



2022

Farasis Energy (Ganzhou) Co., Ltd.

Environmental, Social and Governance
(ESG) Report



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About This Report

The Environmental, Social and Governance (ESG) report (hereinafter referred to as "this report") is publicly issued by Farasis Energy (Ganzhou) Co., Ltd. (hereinafter referred to as "Farasis Energy"). This report is compiled based on the principles of openness and transparency, discloses practices and performance of Farasis Energy in fulfilling ESG-related issues in 2022.

Reporting Scope

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

Reporting Period

This report is the first ESG report released by Farasis Energy, covering the period from January 1st, 2022 to December 31st, 2022. In order to enhance the readability of the report, some of the contents or data have been presented from to previous or subsequent years.

Definition of Terms

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

Reporting Principles

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

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

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

Access to This Report

This report is published in both electronic and printed formats. You can access the electronic version of this report through the following website:

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

You can contact us at the following ways:

- Number: 0797-7329849
- E-Mail: farasisIR@farasisenergy.com.cn
sustainability@farasisenergy.com.cn

The translation in English is only a reference copy. In case of conflicts, the Chinese version shall always prevail.

Message from the Chairman

Great accomplishments require ambition and tireless effort. Since our foundation, Farasis Energy has been committed to the vision of “Dedicate to technology innovation, Lead energy transformation, Promote a better life for mankind” . We promote the revolution and innovation in the field of the new energy, to empower green and low-carbon development.

At Farasis Energy, we focus on building core competence, and take a people-centered approach to pursue stronger governance and greener operation. In line with applicable laws, regulations and regulatory rules, we constantly improve internal procedures and systems to optimize corporate governance. We gradually introduce ESG elements into decision making, and put in place an ESG governance structure led by General Manager, so as to ensure effective ESG governance at strategic and organizational levels.

In our pursuit of green development, we've gained rich and practical experience in carbon neutral operation and calculation of Scope 1 and Scope 2 carbon footprints. In 2021 and 2022, we have achieved Carbon Neutral Production certificates issued by DEKRA, a German third-party verification organization, which certified the carbon-neutral production of our total volume produced in 2021 and total volume delivered in 2022 for Mercedes-Benz models at the Zhenjiang site. This represents another step forward we have taken forward on our journey to “zero-carbon operation” .

Being people-oriented, we strictly abide by national labor laws, regulations and policies, and develop or revise a series of documents, including the Remedial Management Procedure for Preventing the Employment of Child Labor and remediation of Child Labor, to require all employees to observe national laws and regulations and forbid the use of child labor and forced labor. We protect human rights and labor rights, follow national policies regarding human rights, gender, age and ethnic groups and regulate labor use, to guarantee every employee's legitimate rights and interests.

With great power comes great responsibility. Without the vigorous support from our stakeholders, we could barely take any step forward. We also hope to make positive impacts on them through our operations.

In 2022, we pushed ahead steadily with responsible sourcing, and drove our suppliers and other partners towards compliance and high-quality development. As a member of the Responsible Critical Minerals Initiative (formally known as Responsible Cobalt Initiative), we engaged a third-party audit agency as a pilot for enhanced audit with cathode material suppliers, in an effort to build a more transparent supply chain. Being customer-centric, we scaled up production in five places in two countries to nearly 150GWh, taking a decisive step towards large-scale development. We upgraded products, making our semi-solid and 800VTC batteries the first to be mass produced and applied to vehicles. We unveiled SPS (Super Pouch Solution) and optimized the battery structure, further spearheading the experience with “ideal batteries of the future” . Always sharing economic outcomes with communities, we did a lot to show our care for children.

Looking ahead to 2023, I hope we could stick to the first principles, layout the optimal solution in our vision and overcome divergences with concerted efforts, so as to build a better future for Farasis Energy together.

Yu WANG

Chairman of Board of Management (BoM)
Farasis Energy



Column | A Global Leader in Power Batteries

Farasis Energy is one of globally leading producers of pouch power and energy storage batteries, as well as one of the first mass producers of NCM pouch batteries in China. In 2009, Farasis Energy was established in Ganzhou to industrialize the lithium-ion power battery technology for vehicles, becoming one of the first lithium battery makers in China.

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

Our History

2002

- Farasis Energy was established in Silicon Valley, California

2009

- Farasis Energy (Ganzhou) was established in Ganzhou, Jiangxi



2011

- Supplied power battery systems to luxury electric motor makers worldwide
- Officially entered the electric motor industry and laid a solid foundation for future development

2016

- Entered China's new energy vehicle market through mass shipments of power battery systems to domestic car makers

2017

- Powered Venturi, the world's top racing car brand, in FIA Formula E Championship



2020

- Ranked No.1 in China by the quantity of NCM pouch power batteries installed in vehicles for a consecutive four years
- Zhenjiang site was put into operation
- Farasis Energy went listed on SSE STAR Market, the first stock in the power battery sector of STAR Market and the first Jiangxi-based stock traded on STAR Market
- Daimler Greater China Investment Ltd. became a strategic investor of Farasis Energy through an investment of CNY 904.5 million



2019

- Ranked No.1 in China by the quantity of NCM pouch power batteries installed in vehicles for a consecutive three years



2018

- Farasis Energy started the strategic cooperation with Mercedes-Benz for over EUR 10 billion, kickstarting our globalization journey.
- Farasis Energy received CNY 5 billion from investors led by China State-Owned Capital Venture Capital Fund under China Reform Holdings Corporation Ltd., which accelerated our development
- Farasis Energy commenced construction of our Zhenjiang site, scaling up both production capacity and operations



2021

- Began to mass-supply batteries to Mercedes-Benz
- Jointly found the first joint venture with Geely Technology settled in Ganzhou, to scale up both partnership and production
- Funded the 24GWh new energy battery project in Wuhu, Anhui, to increase both production and market shares



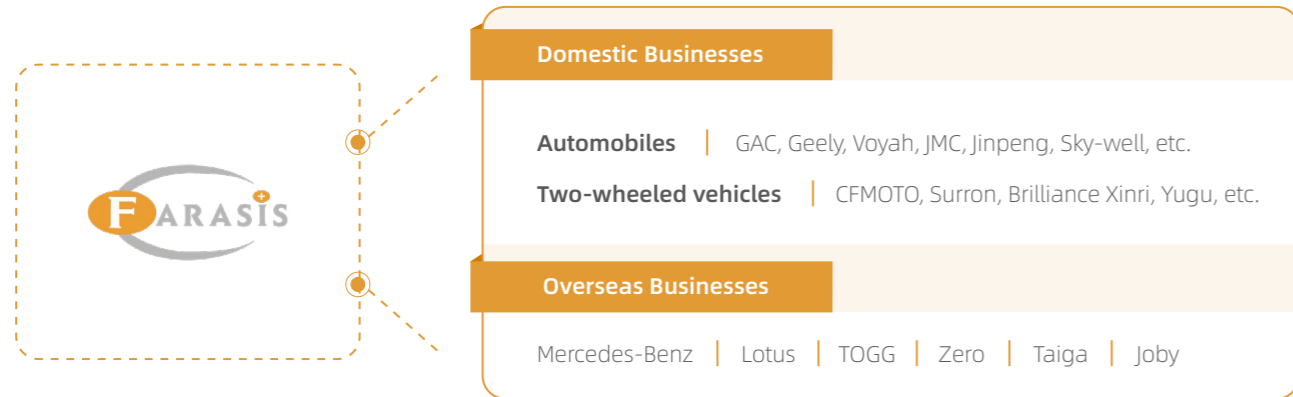
2022

- Capacity layout planning in an orderly manner, Farasis Energy achieved tens of billions of revenue and top 10 global battery product shipment (Note: shipment ranking according to SNE Research)
- Farasis Energy released SPS, better positioned for future technology landscape
- "2022 Farasis Energy Strategy and New Product Release Conference" was held in Beijing, at which Farasis Energy showcased our history, R&D progress and product plans at a release conference for the first time
- Farasis Energy announced the 24GWh project located in Anning, Yunnan
- Commenced the construction of the 30GWh site in Ganzhou, to enhance our leading position in pouch batteries



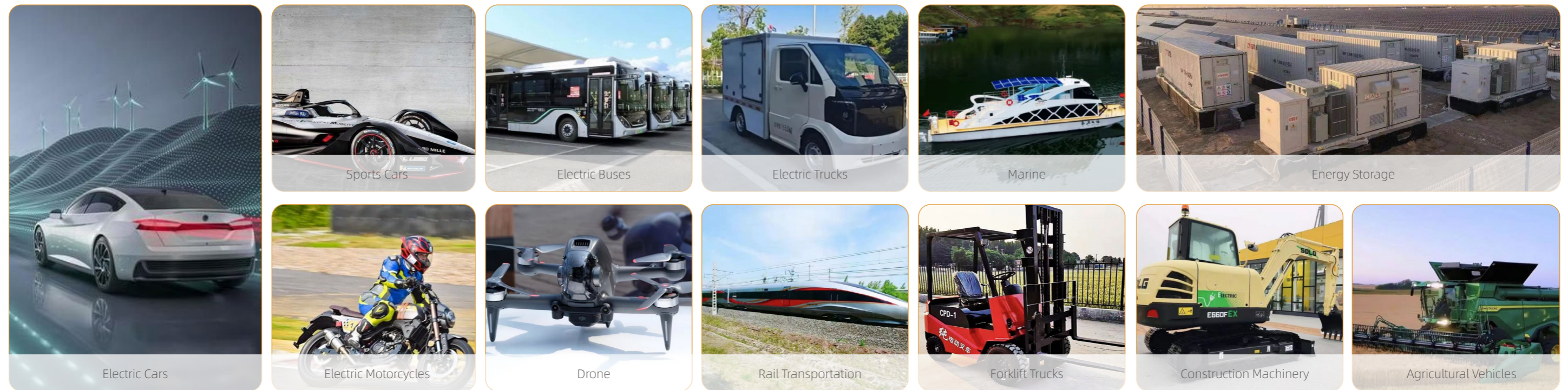
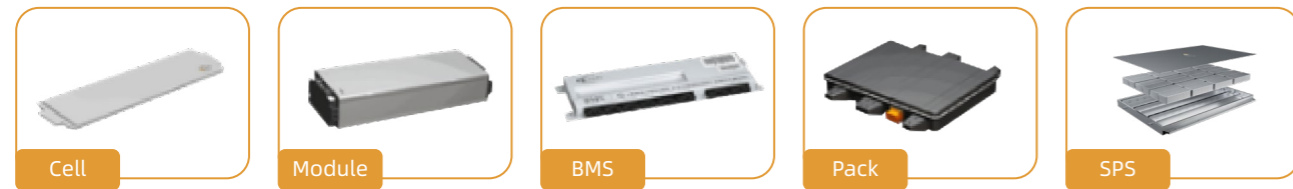
Our Products and Businesses

Focusing on the R&D, production and sales of lithium-ion power batteries and battery systems for new energy vehicles, Farasis Energy aims to become a leading provider of power and energy storage battery solutions.

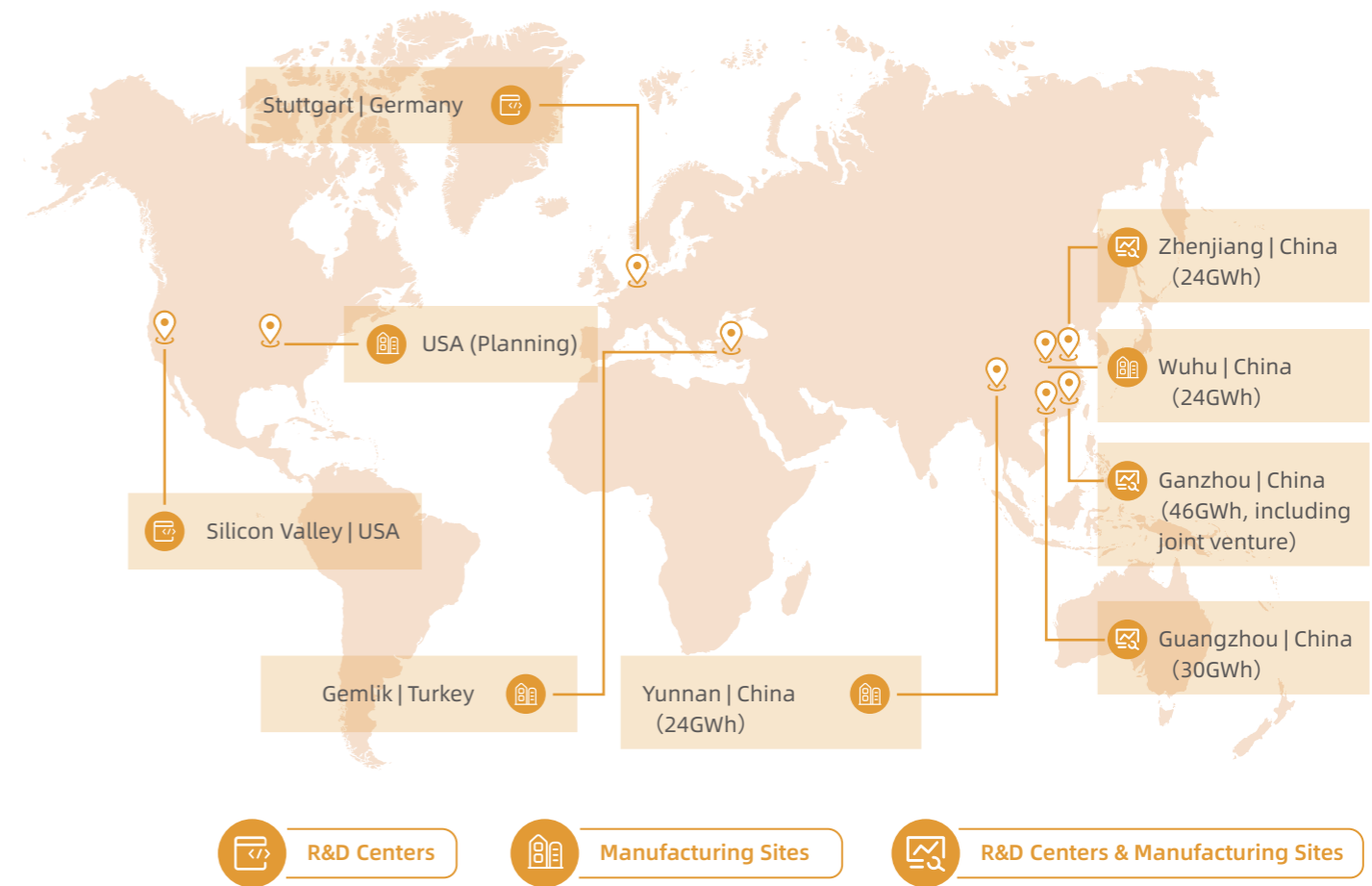


Main products and applications

Technology lines and reserves Ternary battery, pouch battery, sodium-ion battery, prismatic battery, lithium iron phosphate battery, solid-state battery, high-lithium manganese battery



Global Business Locations



SPS (Super Pouch Solution)

Super pouch battery cell

- The all-tab and multi-tab super pouch battery cell changes the former design of multiple battery cells in series with a simpler battery system structure;
- The 2~5C fast charging capacity better supports various new energy vehicles;
- Highly compatible with various materials, the super pouch battery cells apply to NCM batteries, low-nickel and high-lithium manganese batteries, lithium iron phosphate batteries, lithium ferromanganese phosphate batteries and sodium-ion batteries, etc., and can meet different customer demands.

Super pouch battery system

- Both liquid cooling plates and the super pouch battery cell are integrated into the chassis, reducing both the category and the number of components and significantly slashing cost;
- The super pouch battery cell, protected on multiple sides and supported by efficient gas-exhausting path design and heat exchanging ability, offers better protection against thermal propagation;
- The battery system applies to a chassis of 85mm~145mm height and has a capacity ranging from 80kWh to 150kWh, better supporting various types of passenger vehicles in a flexible manner.

Super pouch battery manufacturing

- The super pouch battery cell produced with advanced technology will significantly lower production investment and manufacturing costs.

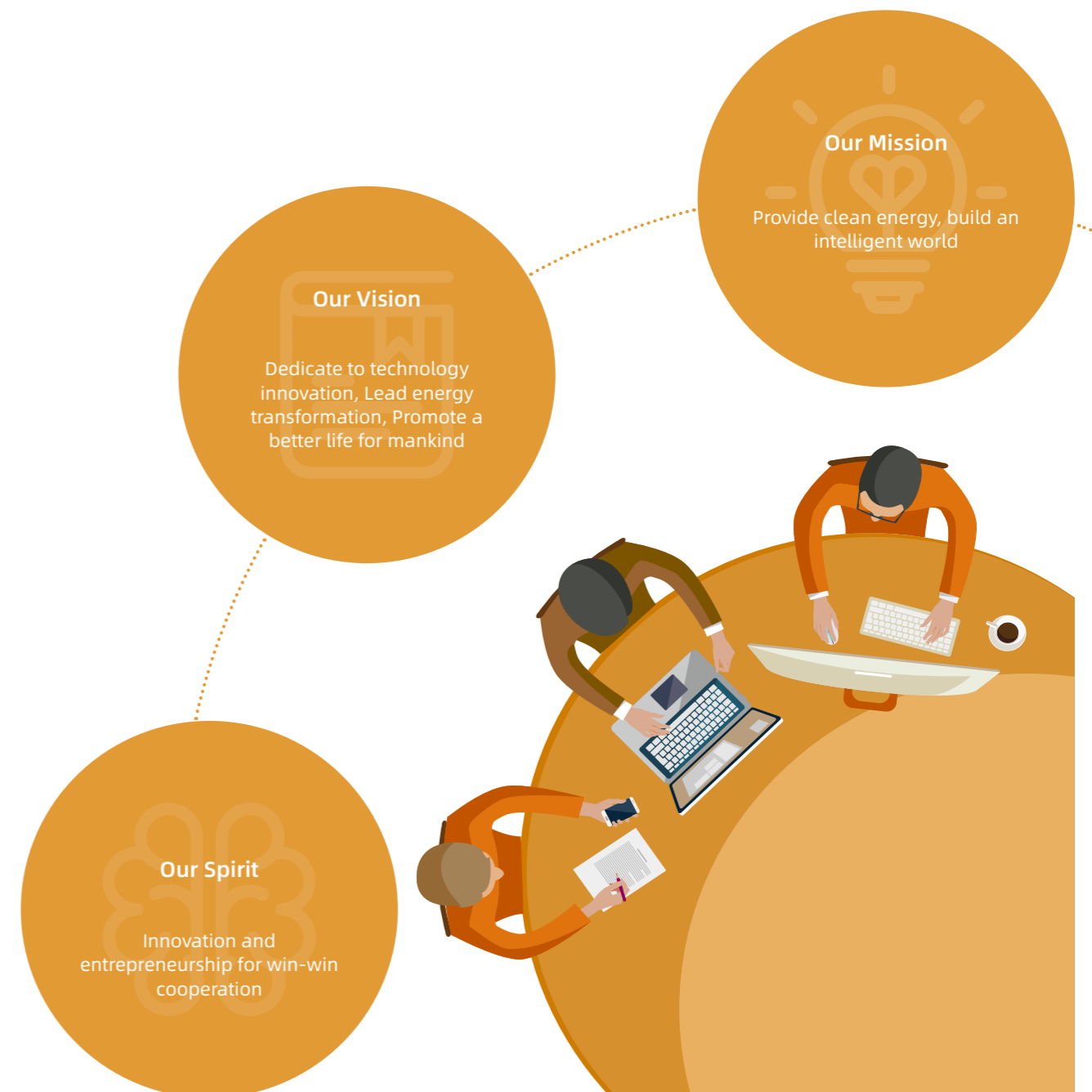
Direct recycling

- Farasis Energy spent over a decade developing and validating the direct recycling technology for lithium batteries, which can simplify the waste lithium-ion batteries into physical decomposition, screening and regeneration processes, with a significantly higher metal recovery rate, and the recycled materials can be directly reused, further reducing costs and energy consumption.

