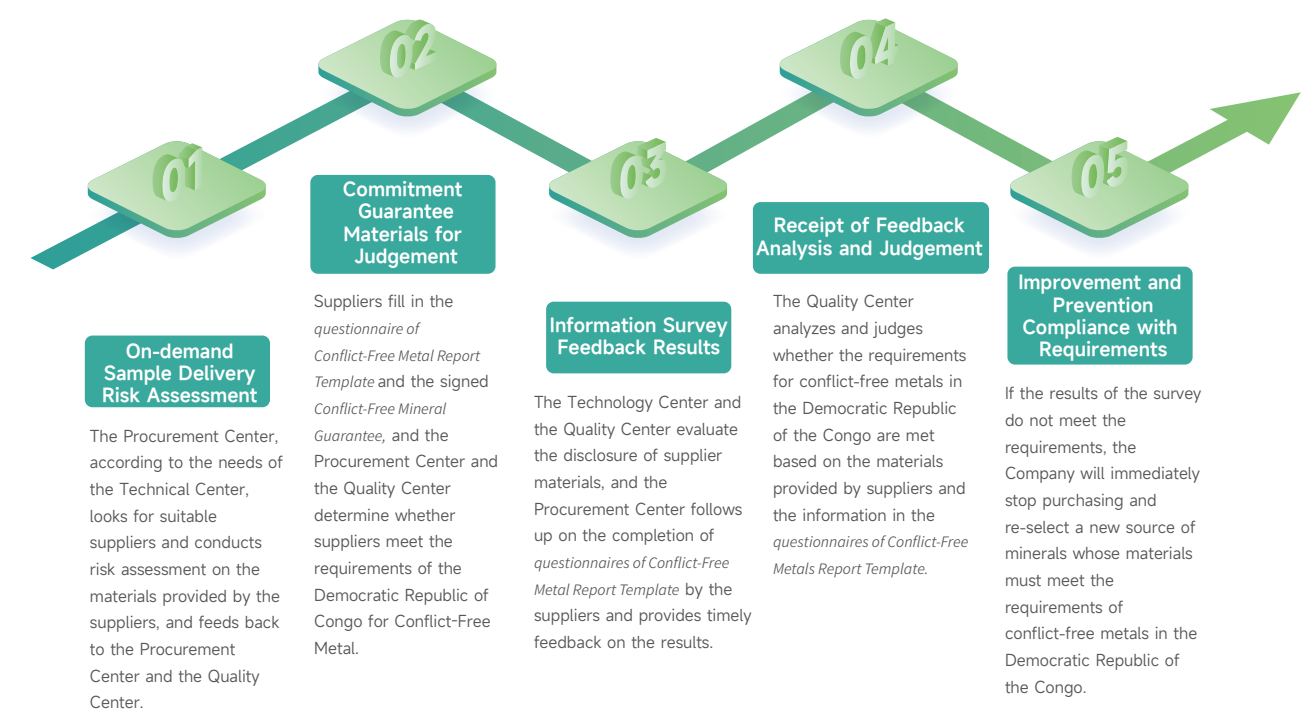
Supplier ESG management

To ensure suppliers understand the requirements of social responsibility standards, Aihua Group has formulated the *Management Procedures for the Implementation of Social Responsibilities by Suppliers* to assess suppliers' social management practices, covering issues such as child labor, forced labor, water safety, fire safety, business ethics, environmental permits and reports, and the management of wastewater, waste gases, and residues. Moreover, to improve suppliers' performance in ethics, labor standards, environmental protection, and health and safety, we use the *RBA Management Handbook* to comprehensively evaluate suppliers in terms of the rights and interests of workers, health and safety, environmental protection, business ethics, and management systems and conduct an RBA audit on suppliers every year to evaluate their environmental and social practices. Additionally, we continuously enhance promotion and training about labor, ethics, environmental protection, and health and safety policies, increasing suppliers' awareness of social responsibility and reducing our operational risks.

We also require suppliers to sign the *Quality and Environmental Protection Assurance Agreement* and the *Social Responsibility and Occupational Health and Safety Agreement* to regulate suppliers' practices concerning product quality, environmental quality, honesty, confidentiality, and integrity, ensuring all suppliers and subcontractors meet the *SA8000 Social Responsibility Standard*, the *OHSAS18000 Occupational Health and Safety Standard*, and EICC requirements.

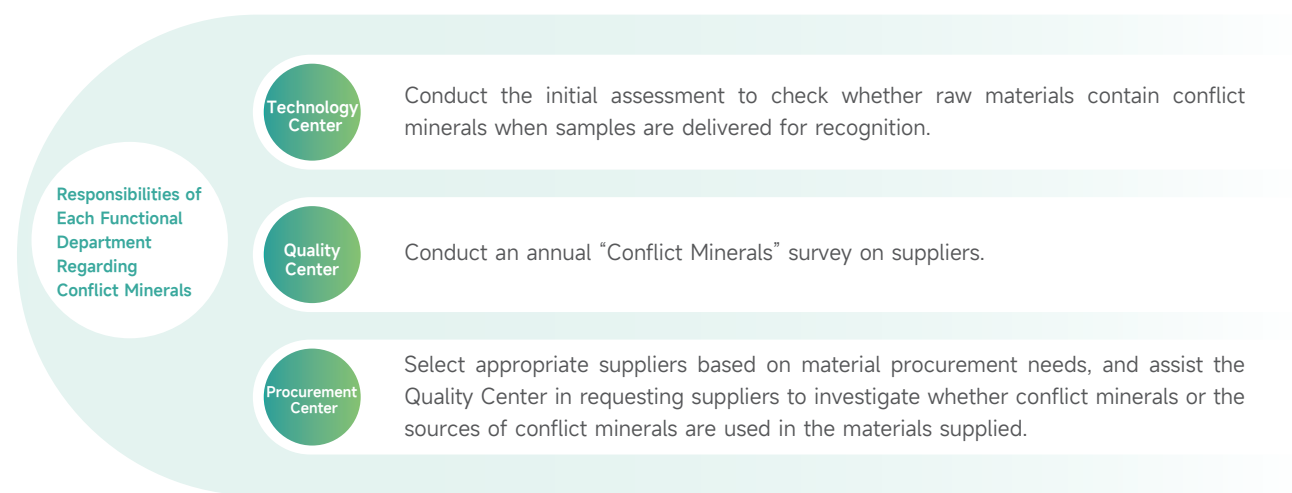
Management of Conflict Minerals

Gold (Au), tin (Sn), tantalum (Ta), tungsten (W), and cobalt (Co) are essential materials for the functionality of electronic products. To prevent the use of conflict minerals sourced from illegal mining and trading, Aihua Group actively adheres to conflict mineral control policies by developing the *Management Procedures for Non-Use of Minerals from Conflict Areas*. We firmly reject the use of metals sourced from armed conflicts, illegal mining, or substandard working conditions and conduct due diligence on our suppliers' usage of conflict minerals. We require suppliers to sign a *Declaration for Non-use of Conflict Minerals* and complete the *Conflict-Free Metal Report Template*. Subsequently, we will investigate suppliers according to the forms submitted by suppliers and related minerals and, in case the materials provided by any supplier are found to contain conflict minerals from the Democratic Republic of Congo (DRC) or its adjacent areas, require the supplier to provide written explanations and immediately halt the procurement and use of such conflict minerals.



Operating Procedures of Aihua Group for the Survey of Conflict Minerals

In terms of organizational structure, our Technology Center, Quality center, and Purchasing Center each fulfill their specific roles and cooperate to ensure the coordination of all relevant roles in the management of conflict minerals, thus supporting the fulfillment of our commitment to managing conflict minerals.



Supplier Smart Sourcing

Aihua Group is dedicated to leveraging information technology to create an e-Purchasing platform that is “open, transparent, and efficient”, facilitating “transparent procurement” through technological means. We have developed and launched the Purchasing MES System, which focuses on user management, planning management, procurement orders, and delivery management. This system enables long-term, dynamic online monitoring of supply and demand interactions. Driven by the principles of fairness, justice, quality improvement, and efficiency growth, it effectively creates a transparent, standardized, and efficient procurement environment, thereby advancing the development of a smart supply chain.



Procurement with integrity from suppliers

Aihua Group places a high priority on procurement with integrity, firmly opposing any form of corruption and commercial bribery in the procurement process. We have established the *Honesty and Integrity Management Procedures*, requiring all employees to strictly adhere to ethical standards, including “no bribery, no gift-giving, no conflicts of interest, no falsification, no cutting corners, no commercial fraud, and upholding commitments”. These standards ensure that all dealings with colleagues, customers, suppliers, and other partners are conducted without any form of corruption, extortion, embezzlement, bribery, or other unethical behaviors.

