



Sustainability Report 2024



KAN Share



KAFEN

Zhejiang Kan Specialities Material Co., Ltd.



Li Renfu
6# Unit
Operator



Zhou Ya
Processed Paper
Operator



Deng Xueying
No. 1 Branch
Packer



Liu Li
Processed Paper
Operator



Shu Jianzhu
Quality Control Department
Quality Inspector



Cao Limei
General Warehouse
Warehouse Keeper



Qian Lifang
No. 2 Branch
Deputy Director



Wu Hongming
No. 1 Branch
Deputy Director



Liu Jiawei
Processed Paper
Deputy Director

**Unsung Front-line Workers
Carve Out A Glorious World**

About the Report

Overview

The Report is the fifth sustainability report released by Zhejiang Kan Specialities Material Co., Ltd., following the previous four reports on March 30, 2021, March 29, 2022, March 28, 2023, and March 28, 2024 respectively. This year, we are also releasing the first-ever English version of the Report. The Report provides the detailed disclosure of our key environmental, social and governance practices in 2024, following the principles of objectivity, standardization, transparency and comprehensiveness.

Time frame

January 1, 2024 ~ December 31, 2024. For the purpose of better comparability and integrity, some content herein may be traced back to previous years.

Coverage

For the convenience of expression and reading, Zhejiang Kan Specialities Material Co., Ltd. is hereinafter referred to as "KAN", "Company" or "we". The Report covers KAN and its domestic subsidiary, Zhejiang Kaifeng New Material Co., Ltd. ("Kaifeng New Material").

References

Shenzhen Stock Exchange Guidelines for Self-discipline Regulation of Listed Companies No. 1 - Standardized Operation of the Companies Listed on the Main Board; *Shenzhen Stock Exchange Guidelines for Self-discipline Regulation of Listed Companies No. 17 - Sustainability Report (Trial)*; *China Corporate Sustainable Development Report Guide (CASS-ESG 6.0)* issued by China Enterprise Reform and Development Society; 2030 Sustainable Development Goals of UN (UN SDGs); *GRI Standards*; ISSB Standards.

Data

All data herein come from our statistical reports, official documents and public information, and are subject to the applicable provisions of the national *Accounting Standards for Business Enterprises*, and the principles of materiality, quantization, balance and consistency.

Quality assurance

The Report is released upon the review by the Board of Directors. The Company guarantees that the Report is the objective, accurate and complete disclosure of its ESG practices, and remains free from any false records, misleading statements or material omissions. The Report aims to strengthen communication with stakeholders, enhance the impact of our sustainability governance, and advance our high-quality and sustainable development.

Access to the Report

KAN has its social responsibility information disclosure system including both paper and electronic reporting. The Report is available at www.szse.cn, www.cninfo.com.cn, <http://www.kangufen.com/social.html>, <https://002012.ir-online.com.cn/>, <https://stockpage.10jq-ka.com.cn/002012/>, <http://quote.eastmoney.com/sz002012.html>, and <https://xueqiu.com/snowman/S/SZ002012>.

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Message from the Chairperson

Fulfill Our Responsibility to Embrace the New Quality Era

Base paper, our core product, is the fundamental material for specialty paper and packaging. Playing an underlying role in the carbon chain of the paper products, our base paper significantly facilitates the carbon reduction of the industrial chain and the innovation-driven industry transformation.

With increasing experience and continuous learning of sustainability, we have paid more attention to material topics that are most important to our businesses and our stakeholders. As a response, the Board of Directors has assigned a professional panel to undertake more extensive and in-depth due diligence, especially on finance and climate change, so as to actively identify risks and opportunities in sustainable development.

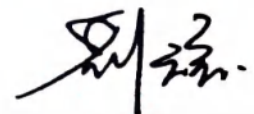
Build Our Value Ecosystem to Set An Example of Sustainability

To combat climate change, we have pushed ahead with green governance by scientific carbon management, and have made great achievements. Specifically, our production bases have achieved zero sewage discharge; our self-generated green electricity has accounted for over 30% of our energy mix for production; the total greenhouse gas emissions have reduced by nearly 70% within three years; our utilization efficiency of raw materials, energy consumption for production and other indicators have remained ahead of industry standards.

The competition in sustainable development has disrupted the existing competitive balance in China's specialty paper industry to some extent. Apart from being a "National Green Factory", KAN has been honored as the "Hidden Champion", the "Specialized and Sophisticated SME" and the "Smart Factory" in Zhejiang Province. In addition, the Company has been awarded the "Excellent Practice Case" in Sustainable Development by China Association for Public Companies for three consecutive years, and the "Best Practice Case" as a model SME. In Wind ESG rating, we have been upgraded from BB to AA, ranking the first place in the industry with a score of 8.3. Thanks to our efforts and honors, we have gained enhancing trust among our domestic and foreign partners, and unlocked new prospects in the international market.

In an increasingly interdependent world, we welcome more stakeholders to know us, follow us and engage with us through the Report. KAN stays committed to advancing high-quality and sustainable development on all fronts, and joining hands with our partners to usher in a brighter future!

Ms. Liu Xi, KAN Chairperson and General Manager



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国家高新技术企业

国家绿色工厂

KAN Brand Value

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1.1 Company Profile

Zhejiang Kan Specialities Material Co., Ltd. (hereinafter referred to as "KAN") was founded in 1998, and went public on Shenzhen Stock Exchange in 2004 (Stock Code: 002012) as the first listed company in Lishui, Zhejiang Province. KAN is a National High-tech Enterprise and a National Green Factory mainly engaged in high value-added base paper materials. The Company is headquartered in Chaoyang District, Beijing, and takes Zhejiang Kaifeng New Material Co., Ltd. as its production base.

Kaifeng New Material was founded at Quzhou Longyou Economic Development Zone in 2003, and was listed on the New Third Board (Stock Code: 835427) in 2016. It mainly supplies food wrapping paper to multinational catering giants such as KFC, McDonald's and Starbucks, rolling paper to China Tobacco, and industrial paper to multiple enterprises such as Baowu, JISCO, and Kodak. Kaifeng New Material is one of the "Top 100 Enterprises of Electronic Components in China", and has been titled as the "Hidden Champion", the "Specialized and Sophisticated SME" and the "Smart Factory" in Zhejiang Province.



1.3 Board of Directors

The Tenth Board of Directors consists of 5 directors (1 female director), including 2 independent directors.



Liu Xi:

female, graduated from Peking University with a bachelor degree and from London School of Economics and Political Science with a master degree. Ms. Liu used to work for New Times Securities Co., Ltd. Since 2019, Ms. Liu has served as the Chairperson and General Manager of KAN, and a director of Zhejiang Kaifeng New Material. She was awarded the "Chairperson with Outstanding Strategic Insight" for the Gold Prize of Round Table of Chinese Boards of Listed Companies in China.



Yang Zhaoyu:

male, graduated from the Chinese University of Hong Kong with a master degree. Mr. Yang used to work for Shenzhen Stock Exchange, China Securities Regulatory Commission, and CITIC Securities Co., Ltd. He joined KAN in January 2019, and now serves as a director, Vice General Manager, Secretary of the Board and CFO of KAN. Mr. Yang was honored as the "Excellent Board Secretary of the Listed Company" in Zhejiang Province, the "5A Secretary" by China Association for Public Companies, and the "Gold Board Secretary Prize" by Sina Finance.



Sun Zhichao:

male, born in April 1983, graduated from Jilin University with a bachelor degree in law and from Durham University with a master degree in law, having the Legal Professional Qualification Certificate. Mr. Sun used to work as an apprentice lawyer in several law firms, the Investment Director of the Capital Business Department in Fortune China (Hong Kong) Holdings Co., Ltd., the Deputy Director of the Capital Operation Center in Evergrande Group, and the Business Director in China Telecom Group Investment Co., Ltd. He is now a director and Vice General Manager of KAN.



Hu Xiaolong:

male, born in July 1957, EMBA of Hunan University, a senior accountant and certified public accountant. Mr. Hu used to work as a director and General Manager of Hunan Chasing Financial Holdings Group Co., Ltd., the Chairman and General Manager of Hunan State-owned Assets Investment and Management Co., Ltd., a director of Fortune Securities Co., Ltd. Now, he serves as an independent director of KAN.



Wang Yuesheng:

male, born in July 1960, a professor and doctoral supervisor. Mr. Wang successively held the positions of Teaching Assistant, Lecturer and Associate Professor at the School of Economics, Peking University. Now, he is a professor and the chair of a department at the School of Economics, Peking University, an independent director of Zhejiang Kan Specialities Material Co., Ltd., an independent director of Huadian Power International Corporation Ltd., and an independent director of Huanyu Construction Co., Ltd.

Management Team of the Subsidiary



Ji Hao:

male, born in April 1961, graduated from Jiaxing Minfeng College of Technology, a senior engineer. Mr. Ji is a founder of Kaifeng New Material, and used to work as the Chairman and General Manager of Kaifeng New Material. Now, he serves as the Chairman of Kaifeng New Material. He has been listed in the 151 Talent Program of Zhejiang Province. In addition, he won the Science and Technology Progress Awards in the national light industry, municipal and provincial levels. He serves an expert of the Strategic Research Institute for the Development of China's Specialty Paper Industry, and an executive member of Zhejiang Technical Association of Paper Industry.



Ji Lei:

male, graduated from the University of Sydney with a master degree. He used to work for the Architectural Design and Research Institute of Zhejiang University. Mr. Ji used to serve as the Manager of the Marketing Department, the General Manager Assistant and the Vice General Manager of Kaifeng New Material. Now, he is the General Manager of Kaifeng New Material.

1.4 Product Lines

The Company currently offers a diverse range of high-quality products including rolling paper, food wrapping paper, industrial paper and medical packaging materials. Notably, the cigarette tipping base paper and high gloss thermal base paper are recognized as provincial high-tech products. In addition, the stainless-steel interleaving paper is recognized as a provincial famous brand product, while the cigarette tipping base paper is also acknowledged as a municipal famous brand product.

1. Tipping base paper series

The tipping base paper series are mainly used as the outer packaging materials to bond filter tips and cigarette ends together. The printing ink and coating of products shall be non-toxic, comply with food hygiene standards, and have certain resistance to water and wet strength.

The series are divided into common and special classes. The common class includes MG and MF products, while the special class includes highly opaque products, natural breathable products, high permeability products, and anti-penetration products. These products boast high tensile strength, certain opaqueness, favorable smoothness, and anti-ink penetration for printing adaptability. Thus, they are applicable to printing, overprinting, laser punching, and hot stamping. These products are widely used by large-scale cigarette factories.

Common class



MG product



MF product

Special class



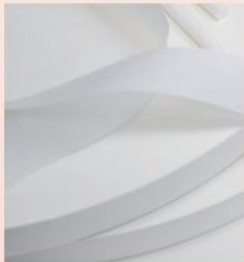
Highly opaque product



Natural breathable product



High permeability product



Anti-penetration product (bursting bead)



2. Food Wrapping Paper Series

The food wrapping paper series are mainly made of pulp and cardboards, meet non-toxic, oil-resistant, waterproof, moisture-proof and sealing requirements, and comply with food packaging safety standards. We have placed our technological innovation priorities on the functions and new chemicals of packaging materials. The series are classified as packaging paper (brown kraft paper, white kraft paper, candy knot paper, and high strength wrapping paper), bakery paper (silicone coated base paper, and steamer paper), oil and water-proof paper (fluorinated oil-proof paper, flouride-free oil-proof paper, water-based packaging paper, and waxed base paper), and filter paper (tea bag paper, and desiccant wrapping paper). These products are mainly supplied to multinational catering giants.

Food packaging paper



White kraft paper



Brown kraft paper



Candy knotpaper



High strength wrapping paper

Oil and water proof paper



Fluorinated oil-proof paper



Flouride-free oil-proof paper



Water-based packaging paper



Waxed base paper

Bakery paper



Baking base paper (Silicone coated paper)



Steamer paper



Filter paper



Heat seal tea bag paper
Non heat seal tea bag paper



Desiccant wrapping paper

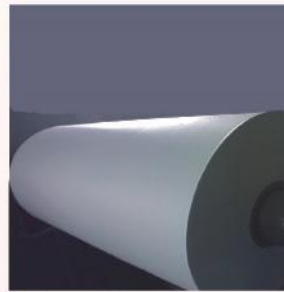
3. Industrial Paper Series

The series refer to paper products used for industrial purposes, and are widely adopted in machinery manufacturing, industrial packaging, as well as scientific research and experiment. The series mainly include stainless steel interleaving paper, CTP interleaving paper, PS interleaving paper, photoelectric glass interleaving paper, and substrate protection paper of liquid crystal glass. These products are mainly supplied to steel makers.