Our Future Prospects

We adhere to the mission of “Provide clean energy, build an intelligent world”, and take the vision of “Dedicate to technology innovation, Lead energy transformation, Promote a better life for mankind”, to serve as a green energy solution provider.

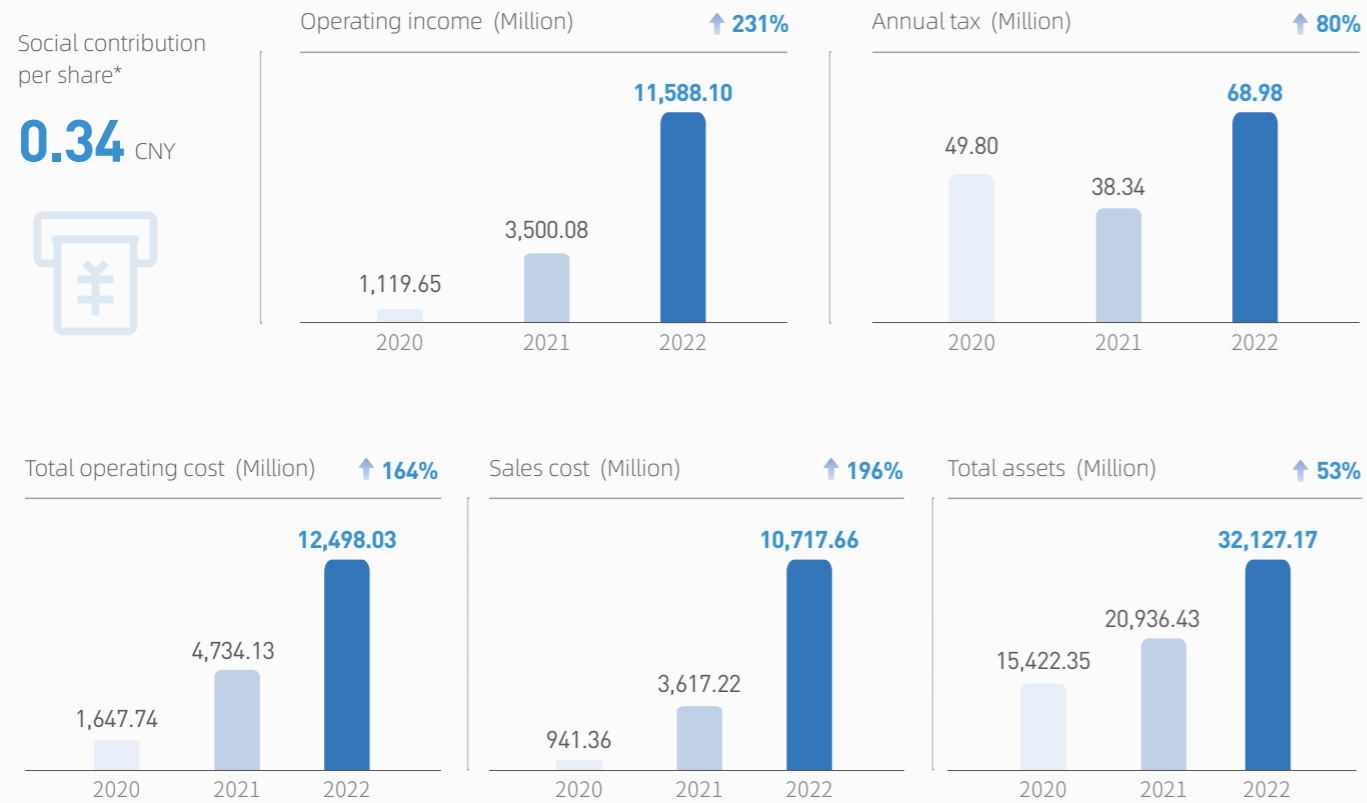
We lay out a core market with green mobility and smart energy, while actively expanding into emerging markets for particular industry applications. In future, we will take the new energy vehicle and energy storage market as the starting point and gradually expand to the smart lithium market.



Farasis Energy in 2022

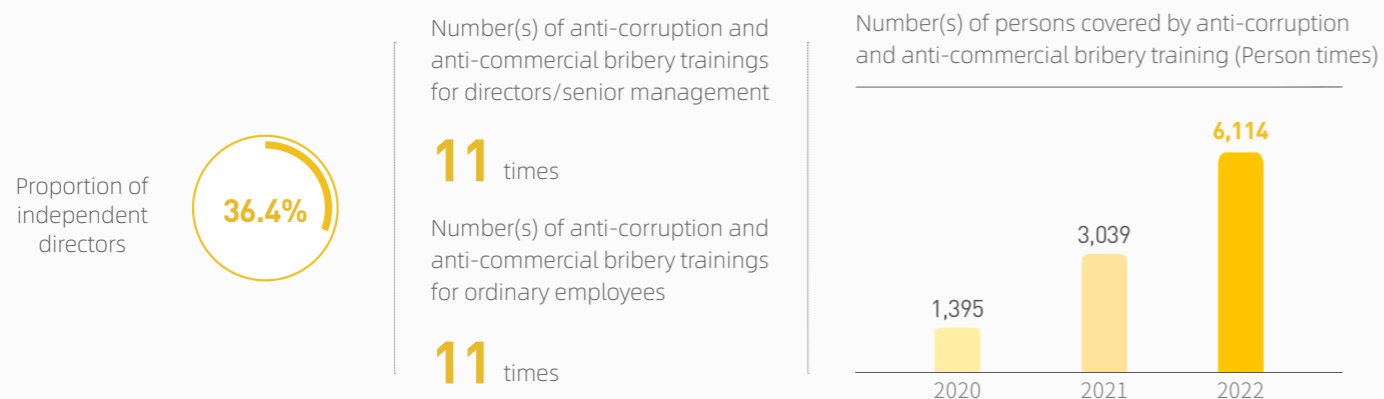
Key Performance in 2022

Financial Performance

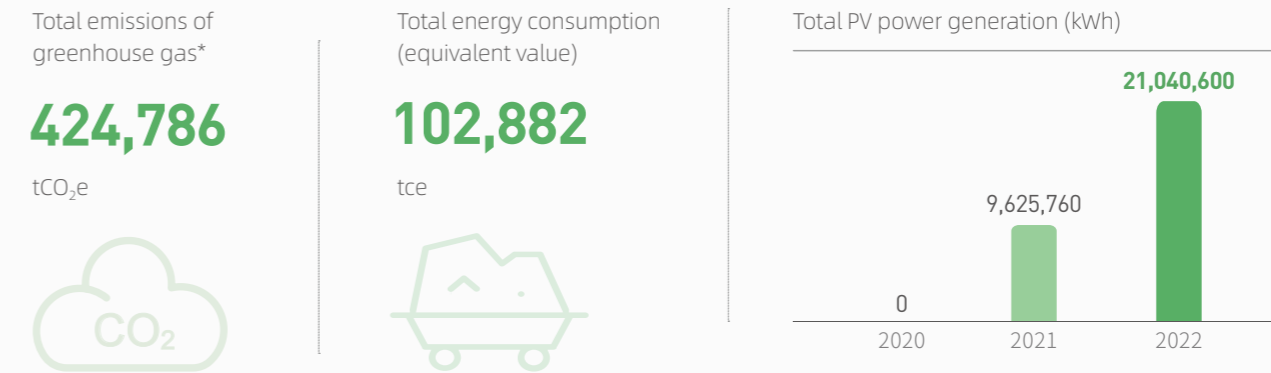


* Social contribution per share = Earnings per share + (total tax + employee expenses + interest expenditure + public welfare input - social cost) ÷ Total capital stock at the end of the period

Governance Performance

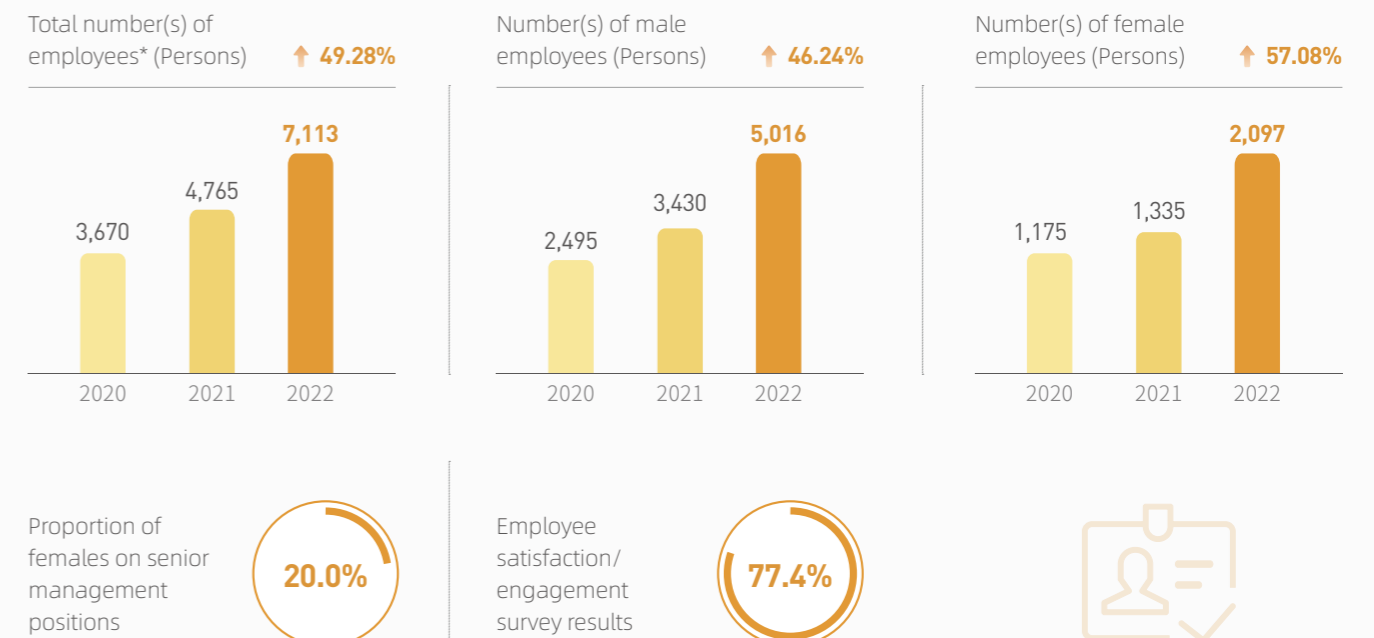


Environmental Performance



* Total emissions of greenhouse gas (including Scope 1 and Scope 2) in 2022 are verified by a third-party in line with ISO 14064. The emissions in Scope 2 were location-based.

Social Performance



* The total number of employees includes full-time equivalents within and outside of China. Note: For other financial and business-related data and information, please refer to our Annual Report 2022.

Awards and Honors

<p>National Advanced IPR-Based Enterprise in 2022</p> <p>China National Intellectual Property Administration</p>	<p>Water-Saving Enterprise of Jiangxi Province in 2022</p> <p>Department of Industry and Information Technology, Department of Water Resources, Development and Reform Commission and Administration for Market Regulation of Jiangxi Province</p>	<p>Excellent Activity Award of 2022 National Science Popularization Day</p> <p>General Office of China Association for Science and Technology</p>	<p>Excellent Award for Power Assembly of the 7th Lingxuan Award in 2022</p> <p>Auto Business Review</p>
<p>Manufacturing Champion of Jiangxi Province in 2022</p> <p>Department of Industry and Information Technology of Jiangxi Province</p>	<p>Enterprise Observing Contract and Valuing Credit of Jiangxi Province in 2022</p> <p>Administration for Market Regulation of Jiangxi Province</p>	<p>Annual Technology Prize of GIIC Golden Ball Award in 2022</p> <p>GIIC</p>	<p>Annual Energy Transformation Pioneer by Chuangzhi Industry in 2022</p> <p>JIEMIAN</p>
<p>Brand-Name Exporter of Jiangxi Province in 2022</p> <p>Department of Commerce of Jiangxi Province</p>	<p>Smart Manufacturing Demonstration Plant of Jiangsu Province in 2022 - Lithium-ion Power Battery Smart Manufacturing Plant</p> <p>Department of Industry and Information Technology of Jiangsu Province</p>	<p>Best Practice Case - Example of Specialization in 2022</p> <p>Yicai</p>	<p>Most Promising Listed Company in the New Energy and New Material Industry in 2022</p> <p>National Business Daily</p>
<p>Smart Manufacturing Demonstration Workshop in Jiangsu Province in 2022 - Lithium-ion Power Battery Module Smart Manufacturing Workshop</p> <p>Department of Industry and Information Technology, Department of Finance of Jiangsu Province</p>	<p>3-Star Enterprise for Industrial Control System Security Protection of Jiangsu Province in 2022</p> <p>Department of Industry and Information Technology of Jiangsu Province</p>	<p>Top 100 Players of China Automobile Supply Chain in 2022</p> <p>Gasgoo</p>	<p>Best Enterprising IR Team Award in 2022</p> <p>Comein Finance</p>

ESG Strategy and Governance

ESG Strategy

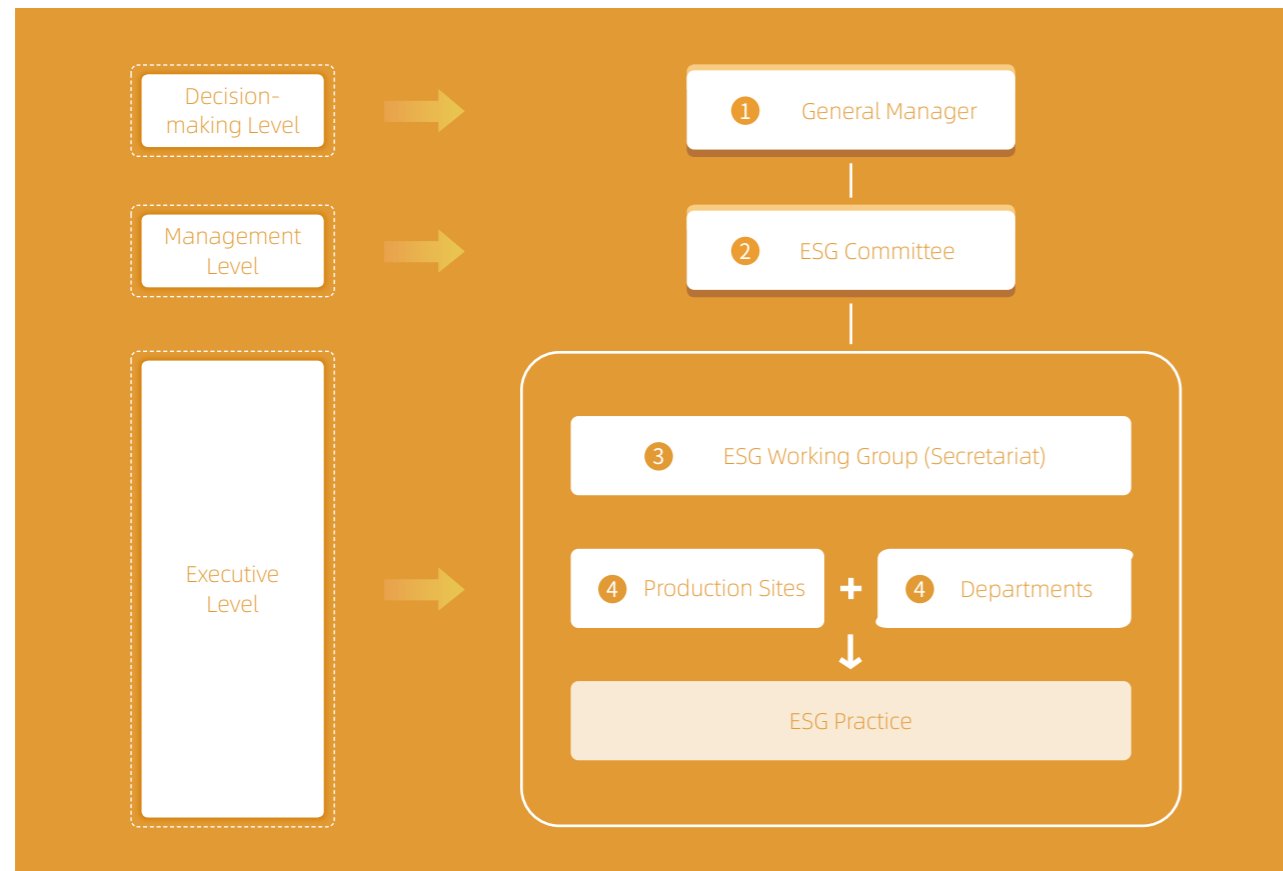
Committed to “Provide clean energy, build an intelligent world” , Farasis Energy pursues sustainable development and plays a leading role in the process.

To echo the global sustainability trends, we guide daily work with sustainability, and take our economic, environmental and social responsibility to make green transition, and create positive impact to the industry, value chain and society. We deliver leading clean energy solutions to the world, and promote carbon neutrality by promoting green energy in transportation, with the aim to build a more sustainable world.

ESG Governance

A robust ESG governance structure is crucial to sustainable corporate operations and business success. Farasis Energy builds up ESG governance structure led by the General Manager, and integrates ESG into corporate strategic decision-making process. All of these efforts will ensure our ESG strategy and implementation much more effective and systematic.

Farasis Energy's ESG Governance Structure



General Manager

- Oversee the ESG performance;
- Confirm our ESG strategy and objectives, identify ESG risks and opportunities and develop action plan;
- Review the ESG information disclosure.

ESG Committee

- Set up the ESG Committee, which is under OMT (Operation Management Team), and chaired by General Manager and co-chaired by two senior executives of vice president level;
- Identify, analyze and evaluate ESG risks and opportunities;
- Lead the integration of ESG strategy and other strategies, and define ESG objectives and plans;
- Build the ESG policy system and motivation mechanism;
- Report ESG progresses and propose effective suggestions to the General Manager.

ESG Working Group (Secretariat)

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

Departments and production sites

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

In 2022, we organized ESG special training for the senior management team through a dedicated consultancy, to help us understand how ESG could value our business and stakeholders' expectations for us, and carry out ESG action plans more effectively in the future.