Key Performance

	Unit	2023
Total number of suppliers	Supplier	168
Suppliers in East China	Supplier	59
Suppliers in Central China	Supplier	36
Suppliers in Northwest China	Supplier	6
Suppliers in Southwest China	Supplier	4
Suppliers in South China	Supplier	60
Overseas suppliers	Supplier	3
Suppliers with a certified quality management system	Supplier	135
Suppliers with a certified environmental management system	Supplier	62
Suppliers with a certified occupational health and safety management system	Supplier	25
ESG training sessions conducted for suppliers	Time	1
Total hours of ESG training sessions conducted for suppliers	Hour	4
Number of suppliers covered by ESG training	Supplier	13
Percentage of suppliers that have signed the Integrity Agreement	%	100
Proportion of spending on procurement from local suppliers	%	3.20
Percentage of main material suppliers that have signed a contract containing provisions on environmental protection, labor, and human rights.	%	100
Percentage of main material suppliers that have passed the CSR evaluation (such as a questionnaire survey)	%	100
Percentage of main material suppliers that have passed the on-site CSR review (such as a questionnaire survey)	%	100
Percentage of main material suppliers that have been reviewed/evaluated for improvement actions or capacity development	%	100



05

Employee Orientation,
Building A Harmonious
Team

Employees are the foundation of sustainable development for an enterprise, and harmonious labor relations are a crucial factor in promoting the high-quality development of an enterprise. Aihua Group consistently views human capital as essential for enhancing competitiveness and achieving sustainable development. We adhere to a people-oriented talent philosophy, guarantee the basic rights and interests of employees, and advocate for an equal, inclusive, and free workplace atmosphere. We provide employees with adequate humanistic care and a broad platform for development, aiming to achieve mutual progress and development for both employees and our company.

► Protection of Employees' Rights and Interests	65
► Employee Health and Safety	71
► Employee Training and Development	79

► Protection of Employees’ Rights and Interests

Employee Recruitment and Employment

We adhere to the employment principles of “openness, fairness, justice, and competitive selection”, and strictly comply with laws and regulations such as the *Labor Law of the People’s Republic of China* and the *Labor Contract Law of the People’s Republic of China*, and have developed a series of policies including *Labor Contract Management Measures*, *Employee Recruitment Management Procedures*, and *Employee Resignation Management Procedures* to standardize our talent hiring mechanisms. To ensure fair and equitable job opportunities and humane treatment, we ensure that our employees are not subjected to discrimination or differential treatment based on gender, age, race, region, religion, marital status, and other factors, and have prepared the *Management Procedures for the Prohibition of Discrimination*. In protecting the personal rights and interests of employees, following the *Universal Declaration of Human Rights*, we have established the *Procedures for the Management of the Prohibition of the Use of Slavery and Trafficking in Persons* to prevent incidents of human trafficking and slavery and promote employment safety. During the Reporting Period, we achieved a 100% employment contract signing rate.

We place high importance on talent attraction and retention and utilize diverse recruitment channels, such as internal competitions, internal referrals, campus recruitment, social recruitment, and veteran recruitment, to actively bring in new talents. In campus recruitment, we frequently conduct offline seminars and job fairs, maintain long-standing cooperative relationships with several universities, and continuously push forward school-enterprise cooperation projects to attract more outstanding graduates to join the Aihua team. In social recruitment, we collaborate with large domestic recruitment platforms and renowned headhunters to expand our recruitment channels, providing robust support for our long-term development. During the Reporting Period, we welcomed 640 new employees.



■ On-campus Recruitment Site

Anti-Child Labor and Forced Labor

We make every effort to protect the rights and interests of minors involved in production labor according to the requirements of the *Law of the People’s Republic of China on the Protection of Minors*. During the recruitment process, we conduct stringent qualification screenings to identify minors. In the *Management Procedures for the Prohibition of the Use of Child Labor and Remediation for the Misuse of Child Labor* and the *Management Procedures for the Protection of Juvenile Workers*, we have clearly outlined regulations related to child labor and strictly prohibited the employment of anyone under the age of 16. Additionally, to ensure the personal freedom of our employees and guarantee that all employment is voluntary, we have developed the *Management Procedures for the Prohibition of the Use of Forced Labor* to standardize our labor management. During the Reporting Period, we did not incur any incidents of child labor or forced labor.

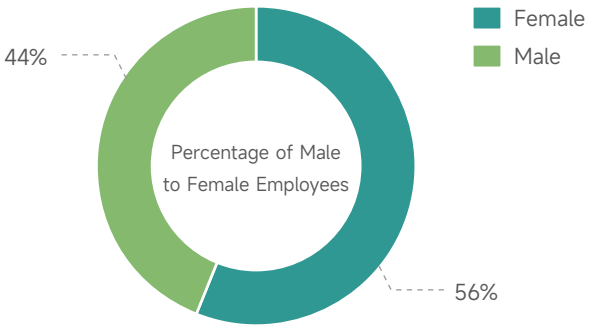
Employee Composition	
Total Number of Employees	4,800 persons
Number of employees with disabilities	40 persons
Number of employees of minority nationalities	94 persons
Percentage of employees of minority nationalities	1.96%
Employee turnover rate (%)	8%

Number of Employees (by Gender)	
Female	2,680 persons
Male	2,120 persons

Number of Employees (by Academic Qualification)	
Bachelor’s degree or above	570 persons
College degree	1,235 persons
High school (Secondary) degree or below	2,995 persons

Number of Employees (by Profession)	
Production staff	3,130 persons
Sales staff	194 persons
Technical staff	785 persons
Finance staff	42 persons
Administrative staff	432 persons
Others	217 persons

Diverse Composition of the Management	
Number of management personnel	609 persons
Including: Number of female management personnel	311 persons
Including: Number of management personnel of minority nationalities	14 persons
Percentage of female management personnel to total management personnel	51%



Salary and Welfare

Aihua Group fully implements our people-centered management philosophy centered on co-creation and sharing. We have developed the *Employee Welfare Management Procedures* according to the reality of our company to offer attractive salaries and compensations based on the position value and individual contributions of employees and provide performance-based commission bonuses. We communicate the details of compensation and its compositions to all employees in a timely manner via pay slips and adhere to the philosophy of “distribution according to work and equal pay for equal work” to ensure fairness in salary distribution. Beyond salary and statutory welfare, we also offer employees with suitable housing according to their needs to facilitate their work and life. During the Reporting Period, we achieved a 100% social insurance coverage.

We are committed to providing reasonable working hours and a healthy work environment for employees in strict accordance with national labor standards. We have established the *Attendance and Working Hour Management Procedures*, which accommodate various attendance options suited to job requirements and help our employees arrange their work, optimize their performance, and enhance productivity within a supportive work environment.



Employee Dormitory



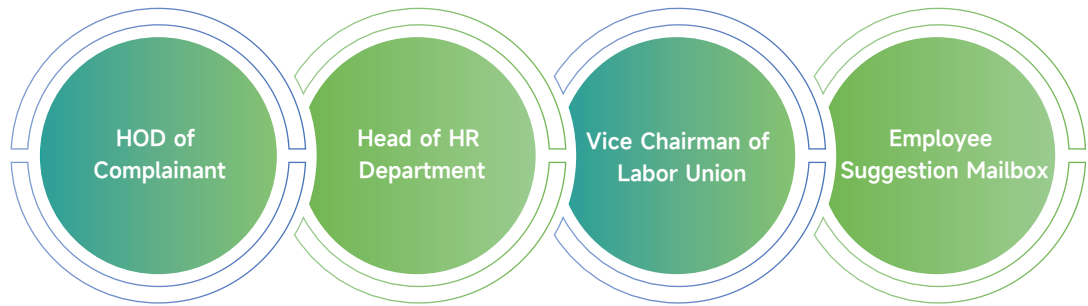
Key Performance

2023	
Welfare expenditure	RMB 15.7427 million
Statutory welfare expenditure	RMB 3.97 million
Average paid annual leave days per employee	5 days
Number of employees seeking reimbursement for employee medical subsidies	113 persons
Amount of subsidy for reimbursement of hospitalized employees	RMB 79,656.43

In terms of performance management, we are committed to enhancing effective communication between different levels within each division in strict accordance with the principles of “objectivity, fairness, justice, and transparency”. We have formulated the *Management Procedures for the Competence Assessment of Division Quality Personnel* to standardize our management, thereby objectively evaluating employee performance, continuously improving employee quality and efficiency; providing a basis for salary evaluation, grade determination, recognition and awards, position adjustment, promotion, and employee training; and helping and inspiring our teams and employees to continuously enhance their work performance. Furthermore, we place great importance on communication during the performance assessment process. To better listen to the voices of grassroots employees, we have established the *Employee Grievance Management Procedures* to ensure that our employees have effective and reasonable channels for appeals and allow them to receive fair and just consideration and assistance in addressing their legitimate needs.

We have also established a Grievance Handling Committee responsible for investigating, gathering evidence, proposing preliminary handling opinions, participating in research, and providing feedback on responses.





Employee Grievance Channel

Democratic Governance

Aihua Group strictly adheres to the *Labor Union Law of the People's Republic of China* and other relevant laws and regulations and deeply advances democratic management initiatives. We have legally established labor union organizations and, according to our actual circumstances, formulated various rules and regulations, such as the *Democratic Management System*, *Labor Union Organization Management Procedures*, and *Free Association and Collective Bargaining Management Procedures*. We have also established seven systems for the democratic management of the Labor Union, including systems for staff representative meetings, staff representative activities, the deliberation of work mechanisms under the Employee Congress, workgroup activities, the democratic management of workgroups, and recognition and rewards. We have established the *Management Procedures for the Election of Employee Representatives* to maintain and protect the legitimate rights and interests of all employees, allowing them to adequately express reasonable opinions and demands to the management and clarifying the duties of employee representatives. Employee representatives are democratically elected by the employees themselves. These representatives engage with senior management through various means such as written communication, suggestion boxes, face-to-face discussions, and telephone calls, establishing a robust channel of communication between the employees and the top management.