Interleaving paper



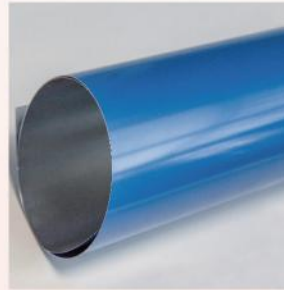
Stainless steel interleaving paper



Photoelectric glass interleaving paper/Substrate protection paper of liquid crystal glass



PS interleaving paper



CTP interleaving paper

4. Medical Packaging Materials

The medical packaging materials include products for medical packaging, PE self-adhesive products, high-temperature self-adhesive products, and glue-coated products. These products can meet various requirements related to medical device properties, expected sterilization methods, use effects, expiry dates, as well as transportation and storage.



Medical packaging



PE self-adhesive products



Glue-coated products



Hingh temperature selfadhesive product

1.5 Development Milestones

In 1940

Kaicheng Paper Factory, the predecessor of the Company, was established.



In 1958

The factory was merged and restructured into the State-run Suichang Paper Factory.



In 1978

The product won the "First National Science Congress Award".



In January 2004

Kaifeng New Material Co., Ltd., the subsidiary of KAN, was established at the provincial-level Quzhou Longyou Economic Development Zone.

In 1996

The straw pulp production line was shut down. Instead, the commercial pulp was adopted, eliminating pulp production pollution.



In 2003

Xi Jinping, then Secretary of the CPC Zhejiang Provincial Committee, visited the Company.

In 1998

The shareholding reform was completed, and Zhejiang Kan Paper Co., Ltd. was founded.



In July 2004

The Company went public on Shenzhen Stock Exchange (Stock Code: 002012).

In 2002

Zhejiang Kan Paper Co., Ltd. was renamed Zhejiang Kan Specialties Material Co., Ltd.



In 2015

Kaifeng New Material was listed on the New Third Board (Stock Code: 835427).

In 2019

The new Board of Directors and the Management steered the Company to embark on a new stage of development.



In 2020

The Company was upgraded to a National Green Factory, leading the regional green transition.



In 2023

The Company disposed of some traditional assets, taking a landmark step in strategic transition.



1.6 KAN Honors

1. Business

National Honors

The High-tech Enterprise
The National Green Factory

Provincial and Ministerial Honors

1. "The Hidden Champion"
2. "The Specialized and Sophisticated SME"
3. "The Smart Factory"
4. "The Innovation-driven SME"
5. "The Enterprise Leading an Individual Field of the Manufacturing Industry"
6. "The Green Enterprise"
7. "The Patent Demonstration Enterprise"
8. "The Provincial High-tech Enterprise R&D Center"
9. "The Provincial Enterprise Research Institute"
10. "The Provincial Enterprise Technology Center"
11. "The Postdoctoral Workstation" in Zhejiang Province

Product Honors

1. "The New Excellent Industrial Product" (food-grade oil-proof green packaging paper)
2. "The Premium Manufacturing Product" (high-precision multi-functional interleaving paper) in Zhejiang Province

Other Honors

1. "The Top 100" Enterprises of Electronic Components in China
2. "The Top 500" Zhejiang Merchants
3. "The Government Quality Prize" in Quzhou City
4. "The Annual Innovation Award" of Environmentally-friendly Paper Industry -- Industry Cooperation
5. "The Expert Workstation" in Quzhou City
6. "The Leading Enterprise" in the Five Major Industry Chains of Longyou County
7. "The Postgraduate Workstation" of Nanjing Forestry University

Individual Honors

1. The National May 1 Labor Medal (the first medal of this kind in this county over the last decade)
2. The National Light Industry Model Worker
3. The Young Craftsman in Zhejiang Province
4. "The Outstanding CPC Member" of Longyou County
5. "The Potential Craftsman" in Zhejiang Province
6. The Expert in Green Industry Development of Zhejiang Province
7. The Expert of Strategic Research Institute for the Development of China's Specialty Paper Industry
8. Professor-level Senior Engineer in Pulp and Paper Making
9. The Senior Engineer in Electromechanical Manufacturing

2. Market influence

Compliance Honors

- 1.The Award for the "Excellent Board of Directors" granted by the 11th "Tianma Awards" for Investor Relations Management of Chinese Listed Companies
- 2.The Award for "Listed Company with High-quality Development" granted by the 6th "Golden Tangerine Awards"
- 3.The Award for the "Excellent Board of Directors" granted by the 17th "Gold Prize of Round Table" of Chinese Boards of Directors of Listed Companies
- 4.The "Exemplary Case for Standard-based Operation" (Top 22 in Zhejiang) awarded by the Listed Company Association of Zhejiang
- 5.The 2022 "Excellent ESG Case" awarded by China Association for Public Companies (the only honor of this kind in the paper sector, and one of the only two honors of this kind in the light industry)
- 6.The 2022 "Best Office of the Board of Directors" awarded by China Association for Public Companies (Top 150 in Class A Shares)
- 7.The Award for the "Excellent Board of Directors" granted by the 18th "Gold Prize of Round Table" of Chinese Boards of Directors of Listed Companies
- 8.The 2023 "Best ESG Case" and "Excellent ESG Case" awarded by China Association for Public Companies (Top 1% among private enterprises)
- 9.The 2024 "Excellent ESG Case" awarded by China Association for Public Companies
- 10.The "Environmental Responsibility Award" granted by the "First ESG Golden Dawn Awards" organized by Weekly On Stocks
- 11.The "Best Low-carbon and Harmonious Development Enterprise" among 2024 "Top 10 ESG Leaders" organized by Weekly On Stocks
- 12.The "Best Listed Company in ESG Management" granted by the 18th "Crystal Ball Awards"
- 13.The "Best ESG Award" granted by the 8th China IR Annual Awards

IR Honors

- 1.The "Best Information Disclosure Award" granted at the 4th China IR Annual Awards
- 2.The "Best Information Disclosure Award" granted at the 5th China IR Annual Awards
- 3.Ranked among the "Top 20 Best New Media Awards" in the "2020 Annual List" from ROYALFLUSH INFO
- 4.The "Investor Relations Pioneer Award" in the "2021 Annual List" from ROYALFLUSH INFO
- 5.The Investor Relations Gold Award issued by Panorama Network in 2021
- 6.The "New Media Award of Investor Relations" granted by the 14th "Investor Relations Management of Chinese Listed Companies"

3. ESG rating

As of December 31, 2024, KAN has maintained its AA position in Wind ESG and QuantData ESG ratings, and Grade A in CCXGF, SynTao Green Finance and Flush Info ESG ratings. As shown by Wind ESG data, KAN scored 8.4 at Grade AA, ranked 56/5377 among the listed companies of Class A shares, 28/3404 among the listed private companies, 13/1481 among the main-board companies on Shenzhen Stock Exchange, 5/837 among the listed companies in the material sector, 7/713 among the listed companies of Zhejiang Province, 8/2654 among the listed companies with the market value less than RMB 5 billion, and 1/50 among the listed companies in the specialty paper industry.



1.7 Annual Operating Data

	Total assets	Net assets	Asset-liability ratio
	1799 million	1700 million	5.5%
	Total revenue	Net profit	Net cash flow from operating activities
	591 million	22 million	71 million



Total investment in environmental protection:

RMB 258.92 million, down 42% from the previous year

Investment in green procurement:

RMB 254.23 million, down 41% from the previous year

Investment in energy conservation and consumption reduction technologies:

RMB 2.07 million, down 16% from the previous year

Investment in technological transformation:

RMB 11.75 million, down 1% from the previous year

Investment in R&D:

RMB 29.01 million, down 35% from the previous year

Including: investment in intellectual property protection:

RMB 110,000, up 10% from the previous year

Investment in digital transformation:

RMB 1.91 million, up 110% from the previous year

Investment in work safety:

RMB 1.36 million, up 1% from the previous year

Investment in employee benefits:

RMB 1.61 million, up 31% from the previous year



Waste water (industrial water) density:

21 (ton/ton of paper consumed), down 8% from the previous year

Sulfide emission density:

0.2 (g/ton of paper consumed), down 7% from the previous year

Ammonia-nitrogen compound emission density:

6.3 (g/ton of paper consumed), up 72% from the previous year

Chemical oxygen demand (COD):

471 (g/ton of paper consumed), down 7% from the previous year

Hazardous waste density:

13 (g/ton of paper consumed), down 42% from the previous year

General waste density:

0.03 (ton/ton of paper consumed), up 55% from the previous year



Total direct and indirect carbon emissions:

48,797 tons, down 27% from the previous year

Total water consumption:

1.28 million tons, down 10% from the previous year

Reuse rate of reclaimed water:

98%, up 1% from the previous year

Total energy consumption:

575,933 MkJ, down 37% from the previous year

Total natural gas consumption:

1.87 million cubic meters, down 9% from the previous year

Steam consumption:

110,000 tons, up 0% from the previous year

Total electricity consumption:

65.32 GWh, up 15% from the previous year

Total solar energy generated:

11.32 GWh, up 19% from the previous year

Purchased green electricity:

6.5 GWh, up 100% from the previous year

Proportion of green electricity consumption in total electricity consumption:

27%, up 10% from the previous year



Environmental Protection

2.1 Response to Climate Change

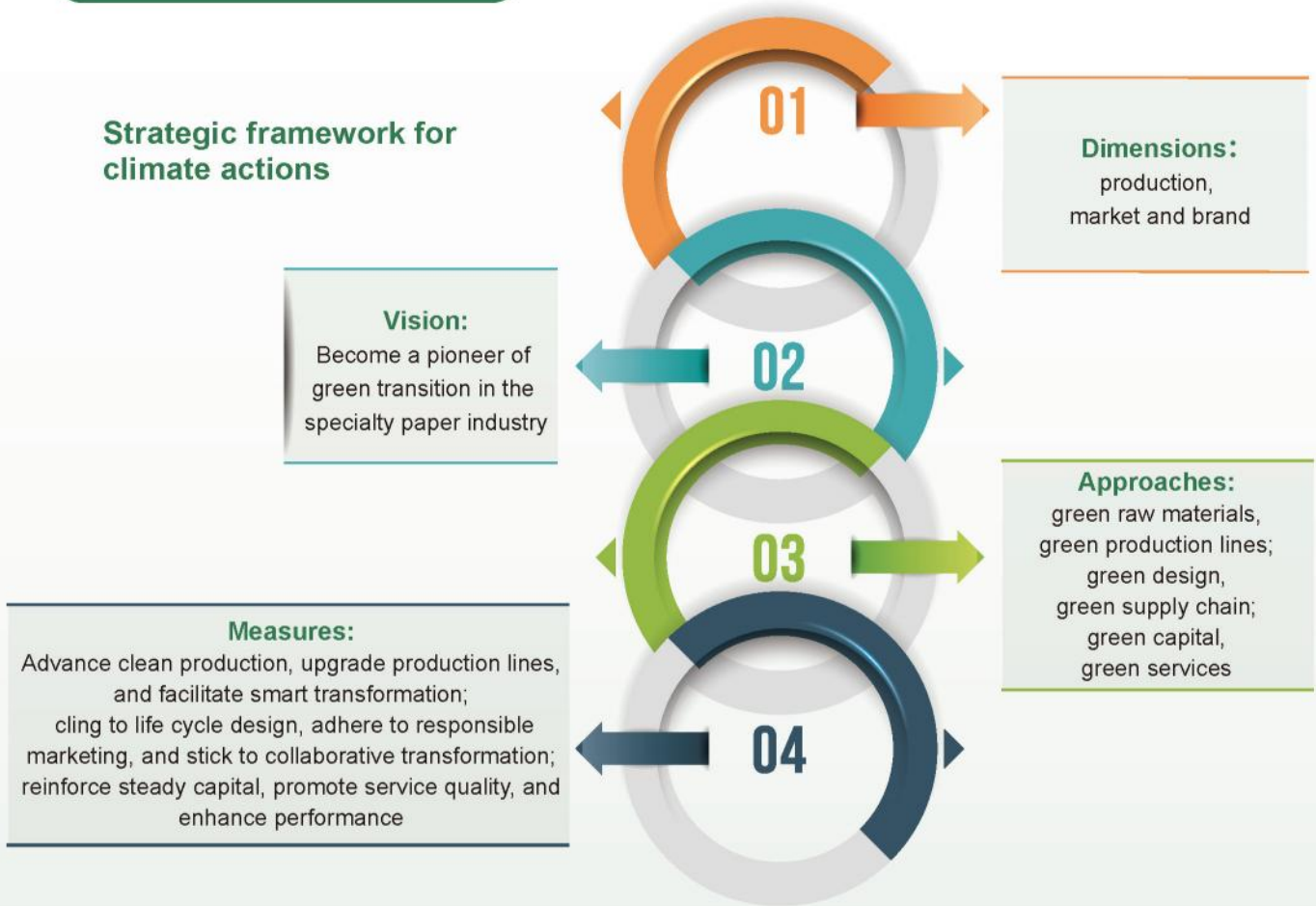
2.2 Pollution Control and Ecological Conservation