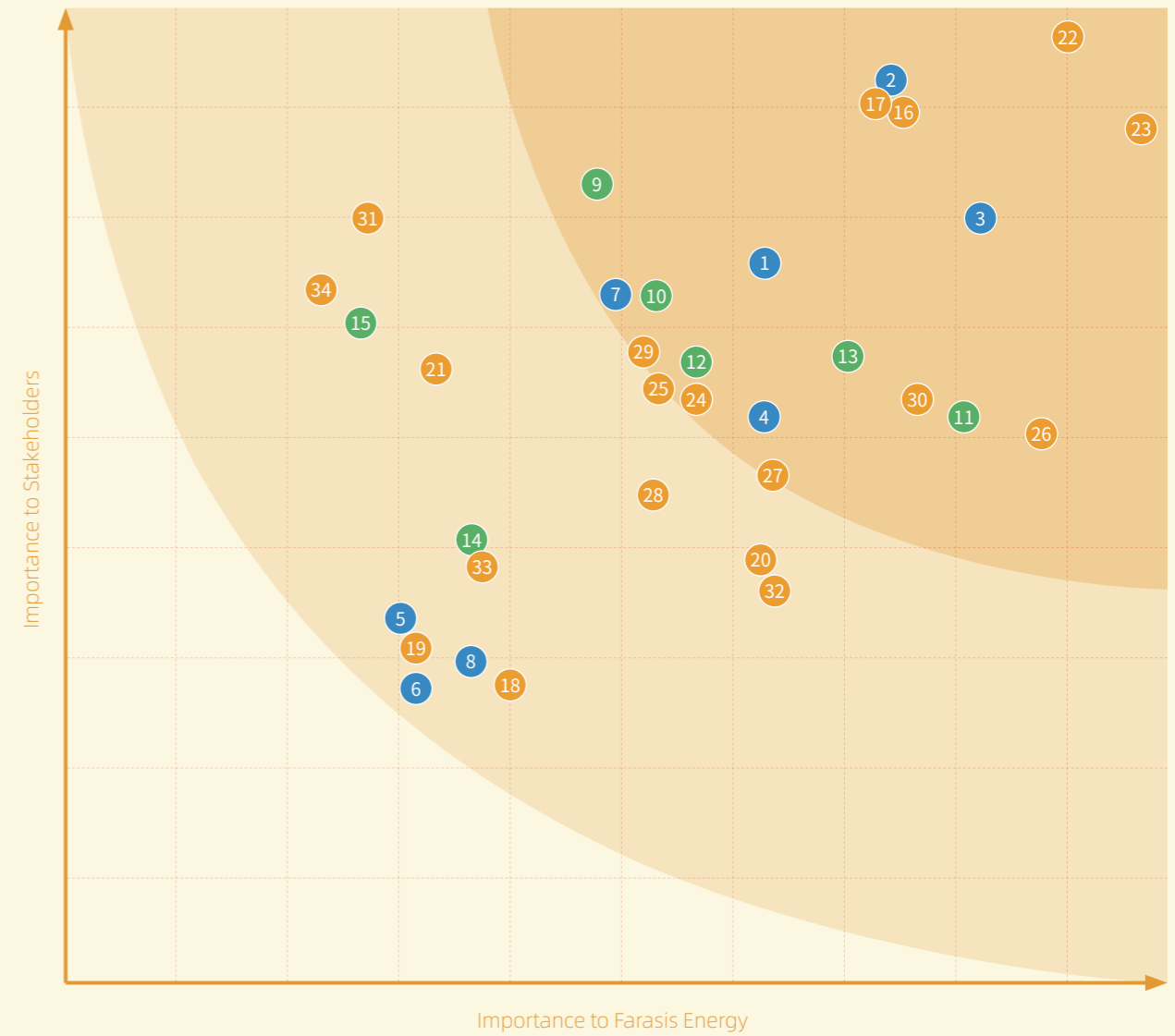
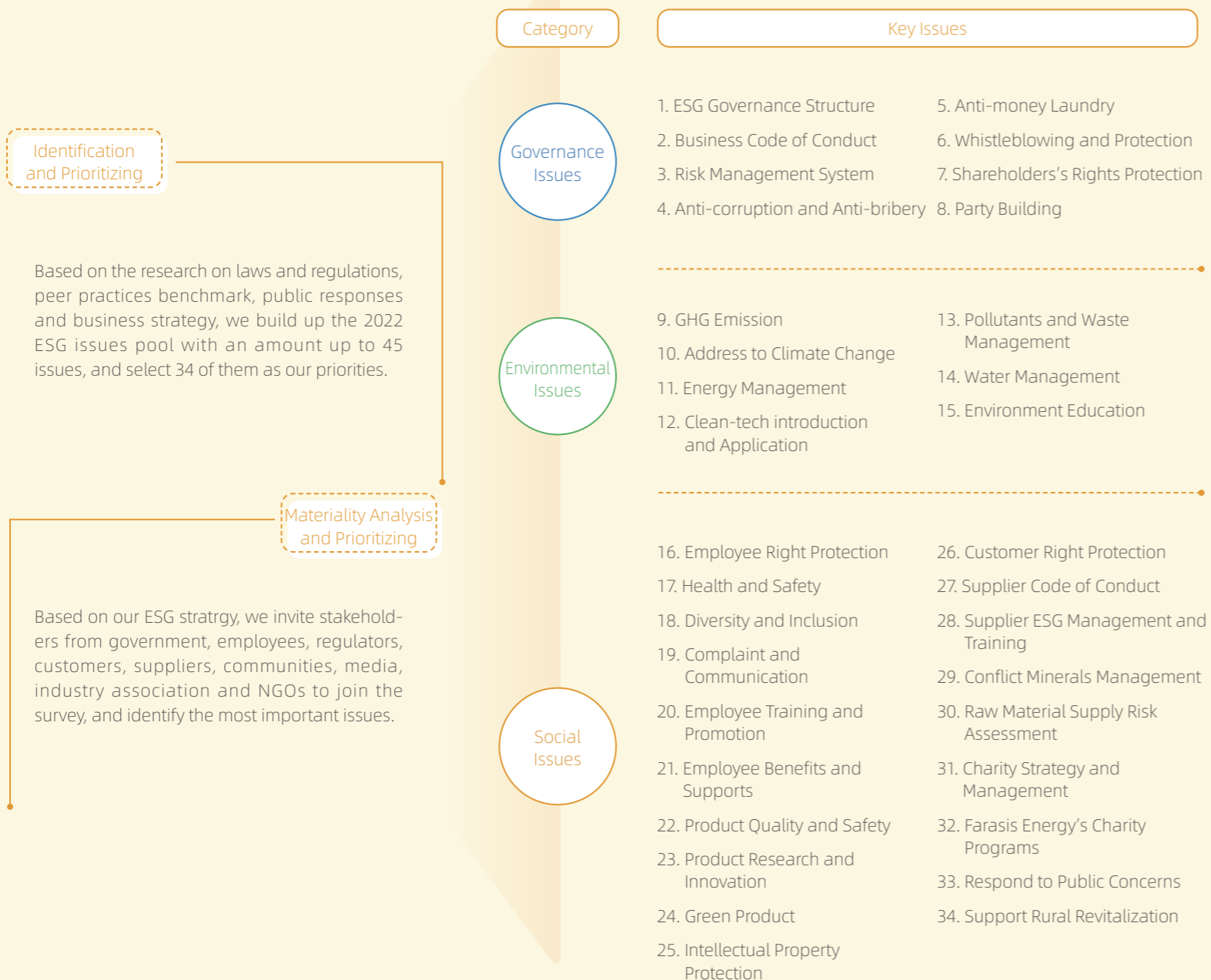
Now the ESG factors has been taken into consideration in decision making at strategy and implementation level, and also transparently communicate with the public to help them better understand our efforts and ambitions. Moving forward, we will continue to deliver more ESG training for senior management team including basic and specialized contents.

Materiality Analysis

Farasis Energy values ESG materiality analysis, and hear the voices from our stakeholders which will help us to identify the most important ESG issues that we need to focus on, and improve our ESG performance.

In 2022, we launched ESG materiality analysis programme, through which we conducted online survey covering the management team, all employees, governments, regulators, shareholders or directors, customers, suppliers, communities, media, NGOs and other groups. Based on the feedbacks from the participants, we prioritized the issues and disclosed the progress in this report.

Procedures and Results of Materiality Analysis of Farasis Energy in 2022



Stakeholders Engagement

Fully aware of various expectations from stakeholders for ESG, Farasis Energy connects to both internal and external stakeholders in diverse ways to better meet their appeals. We integrate ESG strategy into daily management and drive a better balance between ESG management and business operation. Meanwhile, we maintain regular communications with employees, governments and regulators, shareholders or directors, customers, suppliers, communities and NGOs to create shared value for them all.

Category	 Employees	 Governments and regulators	 Shareholders and investors	 Customers	 Suppliers, Contractors, Partners	 Communities	 Social organizations
Representative	<ul style="list-style-type: none"> All employees 	<ul style="list-style-type: none"> Governments and related authorities at various levels SSE CSRC 	<ul style="list-style-type: none"> Investors 	<ul style="list-style-type: none"> Domestic and international customers 	<ul style="list-style-type: none"> Suppliers Contractors Partners 	<ul style="list-style-type: none"> Communities around our sites 	<ul style="list-style-type: none"> Academia and research institutes ESG rating agencies Media NGOs Industrial associations, etc.
Expectation	<ul style="list-style-type: none"> Remuneration and welfare Individual competence building Open and transparent career paths Work-life balance Steady corporate development Workplace health and safety 	<ul style="list-style-type: none"> Lawful and compliant operation Carbon peaking and carbon neutrality strategy and climate change Rights of employees, customers and other stakeholders Stable products and operation Driving economic growth 	<ul style="list-style-type: none"> Business plan Financial performance and ESG performance Risk management system Investor engagement 	<ul style="list-style-type: none"> Excellent product performance Green products and environmental impact Timely and efficient customer service Overall CSR performance 	<ul style="list-style-type: none"> Fair and transparent selection procedures Steady and long-term partnership Just, fair, open and transparent procurement process Stable financial performance and payment policy 	<ul style="list-style-type: none"> Contributing to community sustainability Sharing development outcomes 	<ul style="list-style-type: none"> Sound cooperation Timely sharing of corporate experience and practice Transparent information communication and sharing Common development across the industry
Engagement Method	<ul style="list-style-type: none"> Party Branch Trade Union Farasis Core Community Employee Exchange Platform E-mail box Corporate WeChat account Employee suggestion box Farasis Home 	<ul style="list-style-type: none"> Regular information disclosure Participation in relevant meetings Communication through industry associations, etc. 	<ul style="list-style-type: none"> Regular information disclosure Shareholders' meetings Investors' roadshows and meetings Hotline and e-mails Onsite visiting Business performance briefings and presentations Social media 	<ul style="list-style-type: none"> Pre-sales communication After-sales communication Regular communication, such as customer visits Third-party trainings Customer audits 	<ul style="list-style-type: none"> Supplier trainings Onsite audit and communication Regular visits 	<ul style="list-style-type: none"> Face-to-face meetings Charity and donation Complaint hotline 	<ul style="list-style-type: none"> Media briefings and roundtables Regular communication and feedback Project cooperation Farasis Energy's official website, WeChat public account and other open channels

Building Core Competence

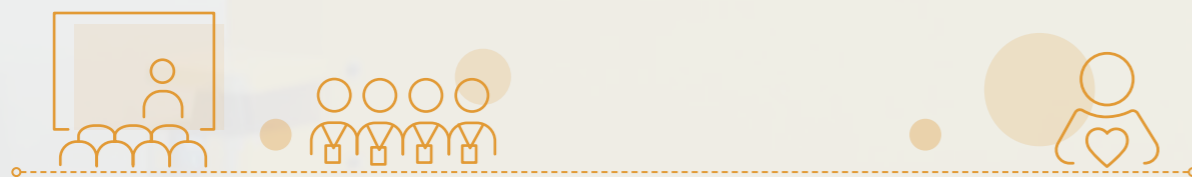
Our progress in 2022

Farasis Energy effectively implements the decisions and plans made at the 20th CPC National Congress. We improve the system and capacity for governance, and promote integration among compliance and business ethics in corporate governance. We have established a sound corporate governance structure where each department performs its own duties and takes its own responsibilities in a coordinated and effective manner.

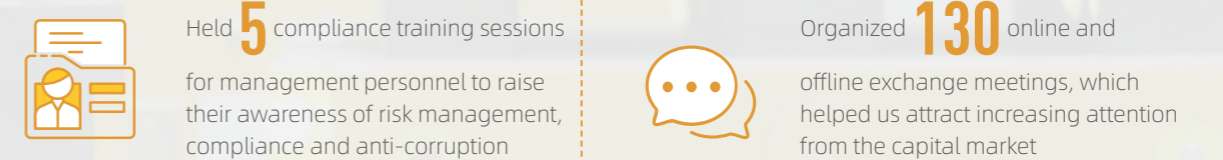
We strictly abide by all ESG related laws, regulations and standards, and push for the transition towards green operation and intelligent manufacturing, so as to promote harmony between humans and nature. Acknowledging that the talent is the primary resource, we protect employee interests through a variety of policies and development programs, and assist them in recognizing their own value.

These efforts provide an important impetus for Farasis Energy in becoming a premier power battery manufacturer.

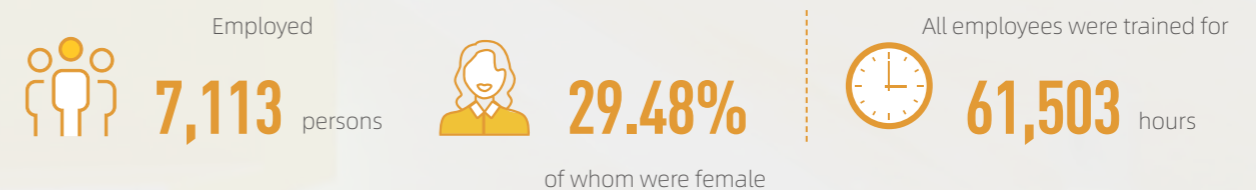
Contributing to the UN Sustainable Development Goals



Our Achievements



Achieved "Carbon Neutral Production" certificates in 2021 and 2022 for the products produced and delivered to Mercedes-Benz Group models respectively



01

Governance and Operation

- Corporate Governance Mechanism
- Operational Risks
- Compliance Management
- Whistleblowing and Whistleblower Protection
- Information Security Management
- Party building



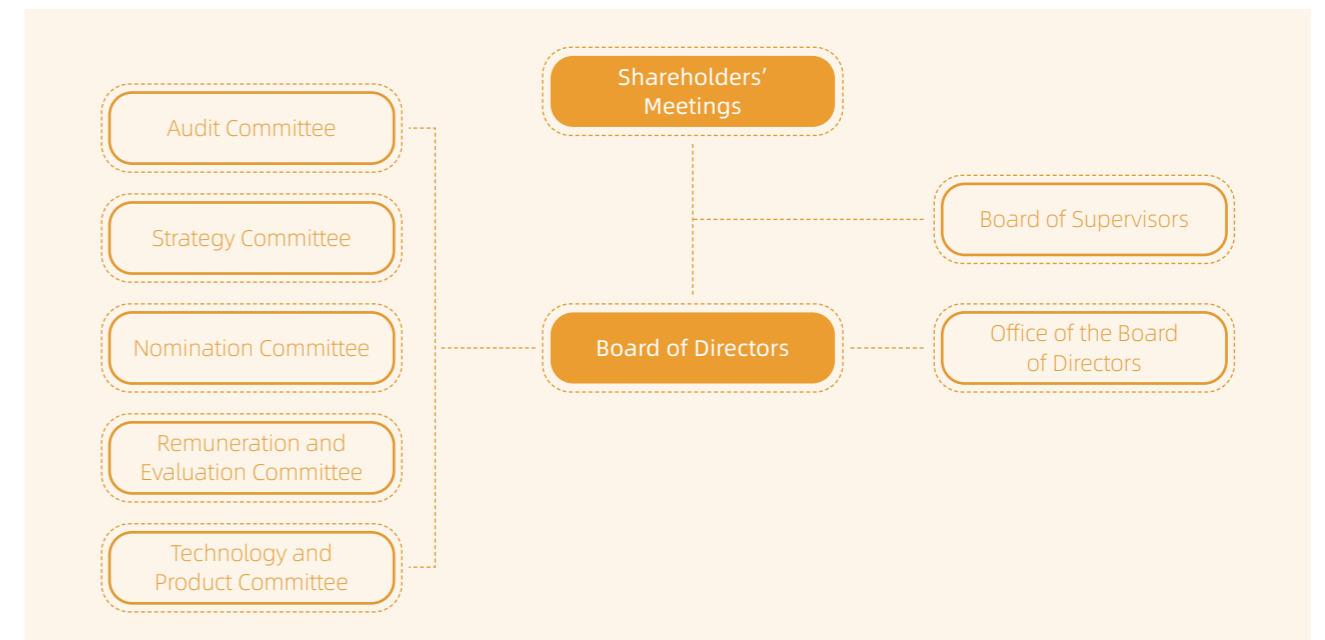
Corporate Governance Mechanism

Corporate Governance

In compliance with applicable laws, regulations and regulatory rules, including the *Company Law of People's Republic of China*, *Securities Law of People's Republic of China*, *Code of Corporate Governance for Listed Companies in China*, and *Rules of Stock Listing on STAR Market of Shanghai Stock Exchange*, Farasis Energy improves internal rules and systems step by step to standardize corporate governance. As required by the relevant code for listed companies, we establish a corporate governance structure that clarifies rights and responsibilities for all and an internal control system that promotes effective supervision. We run the shareholders' meetings, Board of Directors and Board of Supervisors based on decision-making authority and scientific procedures.

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

Farasis Energy's Corporate Governance Structure



Farasis Energy puts in place a decision-making and operating system governed by shareholders' meetings, Board of Directors and Board of Supervisors. We strictly adhere to *Articles of Association of Farasis Energy(Ganzhou)Co.,Ltd*, *Rules of Procedure of Shareholders' Meetings*, *Rules of Procedure of the Board* and *Rules of Procedure of the Board of Supervisors*, and other relevant regulations to ensure lawful and compliant operations. The convening procedures, resolution contents, rules of procedure and voting results of the shareholders' meetings, Board of Directors and Board of Supervisors are all in compliance with applicable laws and regulations and our policies. On June 29th 2022, we held the 2021 shareholders' meeting, at which a new session of Board of Directors and Board of Supervisors was elected. The term of office is three years, as approved by the annual shareholders' meeting. At present, our Board of Directors comprises 11 members, including 4 independent directors, while the Board of Supervisors consists of 5 members, including 3 females.

In 2022, we held 20 Board of Directors meetings, 5 shareholders' meetings and 17 Board of Supervisors meetings, which reviewed our regular operating results, interim strategic plans and stock incentive programs, etc. to promote sound corporate governance.

Investor Communication

Farasis Energy aims to protect investor rights by complying with disclosure requirements and developing policies such as the *Management Measures for Investor Relations* and *Management Measures for Information Disclosure*, to build strong and healthy investor relations. We define shareholders' rights in company information, investment returns, selection of company management members and major decision-making processes. Also, we strengthen communication with investors through the hotline, e-mail, SSE E-Interactive platform, specific target surveys, analyst meetings, business performance briefings and presentations, and site visits, to understand and respond to their questions and complaints.

Besides, we actively disclose all the information that may materially influence the decisions of shareholders and other stakeholders in time.

Visit to sites

- Organize regular visits for investors to our production sites in Ganzhou and Zhenjiang, with expert explanations of the production processes.
- Organized 9 offline visits in 2022, involving over 60 investment institutions in total.

Investor exchange meetings

- Organize strategy meetings, roadshows and reverse roadshows to update investors on Farasis Energy's production and operation, strategic plans and investment & financing in time;
- Organized 130 online and offline exchange meetings in 2022, which helped to attract investor attention.

Business performance briefings and presentations

- Hold regular business performance briefings, presentations and investor exchange meetings, with a focus on Farasis Energy's financial status and fulfillment of business objectives, plans and outlook for the next year;
- Organized 11 public online investor exchange meetings in 2022.