In accordance with the *Labor Law of the People's Republic of China*, the *Labor Union Law of the People's Republic of China*, and the *Provisions on Collective Contracts*, among other relevant laws and regulations, we sign and execute collective agreements with employee representatives concerning employee health and safety, working conditions, employee training and career management, and anti-discrimination to effectively uphold the legal rights and interests of both parties involved in employment relations.

Key Performance	
	2023
Percentage of labor union members to in-service employees	4%-5%
Total number of Employee Congresses held	3 times
Number of projects approved	2 projects
Coverage of collective bargaining agreement	100%
Percentage of employees at all company locations covered by formal collective agreements regarding working conditions	100%
Percentage of employees at all company locations covered by officially elected employee representatives	4%-5%

Labor Dispute Mediation

Aihua Group has a Labor Dispute Mediation Committee, which is responsible for regulating the application and acceptance procedures for the mediation of labor and personnel disputes, plays a proactive role in coordinating disputes or disagreements in the work process, and provides an early warning of the risk of labor disputes to the Company, thereby maintaining the stability of labor relationship among our workforce.

Employee Satisfaction

Aihua Group has formulated the *Control Procedures for Employee Motivation and Satisfaction Survey* to ensure the realization of our quality policy and objectives and grasp and enhance the level of employee satisfaction. We continuously conduct employee satisfaction surveys, assessing various aspects such as employee living conditions, environment, occupational health and safety, and welfare benefits. By listening to employee concerns, we utilize questionnaires supplemented with interviews to summarize and sort concerns raised by our employees during the questionnaire surveys and provide solutions for the relevant issues.

Key Performance	
	2023
Number of employee satisfaction surveys	1 time
Number of symposiums held	2 sessions
Number of valid questionnaires	2,464 copies
Effective questionnaire rate	100%
Overall employee satisfaction	95.33%

Care for Female Employees

Aihua Group places high importance on protecting the rights and interests of female employees, adheres to the principle of equal pay for equal work, and complies with the *Law of the People's Republic of China on the Protection of Rights and Interests of Women* and other laws and regulations. We have established the *Procedures for the Protection and Management of Female Employees (Pregnant Women)*, which specifies prohibited labor for female employees and outlines protective measures during menstruation, pregnancy, maternity, and breastfeeding periods. Furthermore, female employees legally enjoy rights to paid leave such as prenatal examinations, maternity leave, and breastfeeding leave.

We have established lactation rooms to offer a conducive rest environment for female employees. We are highly committed to the physical and mental health of female employees, offering regular health check-ups for all female staff. Additionally, we organize a variety of activities aimed at enriching their lives and enhancing their well-being.



A Lactation Room

Aihua Group Collaborated with Heshan Maternity & Child Healthcare Hospital to Provide On-site Health Checkups for Female Employees

Case Study 1

In March 2023, our Labor Union collaborated with Heshan Maternity & Child Healthcare Hospital to customize gynecological exclusive medical checkup packages for female groups of different age groups at the Company and provided door-to-door unified medical check-up services. Over 300 female employees participated in the gynecological examination, which is tailored to identify significant potential illnesses based on the specific health characteristics of our female employees, enabling them to promptly gain insights into their health status, prevent serious illnesses, and enhance their personal health levels.

This health checkup campaign is a tangible expression of our labor union's people-centric development philosophy and a concrete measure in the labor union's continuous "I Do Practical Things for Workers" initiative. Our company consistently puts the interests of our employees first and pays close attention to their living and working conditions. As a world-class national enterprise, we are committed to designing our future with the confidence inspired by a century of Aihua's history, and to giving back to our employees and society through our actions of creating happy Aihua.



Health Checkup Site for Female Workers

Aihua Group Conducted "Beauty Engagement: Glamming Up for Chinese Valentine's Day" Themed Event

Case Study 2

In August 2023, Aihua Group organized two back-to-back salon events under the theme "Beauty Engagement: Glamming Up for Chinese Valentine's Day" in the conference room. The event brought in professional makeup artists to provide live demonstrations and insights into makeup artistry. The training sessions not only allowed female employees to identify their distinct characteristics but also educated them on enhanced self-care techniques. Our female employees expressed their eagerness to contribute with higher vigor and enthusiasm across all fronts at Aihua.



"Beauty Engagement: Glamming Up for Chinese Valentine's Day" Themed Event

Employee Health and Safety

Occupational Health and Safety Management System and Regulations

We unwaveringly adhere to the principle that the life safety and physical health of our employees take precedence above all else. Upholding the safety philosophy of "everyone must recognize the importance of ensuring safety and take responsibilities for their positions", we meticulously comply with the requirements of the *Law of the People's Republic of China on Work Safety*, the *Measures for Administration of Emergency Response Plans for Workplace Accidents*, and other relevant safety and production laws regulations. We have developed a series of systematic health, safety, and production systems have been established, such as the *Occupational Health and Safety Management Procedures*, *Safety Production Operation Management Procedures*, *Safety Production Regulation Management System*, and *In-service Employee Safety Training Management System* to intensify the management and prevention of potential occupational hazards that may occur in the production process, mitigate or eradicate occupational hazards, advance a culture of safety, and continuously improve the health and safety of our employees and related parties. During the Reporting Period, Aihua Group and Aihua Fuxian have both been certified to ISO 45001 Occupational Health and Safety Management System.



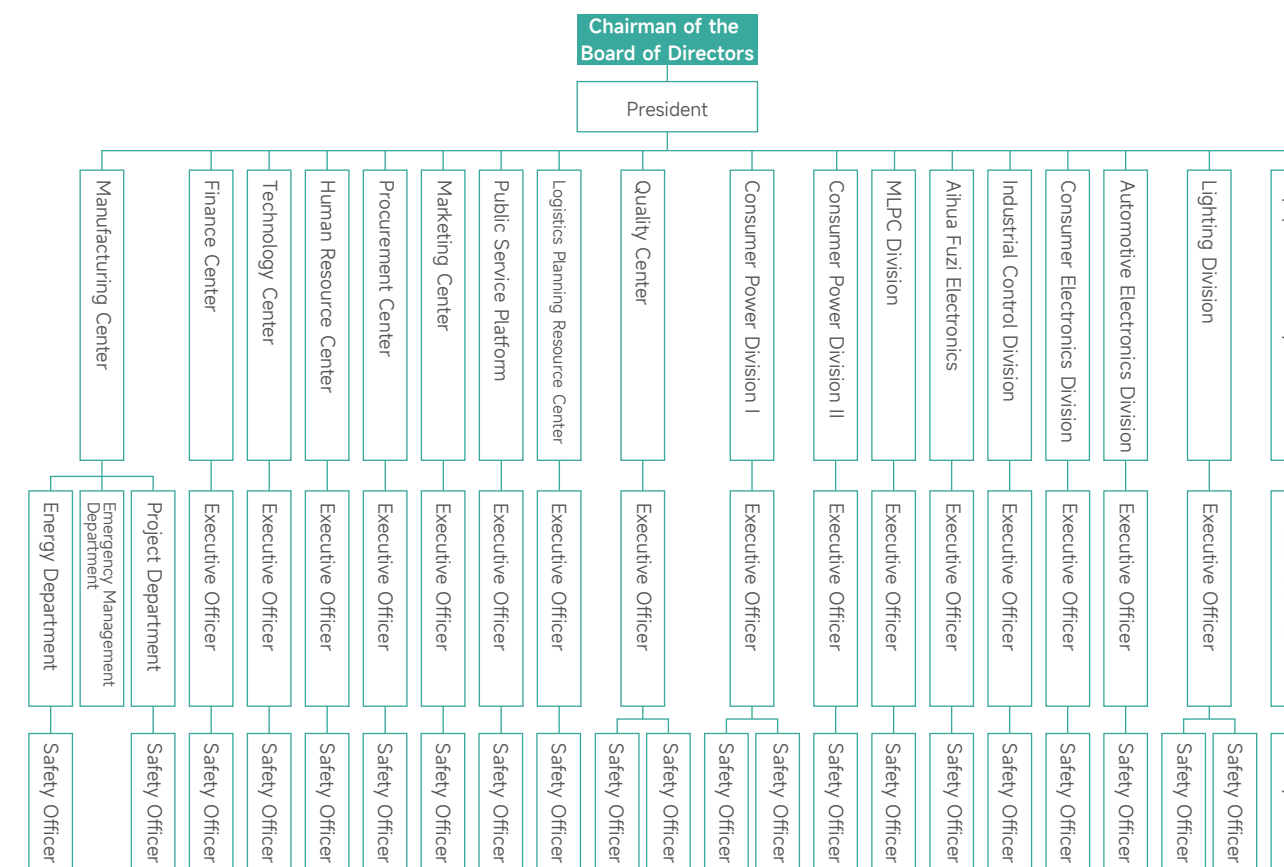
ISO 45001 Occupational Health and Safety Management System Certification



ISO 45001 Occupational Health and Safety Management System Certification for Aihua Fuxian

Organization and Responsibilities

We have established a Safety Production Committee composed of implementation members, executive members, and safety officers. This committee is responsible for uniformly leading our safety production, supervising and implementing major decisions and deployment on safety work, strictly adhering the bottom line of safety production, and promoting our company towards intrinsic safety.



Organizational Structure of the Safety Production Committee

Primary Responsibility for Safety

Aihua Group consistently adheres to the safety production policies of "Safety Priority, Prevention Orientation, Comprehensive Treatment, Full Engagement, Graded Control and Continual Improvement". We thoroughly implement a safety production responsibility system and have built a safety management team with safety and emergency response professionals as the core to strengthen our systems, implement responsibilities, and establish a normalized and professional safety production management framework. During the Reporting Period, our company executed 3,568 safety production responsibility commitment letters, with signatures ranging from the president to frontline employees, to ensure universal participation.