2.3 Resource Utilization and Circular Economy



2.1 Response to Climate Change

2.1.1 Climate Actions



Goals of climate actions

Short-term goal	Update the <i>Energy Management Plan</i> annually, strive to drop the comprehensive energy consumption per ton of products by 0.021 tce/t every year for the core business sectors, and deliver the technical reform tasks efficiently for the purpose of energy consumption and carbon emission reduction
Medium-term goal	Realize carbon peaking by 2026, reduce carbon emission intensity by 90% in 2035 relative to 2021 benchmark, and complete the overall green transition in production and business management
Long-term goal	Remain steadfast in implementing the "Strategic Framework for Climate Actions" of the Company (1369: One Vision, Three Dimensions, Six Approaches, and Nine Specific Measures), and achieve carbon neutrality by 2040

Identification of climate risks and opportunities

Risk factor	Risk duration	Risk type	Influences	Countermeasures
Natural disaster	Short term	Physical risk	Natural disasters, such as typhoon and tsunami, interrupt production and supply of raw materials for paper and pulp	Optimize the digital production system, and adopt transportation solutions for better control of risks so as to minimize negative influence on global transportation; set up an emergency response team, and prepare the climate change emergency response plan
Climate change	Long term	Physical risk	Persistent high temperature, water stress, sea level rise and frequent extreme weather may impair the development of the Company	Take into account the long-term tendency of climate change in the places of production during product innovation and production design; strengthen risk management of water resources, and implement the forward-looking strategies for water withdrawal and consumption
Market change	Short term	Potential risk	International market volatility and shrinking downstream demand cause rat race in the industry	Raise production efficiency and core competitiveness of products, strive for productivity innovation to reduce costs, and expand market channels
Technical change	Medium term	Potential risk	Technological advancement drives lifestyle changes and ever-shifting demands for smart and digital products	Actively adjust technologies to satisfy changed demands, and attract technical talents
Brand reputation	Medium term	Potential risk	Multifaceted concerns of stakeholders and increased public opinions about the Company give rise to reputation risks	Actively respond to expectations of the market and customers on the Company, stabilize existing business portfolio, and prudently assess emerging opportunities
Operational compliance	Long term	Transition risk	Violation of laws and regulations leads to compliance risks, and failure to meet production requirements results in penalties	Strictly observe laws and regulations, establish a well-performing institutional system and an oversight mechanism to ensure operational compliance and safe environment
Policy realignment	Long term	Transition risk	Introduction of the carbon pricing mechanism due to huge carbon emissions in the papermaking industry may increase the Company's cost for purchasing carbon emission allowances to achieve carbon emission goals	Intensify technological improvement to decrease energy consumption and expand self-generated green electricity to control greenhouse gas emissions in the process of production management

The Sustainable Development and Climate Action Office is tasked with climate risk identification and analysis under the TCFD's Framework of Climate-Related Risks, Opportunities, and Financial Impacts. To fulfill this task, the Office takes various measures such as looking up data, attending forums, conducting internal audit, keeping on top of domestic and international developments, and collecting insights from stakeholders.

Kaifeng New Material and functional departments are invited to seminars for assessment of climate risks in terms of risk factors, policy requirements, industry tendency, internal control procedures and business dynamics, so as to develop a risk list that prioritizes risks according to the materiality assessment results and simulation scenarios. Once the list is approved by the Board of Directors, the Sustainable Development and Climate Action Office will coordinate functional departments and business departments to respond to climate risks by working out effective risk prevention and control measures and establishing a robust emergency management system.

2.1.2 Scientific Carbon Management

Science-based carbon targets and progress

By reference to the SBTi target-setting approach, we have put the "1369 Strategic Framework for Climate Actions" in place, and set the scientific carbon management goals of "carbon peaking by 2026, total carbon emissions drop by 90% in 2035 relative to 2021 benchmark, and carbon neutrality by 2040".

	2024	2023	2022	2021
Direct (Scope 1) GHG emissions (ton)	4048	4487	75,051	64,730
Indirect (Scope 2) GHG emissions (ton)	44,749	62,210	84,552	102,891
Total GHG emissions of Scope 1 and Scope 2 (ton)	48,797	66,697	159,603	167,621
Annual output of paper products (ton)	60,367	61,681	/	/
Total GHG emissions per ton of paper (ton/ton of paper)	0.8	1.1	/	/

In 2024, the total GHG emissions within the company's production scope decreased by 27% on year-on-year basis, and the GHG emissions per ton of paper declined by 25%. Compared to 2021, the total GHG emissions fell by 71% in 2024, a stride toward our ambition of "total carbon emissions drop by 90% in 2035 relative to 2021 benchmark". Moreover, the Company has continued its efforts to optimize green production and step up intelligent market to effectively cut GHG emissions per ton of paper. This will push the Company to low-carbon governance at a faster pace.

Carbon targets: Total carbon emissions drop by 90% **In 2035** relative to 2021 benchmark

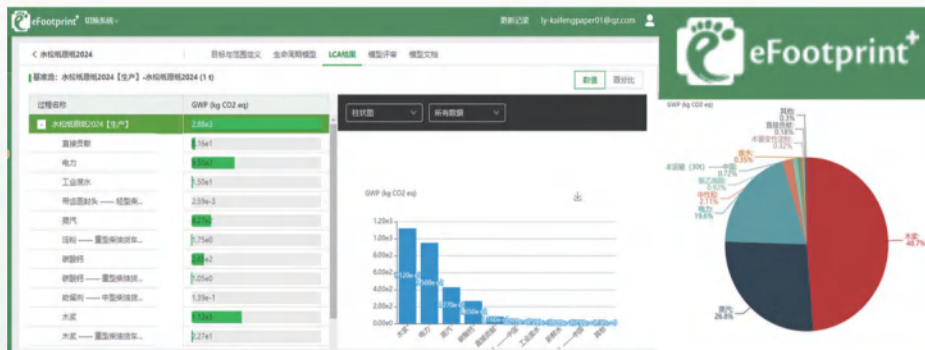
Total carbon emissions **drop by 71%** **In 2024** relative to 2021 benchmark



Carbon management system

Aligning with the greenhouse gas emission target framework of the *Paris Agreement*, the Company has developed scientific carbon targets by referring to the SBTi target-setting approach and simulating carbon emission trends under various scenarios in the future. In addition, the Company has pooled efforts to develop carbon management regulations, arrange more carbon emission management training sessions, carry out an all-round carbon audit, and apply for authentication through the online carbon footprint analysis system eFootprint.

The Company and Kaifeng New Material have developed and maintained a carbon management system highlighting respective job duties, and a set of carbon management regulations, such as the *Management Regulations on Greenhouse Gas Emission Accounting*, the *Carbon Management Quality Assurance Regulations*, and the *Management Regulations on Greenhouse Gas Data Recording*. For better carbon emission data statistics, responsibilities have been allocated clearly to record energy tracking data, energy consumption data, energy measuring equipment dispatching data, and carbon emission management data. Besides, an increasing number of carbon emission management training sessions have been arranged to enhance the "dual carbon" awareness among all employees. During the reporting period, 5 climate change and ESG training sessions were conducted.



Carbon footprint identification

During the reporting period, the company completed the transformation from "dual control of energy consumption" to "dual control of carbon emissions", measured carbon footprint from major paper products, and reported carbon footprint data at eFootprint, an online carbon footprint analysis system.

Carbon footprint by product categories	2024	2023	Year-on-year
Carbon footprint of tipping paper (kg/ton)	2,884	3,141	-8%
Carbon footprint of oil-proof paper (kg/ton)	4,402	4,732	-7%
Carbon footprint of stainless steel interleaving paper (kg/ton)	3,879	/	/
Carbon footprint of kraft paper (kg/ton)	4,140	/	/
Carbon footprint of bakery base paper (kg/ton)	5,310	/	/
Carbon footprint of CTP interleaving paper (kg/ton)	5,852	/	/

In 2024, we increased the number of products receiving carbon footprint certification to six, and the carbon footprint per ton of our tipping paper and oil-proof paper families dropped by 8% and 7% respectively. These advances have laid basis and shored up confidence for optimizing our full-cycle management of green products.

2.2 Pollution Control and Ecological Conservation

2.2.1 Pollutant Discharge

Pollutant discharge performance

In line with applicable laws and regulations, we have done more to allocate environmental protection facilities, manage their routine operation, and employ a third-party monitoring agency for discharge of exhaust gas, noise and waste water on a regular basis.

Discharge data per ton of paper	2024	2023	Year-on-year
Waste water (industrial water) density (ton/ton of paper consumed)	21	23	-8%
Sulfide emission density (g/ton of paper consumed)	0.2	0.2	-7%
Ammonia-nitrogen compound emission density (g/ton of paper consumed)	6.3	3.6	72%
COD (g/ton of paper consumed)	471	504	-7%
Hazardous waste density (g/ton of paper consumed)	13	23	-42%
General waste density (ton/ton of paper consumed)	0.03	0.02	55%

In 2024, we upgraded waste disposal facilities including bag dust collectors, SNCR and SCR denitrification systems and wet electrostatic precipitators, eliminating direct exhaust gas emission during production. In 2024, the Company had no pollutant discharge beyond limits.

Pollutant discharge reduction measures

The Company and Kaifeng New Material have taken measures to prevent and control pollutants in line with applicable laws and regulations: allocate environmental protection facilities and manage their routine operation; minimize discharge of exhaust gas, waste water and solid waste in production; monitor pollutant discharge, and develop annual monitoring plans; optimize the work flow; employ a third-party monitoring agency to monitor discharge of exhaust gas, noise and waste water on a regular basis. In 2024, the Company had no pollutant discharge beyond limits.

Monitoring of pollutant discharge risks

The Company and Kaifeng New Material keep refining the ecological monitoring and assessment system and the ecological monitoring network, and work with local environmental protection authorities to monitor ecological factors such as air, surface water, soil and plants around production and business premises, focusing on the impacts of pollutants that should be disclosed on employees and local communities, particularly in terms of personal health, air quality and water sources. As shown by ecological monitoring results, the ecological functions in business locations were not impaired by the production and business activities of the Company in 2024.

2.2.2 Waste Disposal

Waste disposal performance

We never stop our pace to explore approaches for waste reduction and comprehensive utilization. In 2024, we completed the hazardous waste management system that is based on unified standards and covers all types of hazardous waste.

	2024
Total generated non-hazardous waste (ton)	1,875
Total disposed non-hazardous waste (ton)	1,875
Total generated hazardous waste (ton)	0.8
Total disposed hazardous waste (ton)	0.8
Total recycled waste (ton)	1,802

We have recycled most of the non-hazardous waste, namely paper scraps, according to regular production experience. In 2024, the recycling rate of paper scraps raised to 96% due to proper production line control and process upgrading.



Waste discharge reduction measures

We have developed the *Management Procedures of Waste Water, Exhaust Gas and Noise*, the *Management Regulations on Solid Waste* and the *Environmental Emergency Response Plan* to regulate waste disposal management. To dispose of waste properly, efforts have been made to conduct personnel inspection, examination, ranking and assessment; boost clean production to reduce general waste and hazardous waste; equip separate waste bins and formulate waste collection and disposal procedures so as to dispose of general solid waste generated in production and business activities in a sorted manner; entrust a qualified third party to dispose of hazardous waste. These efforts can minimize impacts on the environment and promote the sustainable development of the Company.



2.2.3 Ecosystem and Biodiversity Conservation

Ecosystem conservation and restoration

When selecting sites for production bases and new projects, we champion red lines for ecological conservation, set benchmarks for environmental quality, impose caps on resource utilization and adopt a negative list for environmental access, keeping away from natural reserves as well as important habitats and migration routes for wildlife. In addition, we have made proactive efforts to green space restoration in our existing production bases, achieving remarkable progress in land leveling and ecological remediation of 14,500 m².



Biodiversity conservation

Recognizing the importance of harmony between humankind and nature, the Company and Kaifeng New Material stay committed to biodiversity conservation in our practices in line with the *Wild Animal Conservation Law of the People's Republic of China*, and the *Convention on Biological Diversity of the United Nations*. To this end, we have taken combined measures such as phasing out coal energy and discharging no sewage for environment improvement, growing grass within the area of self-generated green electricity for revegetation of bare land, making reasonable planning to enhance the use efficiency of production land, demolishing idle warehouses to create big-scale ecological green land, and providing clean water sources for animals and plants, which allow for sound and green operation of production bases. Thanks to remarkable environmental renovation efforts, our production bases enjoy beautiful environment, where wild egrets nest and thrive. This is an exemplary practice that boosts development while protecting nature.

Ecological responsibility throughout the product life cycle



KAN green management for the whole product life cycle

Replacement of plastic with paper

Prioritizing degradable base paper for food packaging, the Company has focused its efforts on research and development of world-class specialty paper products featuring cutting-edge technology, high added-value and no pollution as substitutes for plastic, actively promoted replacement of plastic with paper, so as to further improve environmental and economic efficiency for harmonious coexistence between human and nature.