Leverage new media to carry out investor relations activities

- Regularly answer the investor questions on SSE's public platform, to share information with investors and other market participants;
- Answered over 90 investor questions in 2022.



Operational Risks

Internal Control and Risk Management

Farasis Energy has a comprehensive internal control system in place to regulate the operations and prevent risks. Internal control enables the timely identification and correction of misconducts, frauds and illegal behaviors, ensuring the safety and completeness of assets, and delivering true and reliable business results. Additionally, the internal control system enhances operating efficiency, and helps us deliver on our strategies.

In terms of organizational setup and assignment of authority and responsibilities, the Board of Directors takes charge of the establishment, improvement and effective implementation of internal control; the Board of Supervisors oversees the establishment and implementation of internal control by the Board of Directors; the management leads the daily operation of internal control. We set up an organizational structure to meet our business scale and operational needs. We clearly define the authorities and responsibilities of each unit in compliance with the *Company Law of People's Republic of China* and other applicable laws, regulations and regulatory requirements. We separate incompatible duties, and ensure mutual check and supervision among different positions. The Internal Control Department is set up especially in charge of planning and managing the development, implementation, and day-to-day operations of internal control.

Risk Assessment

After goal-based risk identification and analysis, we emphasize risk reduction through the implementation of risk response strategies, which excludes risk avoidance, risk-sharing and risk tolerance. To keep the risk within a reasonable range, we take appropriate steps. We regularly gather information on changes in risks, conduct risk identification and analysis, and promptly modify risk response methods in accordance with various business development stages.

Risk Control Training

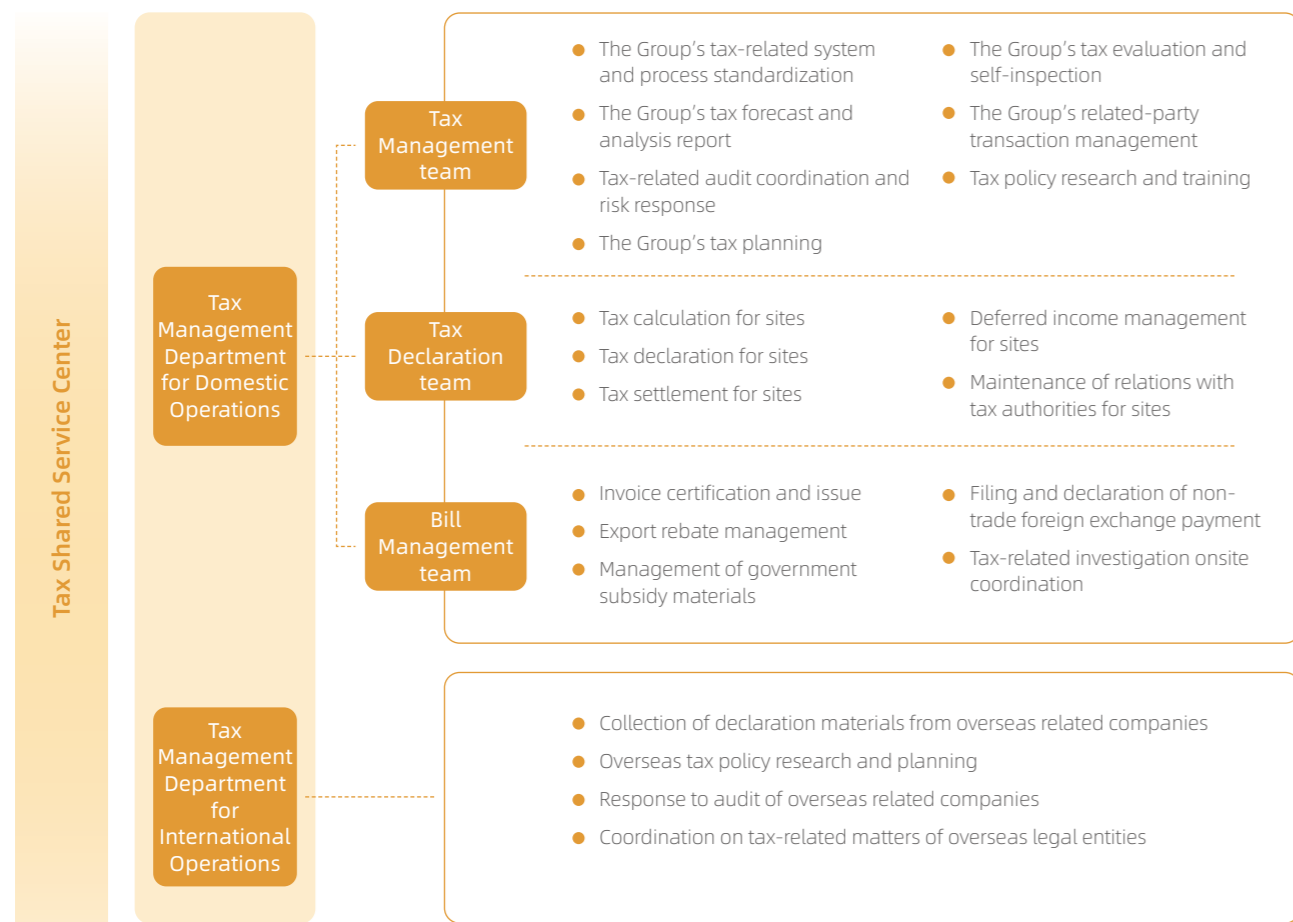
In July 2022, our Internal Control Department organized a training session themed *Basic Knowledge about Internal Control*, with 36 participants. Contents of the training included an overview of internal control, common internal control vulnerabilities and the consequences of losing control, key factors of effective internal control, basic codes about internal control and Farasis Energy's internal control system.

Tax Governance

Farasis Energy acts in strict compliance with all applicable tax laws and regulations. We establish processes for export rebate, tax declaration, annual income tax accounting, input tax invoice risk control matrix and tax policy collection and interpretation risk matrix. Meanwhile, we keep close contact with relevant tax authorities, to understand local tax standards and requirements, and maximize benefits while ensuring tax compliance. In the case of unconventional businesses, we will confirm the handling process with intermediaries and tax authorities to ensure tax compliance.

The tax shared service center is set up to plan tax-related matters for our parent companies, subsidiaries and sub-subsidiaries, and collect the latest tax policies and preferential policies at state and local levels to ensure tax practice is in compliance with regulatory requirements. Meanwhile, the tax shared service center keeps close contact with our project application department and legal affairs department, to understand the requirements for project application and weighted deduction of R&D expenses for high-tech firms. It also collaborates with the sales department and the order team to organize trainings on invoice issue practice (accurate invoice information and complete supporting documents), ensuring compliance with our policies and applicable laws and regulations.

The Management Structure and Functions of Farasis Energy's Tax Shared Service Center



Farasis Energy is dedicated to preventing potentially risky tax problems. We analyze the scenarios and types of related-party transactions, develop corresponding pricing logic for related-party transactions, and establish the system for managing related-party transactions. Meanwhile, we audit the authenticity of the services provided by related-parties and the logic of expense sharing, and jointly issue letters of explanation for non-trade payment with world-renowned accounting firm, to ensure the tax risk associated with non-trade payment is controllable and compliant.

Compliance Management

Code of Conduct for Compliance Operation

Farasis Energy conveys to employees and partners the high-standard business ethics and code of conduct that we adhere to. The expectation is included in [Farasis Energy's Code of Conduct for Compliance Operation](#), which covers seven key areas, i.e. upholding integrity and compliance, safeguarding fair competition, preventing corruption and bribery, forbidding insider trading, avoiding conflicts of interests, keeping confidential business secrets, product management and quality & safety, and provides guidance for daily operations of employees and partners. In 2022, we added more specific clauses to the aforementioned code of conduct on the conflicts of interests to visualize illegal behaviors, revised the relevant sections about technical compliance, and introduced regulations about sexual harassment, to better align the code of conduct with our operations.

We have developed the *Management Procedure for Compliance Obligations and Evaluation of Compliance* and *tCMS Management Regulations*, the former of which provides for the establishment and operation mechanism of the technical compliance management system to ensure technical compliance of products. The latter requires EHS, Legal and IPR, Internal Audit and Control, HR, IT and other special compliance departments to regularly update the *List of Legal Obligations and Other Requirements* and pass it to the applicable departments, and to evaluate compliance in EHS, intellectual property, anti-fraud and anti-bribery, labor and employment, anti-monopoly and information security compliance under the organization and coordination of the compliance group of the Legal and IPR Department.

We support compliance culture building with regular trainings and communication. We organize compliance promotional activities twice a year, and utilize quiz, article solicitation, posters and PC/laptop wallpapers to raise employees' awareness of compliance. We trace updated laws, regulations and policies, and promote them internally through the Compliance Classroom. Meanwhile, we organize a compliance training session for all employees each year, which focuses on the *Farasis Energy's Code of Conduct for Compliance Operation* and communicates internal policies, including the *Gift Management Measures*, *Anti-Fraud Management System* and *Information Asset Security Management*, as well as the latest laws and regulations.

We revise contract clauses and improve the [Farasis Energy Supplier Code of Conduct](#) to convey the compliance requirements to suppliers, service providers and other third parties that operate on behalf of us.

Building a Clean Business Environment

As a member of the Enterprise Anti-Fraud Alliance, Farasis Energy is a model anti-fraud enterprise that works constantly to improve the anti-fraud system and promote resource and information sharing, and jointly build a clean business environment. To promote integrity, diligence and dedication, we develop the *Anti-Fraud Management System*, that prohibits fraudulent behavior in any form, including soliciting or accepting bribes, kickbacks, commissions, service charges or other benefits given to individuals or small groups. Employees are also prohibited from accepting any unconventional treatment offered under any name, such as tourism and entertainment, by suppliers or partners. For any employee involved in fraud, our HR department will impose penalties such as public announcement, confiscation of gains from fraud, fines, serious demerit recording, demotion and pay cut, or dismissal. We dismiss any employee involved in the solicitation or acceptance of bribes or kickbacks, intentional disclosure of business or technical secrets or theft of assets. In case of a breach of law, we transfer the case to judiciary authorities as required by law.

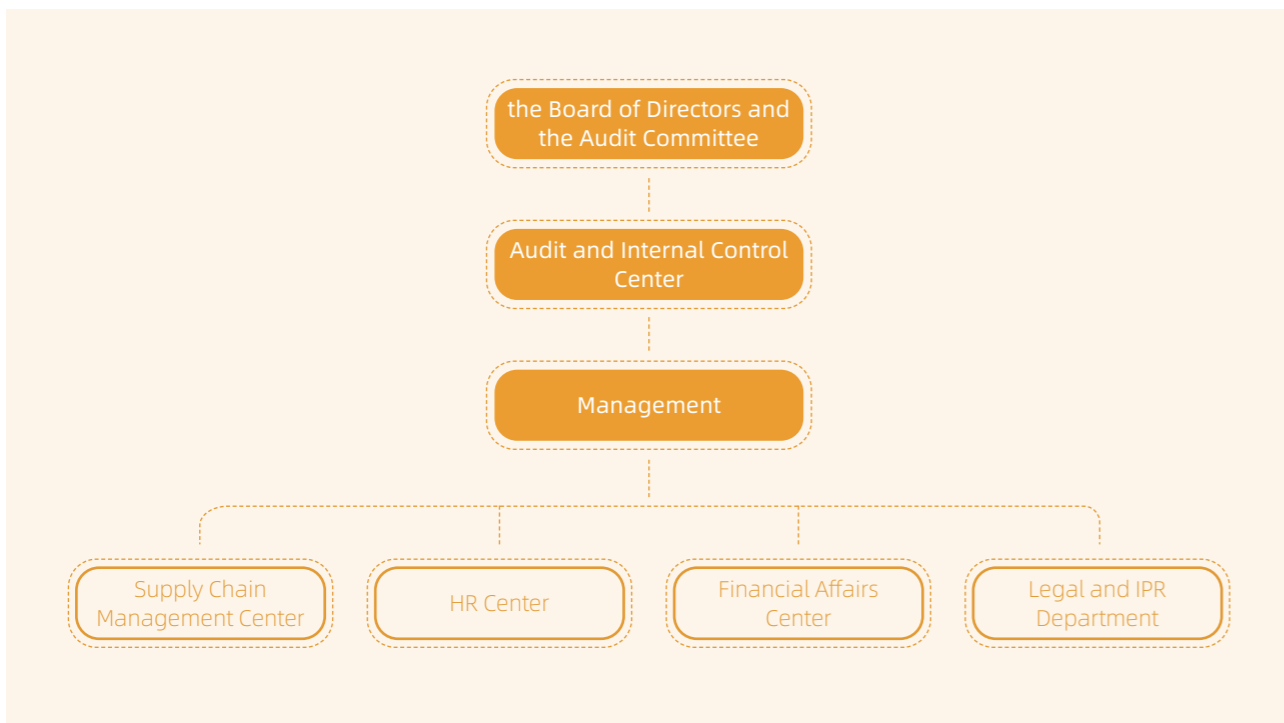
We clearly define the anti-fraud responsibilities of employees at various levels in the *Anti-Fraud Management System*. We require the Supply Chain Management Center, HR Center, Financial Affairs Center and Legal and IPR Department to provide anti-fraud support in order to put in place a complete anti-fraud management system.

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

Audit and Internal Control Center A standing organization in charge of anti-fraud work.

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

Farasis Energy's Management Structure for Anti-Fraud Work



To combat corruption and bribes, we ensure all the relevant persons sign the letters of commitment to compliance, and organize compliance trainings regularly. In 2022, we held 5 compliance training sessions for management personnel. With a focus on corruption and bribery, insider trading, interest conflicts, fair competition, integrity and compliance, business secrets confidentiality, and quality control and safety, the training was aimed at raise their awareness of risk management, compliance and anti-corruption. Also, we sent posters, newsletters, OA bulletins and emails to employees, suppliers and other partners to promote integrity.

In 2022, Farasis Energy has **zero** significant incidents of suspected corruption, monopoly or unfair competition.

Case Integrity Education Newsletter

To fulfill the strategy about integrity and intensify education on ethical practices, we have issued a newsletter about integrity for all employees on a quarterly basis since 2020. The aim is to raise their awareness of integrity. Each issue elaborates on a type of corruption, shares relevant cases, and offers interpretations in line with our policies.



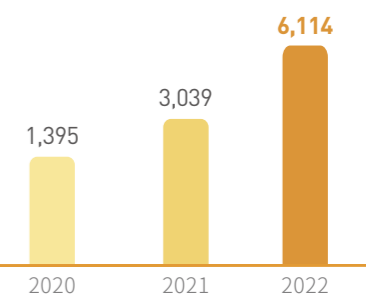
Total number(s) of anti-corruption and commercial bribery training sessions targeted at directors/senior executives

11 times

Total number(s) of anti-corruption and commercial bribery training sessions targeted at ordinary employees

11 times

Total number(s) of employees covered by the anti-corruption and commercial bribery training (Person times)



Whistleblowing and Whistleblower Protection

Farasis Energy's employees and any third parties have the obligation to report any actual or potential violations of the *Code of Conduct for Compliance Operation*, which defines employees' reporting responsibilities and handling procedures, specifies the violations. We encourage employees to consult or report promptly to competent compliance department with regard to partners' or colleagues' behaviors violating applicant laws, regulations or our compliance requirements.

In the *Employee Reward and Penalty Management System*, we specify punishments for violation behaviors, including warnings, dismissal and zero-tolerance policy. In the *Provisions on the Investigation of Responsibilities for Breach of Rules and Disciplines*, we highlight the principle of accountability. If there are serious violations of discipline personnel included in the list of defaulters, the corresponding management department leaders will take joint liability. Meanwhile, to strengthen protection for whistleblowers, we promise to keep their identities, contents of reports, the information about investigators, witnesses and investigations confidential through policies including the *Anti-Fraud Management System* and *Code of Conduct for Compliance Operation*. All shall hold back or prevent any whistleblowers from reporting under any excuse or by any means, or take revenge on whistleblowers, investigators, witnesses or their relatives. The employees will be rewarded, as long as they report non-compliance behaviors or offer compliance recommendations and thus avoid significant losses for us.

Reporting Channels

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

☎ Hotline: 0797-7329850

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



Information Security Management

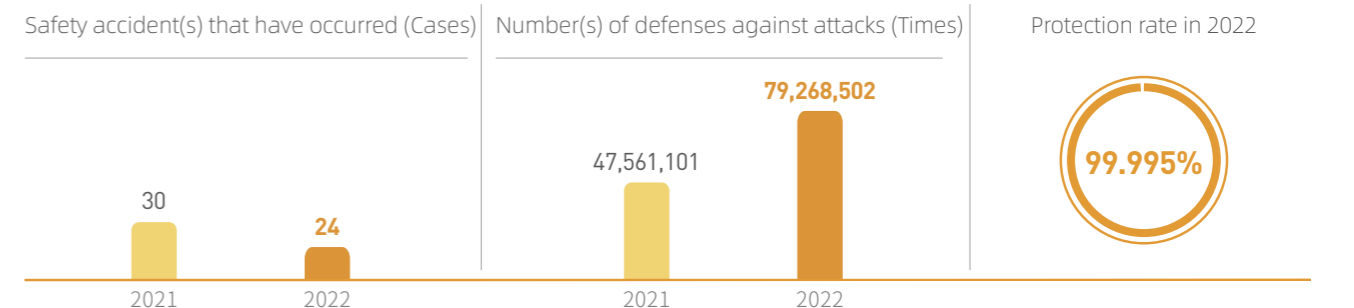
Farasis Energy fully understands that information security concerns the interests of employees, customers and other stakeholders. We take "Information security, Everyone's responsibility" as the information security principal, and take safe production as the core security goal, to carry out information security and privacy protection work. By far, we have passed TISAX AL2 certification.

We strictly abide by the *Personal Information Protection Law of the People's Republic of China*, the *EU's General Data Protection Regulation (GDPR)*, and other applicable laws and regulations. Additionally, we develop the *Information Security Compliance Management System*, *Data Protection Management Method* and other internal policies in accordance with advanced international standards including ISO 27001 and VDA-TISAX. Also, we set up the Information Security Management Committee to be ultimately accountable for information security, which coordinates and oversees the efforts related to information security and privacy protection.

In terms of emergency response, we put in place a complete mechanism for response to information security emergencies, regularly carry out emergency response drills, and take an active role in the information security emergency response drills and cyber safety training activities organized by the Ministry of Industry and Information Technology. In 2022, we participated in an information security emergency response drill organized by Jiangxi Provincial Government. During the drill, we actively identified and stopped the attacker, and initially traced the source after the accident with new information security devices. In addition, we upgraded the office network security structure at Zhenjiang site by completing the commissioning of two new security devices - IPS (Intrusion Prevention System) and WAF (Web Application Firewall), and improved the safety and reliability of various business systems.

In terms of raising awareness, we have established an information security training mechanism to ensure that every employee accurately understands the legal principles of data protection based on respective jobs. In 2022, we organized 158 information security training sessions for new employees, training 5,198 persons and covered basic concepts, laws and regulations, privacy protection, password protection, data protection, anti-telecommunication fraud, anti-phishing emails and other work-related tips.

Besides, to better serve domestic and international customers, and meet their demands for battery information security, we introduce password-based battery information management. This system generates random passwords that serve as the only means to manage batteries, thereby strengthens battery data protection.