Goals and Planning

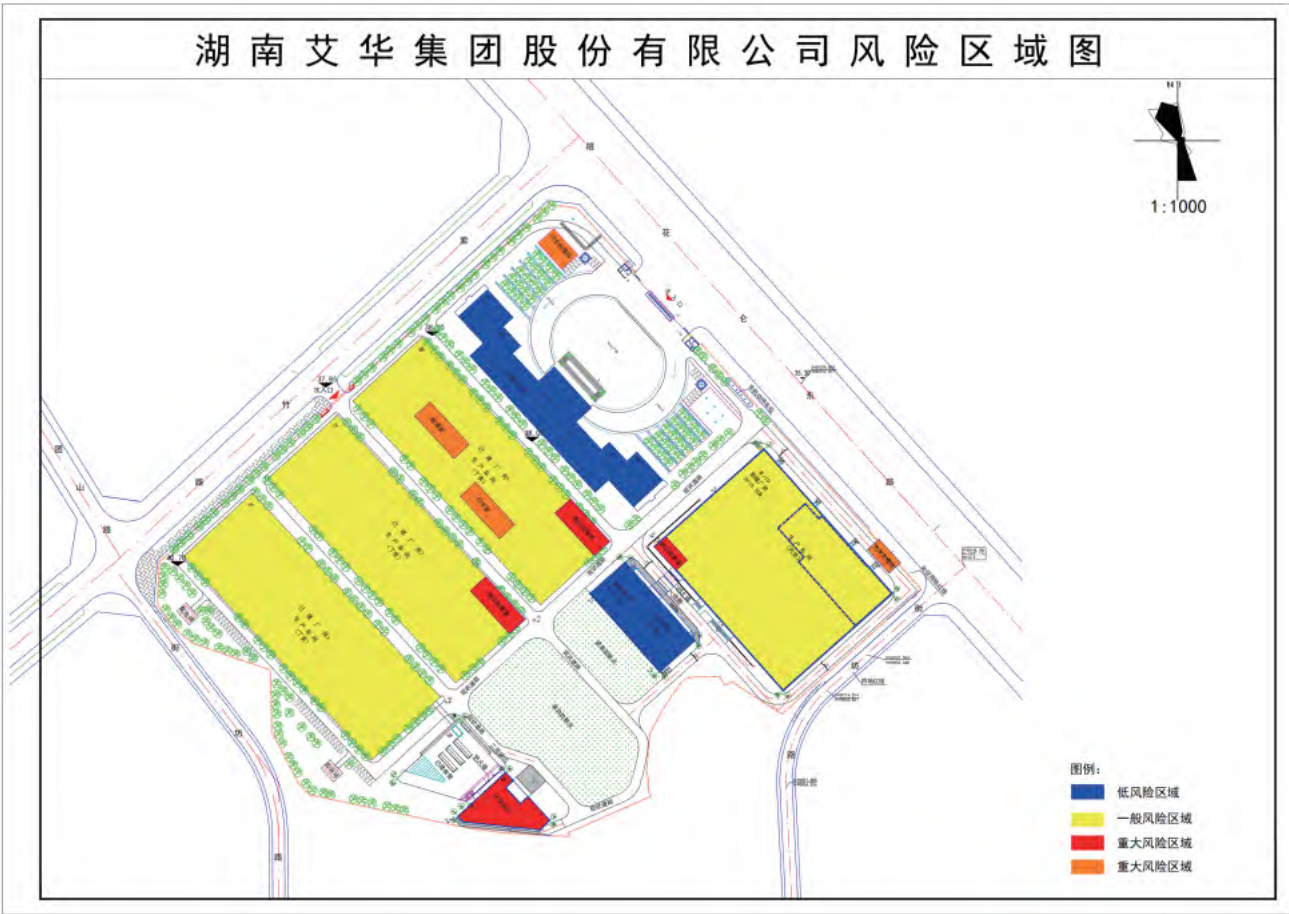
In alignment with industry-specific safety issues and the actual situation of our previous safety production, we have established both short-term and long-term health and safety objectives. We take "establishing a national safety culture demonstration enterprise and achieving an information-based and intelligent safety production management enterprise" as our long-term planning to clarify safety objectives and responsibilities for leaders and employees at all levels. Throughout the Reporting Period, we successfully met all short-term safety objectives, achieving a work-related injury rate per 1,000 workers of only 0.301%.

Key Performance	
	2023
Safety production incidents	12 cases
Total number of work-related injuries	12 persons
Lost days due to work injury	80 days

Targets for Safety Production in 2023	Achievement
0 major personal injury or death accidents	✓
0 major fire or explosion accidents	✓
0 accidents of acute poisoning involving multiple persons	✓
Less than 0.06‰ of work-related injury rate per 1,000 workers	✓
100% rectification rate for safety hazards	✓
No new cases of occupational diseases	✓

Security Risk Identification and Management

We systematically advance the work of hazard identification and risk assessment and have developed a four-color risk identification chart and a risk identification checklist to analyze and evaluate occupational health and safety risks and opportunities and provide corresponding control measures and solutions. During the Reporting Period, the percentage of all workplaces that have undergone employee health and safety risk assessments was 100%.



Four-Color Risk Identification Chart

Identification of hidden hazards

We coordinate the investigation and governance of hidden dangers, regularly organize the investigation of hidden safety dangers, and comprehensively investigate and timely control and eliminate accidents and hidden dangers to apply closed-loop management to the investigation and governance of hidden dangers, thus ensuring the stability of our safety production status and enhancing our safety governance level. We conduct spot checks upon equipment startup to verify the functionality of all safety accessories. We regularly conduct spot checks and calibrations, properly maintain records, and draft calibration reports. During the Reporting Period, we conducted 32 investigations for hidden dangers and identified 2,540 general hidden dangers, all of which have been fully rectified, achieving a 100% rectification rate

Emergency Response Plan and Drills

We rigorously adhere to laws, regulations, and regulatory documents, such as the *Law of the People's Republic of China on Work Safety*, the *Measures for Administration of Emergency Response Plans for Workplace Accidents*, and the *Guidelines for Enterprises to Develop Emergency Response Plans for Work Place Accidents*. We have developed the *Emergency Response Plans for Work Safety Accidents* and *Emergency Preparedness and Response Control Procedures* to prevent safety production accidents, timely control major accidents (if any), prevent the spreading of major accidents, effectively organize rescue and assistance, and safeguard the safety of our employees and assets. Meanwhile, we have established emergency response organizations and institutions to be responsible for organizing and implementing emergency rescues for safety production accidents. We also regularly organize employees to participate in contingency plan drills to enhance their risk prevention awareness and capacities in handling emergency accidents. During the Reporting Period, Aihua Group organized 5 emergency drills.

A Firefighting and Emergency Evacuation Drill Conducted by Aihua Group

Case Study

In June 2023, Aihua Group conducted a firefighting and emergency evacuation drill throughout the group, with a total of 3,728 employees participating in the drill. This comprehensive drill significantly boosted our employees' safety awareness and evacuation abilities. Concurrently, in response to the call of the "Safety Production Month" campaign themed "Everyone Speaks of Safety, Everyone Knows Emergency Response", we guided employees to actively engage in learning and applying knowledge about the following requirements for firefighting: know the locations of firefighting facilities and equipment; know evacuation routes and exits; know building layout and functions; can organize personnel evacuations; can extinguish initial fires; can wear protective equipment; can operate firefighting equipment; and ensure smooth communication between public security fire detachments or brigades or lochi and micro fire stations, and communication between micro fire stations and firefighters. This training enhanced the emergency capabilities of our employees, giving them a clearer understanding and practical experience in dealing with fires. We also encouraged all employees to watch and learn from videos about fire prevention, firefighting, and emergency self-rescue. These efforts are part of our ongoing commitment to refine our existing contingency plan systems and promote the establishment of a mass prevention and control mechanism in our company.



Firefighting and Emergency Evacuation Drill

Safety Training

Aihua Group insists on implementing the promotion of safety culture and blend theoretical knowledge with practical applications to create a safety culture and atmosphere and enhance safety awareness among all employees. To diligently implement the requirements of the "Safety Production Month" initiative themed "Everyone Talks Safety, Everyone Masters Emergency Response" in June 2023, the Company actively conducted specialized activities throughout the month. These efforts aimed to firmly instill in employees the principle of "Safety Priority, Prevention Orientation, Comprehensive Treatment". The Company signs environmental safety management agreements with contractors and conducts reviews of their relevant qualifications. Before commencement, we hold safety briefings for each project, and offer regular health and safety training sessions. We adhere to the safety bottom line, implement safety responsibilities, disseminate safety knowledge, and enhance safety skills. These efforts comprehensively improve our safety production management, and lay a solid foundation for the construction of safety and high-quality projects.

The First Class Upon Commencement: Embedding Safety Production in Heart

Case Study

To ensure the safe, smooth, and orderly resumption and effectively prevent production accidents, the Emergency Management Department of Aihua Group organized a training on the "First Class Upon Commencement" for the resumption of work and production of the Company in January 2023. This aimed to ensure a good start for the safety production throughout the year. The training required all departments and divisions of the Company to firmly establish the awareness that "inadequate safety training constitutes a significant safety hazard". It emphasized the importance of accurately grasping the characteristics of safety production during the post-holiday resumption period. Departments were instructed to diligently carry out safety training for resumption, conscientiously implement safety precautionary measures, and collectively establish a stable safety production environment within the Company.