Firmly use of green raw materials

The Company strictly performs the nature conservation responsibility, aligning with WWF (World Wildlife Fund) and GFTN-China (Global Forest and Trade Network) initiatives. Notably, we import FSC-certified (Forest Stewardship Council) wood pulp, our major raw material, to minimize impacts on the survival of plants and animals. Thus, we strike a balance between our product quality/brand and environmental protection.

Optimization of green production

We have pooled a vast number of material and human resources into technology R&D, and introduction of equipment to practice green production robustly. With these efforts, noise has been controlled properly; water reuse rate has reached 95%; the share of self-generated green electricity has increased year by year; the indicators related to utilization efficiency of raw materials and energy consumption for products are both at the leading level of the industry; the habitats of birds and fish have been protected.

Replacement of green packaging

The Company has used recyclable, light-weighted and degradable product packaging, reduced plastic packaging and avoided excessive packaging, thus cutting down carbon emissions.

Promotion of green transportation

The Company continues to raise the ratio of transportation by new energy vehicles, railway and sea as an effort to lower carbon emissions further.

Strict implementation of green recycling

The Company has rolled out clean production to scale down the generation of both general waste and hazardous waste, carried out classified disposal of solid waste, and entrusted qualified third parties to dispose of hazardous waste.

2.3 Resource Utilization and Circular Economy

2.3.1 Energy Utilization

Energy utilization management

Our production basically depends on natural gas and purchased steam to replacement of coal. Our electricity sources include purchased electricity, self-generated and purchased green electricity. All these initiatives drive our low-carbon and green energy transition to the fullest extent.

	2024	2023	Year-on-year
Total energy consumption (coal equivalent)	19,651	31,400	-37%
Total energy consumption (MkJ)	575,933	920,259	-37%
Natural gas consumption (10,000 m ³)	187	206	-9%
Steam consumption (10,000 tons)	11	11	0%
Total electricity consumption (10,000 kWh)	6,532	5,680	15%
Total PV electricity generated (10,000 kWh)	1,132	954	19%
Purchased green electricity (10,000 kWh)	650	0	100%
Annual output of paper products (ton)	60,367	61,681	-2%
Total energy consumption per ton of paper (MkJ/ton of paper)	10	15	-36%
Natural gas consumption per ton of paper (m ³ /ton of paper)	31	33	-7%
Steam consumption per ton of paper (ton/ton of paper)	2	2	0%
Electricity consumption per ton of paper (10,000 kWh/ton of paper)	0.1	0.1	0%

With an efficient energy management mechanism, we have integrated energy conservation and efficiency enhancement into the whole life cycle of energy utilization. During the reporting period, we set energy conservation goals and implemented managerial and technical energy-saving measures, so as to constantly reduce carbon emission and energy consumption. In line with the *Energy Management Program*, we set the goal of decreasing annual comprehensive energy consumption by 0.021 tce/t per ton of products. In 2024, this goal was successfully achieved.

Annual comprehensive energy consumption per ton of products

Down 0.021 tce/t
2024 Completed



Clean energy utilization

On the basis of the existing 5.5 MW PV facilities, we installed 4.5 MW and 1.3 MW PV panels in the open space of plants and on the rooftop of buildings respectively, adding the total PV capacity to 11.3 MW in 2023. Thanks to these facilities, our PV electricity generated increased by 98% from 5.73 GWh in 2022 to 11.32 GWh in 2024. They reduced carbon emissions by 6,456 tons according to the average carbon emission factor of 0.5703 t CO₂/MWh in the national grid.

Up to now, our green electricity has totaled 17.82 GWh, including 11.32 GWh of self-generated PV electricity and 6.5 GWh of purchased green electricity. Considering production and capacity expansion, green electricity consumption has accounted for 27% of the total electricity consumption, up to 10% on year-on-year basis.

Energy conservation measures

Regarding the overall energy utilization management, Kaifeng New Material has introduced the workshop responsibility system, and implemented the long-term and medium-term energy conservation and carbon emission reduction strategies to minimize energy consumption and carbon emissions while ensuring work safety and product quality. The Company has adopted the responsibility system of regional power supply, linked the electricity consumption control to personal performance and remuneration, and organized daily inspections. In addition, the peak-valley power supply plans have been worked out by leveraging technology and management methods. To heighten the awareness of energy conservation and carbon emission reduction, the education and training activities have been organized among employees.

2.3.2 Water Resource Utilization

Water resource utilization performance

For efficient utilization of water resources, our efforts have been sustained to uphold the full-cycle management of water footprint, upgrade production technology, and implement the management of water resource consumption and the concept of water conservation in our daily work.

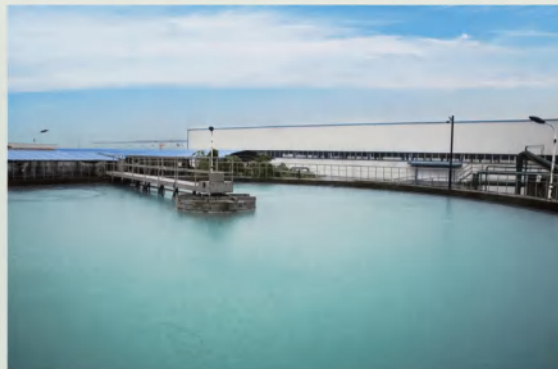
	2024	2023	Year-on-year
Total water consumption (10,000 ton)	128	142	-10%
Reuse rate of reclaimed water	98%	97%	1 Percentage Point
Total recycled water volume (10,000 ton)	44	43	2%
Total industrial waste water discharge (10,000 ton)	80	87	-8%
Including: industrial waste water discharged directly into the environment (10,000 tons)	0	0	0%
Treatment capacity of industrial waste water (10,000 ton)	80	87	-8%

In 2024, with production and capacity expansion, we saw a 13% fall in total water consumption, a 2% increase in total volume of recycled water, and a 1% rise in reuse rate of reclaimed water. These fresh achievements have demonstrated our effective recycling of waste water and our endeavor to reduce waste.

Water recycling

Valuing water resources, we have intensified efforts to upgrade technology for water resource conservation from the source, encouraging employees to save water, refining the reuse system of reclaimed water to supply fully treated production waste water to workshops. The slashing in comprehensive water consumption per ton of paper reduces pulp consumption in production lines, shrinking production costs and significantly contributing to the green development of the Company.

Kaifeng New Material has put into operation a waste water treatment system with daily capacity of 10,000 m³, and taken the lead in applying the large-scale ultra-filtration facility and internationally-advanced membrane treatment technology dedicated to specialty paper waste water treatment, increasing the paper-making white water reuse rate from 40% to 98%. A small portion of the tail water better than national emission standards has been completely recycled and supplied to the downstream low-end paper makers. These efforts help realize zero discharge of waste water, and play a demonstration role in the specialty paper making industry.



2.3.3 Circular Economy

Green production system establishment

The Company and Kaifeng New Material have established and refined the environmental protection management system, and passed the certification of the ISO 14001 Environmental Management System for the purpose of better environmental management. We have taken comprehensive environmental treatment measures, combated climate change actively, optimized the green supply chain, and adopted environmental protection practices. In addition to highlighting energy efficiency improvement and energy consumption reduction, we have arranged training sessions related to green office, green production and green life for all employees. We are striving to grow into a resource-efficient and environmentally-friendly enterprise.

Rooted in its operational context, the Company has set ambitious annual goals at the level of circular economy with the overall goals of climate action and carbon management. These goals include: maintaining the raw material utilization rate over 94% and the reclaimed water reuse rate above 96%, and increasing the share of renewable energy to over 50% in the energy mix. Building on the existing clean production capacity, the Company endeavors to expand the construction of green electricity and other renewal energy facilities, and increase the use proportions of renewal energies in the energy mix, and resist the risk of rising production costs such as industrial power supply costs through short-term fluctuations in engineering costs. This approach aims to pursue medium and long-term benefits of the circular economy.



Cleaner production

We exert strict control over all process from pulp, our main raw material, to finished products, so as to pursue quality excellence. We strictly perform the nature conservation responsibility, aligning with WWF and GFTN-China initiatives. Notably, we purchase FSC-certified raw materials; we procure CFCC/PEFC-certified pulp as well as produce and sell CFCC/PEFC-certified food wrapping paper, medical packaging base paper and cigarette tipping base paper in accordance with the *Forest Certification in China - Chain of Custody* (GB/T 28952-2012); and we keep slashing total package consumption and phasing out plastic package. Thus, we strike a balance between our product quality/brand and environmental protection.

In 2024, our pulp consumption hit 55,010 tons, including 18,745 tons of FSC-certified pulp with a share of up to 34%; and our consumption of packaging materials was further reduced to 1,557 tons.



Social Momentum

- 3.1 Social Responsibility
- 3.2 Innovation-driven Development
- 3.3 Suppliers and Customers
- 3.4. Employees



3.1 Social Responsibility

In addition to production and development, we remain committed to fulfilling our social responsibilities to make contributions to nature, communities and society. To achieve this goal, we actively engage in public welfare initiatives, pool poverty alleviation efforts, and do a great job to boost economic and social development.

With the exception of a limited number of professional and technical personnel, local employees comprise up to 90% of our payroll. KAN depends on the people for its development and benefits the people. Over the years, the Company has offered jobs to nearly 100,000 individuals, generated an average of about RMB 70 million annually in profits and taxes, and played its part in ecological governance and regional economic development unwaveringly, demonstrating its commitment to social contribution.

3.2 Innovation-driven Development

As the leading player in the domestic specialty paper industry, KAN and Kaifeng New Material have been long devoted to the technology R&D of new base paper materials by leveraging our independent research and testing institutions, robust technical capabilities for product development and production, and state-of-the-art paper performance testing equipment at home. We have established “Zhejiang Postdoctoral Workstation”, and received multiple recognitions such as the “Provincial High-tech Enterprise R&D Center”, the “Provincial Enterprise Technology Center”, the “Provincial Enterprise Research Institute”, and the “Undertaking Enterprise for Major Science and Technology Research Project in Longyou County”.



3.2.1 Technology R&D

With years of dedicated focus on the specialty paper field, the Company and Kaifeng New Material have acquired advanced technologies for a number of key products. Through long-term collaboration with domestic and international peers as well as academic and research institutes, we have developed dozens of core technologies with independent intellectual property rights. These technological efforts have spanned multiple business segments, enhancing our core competitiveness and resulted in nearly 30 national patents.



Established in December 2021, the Postdoctoral Workstation of Kaifeng New Material currently hosts 1 doctoral researchers. Our R&D team consists of experts in paper-making, chemical engineering, quality management, market development, automation control, and machinery management. Their strong R&D capabilities provide a solid foundation for technology R&D. We always devote energy to boosting R&D and industry advancement. In 2024, we launched 7 new R&D projects and involved in drawing up 9 industrial standards.