Party building

Farasis Energy strengthens the Party's leadership in corporate governance. Serving as the political core and political leadership, our Party branch takes actions to improve the quality of Party building by advancing the efforts to standardize, regulate and informatize Party building. The branch also develops the work approach of "three promotions, three cultivations and three improvements" based on practice, and integrated Party building into production and operation. Farasis Energy has now established party branches in Ganzhou and Zhenjiang sites respectively. Party members are trained into technical and management experts, and are encouraged to leverage their advantages and engage in competitions at workshops. We motivate non-Party members to work hard and help employees improve their skills. By doing so, we not only have built a stronger workshop team, but also have improved cultural building, offering a spiritual guide for employees and boosting efficient production and operation.

We align Party building with corporate development and talent cultivation, creating a synergistic relationship between them. We set up "The Vanguard of Party Members", "CPC Member Sentry" and "Party Member Zone of Responsibility" in production areas, to ensure the presence of Party members in key positions and at the time of difficulties. We encourage Party members who are "model workers" at provincial or municipal levels to play their exemplary role, to ensure Party members lead the steady growth and promote the improvement of production efficiency and the reduction of management costs.

Party Building

In 2022, we worked to informatize Party building by improving the "Jiangxi Party Building Cloud App", a Party building information platform. Ten modules of the platform have been improved, including "standards in four aspects", i.e. organizational setting, leadership building, fund guarantee and activity venues, and "codes in six aspects", i.e. Party member team building, organization activities, operating mechanism, servicing the people, work tasks, and Party building responsibility. We urge Party members to download the App and learn the knowledge. The use and download rates of the App have reached to 100%, creating a strong atmosphere for Party building.

Organizational Building

We strictly implement the Party's organizational activity systems, including the "Three Sessions and One Lecture" system and the "Theme Party Day". To establish the Party building culture, we carry out activities centering on production and operation. In 2022, we organized Party Day activities themed "Learning Party History, Recalling Original Aspiration and Competing to Be Role Models" and "Tracing Martyrs' Footprints and Obtaining the Courage to Forge Ahead", etc., to make frequent participation in organizational activities a habit of Party members. Meanwhile, in a bid to promote the spirit of patriotism, we organized six sessions of red film viewings themed "Remembering the Extraordinary Days and Praising the Soul of the Army to Build Greater Glories in the Future", with more than 400 participants. These efforts help us establish a correct ideological and political concept among Party members and officials. Our Party branch organized Party members to watch the opening ceremony of the 20th National Congress of the CPC. And we carried out a campaign themed "Studying the Guiding Principles of the 20th CPC National Congress and Reading Party Constitution" for half a month, combining online and offline means to promote the learning and implementation of the guiding principles.

Cultural Building

Currently, the Party organization at Farasis Energy Ganzhou site has witnessed the membership increase to 43 from over 10 (three probationary Party members became formal Party members and two new probationary Party members were accepted), accepted one potential Party member and two Party activists. Additionally, three comrades have applied to join the Party. By far, we have completed the transfer of Party organization affiliations of 22 Party members from elsewhere and improved and integrated Party membership ledgers.

Case

Setting up the "CPC Provincial Congress Delegate Office" to fully leverage the Exemplary Role of Party Members

In April 2022, we set up the "CPC Provincial Congress Delegate Office", which consists of business and technical experts from major positions. The office is committed to addressing the key technical issues and pinpoints of energy reform in the field of science and technology of new energy industry in production practice. It aims to train technical talents to fully utilize the leading role of Party members in tackling challenges. Focusing on technical renovation, technical innovation, cost reduction and improvement of efficiency and quality, the office will coordinate efforts to promote technical and management innovation by leveraging technical talents from different disciplines and positions. Annually, the office should submit to our research and development (R&D) institute one or two innovation projects for scaling-up, including patents, published academic papers, as well as technical innovation outcomes, technical progress awards and typical experience recognized at the municipal/provincial level or above.

The Party Member Group for Battery Cell Innovation, Party Member Group for Pack Innovation and Party Member Group for Special Projects have been set up under the office. Guided by the craftsmanship spirit, the three Party member groups will strengthen quality control and address key and difficult issues in our operations:

Party Member Group for Battery Cell Innovation

It aims to improve the low-temperature performance and fast-charging performance of battery cells. The group optimizes pole piece parameters by using power-type materials and designing conductive networks that combine points, lines and planes, which reduce the internal resistance of battery cell. This improves low-temperature performance, shortens the fast-charging time and enhances product competitiveness.

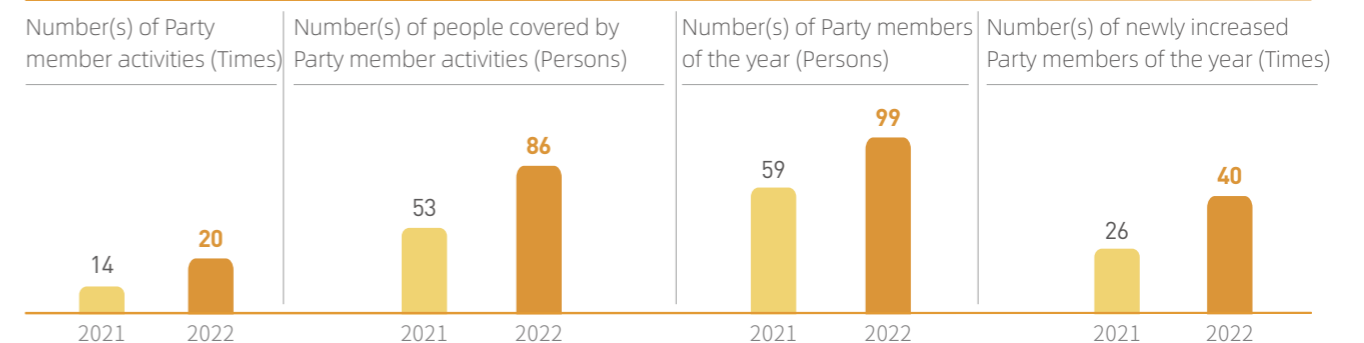
Party Member Group for Pack Innovation

Its main responsibility involves overcoming technical difficulties, with a focus on thermal propagation. It aims to enable packs to pass customers' thermal propagation tests through controlling the independent thermal conduction rate of modules and isolating the diffusion path.

Party Member Group for Special Projects

It launches several special projects through QCC, such as the QCC Special Project for Lowering the Defective Cutting Rate of the Punching Process and the Improvement of Reducing Loss in Punching Joints. These projects have significantly improved the positive and negative anode first pass yield of the production line.

Party building indicator



02

Green Development

- Environmental Management System
- Energy and Resources Management
- Prevention and Control of Pollution
- Circular Packaging
- Spotlights: Climate Change

Environmental Management System

Farasis Energy honors the commitment to the environment by pursuing green transition, as illustrated in our vision, "Dedicate to technology innovation, Lead energy transformation, Promote a better life for mankind". We exercise scientific management and provide green energy to protect the environment and build a better life. We integrate green operation into our strategy, aiming to minimize the environmental impact of power battery production.

We establish the environmental governance structure with the Board of Directors as the supreme decision-making body. Under the structure, the Board of Directors authorizes the Safety Committee to coordinate environment related efforts. The committee ensures the effectiveness of the environment management system, leading employees in contributing to environmental management. The committee also aligns the environmental guidelines and objectives with our strategic direction, and guarantees the incorporation of environment management into our operations. And the EHS department takes concrete actions to ensure that the environment management system is consistent with ISO 14001:2015 standards, and reports the results of environment management to the top management.

We follow all the applicable environmental laws, regulations and standards, and develop the *List of Applicable Laws, Regulations and Other Requirements* to specify the compliance obligations of environment related departments. Meanwhile, we establish the procedures and systems including the *Environmental Factor Identification and Assessment Management Procedure, Management Procedure of Water, Gas and Noise Pollution, Waste Management Procedure, Management Procedure for Energy Resources, Environmental Management Scheme, Management System of Sewage Treatment Station, Management System for the Simultaneous Design, Construction and Operation of Occupational Health Facilities in Project Construction, and EHS Responsibility Management Procedure*, to improve the environmental protection mechanism.

By 2022, our Ganzhou and Zhenjiang sites have passed ISO 14001 environment system certification. We carry out suitability monitoring and regular reviews for both sites to meet internal and external changes and customer requirements. In 2022, we not only updated the annual objectives for the consumption of water, electricity and paper, but also monitored the fulfillment of objectives set for two sites on a monthly basis and urged them to develop corresponding plans. Both sites have achieved relevant environmental objectives.

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

Energy and Resources Management

As the operations expand, we recognize the importance and urgency of energy conservation in power battery production. Through the use of energy-saving devices, reasonable application and off-peak power consumption, we improve the energy efficiency and utilization rate of main energy-consuming devices like double planetary mixers, dryers and coating machines.

Optimizing the Energy Structure

Seizing opportunities associated with renewable energies, we further introduce energy-saving technologies and devices, and plan to build distributed PV systems for plants at the design stage.

In 2022, our Zhenjiang site installed PV panels on the rooftop of parking sheds and plants for grid-connected power generation. Following the principle of "generating power as much as possible and consuming self-generated power", we optimize the structure of energy consumption. Our newly installed roof PV capacity reached 15.4391MW, with an annual power generation of 21,040,600 kWh consumed by the site in 2022, achieving an emission reduction of 14,535 tons of CO₂. Since 2021, our Zhenjiang site has signed a cooperation agreement with the State Grid Jiangsu Integrated Energy Service Group Co., Ltd. on distributed PV power generation. According to the agreement, the site provided 240,000 sqm of plant rooftops and the State Grid installed 31.4753MW of PV facilities, with the annual power generation expected to be 31 million kWh and all of the power generated to be consumed on-spot. Over the last two years, the site has increased the use of PV power, reducing the emission of 21,185 tons of CO₂ and saving CNY 3.127 million in electricity fees.

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In 2022, Ganzhou site invested about CNY 24 million in PV projects, and signed an agreement with Ganzhou Xinlang New Energy Development Co., Ltd. to lend our plant rooftops for the latter to build 5.99MW of distributed PV facilities.



Moving forward, we will increase deployment in PV projects to generate more PV power and drive our green development.

Improving Energy Efficiency

To build green and energy-saving plants, we not only monitor and control electricity usage in various areas, including production areas, warehouses, air-conditioning in office areas, road lighting and landscape lighting, but also seek to maximize the energy efficiency of production devices. Also, we implement energy conservation initiatives. The energy consumption per unit of product in 2022 decreased by about 35% year-on-year.

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Air compressor pipeline connection

In 2022, Zhejiang site completed air compressor pipeline connection for five plants, reducing the number of independent air compressors in operation at each plant, lowering invalid unloading of air compressors. As a result, the load rate of air compressors has improved, and the energy bills of air compressors have been slashed.

With an investment of CNY 4.176 million, the project is expected to save 8 million kWh of electricity, 983 tons of coal equivalent and CNY 5.68 million of electricity fees. With an investment return cycle of 0.73 year (8.8 months), the project will generate considerable economic benefits.

Hot Air Exhaust Energy Conservation

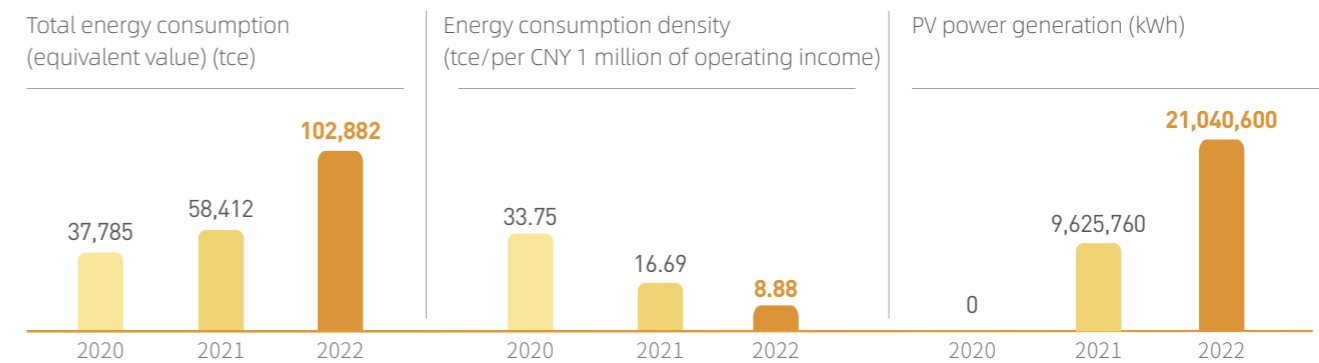
The hot air exhaust energy conservation project for the back-end process of battery cells has been initiated. By introducing outdoor low-temperature fresh air in winter and spring to lower the room temperature for formation and capacity grading, it reduces energy consumption in the refrigerating process of air-conditioning cabinets.

The Pipeline Connection for Chilled Water

The pipeline connection for chilled water from the power station and chilled water from the battery cell process has been advanced. By introducing the chilled water from the efficient refrigerating unit of the power station, it reduces energy consumption from running inefficient refrigerating unit at the site.

With an investment of CNY 3.84 million, two projects are expected to save 9.85 million kWh of electricity, 1,221 tons of coal equivalent and CNY 7 million of electricity fees. With an investment return cycle of 0.55 year (6.5 months), two projects will generate considerable economic benefits.

Energy management indicator¹



Investment in environmental energy conservation projects

8.01 million CNY

Investment in environmental protection²

3.81 million CNY

¹ The data covers both Ganzhou and Zhenjiang sites, and the total energy consumption accounting method is mainly based on *General rules for calculation of the comprehensive energy consumption (GB/T 2589-2020)*.

² Investment in environmental protection mainly includes VOCs treatment, environmental self-monitoring, hazardous waste treatment, β-ray radiation environmental monitoring, personal dose report monitoring and other environmental protection-related project costs in Ganzhou site; and environmental self-monitoring, radiation environmental testing, occupational health radiation personal dose testing, hazardous waste treatment, environmental emergency response plan, technical reform EIA preparation, sewage treatment station expansion and renovation and other environmental protection-related project costs in Zhenjiang site.

Case "Earth Hour" : Action Taken at Farasis Energy

In 2022, we organized energy conservation publicity activities like "Earth Hour" and "Collection of Golden Ideas about Energy Conservation". In particular, we joined "Earth Hour", the world's largest-scale "lights off" campaign, with millions of people worldwide at 8:30 p.m. on March 26th, 2022, calling for all employees to turn off lights in offices and at homes for one hour, and encouraging them to think about ways to reduce ecological impact, maximize the outcomes of the campaign and honor their commitment to the earth.

Prevention and Control of Pollution

Farasis Energy presses ahead with environmental pollution prevention and treatment in compliance with national laws and regulations and industrial standards including the *Law of the People's Republic on Prevention and Control of Environmental Pollution by Solid Waste*, *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, *Integrated Emission Standard of Air Pollutants* and *Emission Standard of Pollutants for Battery Industry*. We implement the environmental management accountability system, identify environmental factors in all aspects, develop plans to address the environmental matters rated as important, and allocate resources in response to accidents to minimize environmental pollution.

Wastewater

The wastewater generated from sites includes domestic wastewater and production wastewater. To prevent and treat water pollution, we set up sewage treatment stations, inspect and maintain the devices on a daily basis, and regularly test water quality to ensure the sewage at the discharge outlet to meet the *Emission Standard of Pollutants for Battery Industry* after treated. Also, the following measures are taken to save water and reduce discharge of wastewater:

Separation between rainwater and sewage

Domestic sewage and production wastewater are collected and treated till they meet discharge standards before discharged.

Introduction of recycling devices

Steam condensate recycling devices are introduced to recycle condensate and steam and reduce waste of water and steam resources;

Reuse of steam condensate

The condensate in the condensate recycling tanks of each workshop is recycled and reused in the water tanks of boilers, air-conditioners and air-conditioning cooling towers, etc. About 250,000 tons of water is expected to be saved every year.

Wastewater and water resources management indicators¹



¹ The data covers both Ganzhou and Zhenjiang sites.

² The recycled water is mainly from steam boilers, and calculated based on 60% of the municipal steam consumption.

Waste Gas

The waste gas generated from the operation and production of the sites mainly includes NMP and boiler waste gas. We develop waste gas monitoring plans and regularly monitor waste gas to ensure that the emissions of NMP waste gas at all sites meet the *Emission Standard of Pollutants for Battery Industry* (NMP waste gas $\leq 50\text{mg}/\text{Nm}^3$) and boiler waste gas meet the *Emission Standard of Air Pollutants for Boiler* (nitric oxide $\leq 150\text{ mg}/\text{Nm}^3$, PM $\leq 20\text{mg}/\text{Nm}^3$, sulfur dioxide $\leq 50\text{mg}/\text{Nm}^3$, smoke blackness \leq Level 1).

Meanwhile, we step up environmental facility construction and operation, introduce NMP recycling devices and transport NMP materials via pipelines to reduce pollution that waste gas causes to the environment.

Waste gas emission dictators¹



Waste

In line with the *Waste Management Procedures*, we register sources of waste, manage waste by categories and recycle recyclable waste. For general waste, we hand it to qualified waste treatment companies for treatment. For hazardous solid and liquid waste, we develop the *Annual Management Plan for Hazardous waste*, set up a special warehouse for hazardous waste, and require the departments that generate the hazardous waste to package and weigh the waste before sending it into the warehouse. We ensure the hazardous waste to be kept as required and separated from other waste, and regularly arrange hazardous waste treatment companies to treat the waste in compliance with laws and regulations.

Besides, given the necessity and urgency of promoting a circular economy across the value chain, we establish a corporate-level recycling structure dominated by the Supply Chain team and supported by the Cost Control Center, affiliated sites and other tire-1 departments for waste pole pieces and liquid NMP waste. The Supply Chain Center is responsible for the connection of waste recycling flows, selection of suppliers through bid invitation, economic calculation, business talks and engagement with strategic partners, and aims to reduce cost by recycling the recyclable waste generated from plant production.

In 2022, all sites have managed wastewater, waste gas and waste effectively and in compliance with laws and regulations, and enabled the emission of all waste gas, discharge of all wastewater and treatment of all hazardous waste that meet required standards. No environmental pollution accidents have occurred, and no complaints or punishments by regulators have been received.



¹ The data covers both Ganzhou and Zhenjiang sites.

Waste management indicators¹



Circular Packaging

As circular packaging plays a growing role in the logistic operation, we prioritize the use of recyclable materials in product packaging, and require suppliers to use circular packaging as well. Currently, the circular packaging materials include paper boxes, wooden boxes, linings, foam boxes and preservative films, enriching forms of green packaging while greatly reducing packaging costs.



Packaging management indicator

Site	Paper box	Foam box	Preservative film	Consumption of recyclable packaging	Proportion of recyclable packaging consumed
Ganzhou site	55,263 pieces	108,260 pieces	7,406 coils	45,517 sets	45.2%
Zhenjiang site	40,800 pieces	21,813 pieces	40,800 pieces	33,821 pieces	35.07%

¹ The data covers both Ganzhou and Zhenjiang sites.

² General waste mainly includes the cathode wastes, anode wastes, battery wastes, scrapped modules and materials and liquid NMP waste.

³ Hazardous waste mainly includes wasted electrolyte, packaging wastes, wasted engine oils, refrigeration oils, wasted hardening agents, liquid residues, wasted achohols, wasted active carbon, wasted filters, wasted adhesives, wasted organic solvents.