The "First Class Upon Commencement" Safety Training

Key Performance

	2023
Investment in Safety Production	
Total investment in safety production	RMB 3.27 million
Safety Training	
Total Investment in Safety Training	RMB 0.02 million
Safety Training Sessions	12 sessions
Participants in Safety Training Sessions	3,000 person-times
Total Hours of Safety Training	288,000 hours
Coverage Rate of Safety Training	100%
Coverage Rate of Safety and Risk Prevention Training	100%

Other Safety Management Measures

The Company has formulated a number of systems in strict compliance with the *Regulations on the Safe Management of Dangerous Chemicals* and other laws, regulations and policy documents as well as the realities of the Company. In order to standardize the management of hazardous chemicals in storage, use and disposal, and prevent the chemicals from causing harm to employees and the environment, we have formulated the *Hazardous Chemicals Management System*. Meanwhile, to enhance the Company's fire safety efforts, we have formulated a *Fire Management System* to protect the safety of communication equipment, corporate property and employees. To ensure the safety and health of the staff at work and strengthen the management of labor protective equipment, we have formulated the *Personal Protective Equipment (PPE) Management Procedure* to standardize and institutionalize the management of labor protective equipment.

Occupational health checkups

The Company establishes an occupational health file for each employee and conducts occupational physical examinations for employees on a regular basis. Occupational hygiene evaluation is carried out every three years, and the workplace is tested for occupational hazards once a year, with 108 testing points and a passing rate of over 90%. During the Reporting Period, 2,880 employees received occupational medical examination, and 100% of employees in positions exposed to hazardous factors received the occupational medical examination covering hazardous factors such as dust, noise, and high temperature.

Other Occupational Disease Protection Measures

Notification of Occupational Disease Hazards	① Sign a notification letter of occupational hazards with employees, informing them of possible occupational hazards and their consequences, occupational disease protection measures and treatments ② Set up bulletin boards, and publish rules and regulations for the prevention and control of occupational diseases, operating procedures, occupational disease hazards test results
Publicity and Training Activities Related to Occupational Diseases	Pre-job and In-Service Training on Occupational Safety and Health for Employees
Warnings	Provide warning signs and Chinese warning instructions prominently for positions with serious occupational hazards in the workplace
Occupational Health Monitoring	Carry out occupational health monitoring as required, and realize full-cycle coverage of pre-job, in-service and off-job medical checkups.

Key Performance

	2023
Percentage of special operators licensed	100%
Investment in occupational injury insurance for employees	RMB 1.7477 million
Coverage rate of occupational injury insurance for employees	100%
Inspection of occupational disease hazards	100%
Number of new occupational diseases	0

Employee activities

The Company is committed to creating a warm corporate culture, continuously caring for and paying attention to the life and work of employees, creating a good working atmosphere and environment, encouraging employees to combine work and leisure, and organizing and carrying out colorful employee activities.

“Aihua Cup” Table Tennis Team Competition

Case Study 1

In October 2023, the Company's Labor Union adhered to the principle of “launching big events every month”, and also actively mobilized the role of various associations to fully carry out healthy and beneficial activities. The following is the 11th “Aihua Cup” Table Tennis Team Competition, which not only enriches the spare time and cultural life of employees, but also enhances the communication and cooperation between departments and colleagues.



11th “Aihua Cup” Table Tennis Team Competition

Basketball Tournament

Case Study 2

In May 2023, Yiyang Shitong School invited the Company to participate in a basketball match. Before the game, the team members spent a lot of personal rest time on practicing, and finally came out on top and won the championship, which is exactly the spirit of Aihua people's unity, boldness and perseverance.



Basketball Match

Support for Employees in Difficulty

The Company effectively cares for employees in difficulty, regularly carries out condolence activities, and gives support funds and medical insurance for employees in difficulty, so as to send care and help to employees in difficulty. In addition, the Company provides assistance to the immediate family members of the employees for major illnesses, providing more protection for the employees' families. The Company also pays great attention to the living conditions of retired employees, and according to the *Employee Retirement and Early-Retirement Management System*, provides retired employees with retirement resettlement money, retired salary subsidies and bonuses, to make retired employees feel the Company's care and respect.

Key Performance

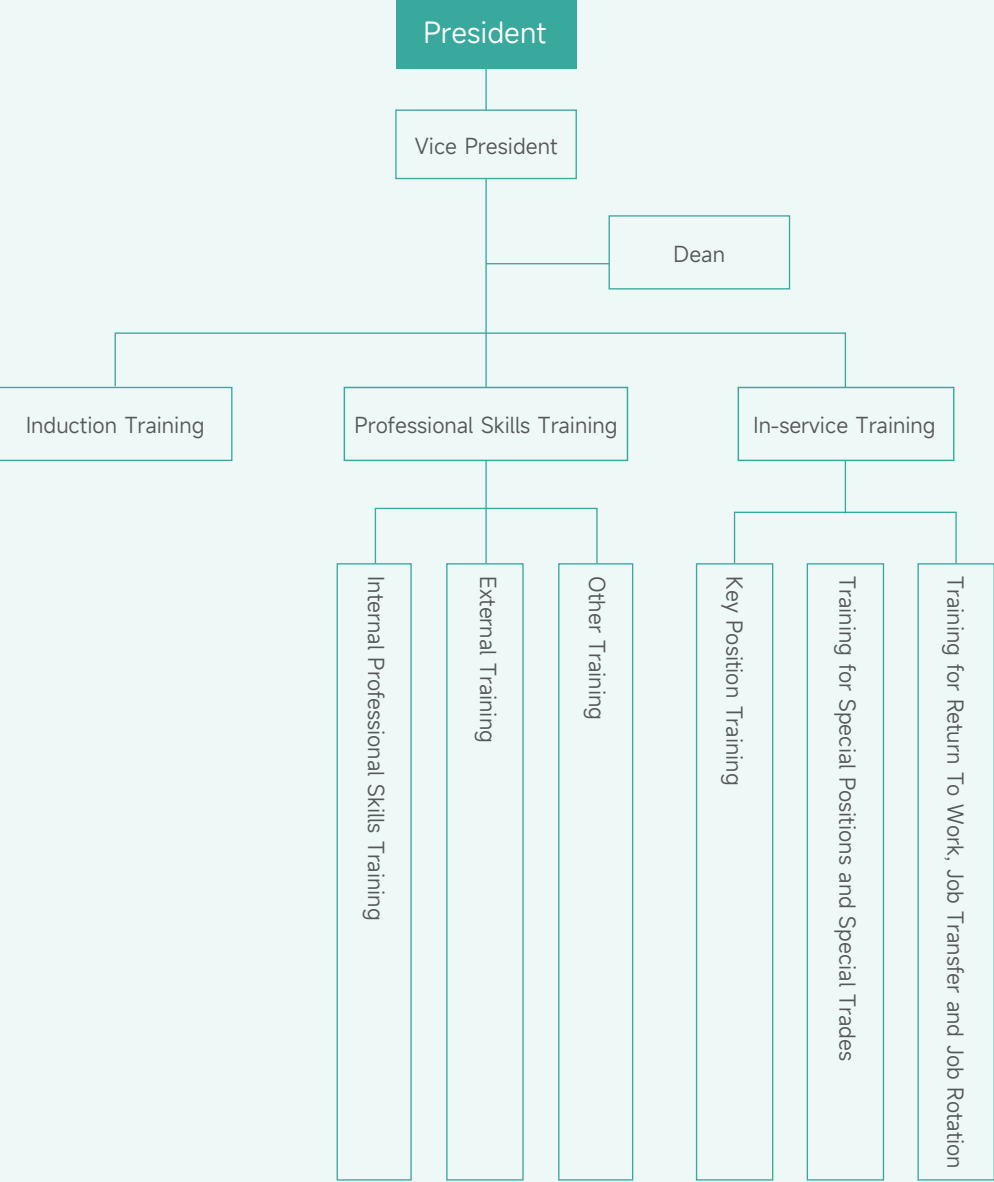
	2023
Families in difficulties that were assisted	6 families
Assistance fund	RMB 80,000
Employees with serious illnesses who were assisted	5 persons
Relief fund	RMB 90,000