New R&D projects		
1	Water-based packaging paper	Zhejiang Provincial New Product
2	Self-adhesive medical packaging paper with high-temperature steam sterilization	Zhejiang Provincial New Product
3	Development of key technology for new carbon-based paper materials used in fuel cells	Open Bidding and Leadership Assignment Project in Quzhou
4	Silicone coated paper for bakery urpose	Enterprise-initiated Project for New Product Development
5	L-shaped latex paper	Enterprise-initiated Project for New Product Development
6	Food wrapping paper as a substitute to plastic	Enterprise-initiated Project for New Product Development
7	Resource-saving waxed wrapping paper	Enterprise-initiated Project for New Product Development

New industrial standards involved		
1	GBT 451.2-2023 Paper and Board - Part 2: Determination of Grammage	China National Standard
2	GBT 35594-2023 Paper and Board for Pharmaceutical Packaging	China National Standard
3	GBT 44834-2024 Water-based Coated Paper and Board for Food Packaging	China National Standard
4	T CIET 379-2024 Degradable Materials and Products for Food Contact	Group Standard of China Association for Promoting International Economic & Technical Cooperation
5	T CNFIA 189-2024 Determination of Extractable Organic Fluorine in Paper, Paperboard and Paper Products Intended to Contact with Food - Online Combustion - Ion Chromatography Method	Group Standard of China National Food Industry Association
6	T CNFIA 190-2024 Determination of Total Organic Fluorine in Paper, Paperboard and Paper Products Intended to Contact with Food - Ion Chromatography Method	Group Standard of China National Food Industry Association
7	T CNFIA 191-2024 Determination of Total Fluorine in Paper, Paperboard and Paper Products Intended to Contact with Food - Online Combustion - Ion Chromatography Method	Group Standard of China National Food Industry Association
8	TCTAPI 001-2023 Glass Spacer Paper	Group Standard of China Technical Association of Paper Industry
9	TGDPPA 0004-2024 Classification Standard of Product Quality for Food Contact Paper and Products	Group Standard of Guangdong Paper Association



3.2.2 Smart Production

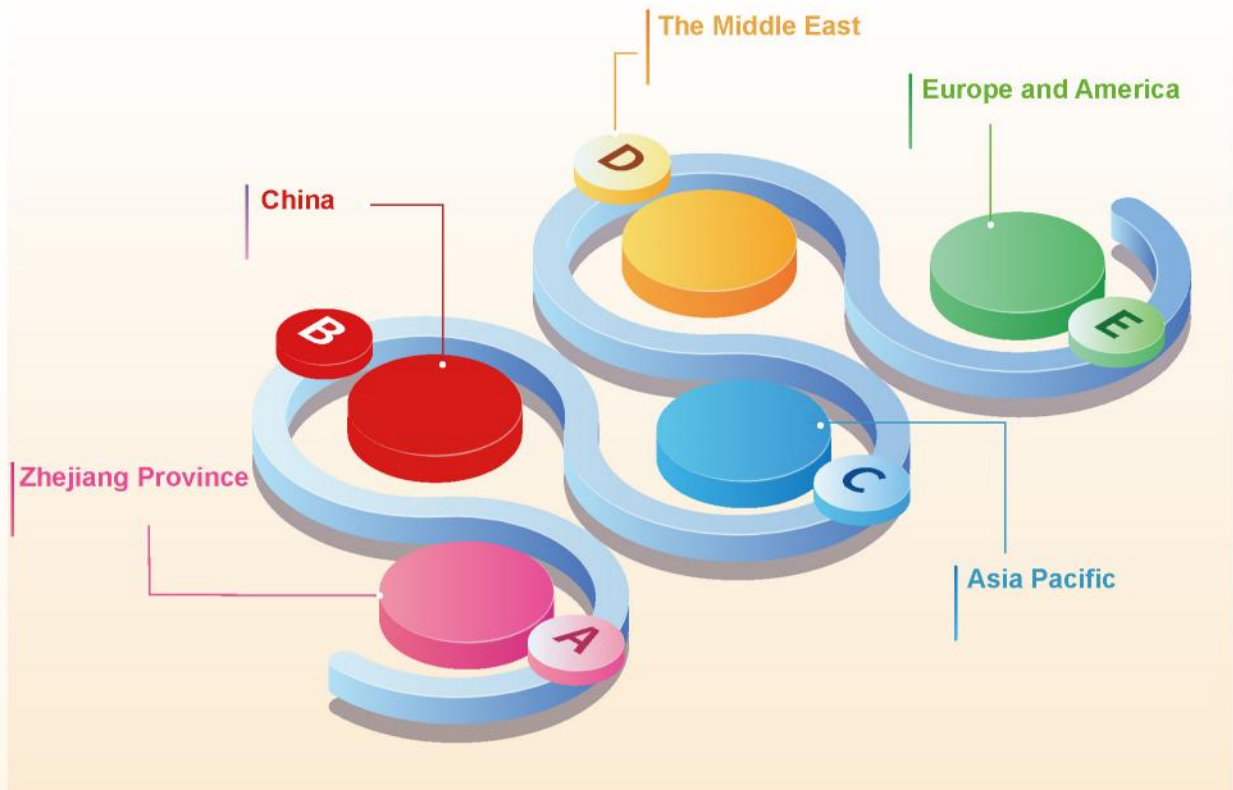
Kaifeng New Material has innovated its supervision and assessment process, and fostered the "ESG+AI" production responsibility system based on AI algorithm in its well-established digital and smart workshop. To upgrade the production line, Kaifeng New Material has introduced internationally-advanced key production equipment and online testing equipment from Germany, US, Italy and France, such as German BELLMER shaker, German Siemens drive control system and American Honeywell quantitative moisture control system (QCS). The combination of the distributed control system (DCS), the quantitative moisture control system (QCS), the manufacturing execution system (MES) and the ERP system leads to the domestically-advanced automatic specialty paper production line that features better production efficiency and flexible production capacity. This will form an efficient, high-quality, green and low-cost production model. Due to its technological achievement, Kaifeng New Material has been titled as "Zhejiang Smart Factory" by the Department of Economy and Information Technology of Zhejiang Province.



In 2024, we spend millions of RMB and completed Phase II of our Intelligent Upgrade Project. To be specific, the project introduced the intelligent control system, allowing for automatic monitoring and adjustment throughout production process, such as real-time tuning of running parameters for equipment according to paper grammage, moisture and other parameters; the project also adopted the intelligent inspection unit, enabling online inspection of paper thickness, whiteness and other indicators. The technical upgrading axes workforce in a production line from 20 to 12, cutting labor costs by approximately 40%; enhances production stability substantially, leading to more reliable product quality. These efforts have reinforced our competitive strength globally, and gained a stronger foothold in the high-end specialty paper market.

3.3 Suppliers and Customers

3.3.1 Customers



Global layout

Overseas markets:

US, Japan, India, Malaysia, Thailand, Vietnam, Singapore, Italy, UK, Germany, UAE, Australia, Brazil, South Africa, Uruguay, Indonesia, Belgium, Sweden, Finland, etc.

Domestic markets:

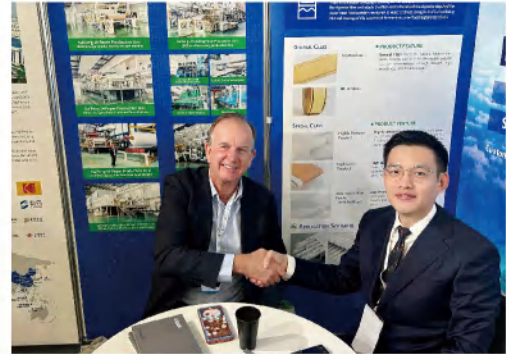
Yunnan, Anhui, Henan, Hunan, Sichuan, Zhejiang, Shanghai, Beijing, Guangdong, Gansu, Jiangsu, Guangxi, Shandong, Hubei, Xinjiang, Shaanxi, Heilongjiang, Jilin, Guizhou, Fujian, Shanxi, Shenzhen, Tianjin, Chongqing, etc.

Headquartered in Hangzhou, Zhejiang Province, Kaifeng New Material has forged an international sales network covering domestic markets, and overseas markets in Asia Pacific, the Middle East, Europe and America, so as to meet the needs of customers and to fully bolster the global brand strategy. To expand our global presence, we dig into new markets and customer groups, as well as extend our talent and customer outreach and draw on welfare policies released by various countries in the process of globalization. All these efforts will enhance industry competitive advantages, and increase corporate earnings.

Sales strategy

Our marketing channels at home include direct marketing and marketing by dealers, with direct marketing as the core. Facing the export market, we adopt a combination of direct marketing, marketing by dealers and marketing by commercial agents. Notably, dealers or commercial agents boasting strong financial strength, positive reputation, competitive marketing capacity and diverse marketing channels are employed to help us expand international market outreach.

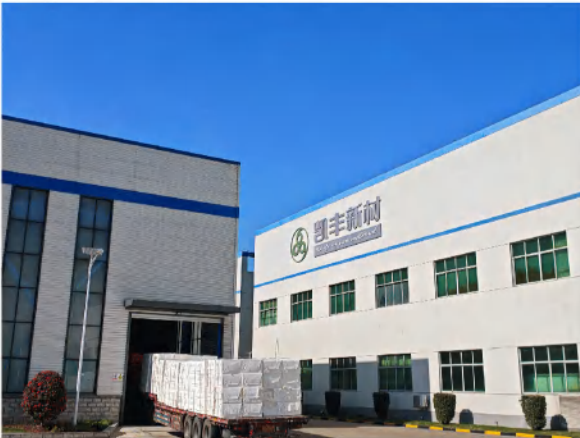
Since 2023, we have actively attended a number of large-scale international paper exhibitions to seize more market opportunities, include Asian Paper Bangkok, Inter-Tabac, WT ASIA, WT Middle East, and PulpForExpo. Though these exhibitions, we have built ties with potential customers in Malaysia, Indonesia, Vietnam, India, Brazil, Armenia, Mexico, Dubai, Iran and Singapore, elevating our sales by tens of millions. Looking ahead, we will continue to develop a broader international market, and tap into the potential of the global specialty paper industry.



3.3.2 Supply Chain

Supply chain management system

To effectively manage suppliers, our long-term partners, the Company and Kaifeng New Material have developed internal regulations such as the *Supplier Management Procedures* and the *Management Regulations on Supplier Performance*, and set up the Supply Chain Risk Control Committee. We are committed to maintaining mutually beneficial and win-win relationship with suppliers, and jointly strengthening and refining the social responsibility management system of the supply chain, so as to achieve sustainable development of the supply chain.



Procurement control

Our *Procurement Control Procedures* has outlined measurable evaluation criteria, classified suppliers into A, B and C grades, and specified provisions concerning supply proportions and time of payment. Besides, we have developed a well-performing supplier assessment system covering supplier investigation, selection, evaluation and control according to the quality, environment and work safety standard requirements. As a result, we have forged trustworthy cooperation with a series of reliable suppliers meeting our requirements on quality, cost and delivery.

Due to the combined factors of the international market, the pulp price soared in the first half of 2024, and stayed high even after a decline in the second half. This made it more challenging to manage pulp purchase frequency and cost. In response, we made rational analysis and judgment of the market situation, and offset the increased pulp cost by leveraging price differences effectively. This is attributed to our efforts to optimize the structure of raw materials, seek more supply channels, and apply a flexible procurement strategy.



3.3.3 Products and Services

Product quality management

Recognizing quality as the cornerstone, Kaifeng New Material emphasizes on responsible products, services and business practices. To this end, efforts have been made to set up the Quality Management Team led by the person in charge, establish a stable quality control team, and execute quality management tasks orderly. The products have been granted a series of system certificates, including ISO9001 Quality Management System, ISO14001 Environmental Management System, ISO22000 Food Safety Management System, ISO45001 Occupational Health and Safety Management System, FSC Certification, PEFC (Programme for the Endorsement of Forest Certification) System, BRCGS Global Standards for Food Safety, FDA (Food and Drug Administration) Certification, Energy Management System, and Intellectual Property Management System. Kaifeng New Material is able to undertake bulk production of customized specialty paper products, and has been well recognized by its partners such as Detpak, Zidan, Baowu and Kodak, laying a solid guarantee for improving product quality. We have been honored with the "Hidden Champion", the "Specialized and Sophisticated SME" and the "AAA Enterprise Observing Contract and Value Credit" in Zhejiang Province, and the "Government Quality Prize" in Quzhou City.



Service complaint management

The Company and Kaifeng New Material have opened up convenient channels for customer consultation, complaints and suggestions, and formulated *customer complaint management regulations* to communicate and address customers' concerns, complaints and insights timely and effectively. Besides, we have set annual assessment indicators for "customer satisfaction" and "complaint follow-up", established a sound after-sales customer service system, and assigned technical and service personnel to visit customers from time to time. In 2024, our product quality was stable and met applicable standards; there were no major quality disputes; the after-sales follow-up rate was maintained at 100%, and the customer satisfaction rate reached 99%; no customer complaints about quality were received, and no products were recalled.



3.4 Employees

3.4.1 Protection of Employees' Rights and Interests

Our payroll

As of the end of 2024, the Company had 263 employees on the payroll, and all of our employees have signed labor contracts.

By gender: 67 females and 196 males.

By profession: 150 production workers, 47 technicians, 41 administrative staff, 17 sales persons, and 8 financial staff.

Employment compliance

In accordance with the *Labor Law of the People's Republic of China* and applicable labor management regulations, we have implemented the Good Employment Practice, and signed labor contracts with our employees. In addition, we always bear the due corporate contribution to social insurance, housing provident fund and supplementary insurance for our employees in accordance with the law. In 2024, all our employees entered into labor contracts, and had access to the social insurance package.

We have established and improved the remuneration system and the incentive mechanism, and formulated a range of regulations such as the *Management Regulations on Remuneration*, the *Management Regulations on Internal Promotion and Competition for Jobs* and the *Management Regulations on Remuneration Accounting and Payment*. These actions allow for regular pay increase, and enable our employees to work and enjoy their rights and interests according to law. In 2024, there were over 7 paid leave days per employee.

We stay committed to prohibiting child labor, protecting female employees, combating discrimination, safeguarding dignity, and respecting voluntary labor. In 2024, the Company had no incidents of discrimination, child labor or forced labor.



Availability of facilities

We are committed to providing employees with a clean garden-style production and living environment. To this end, central air-conditioning system covers every workshop, providing employees with a working environment of constant temperature and humidity. Besides, well-established living and recreational facilities are available for employees. To be specific, our canteens provide pleasant dining environment and a wide range of delicious food options. And meal allowance is another benefit for employees. To enrich the spare-time life of employees, a variety of recreation facilities have been equipped, including but not limited to fitness centers, reading rooms, table tennis rooms, basketball courts, multi-function media rooms and tea rooms. To attract and keep talents, qualified employees are provided with neat and comfortable apartments, and married couples are encouraged to both work in the Company.