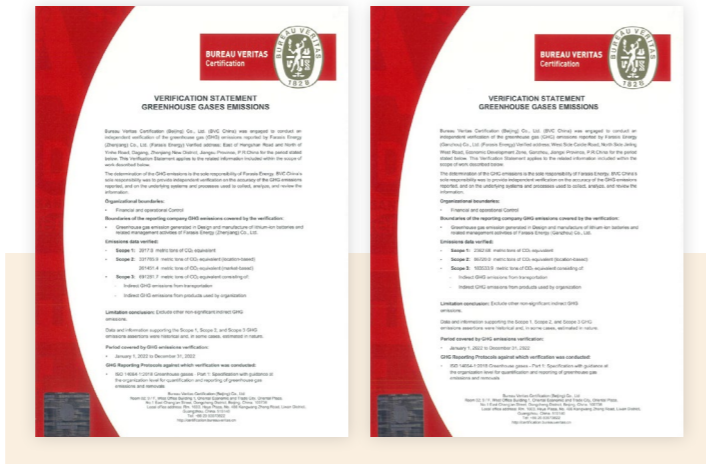
Spotlights: Climate Change

Climate change is a challenge facing all mankind. Response to climate change concerns the sustainability of the Chinese nation and the future of humans. The *Paris Agreement* called for global efforts to step up response to climate change, control the increase of global average temperature below 2°C, and strive to limit the temperature rise within 1.5°C. To limit the temperature rise within 1.5°C, worldwide greenhouse gas emissions in 2030 need to be cut by 45% from 2010; to control the increase of global average temperature below 2°C, the emissions need to be cut by 30%. But the *Emissions Gap Report 2022* issued by UNEP shows, according to the nationally determined contributions made by worldwide countries since COP26, greenhouse gas emissions are estimated to be cut by less than 1% by 2030.

Response to climate change is crucial to Farasis Energy. As a forerunner in the new energy revolution, we commit to empowering the green transition of the transport industry through product innovation, and driving carbon neutrality in China and across the world.

Carbon Footprint Stage - Enterprise-Wide Carbon Footprint Identification

We have accumulated rich experience in carbon neutral operation and model-based calculation of Scope 1 and Scope 2 GHG emissions after years of exploration. We have completed the ISO14064 certification of our corporate carbon emissions for the year 2022 through a third-party certification agency. In line with the ISO 14064 standards, we organize audit of carbon footprints, and technically improve main energy-consuming devices and processes to save energy and cut carbon emissions. Also, we seek to standardize carbon footprints calculation based on practice.



Carbon Reduction Stage - Energy Conservation & Carbon Emission Reduction and in Operation

Our Zhenjiang site incorporates advanced design concepts and mature management experience. To help us achieve carbon neutrality, the site builds the distributed PV facilities on plant rooftops, uses excessive steam generated by the co-generators in surrounding paper-making plants.

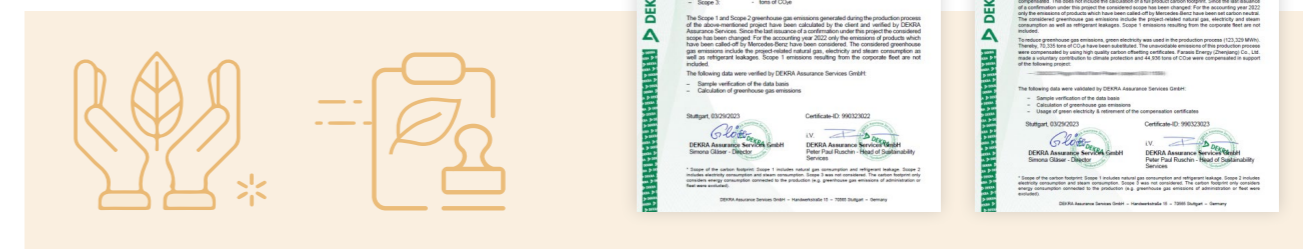
Zhenjiang site has realized green power production by purchasing international renewable electricity certificates and generating green electricity through distributed PV facilities within the site. The site promotes the proper disposal and recycling of waste generated. Supported by various energy-saving facilities, it is expected to save nearly 12 GWh of electricity each year. By building the power storage station, the annual shifted electrical load is expected to be about 30 GWh. In 2022, Zhenjiang site reduced unitenergy consumption by more than 35% compared to the previous year. In addition to Zhenjiang site, our other existing site (Ganzhou) and planned sites (Ganzhou, Wuhu, Fuling and overseas ones) highlight low-carbon or even zero-carbon production.

In 2021 and 2022, Farasis Energy has achieved Carbon Neutral Production certificates issued by DEKRA, a German third-party verification organization. The two certificates have respectively confirmed the carbon-neutral production of our total volume produced in 2021 and total volume delivered in 2022 for Mercedes-Benz models at the Zhenjiang site, and proving Farasis Energy's leading competence in carbon neutral operation.

Meanwhile, Farasis Energy has disclosed our performance on the environment through CDP, a renowned non-profit organization that runs a global environmental information disclosure platform, to strengthen our environmental information transparency. In 2022, we completed the climate change themed questionnaire designed by CDP and obtained a "B-" rating, demonstrating our leading footing in sustainability and response to climate change.

Achieving Carbon Neutrality in Production Processes

To achieve carbon neutrality in our production process, Farasis Energy purchases the highest standard Voluntary Emission Reductions (VERs), to offset the difficult-to-reduce carbon emissions during the process, and delivers high-quality carbon-neutral products.



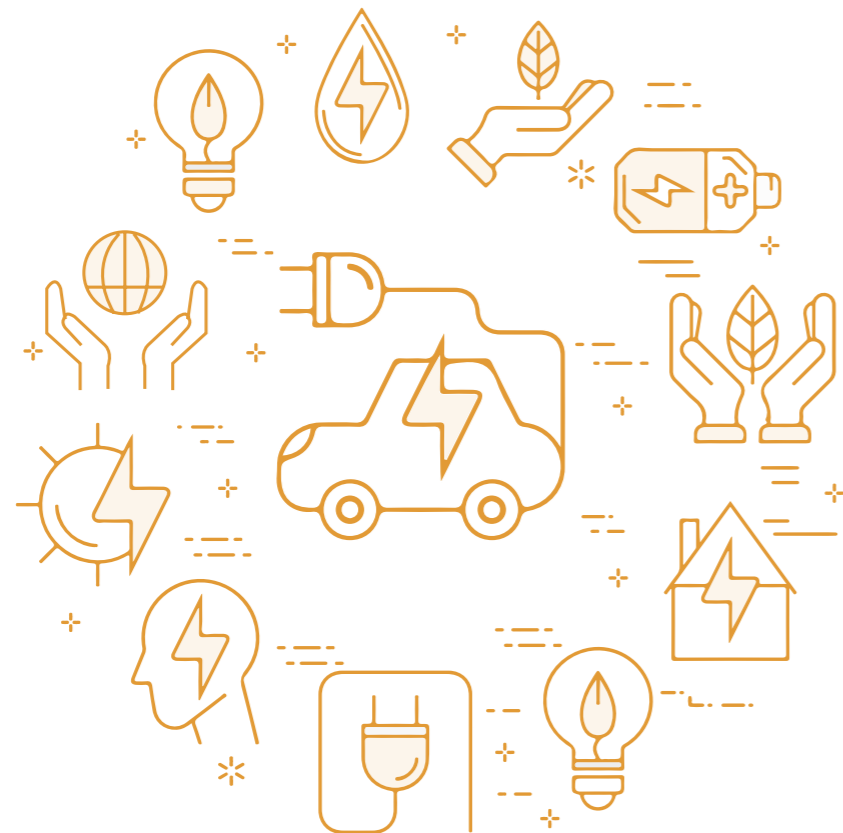
External Empowerment - Contribution to Low-Carbon Transition of the Industry

In China, transportation currently accounts for about 10% of the total CO₂ emissions nationwide, with road transport making up about 80% of the industrial emissions and still growing fast. Thus, it's imperative to make sure the green transition on the transportation industry, particularly road transportation.

As a forerunner in the sustainable development of clean energies, Farasis Energy started the supply of power battery systems to international luxury electric motorcycle makers in 2011, began mass-shipments of power battery systems to the passenger vehicle market in 2016, and had strategic cooperation with Mercedes-Benz in 2018. By 2022, we have topped the national list of NCM pouch power batteries installed in vehicles for six years in a row.

With the deep accumulation of electrochemical energy storage technology, Farasis Energy's Energy Storage business unit has developed a number of energy storage products with excellent performance, long life, safety, stability and reliability by virtue of the advantages of lithium-ion batteries, such as high energy storage density, high charging and discharging efficiency, fast response speed and complete industrial chain. At present, we have established stable cooperative relations with State Grid, China Tower, China Datang and other enterprises in the field of energy storage.

In September 2022, Farasis Energy announces to settle its 24GWh lithium iron phosphate production site in Dianzhong New Area. Then, we have signed an agreement with Kunming Municipal Government for strategic cooperation on building a new energy battery industrial cluster and a zero-carbon industrial park as well as the operation and promotion of energy storage. Also, we have reached a framework agreement with GD Power Yunnan New Energy Development Co., Ltd. for the cooperation on investment in a range of fields, including wind power generation, solar power generation, new-type energy storage, virtual power plants and new energy vehicles, in Yunnan, Sichuan and Guizhou provinces.



Case

Leading the Drafting of China's First Standard on Evaluating the Carbon Footprints of Lithium-Ion Batteries

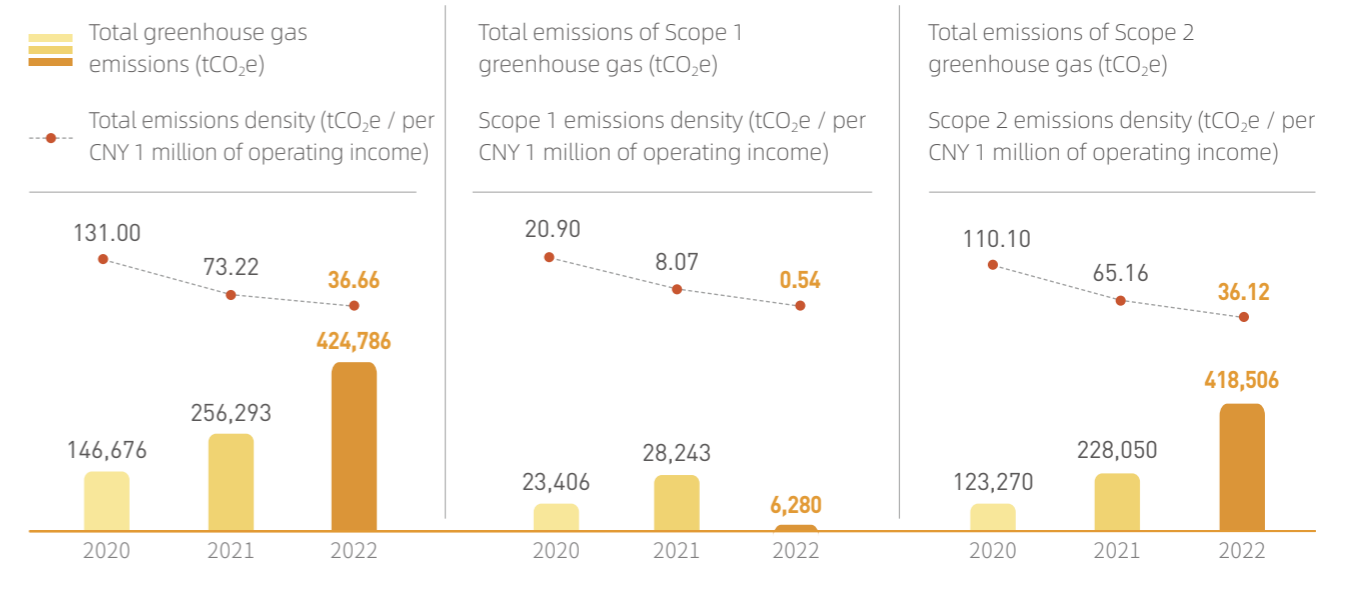
As a forerunner in the lithium battery industry, Farasis Energy has led several other leading battery producers in drafting the *Guidelines on the Evaluation of the Carbon Footprints of Lithium-Ion Battery Products*, a project initiated and dominated by China Electronic Energy Saving Technology Association. After expert and peer review, the *Guidelines on the Evaluation of the Carbon Footprints of Lithium-Ion Battery Products* were released on March 8th, 2022. The document is the first standard on evaluating the carbon footprints of lithium-ion batteries in China, and will be crucial to the alignment with international standards, the building of a localized supply chain and the realization of carbon peaking and carbon neutrality goals.

Leading the drafting of the industry's first guidelines on the evaluation of the carbon footprints of batteries is just part of Farasis Energy's sustainability strategy. Going forward, we will seek for more practical ways to precisely evaluate carbon footprints, prepare the "fourth annual statements" on corporate operation, empower the industrial chain and build a green industrial alliance together with partners, to be well prepared for the era of green trade.



In the days ahead, Farasis Energy will support energy use in parks and the building of smart cities. Leveraging our strength in R&D and manufacturing, we will drive power battery development, energy storage, system integration and other application area of lithium batteries, and increase cooperation with customers in emerging fields to deliver them solutions and empower more industries in green transition.

Greenhouse gas emission indicators¹



¹ The data covers both Ganzhou and Zhenjiang sites. Total emissions of greenhouse gas in 2022 are verified by a third-party in line with ISO 14064. Scope 2 emissions are calculated based on location data, while the emissions for other years are estimated internally.

03

Employee Development

- Human Capital Management
- Talent Development
- Healthy and Safe
- Employee Communication
- Employee Care System



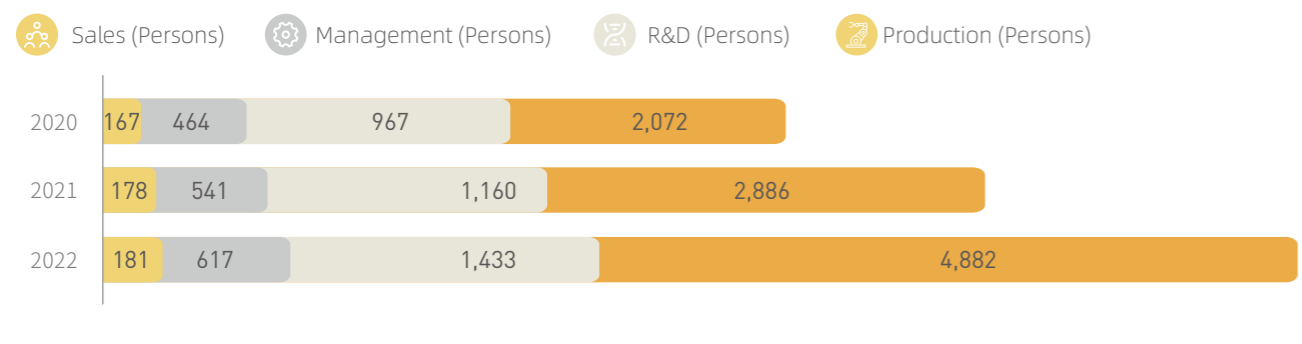
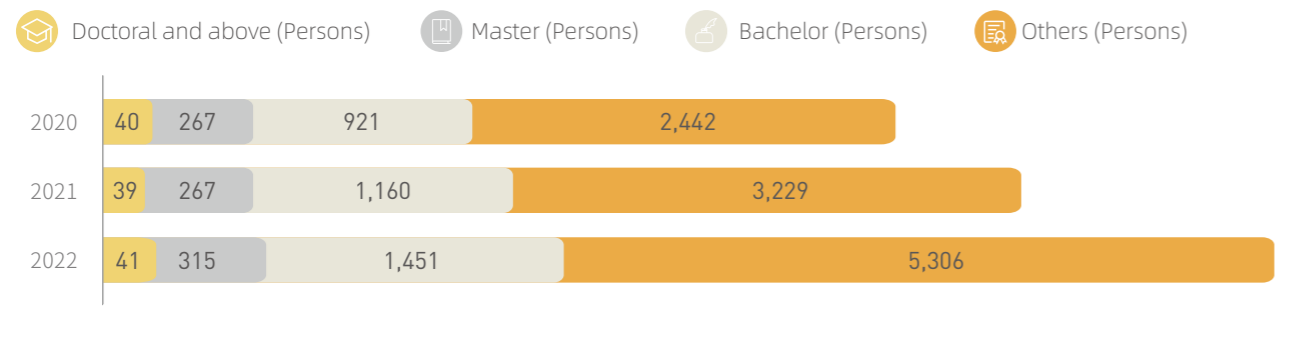
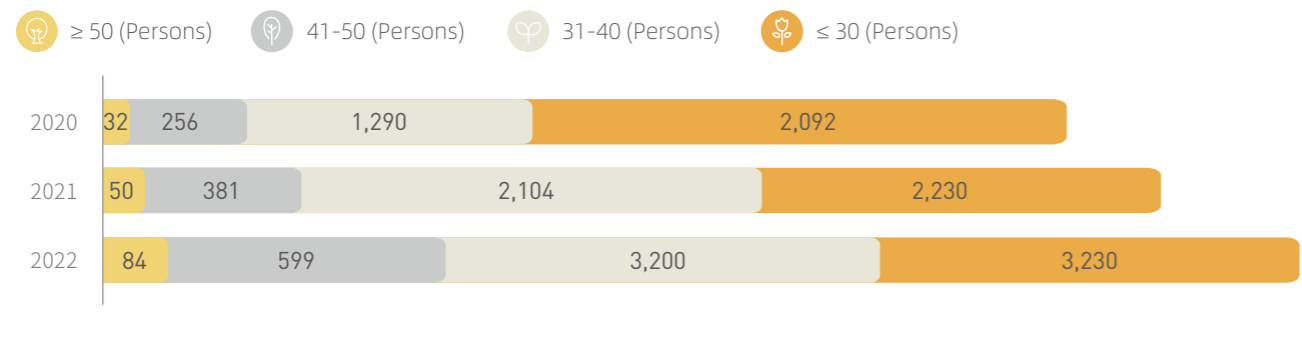
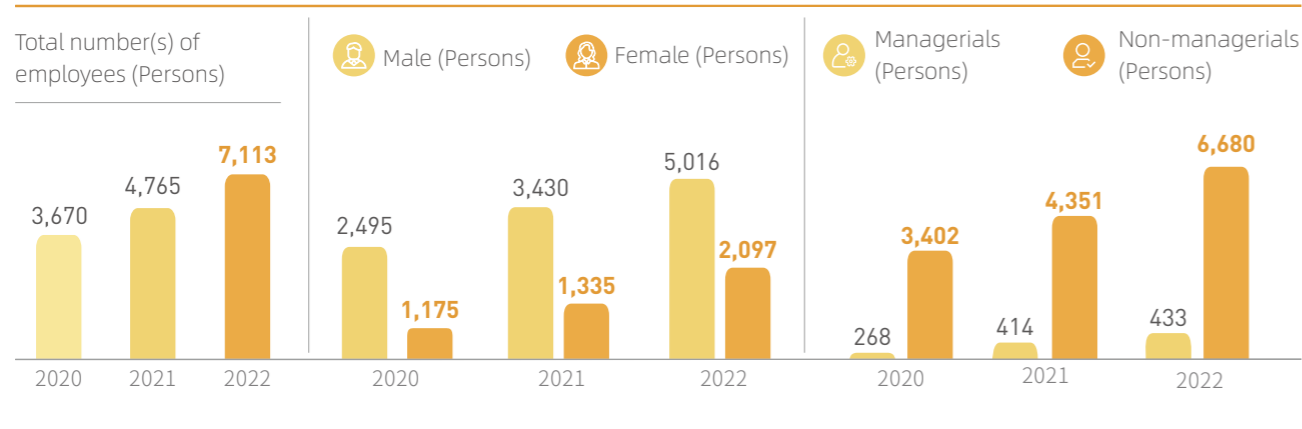
Human Capital Management

In compliance with national labor laws, regulations and policies, Farasis Energy establishes the *Remedial Management Procedure for Preventing the Employment of Child Labor and remediation of Child Labor* and other regulations to prohibit child labor and forced labor. We follow the principles of equal pay for equal work and equal employment, and review recruitment information to ensure compliance in recruitment, interview and enrollment. We implement national policies regarding human rights, gender, age and ethnic groups and others, and regulate labor use management. We sign labor contracts with all employees, pay social insurance in full for all employees, and guarantee the human rights and labor rights of our employees.