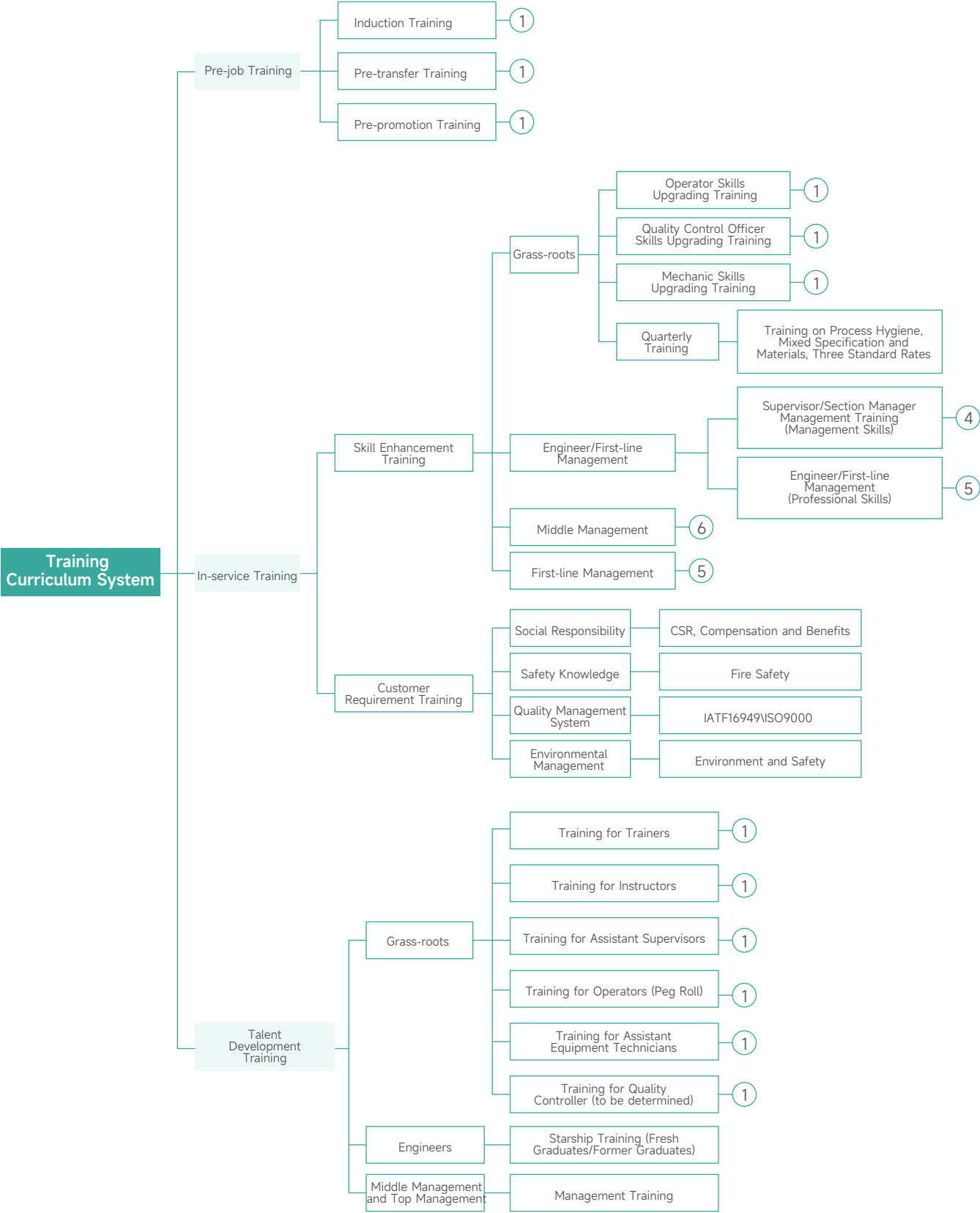
Employee Training and Development

Employee training

The Company attaches great importance to talent development, adhering to the policy of “universal learning, skill enhancement, management improvement, efficiency excellence, and brand shaping”. We have formulated the *Training Management System* and established a training academy to clearly define control requirements for training and assessment for personnel in various positions. This enables employees to proficiently master job-specific or work-related skills, effectively enhancing the overall business capabilities of the workforce. During the Reporting Period, the Company carried out a number of employee training activities through a combination of internal and external training, including induction training for new employees, assistant supervisor training for middle management (and some top management), and quality control skills enhancement training for quality control personnel.



Training Academy Organizational Structure



Training Curriculum System

2023 New “Yuyi Class” Assembled!

Case Study

In July 2023, Aihua Group welcomed the new trainees of “Yuyi Class”, which was led by Aihua’s mentor group to understand Aihua’s history and corporate culture. Through the courses and systematic training such as safety theory, Aihua Clean-Up, PR enterprise publicity, enterprise management system, capacitor production and manufacturing process demonstrations, every new employee has a clearer understanding of his/her career development path. The new employees actively emerged and released their youthful power in various practical activities, professional quizzes and fun games.



■ Training for Trainees of Yuyi Class

Training Evaluation and Assessment Mechanism

In order to comprehensively strengthen talent training, promote the creation of learning-oriented enterprises, cultivate a talent team with strong learning and continuous improvement capabilities, and organically combine learning and training with employee promotion, employee appointment and employee assessment. The Company has formulated the *Employee Training Credit Management System* according to the relevant contents of the *Employee Training Management System*. Employees can obtain training credits through internal training credits, external training credits and self-study credits and apply them to the Company’s annual assessment, salary promotion and position appointment. According to the assessment and evaluation of the training credits, the employees who fail to meet the standard will cancel their salary promotion and promotion qualification in the following year.

Building of Trainer Team

The Company has formulated the *Measures for the Management of Trainers* to make full use of the professional knowledge, experience and resources of trainers, establish and cultivate an excellent trainer team, and give full play to the core role of trainers in training. The Company has set up a team of internal trainers with rich teaching experience, including mentors, growth trainers, practice counselors, coaches, instructors, lecturers, etc. According to the Company’s talent training plan, trainers teach employers job knowledge and skills and help them realize all-round improvement.

Training and Learning Platform

In terms of training platform construction, the Company has set up the “Aihua Group Cloud Platform” for all employees, providing them with convenient, flexible and efficient learning services and resources. At the same time, the Company has set up Aihua Academy, which provides rich learning resources and platforms for exchange students through strengthening political theory learning, position construction, team construction, system construction, connotation construction, brand construction and other measures, and helps to cultivate talents and improve comprehensive business capacity.

Key Performance

	2023
Number of employee training sessions	380 sessions
Total number of persons trained	3,976 persons
Total number of persons trained	45,216 person-times
Total training hours	140,000 hours
Per capita training hours	35 hours/person
Total investment in training	RMB 0.98 million
Employee training coverage	100%

Employee Development

The Company attaches great importance to the growth of employees, strictly follows the principle of “objectivity, fairness, impartiality and openness”, prohibits any discriminatory behavior in the process of career development, and formulates the *Management Measures for the Evaluation of the Capability of the Quality Control Personnel of the Division* and the *Measures for the Management of the Key Positions*, to standardize the identification, reserve, training, assessment, motivation, and removal of key positions or key process personnel in the Company, and to provide employees with perfect career promotion channels.

In order to ensure that the transfer of employees can be completed in an orderly and timely manner, the Company has established a standardized and flexible *Personnel Transfer and Appointment and Removal Management System* to regulate and strengthen the transfer, appointment and removal of employees. During the Reporting Period, 617 employees were transferred in the Company.



Other Training and Development Measures

The Company continues to promote professional qualification certification, and based on development realities, incentivizes employees to obtain titles and qualifications, encourages employees to improve their personal skills, and reimburses full examination fees and 50% of the training costs of the employees who have passed the examination.



Warmth Transmission, Creating a Harmonious Future

Aihua Group has always regarded corporate social responsibility as an important mission, actively practicing social responsibility and giving back to society. The Company actively participates in public welfare and is committed to making a contribution to society, as well as enhancing the image and popularity of the Company in society. By donations, volunteer services, public welfare activities and other means, we contribute to society and promote social progress and development.

- Commitment to Education and Public Welfare 85
- Contribution to Rural Revitalization 86

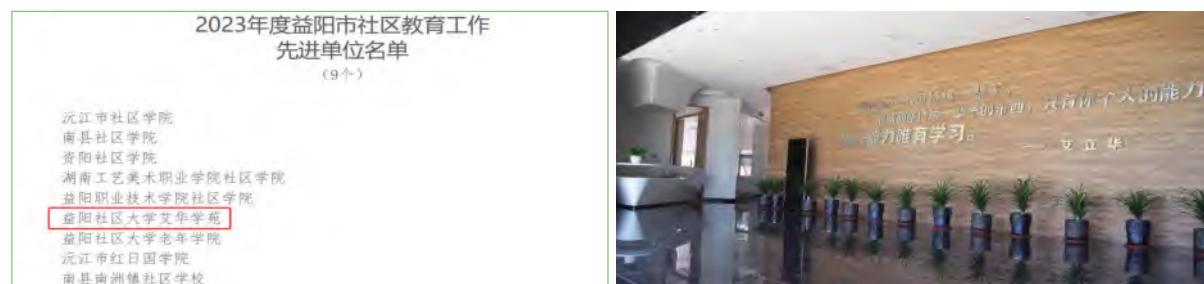
► Commitment to Education and Public Welfare

Aihua Group always adheres to the public welfare philosophy of “thinking of the source of wealth and returning to society”, and closely combines education and public welfare to inject new vitality into the development of society. As a socially responsible enterprise, Aihua Group has provided high-quality vocational training and learning opportunities for employees and local residents through the construction of the Aihua Academy, so that they can continuously improve their own qualities and abilities. Meanwhile, Aihua Group also actively participates in charitable causes, providing scholarships to local poor students to help them successfully complete their studies, as well as important assistance and support to local schools and communities. These initiatives not only promote the development of the Company, but also make positive contributions to the development of the local society, showing the Company’s sense of social responsibility and corporate citizenship image.

Aihua Academy Was Honored as an Advanced Unit in Community Education

Case Study 1

During the reporting period, Yiyang Community University recognized 9 advanced units in community education for 2023 to set models, recognize the advanced and continuously and stably promote the city's community education.