Employee care

Highlighting the importance of employees, the Company and Kaifeng New Material have set up an employee care center especially for employees with physical disabilities, female employees during their pregnancy and lactation, and employees in need. These three groups enjoy additional allowance, physical examinations free of charge, and aid fund respectively. Moreover, our employees have access to multiple communication and complaining channels, such as suggestion box, email, hotline, and face-to-face communication. To timely identify and address the concerns of employees, the Human Resources Department works with the Production Department, the Administration Department and the Labor Union to organize a rich diversity of employee care activities, continuously enhancing employee satisfaction.

Various activities

The Company has provided its employees with various platforms to showcase their talent and develop hobbies, and organized sports competitions, festival events and female care activities to help employees enjoy better life.



In March 2024, the International Working Women's Day



In September 2024, Mid-Autumn Festival



In January 2025, we granted honors and rewards to excellent employees

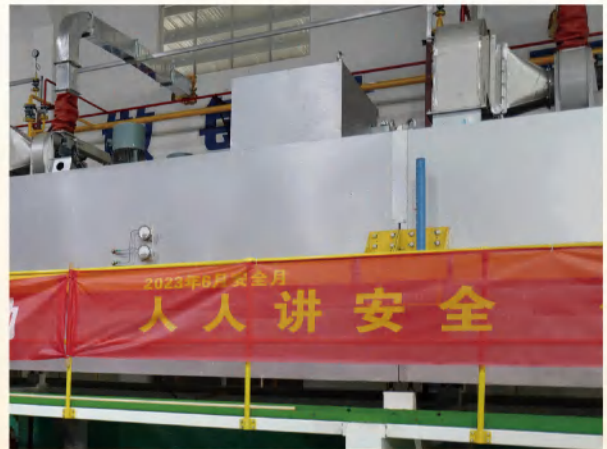
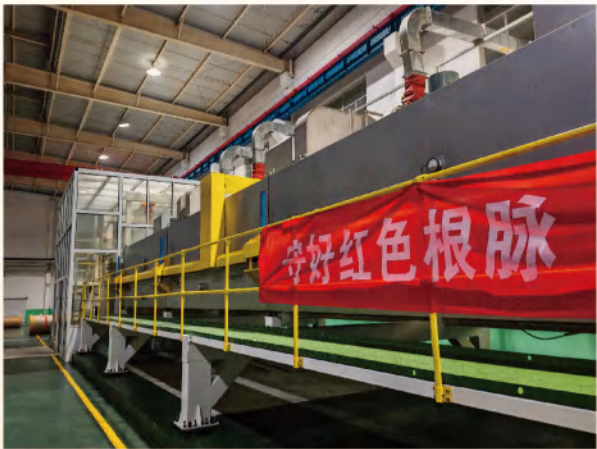
Guarantee of democracy

Emphasizing the protection of human rights and democracy, the Company observes applicable international rules such as the three major international covenants on human rights and the *Universal Declaration of Human Rights*, and has formulated internal regulations including the *Freedom of Association and Collective Bargaining and the Management Regulations on Labor Union*. The *Labor Union* has been set up along with improved working systems for employees to communicate with the Company. Employees are allowed to join or withdraw from the *Labor Union* freely, and are encouraged to participate in making decisions and solving problems. In 2024, the *Labor Union* received 14 suggestions, and studied and put all suggestions into practice. Four meetings including the workers' congresses and democratic communications were held. The employee satisfaction was 96%, a 5-percent year-on-year growth.

3.4.2 Occupational Health and Work Safety

The Company and Kaifeng New Material always abide by the *Law on Work Safety* and other applicable work safety laws and regulations. To ensure people-centered safety work, the following combined measures have been taken: step up supervision and inspection, identify and wipe out hidden hazards; establish and maintain ISO 45001 Occupational Health and Safety Management System; organize EHS-specific audit, factor-by-factor check, and performance appraisal on a regular basis; carry out the “100-Day Campaign to Identify Hidden Hazards” and the “Party Member Safety Post Initiative”. In addition, we set up an emergency response leading group, work out emergency response procedures, and arrange drills every year. For the effective control by all employees at all levels, a number of work safety documents have been formulated and posted at all risk points and posts, such as the Hierarchical Control Table for Dual Prevention, the List of Major Risk Sources, the Hidden Hazard Identification Table for Work Shifts, the Department-level Safety Risk Notice, the Major Risk Notice, the Post Safety Card, and the Four-color Diagram of Safety Risks.

In 2024, over 200 front-line employees were provided with occupational health examinations. All employees had their occupational health records. There were no occupational disease cases. All new employees received work safety training. All employees engaged in special types of work held required certificates. There were no work-related fatalities.



Occupational health certification and training

We keep working toward Occupational Health and Safety Management (ISO 45001) certification and 6S (SEIRI, SEITON, SEISO, SEIKETSU, SHITSUKE, and SAFETY) assessment. Moreover, we have invited a third-party organ to conduct a field audit in line with AMFORI BSCI requirements. In 2024, we got 11 “A” results in 13 domain indicators for BSCI certification, including occupational health and safety. In 2024, all of our new employees received occupational safety training, and the average occupational health training hours per employee reached 14; all employees engaged in special jobs worked with required certificates, and there were no deaths in line of duty.

3.4.3 Career Development and Training

Employee development system

Taking talent training and development as a top priority, the Company and Kaifeng New Material uphold the principles of "Focus, Research, Innovation", and strive to build a career development platform friendly to employees' research and growth. Besides, our efforts have been intensified to foster a sustainable and strategic talent pool, attract and cultivate younger, better-educated, more professional and more pragmatic backbone employees with ideals and a sense of responsibility, provide various forms of training sessions on posts, skills, management and qualification, and organize knowledge and skill contests, encouraging employees to keep learning.



Career development training

We have formulated policies related to vocational education and skill training, invited external experts and scholars to share technical skills and insights with our employees, and fostered an open technical exchange climate to help employees develop and upgrade their technical capabilities. In 2024, all of our employees received training, and the average training hours measured as 29. These achievements demonstrate that our employees have equal access to training and enjoy equal opportunities to grow.





Governance Innovation

4.1 Sustainable Development

4.2 Business Practices

4.3 Operational Compliance



4.1 Sustainable Development

4.1.1 Sustainability Governance Mechanism

Sustainability management framework

“Five-faceted Contribution and One Drive”: Make contribution to the country, the ecology, society, shareholders, and employees; drive business to develop for good. “12345” Sustainability Governance System: 1 dual-carbon goal, 2 priorities for transformation, 3-pronged positioning, 4 optimization approaches, and 5-tier management framework.

“1 Dual-carbon Goal”: carbon peaking by 2026; 90% drop of carbon emission intensity compared to 2021 by 2035; carbon neutrality by 2040. “2 Priorities for Transformation”: fine management and improvement in new quality productive forces. “3-pronged Positioning”: green, smart and zero-carbon factory. “4 optimization approaches”: green transition of product, energy-intensive structure upgrade, cyclic utilization of resources, and efficiency improvement of process.

“5-tier management Framework”: 5-tier ESG management framework led by the Strategy and Sustainability Committee under the Board of Directors. The Strategy and Sustainability Committee has been set up as the top ESG decision-making body, and leads the execution and oversight bodies as well as business departments. The Chairperson serves as the primary responsible officer and head of the Committee.

“12345” Sustainability Governance System

Five-faceted Contribution and One Drive

Make contribution to the country, the ecology, society, shareholders, and employees; Drive business to develop for good.

1 Dual-carbon Goal

Carbon peaking by 2026; 90% drop of carbon emission intensity compared to 2021 by 2035; carbon neutrality by 2040.

2 Priorities for Transformation

Fine management and improvement in new quality productive forces.

3 Pronged Positioning

Green, smart and zero-carbon factory.

4 Optimization Approaches

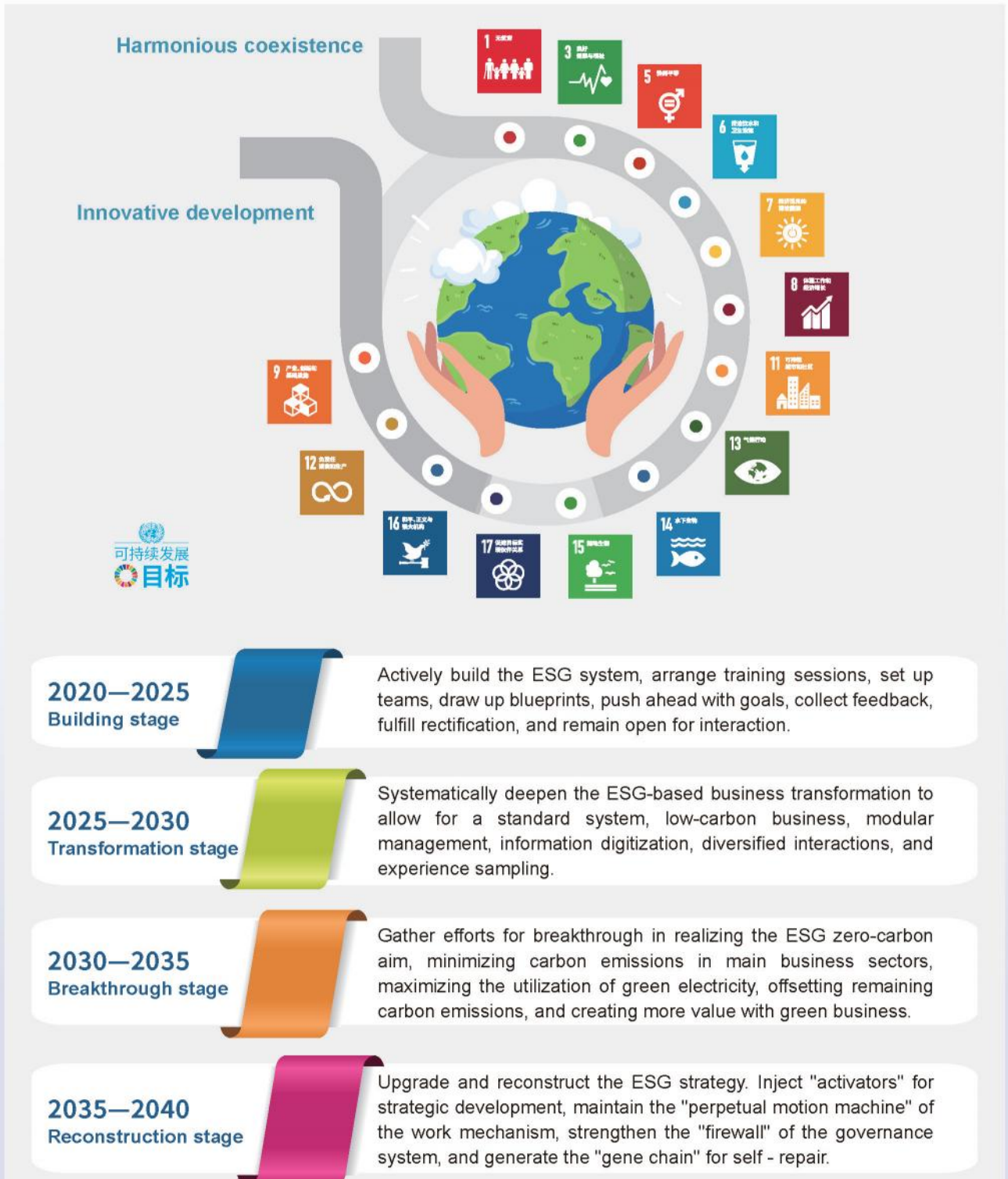
Green transition of product, energy-intensive structure upgrade, cyclic utilization of resources, and efficiency improvement of process, etc.

5-tier Management Framework

The Strategy and Sustainability Committee, ESG Working Group & Risk Management Team, Green Development Committee, Emergency Leading Group, Employee Care Center, etc.