In light of our status-quo, we issue the *Employee Manual*, which covers the company profile, corporate culture, regulations, code of conduct, safe and civilized production, and caring for employees, to regulate the employees' behaviors, guide their day-to-day work, and help them fully understand their rights and obligations. We have also formulated the HR management policy to ensure all-round protection of employees.

Comprehensive Management Policies

Safety Management	<ul style="list-style-type: none"> ● <i>Safety Accident Management Regulations (including Work-related Injuries or Sudden Illnesses)</i> ● <i>Emergency Response Plan for Special Events Involving Employees</i>
Employee Management	<ul style="list-style-type: none"> ● <i>Rank Management Regulations</i> ● <i>Measures for the Management of Charity Fund</i> ● <i>Employee Welfare Management System</i> ● <i>Employee Attendance Management System</i> ● <i>Employee Reward and Penalty Management System</i> ● <i>Management & Staff Training Management System</i> ● <i>Production Operator Skill Training Management Standard</i>
Complaint Management	<ul style="list-style-type: none"> ● <i>Management Procedures for Complaints and Prohibition of Abuse</i>
Employee Protection	<ul style="list-style-type: none"> ● <i>Management Procedure for the Prohibition of Forced Labor</i> ● <i>Freedom of Association and Procedure for the Regulation of Negotiated Assemblies</i> ● <i>Management Procedure for the Prevention of Discrimination and Sexual Harassment</i> ● <i>Remedial Management Procedure for Preventing the Employment of Child Labor and remediation of Child Labor</i>
Protection of Minors	<ul style="list-style-type: none"> ● <i>Management Procedure for the Protection of Underage Workers</i>
Protection of Women	<ul style="list-style-type: none"> ● <i>Management Procedures for Labor Protection of Female Workers</i>



Talent Development

Farasis Energy upholds the talent view of “choosing the right people to do the right job, and leveraging excellent people to cultivate even better ones” . We build a diversified career development system featuring the integration of teaching materials, trainers and training methods and formed a knowledge sharing center to output core competence.

In 2022, we completed a talent review and selected the Top 100. In addition, our “A Thousand Elite Program” has finished four training sessions with 147 trainees.

“A Thousand Elite Program” has finished
4 training sessions
 with **147** trainees

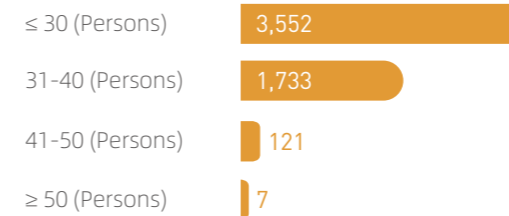
Employee recruitment

We see talents as the vital booster of our growth. Based on the overarching talent strategy, we increase the demand for talents in lithium battery research and development, intelligent manufacturing and capacity building in line with our growing presence in the field of Li-ion technology and continuous efforts in capacity building. In 2022, we optimized the recruitment management system and established the principles of meritocracy, fairness and equity in our employment system while ensuring compliance with national laws and regulations.

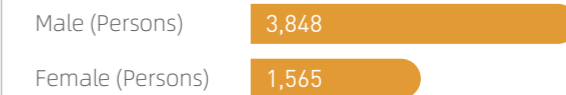
Entering a critical period of secondary entrepreneurship, Farasis Energy builds strong competitiveness in the talent market through continuous efforts in HR system construction and employer branding, and we’ll maintain high speed and standards in talent recruitment and explore social recruitment websites, professional headhunters and internal referral channels to enrich our talent pool. In 2022, we relied on our technology strength and good reputation to recruit fresh graduates in R&D and manufacturing.

New recruits 5,413 Persons

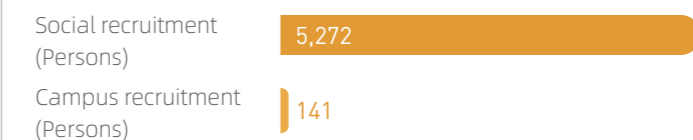
By age



By gender



By type



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

Employee Training

Farasis Energy regularly provides orientation training that covers rules and regulations, information security and plant-level safety education, and ensures the trainees are examined after each training course.



Internal Training

Farasis Energy discovers creative, responsible and professional internal trainers through selection, training and certification to give tailored training and solve practical issues. In 2022, 58 internal trainers have passed certification and developed 51 courses on production, management, information and safety.

External Training

Case Forging High-performance Team through Training Camp for Managers

On November 2nd, 2022, we started the high-performance team training program to enhance comprehensive quality of mid-level managers, reinforce team building, arouse development vitality, and compact the management foundation.

On November 24th, 2022, we launched the management excellence improvement program to help managers grasp basic knowledge of management, accurately define their roles, form the "mindsets and habits" of an excellent manager, and improve all-round capabilities as a manager.



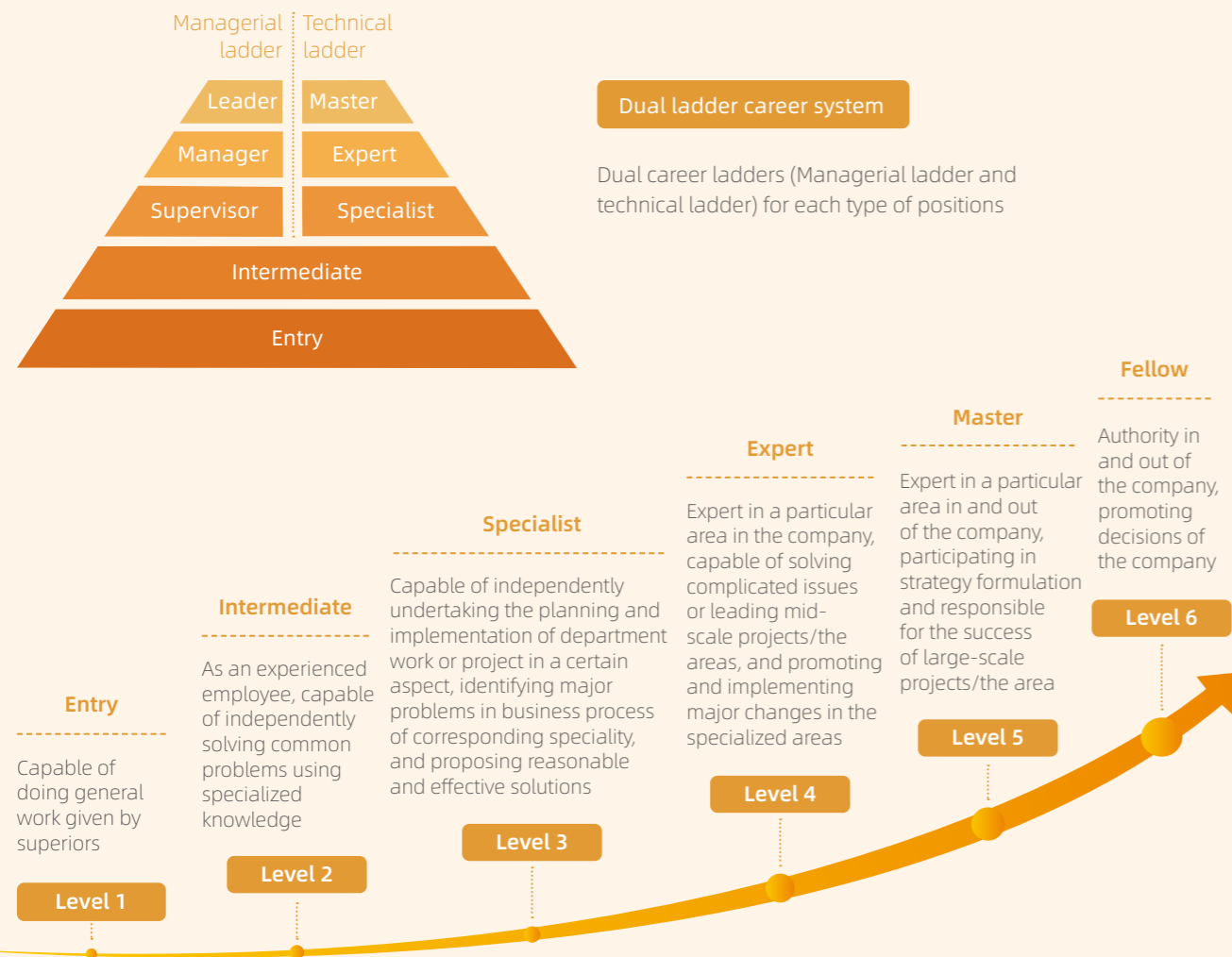
Case Farasis Energy University

Three-level training system	In 2022, we held corporate-level training on SPC & MSA and training programs like the training camp for managers and the training camp for shift leaders.
Corporate cultural activities	We held corporate value promotional event and employee dialogues around traditional festivals and sense of values.
Skill competitions	We organized skill competitions for front-line workers to improve their professional skills.

Skill Training

Training for management and functional personnel	Farasis Energy organizes various departments to survey training demands, develop training plan and budget, submit them for approval, and then implement the training (internal training or external training in view of actual situation and demand) according to the training plans, and keep training records and corresponding examination records based on the <i>Training Sign-in Sheet</i> , the <i>Training Feedback Questionnaire</i> , and the <i>Level 2 Evaluation Form</i> .
Skill training for production operators	Farasis Energy plans the implementation process and supervision mechanism for skill training in light of our development. We track and supervise the implementation by production departments, validate the training results, and issue certificates to qualified staffs. At the same time, we follow up and supervise the implementation of skills training in the production departments, verify the results of skill training, and issue job certificates to those who are qualified.

Career Development



Short-term Incentives

We adjust salary annually for key personnel based on the situation, commend excellent employees and teams of the year and give them bonuses.

Mid- and Long-term Incentives

We give shares to key personnel. In 2022, 410 incentive recipients vested their restricted stock units, and the shares began to circulate in the market in December.

Model Selection

Farasis Energy actively holds talent selection activities and extensively recognizes excellent talents to set examples for other employees, promote mentorship between veteran and new workers, and create a sound learning atmosphere. As excellent talents pass their experience and skills to enterprising employees, we could promote mutual learning and exchange between talents, enhance employee cohesiveness and enthusiasm, and form a positive cycle of talents.

Case

Selection of Excellent Graduates of 2021

We recruit talents from promising fresh graduates to fulfill the great historical missions and the shared dream of all employees, and facilitate our next-stage entrepreneurship and high-speed growth. In one year, they have made notable progress in their positions.

The Human Resources Center held the Selection of Excellent Graduates of 2021 on April 20th, 2022 to learn about the growth of fresh graduates in the previous year. This help us recognize their efforts and achievements, and encourage them to devote themselves to the company's development.

Based on the evaluation and recommendation by department heads, 23 candidates stood out of 44 fresh graduates and participated in this selection.

After the presentation and on-site scoring that lasted nearly three hours, 13 fresh graduates won the title "Excellent Graduates of 2021".

Performance Management

Farasis Energy establishes a sound performance management system. We carry out performance management every year, setting business goals and interpreting strategy to realize hierarchical management of all employees by business objective. We implement monthly reviews and warning mechanisms for organization performance and place equal emphasis on processes and results to promote fulfillment of annual organization goals. Employee performance is evaluated monthly, quarterly and/or annually based on job characteristics. The performance appraisal sourcing from a fair and just process is associated with employee promotion, salary adjustment and position change, which enables the promotion of capable employees, the replacement of average employees, and the dismissal of mediocre ones.

To attract and retain talents and enhance employee cohesiveness and competitiveness, Farasis Energy has developed short-, mid- and long-term incentive plans.

Case

First Selection of Top 10 Outstanding Youths

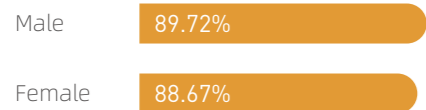
Since February 2022, our Party branch holds personal interview and communication activity every Friday for the first Top 10 Outstanding Youths of Farasis Energy to set an example for other employees.



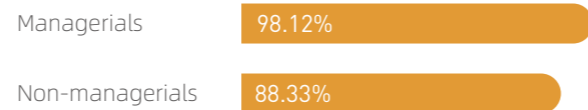


Training coverage **89.41%**

By gender



By level



Healthy and Safe

Safety Organization Construction

Farasis Energy values workplace safety and employees' physical and mental health. In 2022, we reinforced occupational health and safety management and set up a group-level safety committee headed by the president to standardize the occupational health and safety management system from a top-down approach. The safety committee holds a plenary meeting every quarter.

In line with the all-staff work safety responsibility system proposed in the *Work Safety Law of the People's Republic of China (2021)*, Farasis Energy updated the *Environmental and Occupational Health and Safety Responsibility Management Procedure* to cover the safety responsibilities of all departments and levels, and promoted all employees to sign the *Commitment to Work Safety Responsibility*.

In the beginning of every year, we update the environmental safety objectives and indicators, and organize personnel at and above the managerial level to attend the annual work safety wrap-up meeting and sign the *Commitment to Work Safety Responsibility* on the spot.

Every new employee must receive training on the all-staff work safety responsibility system and sign the *Commitment to Work Safety Responsibility*.

For strict management of external visitors, Farasis Energy has established the *Regulations for Safety Management of Outsourced Construction*, and issued the application and approval process for external visitors. External construction personnel may not enter the plant area without examination and approval of the *Notification of Safety Risks*, the safety training records, and the *Safety Agreement with Outsourced Company* that have been signed or affixed with seal.

Safety System Construction

Farasis Energy has been comprehensively improving the occupational safety and health management system. We have passed ISO45001:2018 certification and are carrying out work safety standardization. Our Ganzhou site has obtained the Grade III certificate and the Zhenjiang site is making solid progress in Grade II work safety standardization.

ISO 45001 General Principles: Regulatory Compliance, Health Protection, Assurance of Safety, All-staff Participation, Prevention First, Continuous Improvement

Hazard Identification and Risk Evaluation	Carry out hazard identification and risk evaluation every year, ensure hazard identification in all fields, all process and all aspects, and make risk evaluation of each hazard using the LEC method, screen out prominent hazards, work out specific control measures, and urge implementation of the control measures.
Objectives & Programs	Revise annual objectives and control programs in light of safety accidents, hazard identification and risk evaluation in previous years, and break down the objectives to workshop and shift levels.
Policy Updates	For identification, update, acquisition and evaluation of conformity required by laws, regulations and others, we obtain latest laws, regulations and standards from official sources, and carry out communication within the company.
Operation Control	Carry out safety work such as near-miss investigation and control, safety training, and emergency drills in accordance with system operation requirements.
Accident Investigation	Conduct accident investigation and issue the accident investigation report according to the accident investigation and response procedures, and ensure causes of accidents are ascertained, responsible persons are dealt with, corrective measures are implemented and relevant people.
Audit	Regularly conduct internal audits, management reviews and external audits.

Response to Safety Accidents

Farasis Energy has established the *Safety Accident Management Regulations (including Work-related Injuries or Sudden Illnesses)*, and standardized the emergency response process to ensure immediate investigation and evaluation of accidents and identification of fundamental causes by reviewing the working procedures and personnel arrangements. We also have an effective accident response mechanism to protect the employees. With strict management and control, we have practically reduced the number of accidents. In future, we will resolutely promote work safety to reduce the number and proportion of accidents.

Prevention	<ul style="list-style-type: none"> Ganzhou site has 9 emergency rescue teams with 143 members, and Zhenjiang site has 13 emergency rescue teams with 878 members. Both sites have offered special training and increased emergency rescue force at plant-level; Ganzhou site has set up 10 micro fire stations equipped with 15 positive pressure respirators and 10 Type-G428 fire extinguishers (30 Litres each) for lithium battery fire; while Zhenjiang site has set up 15 micro fire stations; A number of employees participated in first-aid training given by local Red Cross and obtained the certificate of rescuer; Contingency plans for accidents, such as food poisoning, electric shock and fire rescue, are carried out regularly every year.
Accident Reporting	<ul style="list-style-type: none"> The <i>Safety Accident Management Regulations</i> specifies the reporting process and deadline for all kinds of accidents, including near-misses, slight injuries, minor injuries, severe injuries and work-related fatalities.
Emergency Response	<ul style="list-style-type: none"> After the occurrence of an accident, the department head at the scene will initiate the contingency plan as needed by the situation and organize on-site handling and rescue. During the rescue, the accident spot shall be protected. When it is necessary to move any objects on the spot for the purposes of rescuing people, preventing the accident from escalating or dredging the traffic, the emergency response personnel, it's mandatory to mark properly on-spot, to take photos, to keep detailed records and draw a map of the spot, and to properly keep important traces and physical evidences.
Accident Investigation	<ul style="list-style-type: none"> After the occurrence of an accident, an investigation team will be set up to investigate the accident, draw a conclusion, and issue an investigation report; Labor Union members or employee representatives shall join in the accident investigation team; The investigation report shall be submitted within 7 days for minor injuries and less severe accidents or within 30 days for severe injuries and more severe accidents.
Rectification	<ul style="list-style-type: none"> Ensure causes of accidents are ascertained, responsible persons are dealt with, corrective measures are implemented and relevant people are educated

Safety Education and Training

Farasis Energy has developed the *Regulations on Safety Education and Training*, and rigorously implements a three-level work safety education and training mechanism, which requires all new comers (including dispatched workers and interns) to accept safety training at plant level, workshop level and shift level and master essential safety knowledge and skills before starting work. In line with the *Regulations on Safety Education and Training*, we regularly conduct knowledge and hands-on training for fire protection, occupational health and safety training, and special equipment safety training.

Please refer to our [Statement of Occupational Health and Safety Management](#) for more information about health and safety.