■ 2023 Advanced Unit in Community Education of Yiyang City

Golden Autumn Student Assistance Scholarship

Case Study 2

In August 2023, Hunan Aihua Group Co. Ltd., Hunan Women and Children Development Foundation, and Yiyang Education Fund jointly held the “Rural Revitalization Initiative and 2023 Golden Autumn Student Assistance Scholarship Distribution Ceremony”, and the Chairman of the Board of Directors and the organizers distributed scholarships to a total of 110 students from villages and towns supported by Aihua, with the total scholarship amount of RMB 336,000 yuan.

At the ceremony, the student representatives spoke on behalf of the 110 awardees and expressed that they would continue to run on the road of pursuing knowledge, broaden their academic horizons and contribute to the development of the Company and social progress in the future. The Chairman of the Board of Directors felt gratified about the speeches of the student representatives, and said that whenever he saw generations of students who had received scholarships had become the backbone of society, all the efforts and dedication had a remarkable significance.



■ Distribution of Golden Autumn Student Assistance Scholarships

► Contribution to Rural Revitalization

Combining the traditional Chinese clean-up culture with modern management experience, Aihua Group creatively put forward the “Aihua Clean-Up” cultural model, which has become an important part of our corporate culture. Especially in poverty alleviation, rural revitalization and new countryside construction, the “Aihua Clean-Up” cultural model has injected new vitality to help the beautiful countryside.

Public Welfare Activities of CEO Class

Case Study 1

In May 2023, the Financial Wisdom CEO Class of Hunan Agricultural Bank held the “United as One” public welfare activities, invited elites from all walks of life in the Aihua Academy around the charitable service to start the discussion and exchange and visit “Aihua Clean-Up” demonstration villages as accompanied by the Chairman of the Board of Directors. Both parties had in-depth exchanges, shared experiences and discussed cooperation through the activity, which provided new ideas and directions for realizing rural revitalization and the development of philanthropy. During the visit to “Aihua Clean-Up” Demonstration Village, both parties also deeply realized the social responsibility and corporate responsibility contained in the culture of “Aihua Clean-Up”, and expressed their appreciation and affirmation of Aihua Group's contribution to social responsibility and public welfare.



■ “United as One” Public Welfare Activities of Financial Wisdom CEO Class

Volunteering Activities

Case Study 2

In December 2023, Aihua Group organized more than 40 volunteers to go to Nanba Village, Nijiangkou Town, Heshan District, Yiyang City, to carry out volunteer service activities with the theme of “Learning from the 20th National Congress and Helping to Revitalize the Countryside”. The volunteers visited the Two Mountains Theory Practice Base, the Ecological Education Warning Base, and the Rural Revitalization Office of Aihua Group in Nanba Village, and checked the implementation results of Nanba Village as an important pilot village for the “Aihua Clean-Up” initiative. The volunteers also had in-depth communication with local villagers to understand their living conditions and needs, which provided important reference and support for the subsequent rural revitalization work.



■ Theme Activity of “Learning from the 20th National Congress and Helping to Revitalize the Countryside”

Annex

Key Performance Form

Operating Performance				
Key Performance	Unit	2023		
Operating Income	RMB	3,378,936,303.36		
Net Profit Attributable to Shareholders of the Parent Company	RMB	350,996,813.46		
Total Taxes	RMB	189,667,248.43		
Total Assets	RMB	5,584,781,151.34		
Social Contribution per share	RMB	2.64		

Environmental Issues				
Key Performance	Unit	2021	2022	2023
Total Environmental Investment	RMB 10,000	754.62	1,008.07	510.30
Environmental Incidents	Case	0	0	0
Violations of laws and regulations concerning environmental protection	Case	0	0	0
Compliance Rate Observed in Pollutant Monitoring	%	100	100	100
Synchronized Operation Rate of Environmental Facilities	%	100	100	100
Compliance Rate of "Three Simultaneities" in Environmental Protection for Construction Projects	%	100	100	100
Number of Environmental Training Sessions	Time	1	1	1
Number of Participants in Environmental Training	Person-times	22	31	92
Training Rate of Employees in Environmental Protection-Related Positions	%	100	100	100
Total Energy Consumption	tce	118,301.39	146,619.86	145,779.10
Energy Consumption Intensity	tce per million yuan of revenue	36.58	42.56	43.14
Total Direct Energy Consumption	tce	400.61	433.25	482.86
Gasoline	ton	258.40	278.60	314.30
Diesel	ton	14	16	14
Indirect Energy Consumption	tce	117,900.78	146,186.61	145,296.24
Total purchased electricity	MWh	959,322.84	1,189,476.11	1,182,231.38

Environmental Issues				
Key Performance	Unit	2021	2022	2023
Photovoltaic Power Generation	MWh	1,172.55	2,006.09	2,332.82
Total Emission of Greenhouse Gases	tCO ₂ e	78,917.44	73,546.36	74,997.71
Greenhouse Gas Emission Intensity	tCO ₂ e per million yuan of revenue	24.44	21.35	22.20
Direct Greenhouse Gas Emissions (Scope 1)	tCO ₂ e	1,393.13	1,855.23	3,054.62
Indirect Greenhouse Gas Emissions (Scope 2)	tCO ₂ e	77,524.31	71,691.13	82,220.93
Quantity of Municipal Water Purchased	ton	2,659,374	2,557,965	2,655,976
Water Resource Consumption Intensity	ton per million yuan of revenue	822.29	742.54	786.04
Total Quantity of Packaging Materials Used	ton	3,700	3,277	2,929
Wastewater	10,000 tons	124.24	210.32	164.68
Waste gases	10,000 m ³	46,425.60	42,883.50	51,949.00
Quantity of general waste generated	ton	2,035.35	2,062.20	2,180.15
Quantity of General Waste Recycled	ton	1,375.26	1,402.37	1,519.94
Disposal Volume of General Industrial Solid Waste	ton	1,375.26	1,402.37	1,519.94
Quantity of Hazardous Waste Generated	ton	76.37	191.45	190.82
Quantity of hazardous waste disposed of	ton	76.37	191.45	190.82
Total Quantity of Waste Recycled	ton	1,451.63	1,593.82	1,710.76

Social Issues		
Key Performance	Unit	2023
Investment in R&D	RMB 10,000	18,645.96
Percentage of R&D investment	%	5.52
Number of R&D personnel	Person	557
Percentage of R&D personnel	%	11.60
Total number of authorized patents	Item	426
Total number of authorized invention patents	Item	81
Product recalls	Case	0

Social Issues		
Key Performance	Unit	2023
Customer Satisfaction	Points	94.55
Product Percent of Pass	%	99.47
Number of ESG training sessions conducted for suppliers	Time	1
Total hours of ESG training sessions conducted for suppliers	Hour	4
Number of suppliers covered by ESG training	Suppliers	13
Percentage of suppliers covered by ESG training to total suppliers	%	8
Percentage of suppliers that have signed the Integrity Agreement	%	100
Proportion of spending on procurement from local suppliers	%	3.20
Percentage of main material suppliers who have signed sustainable procurement charter/supplier code of conduct	%	100
Percentage of main material suppliers that have signed a contract containing provisions on environmental protection, labor, and human rights.	%	100
Percentage of main material suppliers that have passed the CSR evaluation (such as a questionnaire survey)	%	100
Percentage of main material suppliers that have passed the on-site CSR review (such as a questionnaire survey)	%	100
Percentage or number of audited/assessed suppliers participating in improvement actions or capacity building	%	100
Percentage of buyers within all regions who have been trained in sustainable procurement	%	100
Percentage of prime material suppliers from whom information on conflict minerals has been obtained	%	100
Total Number of Employees	Person	4,800
New hires	Person	640
Total number of male employees	Person	2,120
Total number of female employees	Person	2,680
Percentage of female employees	%	55.83
Minority employees	Person	94
Percentage of employees of minority nationalities	%	1.96
Disabled employees (persons)	Person	40
Percentage of female executives	%	51
Percentage of elderly executives	%	0.2
Employees on maternity leave	Person	29
Return rate from maternity leave	%	100
Percentage of employees who have received diversity, discrimination and/or harassment training in total employees	%	100
Percentage of all workplaces that have undergone human rights reviews or human rights impact assessments in all workplaces	%	100
Number of factory inspections for detecting child or forced labor per year	Time	1
Percentage of contract workers	%	100
Social security coverage	%	100
Employee turnover rate	%	8
Expenditures on basic benefits	RMB 10,000	1,574.27

Social Issues		
Key Performance	Unit	2023
Statutory welfare expenditure	RMB 10,000	397
Expenditures on holiday gifts and other kinds of allowances	RMB 10,000	3.92
Amount of subsidy for reimbursement of hospitalized employees	RMB 10,000	7.97
Number of employees reimbursed for medical benefits	Person	113
Per capita paid annual vacation days	days	5
Percentage of employees who have received regular performance assessment and career development evaluation in total employees in all regions	%	Percentage of employees who have received regular performance assessment: 80%
		Percentage of employees who have received regular career development evaluation: 20%
Average annual salary for male employees	RMB 10,000	8.2
Average annual salary for female employees	RMB 10,000	6.5
Ratio of male to female pay	%	126%
Employees' Congress	Time	3
Number of proposals deliberated by the Employees' Congress/the Labor Union	Item	2
Coverage of collective bargaining agreement	%	100
Number of employee satisfaction surveys	Time	1
Number of symposiums held	Sessions	2
Effective questionnaire rate	%	100
Employee satisfaction	%	95.33
Investment in employee training	RMB 10,000	98
Number of Employee Training Sessions	Time	380
Total participants of employee training	Person-times	45,216
Total training hours of employees	Hour	140,000
Average training hours of employees participating in management training	Hour	56
Average training hours of employees participating in professionalism training	Hour	67
Average training hours of employees participating in leadership training	Hour	32
Average training hours of female employees	Hour	36
Average training hours of male employees	Hour	33
Per capita training hours	hours/person	35
Employee Training Coverage	%	100
Percentage of all workplaces that have undergone employee health and safety risk assessments	%	100