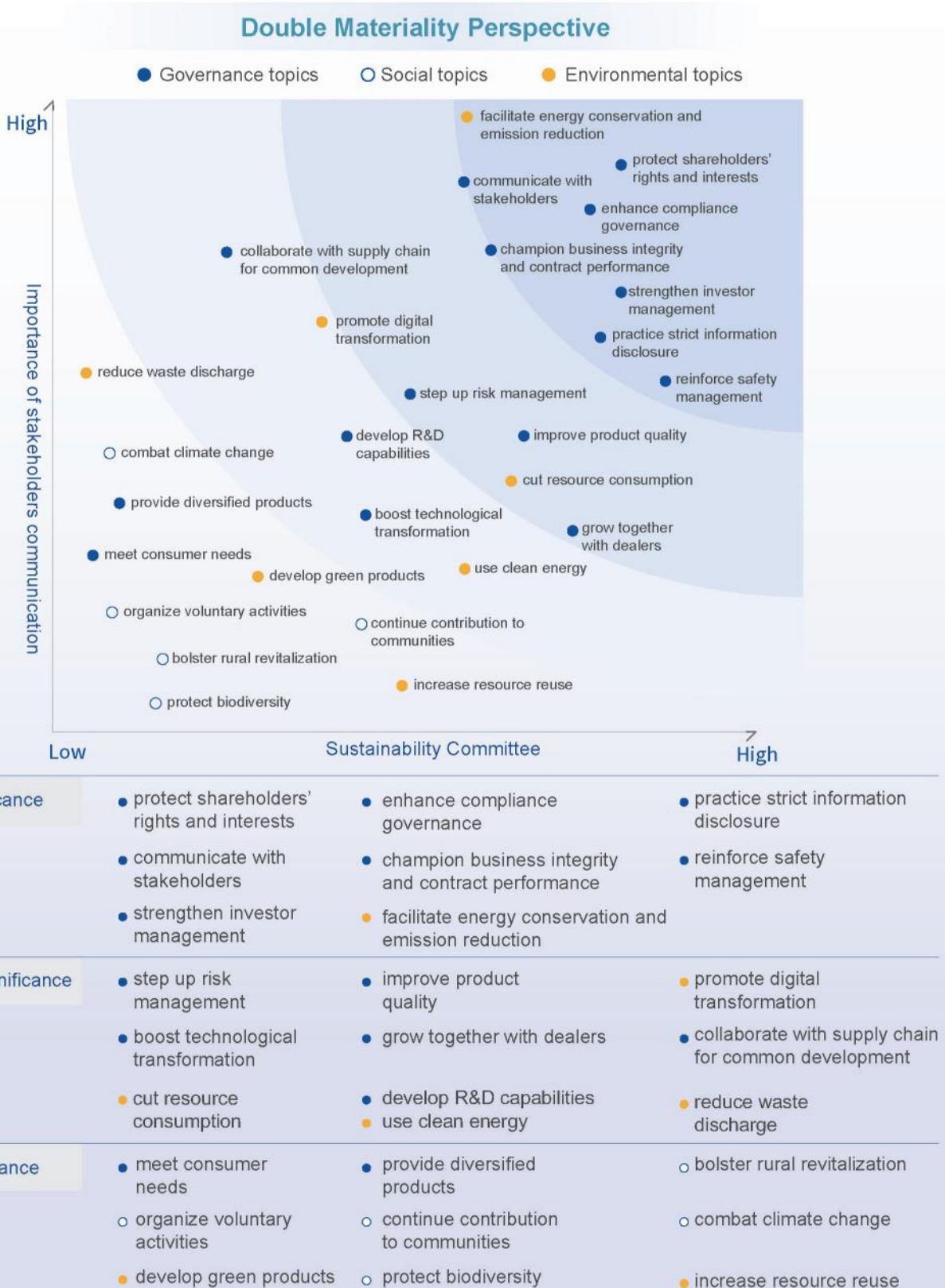
Sustainable strategy planning

On the human's common journey of sustainable development, we are committed to "innovative development for harmonious coexistence", aligning with 2030 UN SDGs (sustainable development goals). According to our actual situation, we have identified 14 SDGs, and pooled the best resources and efforts to facilitate the realization of the Agenda for Sustainable Development.



Digital empowerment for sustainable development

In line with the Double Materiality Perspective, domestic and international disclosure standards, industry macro-policies, industry practices and our actual conditions, the Company works out a material topic shortlist via identification and assessment and submits it to the Strategy and Sustainability Committee for review to determine the final material topics. In 2024, 28 material topics were finalized.

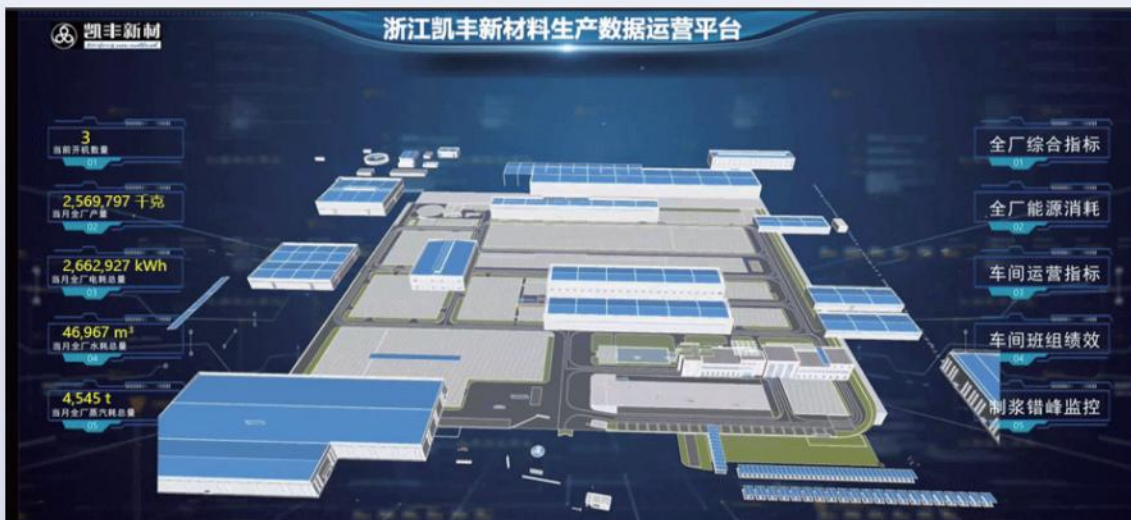


Digital empowerment for sustainable development

We are the first to take sustainability and ESG as an integral part of our primary strategy among listed companies in the specialty paper industry. To fulfill the strategy, we have empowered the environmental, social, governance and marketing development with information-based and digital approaches.

We actively cement cooperation with POI-TECH in data acquisition and integration to insert more smart genes into production. As the world's first manufacturer of large-scale process model dedicated to the paper-making industry, POI-TECH works as a booster on our journey to intelligent transformation in terms of data, process and advanced AI technology.

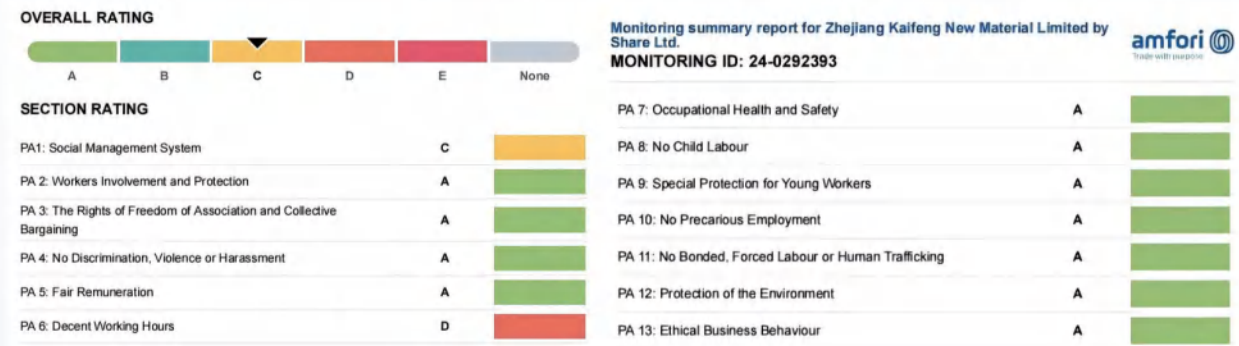
We leverage the carbon footprint reporting system for better ESG performance management. The system enables effective collaboration of the carbon footprint accounting tool and the energy management system, and is used to quickly collect and sort out ESG data, generate periodic analysis reports, and disclose ESG KPIs in real time via our built-in investor relation matrix.



4.1.2 Due Diligence

Due diligence body

The Risk Management Team under the Strategy and Sustainability Committee is designated as our standing due diligence body. The Team is responsible for working with the ESG Team, the Work Safety Leading Group, the Green Development Committee, the Finance Department, the Legal Department and production divisions to set up a cross-department due diligence group for regular audits of institutional structure, operation process, routine business activities, management commitments and supply chain. In 2024, we invited a third-party organ to conduct a field audit in line with AMFORI BSCI requirements, and got 11 "A" results in 13 domain indicators including employee engagement and protection without any non-conforming items.



Response to sustainable development risks

We have pooled efforts to predict combined risks in the future by capitalizing on the sustainable development risk matrix and the AI-empowered historical data model, prepare the *Due Diligence Report of Sustainable Development*, report existing and predicted risk points to the management for analysis and improvement, and propose the alternative technical solutions to high-risk warning incidents. For example, as the carbon emissions of the existing production line fail to reach the preset limits, we timely take targeted measures in consideration of the capacity and consumption of our self-generated green electricity as well as the production characteristics of paper products. These measures include stepping up the distribution of green electricity during peak and valley periods, shortening the operating time of natural gas-consuming production sections, enhancing the recycling efficiency of steam in multiple links, intensify the production scheduling of FSC-certified green products, improving the utilization rate of recycled pulp and reclaimed water, and replacing and upgrading power-intensive units in production lines. In 2024, the carbon emissions of our upgraded production line met emission criteria, and our energy consumption indicators per ton of products were optimized.

During the process of enhancing transition towards sustainable development, we objectively experienced cost increase as greater efforts have been made to add new environmentally-friendly equipment, upgrade production lines, advance digital transformation in plants, organize digital skill training among employees, install PV panels for green electricity, expand international markets, research and develop green products, and allocate new energy vehicles. Upon analysis over the sustainable development risk matrix, the net profits of our main business (non-recurring profit and loss excluded) have turned to positive on year-on-year basis. We not only maintained but also moved forward our cooperation with strategic customers, such as China Tobacco, McDonald's, KFC, Starbucks, Baowu and JISCO. All these gains shown in the matrix have laid a solid foundation for us to pursue fresh progress while ensuring stability in operations, enhance our market value, and achieve a new leap forward in green transition.

4.1.3 Communication with Stakeholders

Stakeholders	Communication channels	Major concerns	Responses	Effective practices
Shareholders and investors	Official website Reports We-media Commercial intercourse Training Forums Inquiries from customers Media interaction Business discussion Exhibitions Government research Inspection and oversight Eco-friendly collection Qualifications Engagement with associations Community activities Industry conferences Interaction with shareholders	Protection of investors' rights and interests	Sustainable economic growth	Hold meetings to communicate with investors
		Prevention of operating risks	Prudent operation	Conduct research meetings with investors
		Innovative development	R&D and product innovation	Launch strategy transition
Governments and regulators		Leading role in social development	Operational compliance	Optimize internal control and governance; strengthen audit and supervision
		Compliance with laws and regulations	Timely information disclosure	Disclose information at multiple platforms
Customers		Product quality	Full-process product management	Lead the formulation of several industrial standards
		First-rate services	Response to the diversified needs of consumers	Refine the customer service system
		Fair pricing	Independent R&D and innovation	Curb adverse price effect effectively in the industry chain
Partners in the industry chain		Compliance with business ethics, honesty and trustworthiness	Responsible procurement policy	Implement the full-cycle supply chain management
		Cooperation for mutual benefits and common growth	Cooperation for common development in the industry chain	Develop marketing and operation capabilities
		Sound development of industry chain	Analysis of pioneering concepts in the industry	Join the association of the industry as a core member
		Protection of basic rights and interests	Reasonable remuneration and welfare system	Provide employees with equal pay for equal work, competitive remuneration, and additional benefits
Employees		Occupational health and safety	Occupational health and safety management	Establish mechanisms and policies, and organize trainings
		Career development	Employee training and promotion	Put promotion channels and career trainings in place
		Public engagement	Openness and transparency	Receive supervision from the public and the media, and communicate with external parties
Society		Common prosperity	Industry support	Strive for common prosperity and rural revitalization
		Community development	Public welfare activities	Organize volunteer activities and donations
		Media communication	More effective information disclosure	Respond to public opinions actively
Environment	Pollution reduction	Green industry chain	Figure out carbon inventory, and shift towards energy conservation and carbon emission reduction	
	Response to climate change	Carbon reduction actions	Launch carbon footprint assessment	
	Ecological conservation	Involvement in ecological conservation projects	Conduct biodiversity conservation	

4.2 Business Practices

4.2.1 Anti-bribery and Anti-corruption

To enhance the awareness of integrity and compliance, all employees, including the management, are required to sign the *Integrity and Confidentiality Agreement*. In addition, we follow up and supervise whether new promotions and new employments comply with applicable regulations, continue the oversight of integrity and compliance at all positions and for promotions.

In cooperation with external partners such as suppliers, we require all suppliers to abide by business ethics, the *Non-Disclosure Agreement* and the *Supplier Code of Conduct*, and should keep away from corruption and bribery in any form. Moreover, they should sign the *Commitment to Integrity* as an attachment to the supply contract, and receive access assessment and sustained management.