Social Issues		
Key Performance	Unit	2023
Safety production incidents	Case	12
Total number of work-related injuries	Person	12
Lost days due to work injury	days	80
Safety inspection and rectification rate	%	100
Safety emergency drill activities	Time	5
Safety Training Sessions	Time	12
Hours of safety training	Hour	288,000
Number of participants in safety training	Person-times	3,000
Safety training coverage rate	%	100
Coverage Rate of Safety and Risk Prevention Training	%	100
Investment in safety production	RMB 10,000	327
Total Investment in Safety Training	RMB 10,000	2
Percentage of special operators licensed	%	100
Investment in occupational injury insurance for employees	RMB 10,000	174.77
Coverage rate of occupational injury insurance for employees	%	100
Employee physical examination coverage rate	%	100
Inspection of occupational disease hazards	%	100
New occupational disease cases	Person	0
Total Public Welfare Input	RMB 10,000	136.40
Number of Volunteers	Person-times	3,125
Number of Volunteer Activities	Time	78

Governance Issues		
Key Performance	Unit	2023
Times of training on business ethics and anti-corruption	Time	1
Number of employees participating in training on business ethics and anti-corruption	Person	296
Total duration of training on business ethics and anti-corruption attended by employees	Hour	187.5
Percentage of employees participating in training on business ethics and anti-corruption in total employees	%	8
Number of cases of business ethics violations reported through internal or external whistleblower procedures	Case	0
Number of corruption incidents	Case	0
Percentage of business partners receiving training on the Company's anti-corruption policies and practices	%	100
Total amount invested in information security	RMB 10,000	200
Number of information security trainings conducted	Time	2
Number of employees participating in information security training	Person	1,200
Percentage of employees participating in information security training in total employees	%	25
Number of violations of information security and privacy protection	Case	0
Highest annual salary	RMB 10,000	248.98
Median annual salary	RMB 10,000	6.4
Ratio of the annual salary of the highest-paid individual to the median annual salary of all employees	%	2.57

Indexes

Primary Headings	Secondary Headings	Sustainability Reporting Standards of Global Sustainability Standards Board (GSSB) (GRI Standards)	Guidelines for Preparing Corporate Social Responsibility Reports in China (CASS-ESG 5.0)
About This Report		102-1/102-3/102-45/102-46/102-50/102-52/102-53/102-54	P1.1/P1.2/P1.3/G3.7
Message from the Chairman		102-14/102-15	P2.1/P2.2
Glance at Aihua Group		102-1/102-2/102-3/102-6/102-7	P4.1/P4.2/P4.4/A2
ESG management	ESG Management Framework	102-18/102-19/102-26	G3.1
	ESG Development Commitment	102-15/102-26	G3.2
	ESG Development Goals	/	/
	Communications with Stakeholders	102-40/102-42/102-43	G3.6
	Analysis of Substantive Issues	102-29/102-33/102-34/103-1/103-2/103-3	G3.5
Compliant Operations, Promoting Enterprise Development	Commitment to Corporate Governance	102-15/102-18/102-22/102-24/102-26/102-30/102-34	G1.1/G1.2/G1.3/G1.10/G1.11/G3.7
	Adherence to Business Ethics	205-1/205-2/205-3	G1.5/G1.6/G1.7/G1.8
Low-Carbon Actions, Painting An Ecological Picture Together	Implementation of Green Operation	305-1/305-2/305-4/307-1	E1.1/E1.2/E1.3/E1.4/E1.6/E1.7/E1.9/E5.5/E5.6/E5.7/V4.1/V4.2/V4.4
	Enhancement of Resource Utilization	301-1/301-3/302-1/302-3/303-2/303-5/305-5/306-1/306-2/306-3/306-4	E2.1/E2.2/E2.3/E2.4/E2.5/E2.6/E2.7/E2.9/E2.10/E2.11/E2.13/E3.1/E3.2/E3.3/E3.4/E3.5/E3.6/E3.8/E3.10/V4.3
Innovative Development, Writing a New Chapter with Technology	R&D Management System	203-2	V2.1/V2.2/V2.3/V2.4/V2.5/V2.7/V2.8
	Protection of Intellectual Property Rights	/	/
Collaborative Advancement, Fueling Industrial Upgrading	Focusing on Data Security	/	S5.6
	Strengthening Product Responsibility	103-2/417-1	S5.1/S5.2
	Enhancing Customer Service	103-2/417-1/418-1	S5.3/S5.5/S5.7/S5.8
	Sustainable Supply Chains	102-9/204-1/308-1/414-1	S6.1/S6.2/S6.6/S6.7
Employee Orientation, Building A Harmonious Team	Protection of Employees' Rights and Interests	102-7/102-8/401-1/401-2/401-3/405-1/405-2/406-1/407-1/408-1/409-1/412-1	S1.1/S1.2/S1.3/S1.4/S1.5/S1.6/S1.7/S1.8/S1.9/S1.10/S1.11
	Employee Health and Safety	403-1/403-2/403-3/403-4/403-5/403-6/403-7/403-8/403-9/403-10	S3.1/S3.2/S3.4/S3.5/S3.6/S3.7/S3.8/S3.9/S3.10/S3.11/S3.12
	Employee Training and Development	404-1/404-2/404-3	S2.1/S2.2/S2.3/S2.4

Primary Headings	Secondary Headings	Sustainability Reporting Standards of Global Sustainability Standards Board (GSSB) (GRI Standards)	Guidelines for Preparing Corporate Social Responsibility Reports in China (CASS-ESG 5.0)
Warmth Transmission, Creating a Harmonious Future	Commitment to Education and Public Welfare	203-1/413-1	V3.4
	Contribution to Rural Revitalization	203-1/413-1	V1.1/V1.2/V1.3/V1.4/V3.6/V3.7
Annex	Key Performance Form	/	A2
	Indexes	102-55	A4
	Feedback Form	102-53	A5

Index Table of SASB Electrical and Electronic Equipment Industry Standards

SASB Topics	Indicator	Category	Values/Corresponding Sections
Energy Management	Total Energy Consumption	Quantitative	145,779.10 tce
	Percentage of grid electricity	Quantitative	99%
	Percentage of renewable energy	Quantitative	/
Hazardous Waste Management	Quantity of hazardous waste generated	Quantitative	190.82 tons
	Recycling percentage of hazardous waste generated	Quantitative	100%
	Total number of reportable leakages	Quantitative	0 case
	Recycling quantity of reportable leakages	Quantitative	0 case
Product Safety	Number of recalls issued, total number of recalls	Quantitative	0 case
	Total economic losses due to lawsuits related to product safety	Quantitative	RMB 0
Product Lifecycle Management	Percentage of products containing declarable substances listed in IEC 62474 (by revenue)	Quantitative	/
	Percentage of eligible products that meet ENERGY STAR® standards (by revenue)	Quantitative	/
	Revenue from renewable energy-related and energy efficiency-related products	Quantitative	/
Material Purchasing	Description of risk management related to the use of critical materials	Discussion and Analysis	Collaborative Advancement, Fueling Industrial Upgrading - Sustainable Supply Chain
Business ethics	Corruption and Bribery	Discussion and Analysis	Compliant Operations, Promoting Enterprise Development - Compliance with Business Ethics
	Anti-Competitive Behavior	Discussion and Analysis	Compliant Operations, Promoting Enterprise Development - Compliance with Business Ethics
	Total Economic Losses due to Lawsuits Related to Bribery or Corruption	Quantitative	RMB 0
	Total Economic Losses due to Lawsuits Related to Regulations Concerning Anti-Competition Behaviors	Quantitative	RMB 0

Feedback Form

We appreciate your time in reading the 2023 *Environmental, Social and Governance (ESG) Report* of Hunan Aihua Group Co. Ltd. To continuously improve our fulfillment of social responsibilities and further enhance sustainable development management, we cordially invite you to provide your valuable feedback by answering the relevant questions in the feedback form through the following modes.

Tel.: 737-618-4466

Email: aihua@aishi.com

Address: East Taohualun Road (South of Zizhu Road), Yiyang City, Hunan Province, China

Your insights are crucial for our ongoing improvement in our fulfillment of social responsibilities and sustainable development management. We are grateful for your strong support to our fulfillment of social responsibilities.

1. Which type of stakeholders do you belong to:

☐ Shareholders and investors ☐ Customers ☐ Government ☐ Society and public ☐ Others (please specify ____)

2. Your overall evaluation of this ESG Report:

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

3. How do you think this report has done in the following aspects?

Information Disclosure

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

Layout Design

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

Readability

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

4、Which topics are of most concern to you? (e.g. submission for the protection of customers’ rights and interests, labor relations management, energy consumption, protection of shareholders’ rights and interests, etc.)

5、Is the information you are concerned about reflected in this ESG report?

☐ Yes ☐ No (What additional information would you like to see ____)

6、Do you have any other comments or suggestions regarding our ESG report, fulfillment of social responsibilities, or sustainable development management?