4.2.2 Anti-unfair Competition

Attaching great importance to the values and rights of customers, we always present the performance and advantages of products truly and objectively, rather than releasing false or misleading advertisements. We utterly oppose illegal acts such as colluding with peers on pricing and disrupting the market order. Instead, we exchange and cooperate with the counterparts to jointly advance the sound development of the industry and contribute to the sustainable growth of China's economy.

The Audit and Supervision Department has been fully authorized to supervise and audit the daily economic activities of the Company from time to time. The specific duties of the department include contract review, supervision and review of material procurement prices, investigation of abnormal conditions, and proposal of penalty suggestions. Over the years, efforts have been made to prevent in advance (bidding), in-process supervision (price review) and post-audit (final accounting and abnormality investigation) targeting receipts and payments, thus basically putting commercial misconduct to an end.

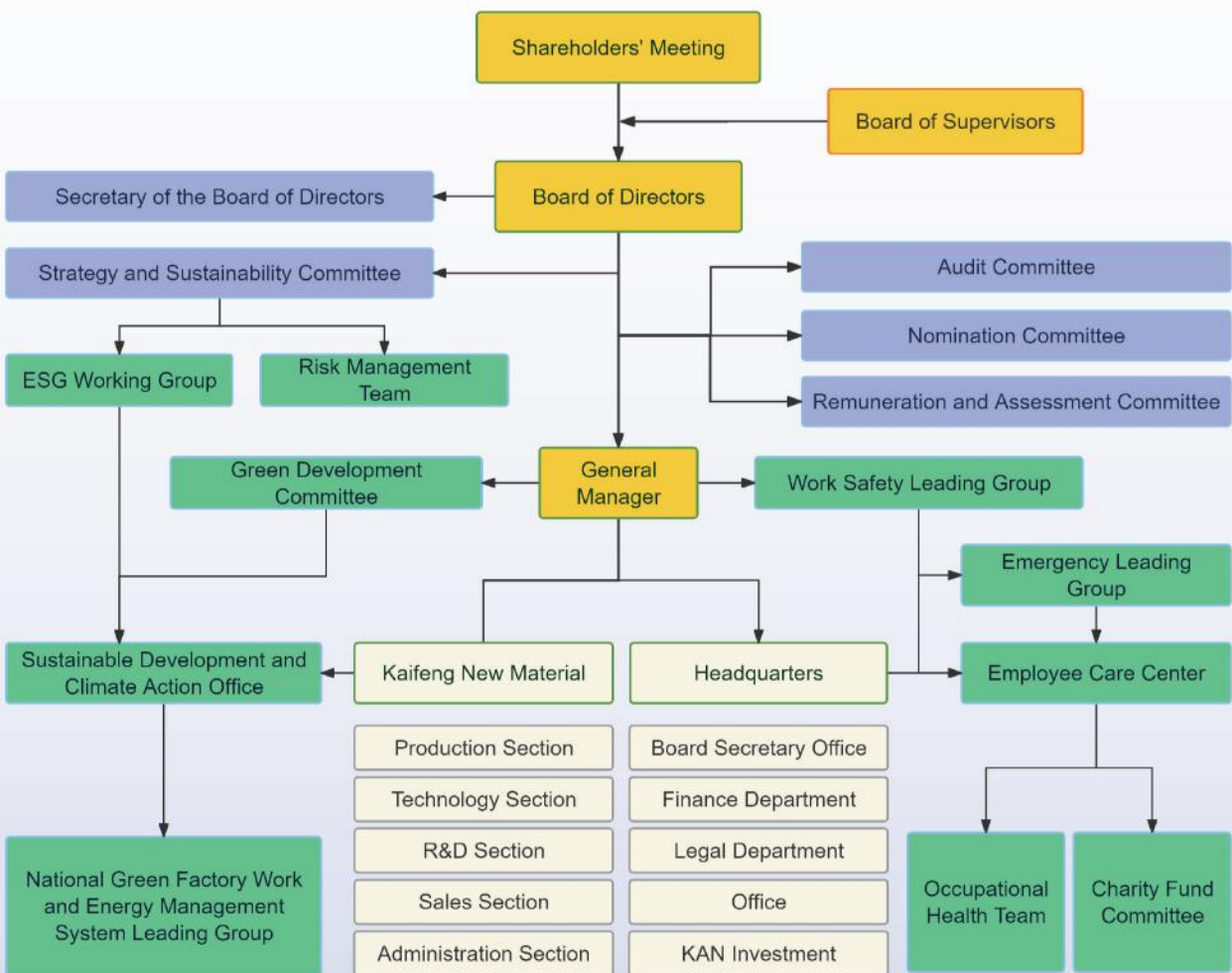


4.3 Operational Compliance

4.3.1 Scientific and Effective Management

Compliance management system

In accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and regulatory documents over the governance of listed companies released by China Securities Regulatory Commission and Shenzhen Stock Exchange, we have continued to refine our corporate management framework in terms of the shareholders' meeting, the Board of Directors, the Board of Supervisors, the duties and powers of the management, and operation regulations. In 2024, the Company held 3 shareholders' meetings, 6 meetings of the Board of Directors, and 4 meetings of the Board of Supervisors.



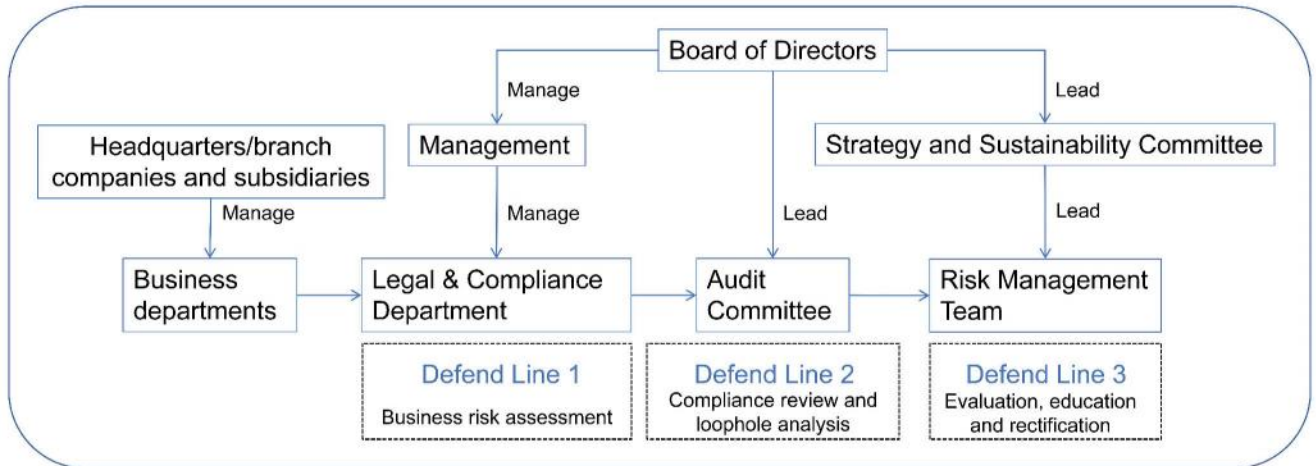
Financial compliance certification

The Company has always got the unmodified opinions from the auditor in the past 20 years.

4.3.2 Comprehensive Risk Management

Under the Board of Directors, a Risk Management Committee has been set up with clear division of responsibilities related to integrity and compliance. Besides, the combination of an ERM-based risk management structure and a professional risk management team has been put in place.

Comprehensive Risk Management System



ESG Month Campaign

Since 2023, we have continuously implemented ESG Month Campaigns to encourage our employees and stakeholders to know more about ESG, reinforce sense of social and environmental responsibility, and make a difference in protecting our common communities through small actions. To this end, we have always communicated the *Sustainability Report* by sections and latest ESG policies, organized low-carbon office competitions and daily environmental protection knowledge contests, cross-evaluated business segments in ESG performance, and visited ESG-highlighted listed companies.



Appendixes

5.1 Integrated KPI Table

Key Performance Index	2024	2023	2022
Financial Performance			
Operating revenue (RMB 10,000)	59051	82600	139180
Net profit (RMB 10,000)	2180	5329	7629
Net cash flow from operating activities (RMB 10,000)	7061	-2005	21832
Total assets (RMB 10,000)	179946	196026	230095
Net assets (RMB 10,000)	170008	169740	171410
Asset-liability ratio	5.5%	13.4%	25.5%
Environmental Performance			
Total environmental protection investment (RMB 10,000)	25892	44822	86503
Green procurement investment (RMB 10,000)	25423	43386	77141
Energy conservation and consumption reduction investment (RMB 10,000)	207	247	1568
Technological transformation investment (RMB 10,000)	1175	1189	7793
Direct (Scope 1) GHG emissions (ton)	4048	4487	75051
Indirect (Scope 2) GHG emissions (ton)	44749	62210	84552
Total GHG emissions of Scope 1 and Scope 2 (ton)	48797	66697	159603
Total GHG emission intensity (ton/RMB 1 million of revenue)	83	81	115
Fall of the total GHG emissions compared to 2021 (%)	71%	60%	5%
Annual paper capacity (ton)	60367	61681	/
GHG emissions per ton of paper (ton/ton of paper)	0.8	1	/
Electricity consumption (10,000 kWh)	6532	5680	12165
Electricity consumption per ton of paper (10,000 kWh/ton of paper)	0.1	0.1	/
Steam consumption (10,000 tons)	11	11	/
Steam consumption per ton of paper (ton/ton of paper)	2	2	/
Natural gas consumption (10,000 m ³)	187	206	/
Natural gas consumption per ton of paper (m ³ /ton of paper)	31	33	/
Total energy consumption (MkJ)	575933	920259	1114905
Total energy consumption per ton of paper (MkJ/ton of paper)	10	15	/
Total solar energy generated (10,000 kWh)	1132	954	573
Purchased green electricity (10,000 kWh)	650	/	/
Proportion of green electricity consumption in total electricity consumption	27%	17%	5%
Total water consumption (10,000 ton)	128	142	563
Reuse rate of reclaimed water	98%	97%	95%
Total recycled water volume (10,000 ton)	44	43	/
Total industrial waste water discharge (10,000 ton)	80	87	/
Including: industrial waste water discharged directly into the environment (10,000 tons)	0	0	/
Treatment capacity of industrial waste water (10,000 ton)	80	87	/

Key Performance Index	2024	2023	2022
Environmental Performance			
Packaging consumption (ton)	1557	/	/
Total recycled waste (ton)	1802	/	/
Waste water (industrial water) density (ton/ton of paper consumed)	21	23	/
Sulfide emission density (g/ton of paper)	0.2	0.2	/
Ammonia-nitrogen compound emission density (g/ton of paper consumed)	6.3	3.6	/
COD (g/ton of paper)	471	504	/
Hazardous waste density (g/ton of paper)	13	23	/
General waste density (ton/ton of paper)	0.03	0.02	/
Serious environmental violations	0	0	0
Environmental credit rating of enterprises in Zhejiang Province	A	A	A
Social Performance			
Total tax (RMB 10,000)	1637	4763	8965
Proportion of shareholder dividend in net profit attributable to parent company	32%	31%	11%
R&D investment (RMB 10,000)	2901	4445	9585
Including: intellectual property protection investment (RMB 10,000)	11	10	28
Digital transformation investment (RMB 10,000)	191	91	1480
Monetary capital (RMB 10,000)	66762	87371	53770
Accounts payable (RMB 10,000)	4451	5901	15678
Proportion of top five suppliers	44%	33%	36%
Work safety investment (RMB 10,000)	136	134	282
Investment in employee benefits (RMB 10,000)	161	123	146
Total employees	263	266	925
Proportion of employees signing the labor contracts	100%	100%	100%
Proportion of employees with occupational health records	100%	100%	100%
Proportion of new employees receiving safety training	100%	100%	100%
Proportion of employees engaged in special jobs with required certificates	100%	100%	100%
Proportion of employees receiving training	100%	100%	100%
Average hours of training per employee	29	24	51
Average hours of occupational health training per employee	14	10	23
Rate of deaths in line of duty	0%	0%	0%
Enrollment rate of Labor Union	100%	100%	100%
Employee satisfaction	96%	91%	89%
Customer satisfaction	99%	99%	98%

Key Performance Index	2024	2023	2022
Corporate Governance Performance			
ESG breakdown management indicators	165	111	126
Proportion of independent director in the Board of Directors	40%	50%	43%
Proportion of female directors in the Board of Directors	20%	33%	29%
Quantity of information disclosed	57	102	138
Investor relations management influence (10,000 man-times)	124	166	24
Wind ESG rating	AA	A	A
Quantdata ESG rating	AA	AA	AA
BSCI certification	C	/	/

5.2 GRI Index Table

	GRI Standards 2021	Page number
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Harmonious symbiosis Innovative development

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