Case	Health and Safety-related Practice Program, Training or Activity
Safety Knowledge Competition	<p>June 2022 was the 21st national Safe Production month themed “Complying with Work Safety Law, Being a Competent First Responsible Person” . Our Ganzhou site organized a safety knowledge competition that included Daily Practice from June 10th to June 24th, as well as a contest from June 27th to June 29th, which increased activity participation rate with 4,641 employees participating. 65.39% of them got a full score and 90.08% passed. The questions covered <i>General Secretary Xi Jinping’s Important Remarks on Work Safety</i>, the <i>Work Safety Law (2021)</i>, the <i>Fire Safety Knowledge</i>, the <i>Safety Management of Special Equipment and Special Operations</i>, the <i>Occupational Health Management</i>, the <i>Regulations on Response to Production Safety Accidents</i>, and the <i>Basic Knowledge of Work Safety</i>. In August 2022, the EHS management department of the Ganzhou site organized Ankang Cup competition with the theme “Investigating and Controlling Safety Hazards, Promoting Safe and Healthy Development” . 10 participating teams accepted a 15-day EHS training, and the prize winners came out after four rounds of fierce competition with compulsory questions, optional questions, quiz questions, and extra questions respectively. Zhenjiang site organized an online award-winning Safety Knowledge Quiz from June 29th to July 5th with a total of 766 participants, with 10 first-prize winners, 20 second-prize winners and 100 third-prize winners, which increased the activity participation rate and the employees’ awareness of safety.</p>
Occupational Health Trainings	<p>The week from April 25th to May 1st, 2022 was the 20th national educational event for the <i>Law on the Prevention and Control of Occupational Diseases</i>, with the theme “All for the Workers’ Health” . Ganzhou and Zhenjiang sites put up occupational health promotional posters on bulletin boards in the plant area, distributed communication manuals to workshop employees, and organized occupational health and safety training with 756 participants. The activities enhanced the employees’ awareness of occupational diseases prevention and control.</p>
Fire Drills	<p>November 9th, 2022 was the 31st national Fire Prevention Day themed “Protecting Fire Safety to Ensure High-quality Development” . Ganzhou site carried out two hands-on fire fighting training sessions, and conducted a raw material warehouse fire emergency drill. The activities enhanced the employees’ emergency response abilities. Within the year, Ganzhou site won the Third Prize in the 2021 Fire Fighting Competition organized by the Fire Brigade of Ganzhou Economic and Technological Development Zone. On July 22nd, 2022, Zhenjiang site organized a fire fighting skill competition with 75 participants from 15 teams.</p>



Ankang Cup competition in Ganzhou



the occupational health training in Ganzhou



Fire drills in Zhenjiang

Indicator	Unit	2020	2021	2022
Safety drills	Frequency	26	28	49
Safety trainings	Session	57	89	483
Employees participating in safety training ¹	Person times	2,795	5,253	17,690
Coverage of employee safety training	%	100.00	100.00	98.55
Number(s) of recordable work-related injuries	Persons	13	11	14
Lost hours due to work injury	Hour	2,416	3,824	2,808
Rate of recordable work-related injuries ²	-	-	0.74	0.53

Employee Communication

Farasis Energy encourages our employees to contribute constructive opinions and suggestions through employee suggestion and complaint channels. We also respond to employee demands without delay, help them solve difficulties at work, and provide them with a comfortable and safe working environment, so that they could feel the warmth and care all the time.



¹ The data for 2020 and 2021 covers Ganzhou site only, and data for 2022 covers both Ganzhou and Zhenjiang sites.

² Rate of recordable work-related injuries = Number(s) of recordable work-related injuries x 1,000,000 / Total working hours

Complaint and Communication Channels

By efficiently soliciting the ideas and suggestions of the workforce, we established excellent communication with the workforce in 2022. Regarding meals, administration, workshop, and personnel management, we had more than 80 complaints and suggestions, which we dutifully handled and routinely monitored.

Content of Constructive Suggestions	Communication and Complaint Channels	Rewards
<ul style="list-style-type: none"> • Suggestions for company development: Including but not limited to energy saving and consumption reduction, revenue increase and expenditure reduction, cost reduction and efficiency increase • Behaviors detrimental to company interests: Including but not limited to corruption, bribery, abuse of power for personal gain, deception, abuse of authority, malpractice, infringement of regulations, and leakage of company secrets • Suggestions for management improvement 	<ul style="list-style-type: none"> • Online: Email, WeCom, Farasis Voice Community, and Home of Farasis Energy • Offline: Employee complaint box 	<ul style="list-style-type: none"> • Suggestions: Reward will be given to employees if their suggestions are adopted based on the value • Complaints: We will reward claimants whose complaints are substantiated, and investigate those who intend to maliciously frame others, undermine unity or shift responsibility

Employee Communication and Exchange

Valuing the employees' voices, we hold employee discussion meetings/roundtables regularly for face-to-face communication between the employees and leaders. In games, comedic roasts and activities of various themes, the employees talk about existing issues in the company frankly, which relieves their stress at work, and builds stronger cohesion.

Case	Farasis Wonder Night Employee Discussion Meeting
	<p>We launched "Farasis Energy Wonder Night" employee discussion meeting to learn how employees at different levels look at our corporate culture, management and regulations, build a sound communication platform, and enhance their sense of acceptance and belonging to the company.</p>

Employee Care System

Farasis Energy is employee-oriented. In light of our situation and suggestions from strategic partners, we set up the Employee Care Committee, established the *Employee Care Construction Program* and the *Employee Care Plan* for the biggest concerns of employees, which includes 98 measures covering employee welfare, remuneration, infrastructure and corporate culture, and promoted the “We Care” program.

In the *Letter to Farasis Energy Employees*, we introduced the progress of the employee care program, and communicated with employees in a sincere, open and transparent manner, to solve issues they met at work.

Employee Care Activities

Farasis Energy actively helps employees in need, offers educational assistance to employees’ children, and sets up a charity fund. Caring about the work and life of employees in need, we solve concrete problems for them and visit them on holidays and festivals to let them feel the warmth.

Following the principle of helping people in urgency rather than people in poverty, we sent approximately CNY 180 thousand of charity money to more than 20 families, and solved practical problems for employees in need, which enhanced their sense of belonging to the company and made them feel happier at work and in everyday life.

Case “Sending Warmth” Activities

Sending Warmth for Spring Festival

In January 2022, we delivered Spring Festival benefits to our employees. The poverty relief products from Ganzhou embodied our commitment to poverty relief and rural revitalization.

Student Assistance Activity

In order to address immediate issues for employees who were in need and to improve their sense of gain and pleasure, the Labor Union undertook an activity called “Assisting and helping employees in golden autumn”, which demonstrates concern for employees in need and consolidates the outcomes of efforts to ease employees’ difficulties.

Children of Farasis Energy’s Employees Attend School

To support the education of the employees’ children and arouse their enthusiasm towards the education of the next generation, we held the first “Children of Farasis Energy’s Employees Attend School” education incentive awarding ceremony. The incentives including school bags, stationery sets and student grants were given to more than 170 children of our employees that were going to enter a higher school.

Caring for Female Employees

The contribution of female employees is essential to our rapid growth. Respecting the rights and interests of female workers, we sign *Collective Contract for Special Protection of Female Workers* with the Labor Union. We uphold the principle of equality between men and women and ensure male and female employees get equal pay for equal work. We also offer occupational health education to female workers to reduce occupational hazards. For women in childbirth, breastfeeding and other special periods, we give extra supports and allowances such as workload reduction and maternity allowance, to guarantee the health of female employees as much as possible.

Li Hui, an expert in the Cell R&D Department of Farasis Energy, was awarded the title of March 8th Red-banner Pacesetter of Jiangxi Province in 2021

The Women’s Committee of Farasis Energy was awarded the titles of March 8th Red-banner Collective of Ganzhou in 2021 and March 8th Red-banner Collective of Ganzhou Economic and Technological Development Zone in 2021

Case Caring for Women

Women’s Day Knowledge Contest

We held a knowledge contest with a focus on the legal rights and interests of women before Women’s Day and sent benefits and greetings to all female workers on the day.

Caring for Women in Need

Two volunteer teams visited eight needy families with women suffering from cervical or breast cancer in Hubian Town, Panlong Town, Fenggang Town, Sanjiang Country and Yangkeng Village, and sent Spring Festival greetings and consolation gifts to them. The volunteers talked with the recipients, learned about their family and health conditions, encouraged them to be confident, cooperative and strong in the treatment, and wished them an early recovery. The recipients were deeply touched. They expressed the determination to overcome the disease and live a positive life to repay the care from society.



Diverse Employee Activities

Farasis Energy advocates the balance between work and life. We hold a variety of activities regularly and provide gyms, basketball courts and other sports facilities to promote communication between employees.



2022 Spring Festival Online Attendance Check

We prepared a Spring Festival online attendance check activity and sent Spring Festival benefits to our employees.



Friend-making and speed-dating: Murder Mystery Games

We held murder mystery games at Ganzhou and Zhenjiang sites around the theme "Valentine's Day Let's Make a Friend and Enjoy the Time together" for employees to enrich their spare time, make friends and relax.



Snapshot of "My Extraordinary Holiday"

We held the "Snapshot of My Extraordinary Holiday" activity that encouraged the employees to share the beauty of life and promote positive energy via photos and videos.



First Swimming Championship of Ganzhou Economic and Technological Development Zone

We organized a swimming team to promote the new style of civilization and the main theme of the era, encourage all employees to exercise, and enhance their senses of happiness and gain. On June 3rd, 2022, the swimming team had led by the Labor Union participated in the first swimming championship of Ganzhou Economic and Technological Development Zone.



Qixi Starry Night Party

On the Qixi Festival, the Chinese Valentine's Day, Farasis Energy and JingLi MAG Rare-Earth Co., Ltd. jointly held a party themed "better to party than to be alone" to strengthen cultural communication between the two companies and promote exchange between young people.



炎炎夏日，该去哪里???
幸福工会小伙伴们种了一个夏日好运地!!
让我们一起来了解下吧~



赣州祥云城景区(紫薇小镇)
江西省(4A) 绿乡村旅游景区
彩虹玻璃水滑梯、魔幻城堡、竞技卡丁车、萌宠七彩滑道、丛林穿越、孩子最爱的森林魔网、赛车场的碰碰车、荡秋千红桥、拼装自行车.....
来吧!一起玩!

Distribution of Employee Benefits

Throughout the year, we carried out various employee benefits distributions, including employee car purchasing discount, talent house purchasing discount, employee team-building, employee welfare distribution.



Women's Day Knowledge Contest

We organized a knowledge contest with a focus on the legal rights and interests of women before Women's Day, and sent benefits and blessings to female workers on the day.



Employee Painting and Calligraphy Competition to Welcome the 20th CPC National Congress

We organized employees to participate in the Employee Painting and Calligraphy Competition for the 20th CPC National Congress, which was held by the Federation of Labor Unions of the district. Zeng Qingliang won a third prize for the painting group with a paper-cut painting titled *Filial Piety is the Most Important of All Virtues*, and Gu Lipeng won an excellence award for the calligraphy group with the work titled *The Chinese Dream*.



Farasis Energy First "May 4th Medal Collective" Competition

To celebrate the centenary of the Communist Youth League of China, we held the first "China Youth May 4th Medal" competition from mid-to-late April to mid-May, 2022, with 16 excellent teams participating.



Second session "Top 10 Excellent Youths" Competition at Farasis Energy

We held the second session "Top 10 Excellent Youths" competition that lasted half a month from October 19th to implement the important thoughts of General Secretary Xi Jinping on youth work, and celebrate the 101st anniversary of the founding of the CPC and the 100th anniversary of the founding of the Communist Youth League of China. The competition showcased the spirits and values of youths in the new era, actively cultivated outstanding young talents, strengthened the exemplary role of youths, and promoted youth models of Farasis Energy.



"The Voice of Farasis Energy" Singing Contest

In August 2022, we held "the Voice of Farasis Energy" singing contest at our Ganzhou base, attracting music lovers to participate. 81 contestants were judged by 20 public judges and entered the final. This activity provided a platform for employees to show their style and enhanced the communication and interaction among them.

Making Positive Impact

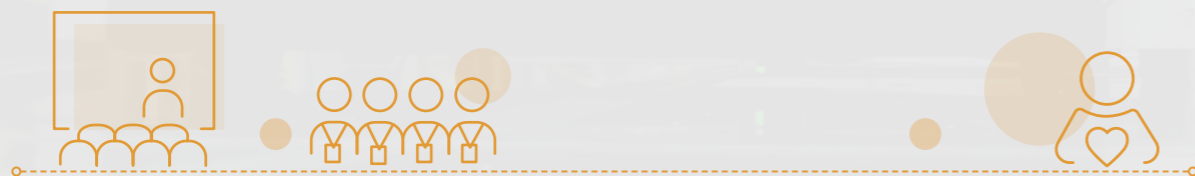
Our progress in 2022

Farasis Energy is committed to building strong and sustainable relationship with our customers, and ensure high-quality delivering. According to SNE Research, Farasis Energy ranks the world's top 10 by power battery shipment, and we have the largest installed capacity of NCM pouch power batteries for six consecutive years in China.

In future, upholding the spirit of "innovation, entrepreneurship, collaboration and win-win", we will continue to persue high-quality operation, and expand our production capacity, and jointly with our partners to lead the new era of new energy, through which to empower people with a better future.

Meanwhile, we also pay attention to fulfilling our social responsibility, establishes corporate volunteer team to advance the volunteering spirit by various charitable programs.

Supporting SDGs



Our Achievements



100%

suppliers covered by the Farasis Energy Supplier Code of Conduct,

47

suppliers audited



Realized mass production of the first generation of semi-solid batteries, and achieved high-nickel batteries' safety target of No TP (Non-Thermal-Propagation), shortened charging time from 42 minutes to **18 minutes** (70% SOC)



Participated in the formulation of industry standards, including the **Quality Evaluation of Logistic Service for Waste Power Batteries of New Energy Vehicles** and the **Technical Specifications for Pouch Li-ion Power Batteries**

By 2022



patents granted

213



Donated CNY

162.2 thousand



Launched

8 volunteer activities



50

invention patents



155

utility model patents



8

design patents



materials worth CNY

120 thousand



with

59 participants

04

Product and Innovation

- Advancement of Innovation
- Product Quality
- Intellectual Property Management
- Customer Service

Advancement of Innovation

In 2022, Farasis Energy made continuous innovation to improve product performance. Now we have formed a complete life-cycle low-carbon intelligent production system that integrates product solutions, large-scale production, sustainable and eco-friendly plants, and end-of-use product management. We have five global R&D sites and the experience of more than 100 million cells in market use.

Our key investment and R&D directions include but are not limited to high energy density, ultra-long life, high rate of fast charging capacity, high safety performance, low cost, etc. In 2022, our key innovation achievements include:

Next-generation pouch power battery pack system for vehicles

Our next-generation pouch power battery pack system is ready for industrialization. Compared with current technology, it improves the volumetric cell-to-pack ratio by more than 30%, reduces structural components by more than 30%, and greatly lowers the cost.

Mass production of the first-generation semi-solid battery

We have realized mass production of the first generation of semi-solid battery that provides higher safety performance, and achieves NO TP of high-nickel batteries. While ensuring safety and high energy density, the products shorten the charging time from 42 minutes to 18 minutes (70% SOC), and provide outstanding power cycle life performance (>3000).

Sodium-ion battery technology

We are gradually entering industrialization in the development of sodium-ion batteries. Once mass produced, sodium-ion batteries are expected to save at least 30% of cost than lithium iron phosphate batteries. Sodium-ion batteries could provide basically the same energy density as lithium iron phosphate batteries but with much lower costs and significantly improved low temperature discharge performance.

Technical development of super fast charging Li-ion batteries

The project develops Li-ion power batteries featuring high specific-energy, super fast charging (70% SOC within 10 minutes) and high safety to meet the EV market's demand for safe, fast-charging and long-life power batteries. The product with industry-leading energy density and fast charging capacity could address users' concern on charging.

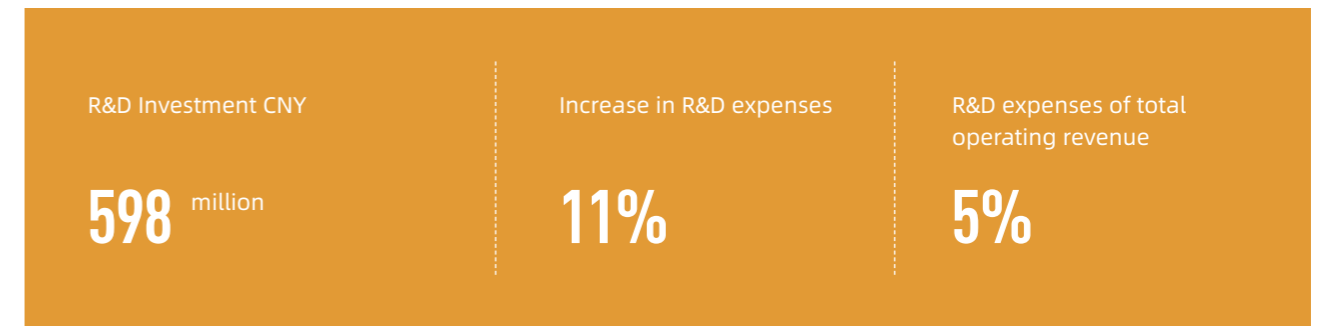
In terms of power battery technology innovation, Farasis Energy's Super Pouch Solution (SPS) gained the favor of automakers as soon as it was released, and won the "Annual Technology Prize of GIIC Golden Ball Award in 2022" award at the GIIC Annual Conference. Its mass-produced 800VTC technology won the "4th Gasgoo Awards for 2022" at the 10th Gasgoo Symposium on Automotive and Environment Innovation and the 14th Global Auto Industry Summit in 2022, and we're awarded the title "Top 100 Players of China Automobile Supply Chain in 2022" .

In the field of energy storage, Farasis Energy won the OFweek Awards for Outstanding Technical Innovation of the Year based on our profound technical accumulation in electrochemical energy storage, and excellent performance of our energy storage products.

In addition to independent R&D, Farasis Energy keeps external communication and strengthens R&D investment in thermal propagation protection technology, big data analysis and battery lightweighting. And we have made some progresses which secures the technical leadership of our products. In 2022, we participated in the formulation of several industry standards, including the *Quality Evaluation of Logistic Service for Waste Power Batteries of New Energy Vehicles* and the *Technical Specifications for Pouch Li-ion Power Batteries*, and carried out joint R&D programs with a couple of universities.

Case Farasis Energy's SPS Won the "2022 GGLB Golden Globe-Technology of the Year" Award

On November 16th 2022, the 2022 GGLB Annual Conference themed "China Leads the Way in Global New Energy Industry" was successfully concluded in Shenzhen. Over a hundred enterprises participated in the conference, involving every segments of the industry chain such as batteries, equipments, core components, cathode materials, anode materials, electrolytes, separators, structural parts, and recyclers. Farasis Energy's SPS won the 2022 Technology of the Year award with all-round technical innovation in super pouch battery cell, super pouch battery system, super pouch battery manufacturing and direct recycling.



In order to strengthen our R&D capability, Farasis Energy promotes lab construction, solid interaction with global leading expertise and build up stronger R&D core competency.

Upgrading R&D conditions

To encourage independent R&D, Farasis Energy added a pilot line and built a cathode and anode materials lab and a solid-state battery lab in 2022. We also have a simulation development platform and digital battery data platform jointly developed by the professionals from US, Germany and China, by which we could strengthen communication with international R&D teams and improve our innovation capability.

Reinforcing talent introduction and cultivation

Farasis Energy adopted international technology development platform includes experienced experts from China, Germany and US. To date, our company has more than 1,433 R&D personnel, representing 20.15% of our total employees. In 2022, we organized 8 corporate-level R&D training sessions, 71 department R&D training sessions, and over 20 training sessions to materials and processing equipment suppliers.



Product Quality

Quality is the lifeline of enterprises. Upholding our production philosophy of “Quality First”, we endeavor to deliver safe and reliable products. Farasis Energy engaged in the R&D, production and sales of lithium-ion power batteries for new energy vehicles and EV battery systems, and establish solid business relationships with domestic and international automobile manufacturers. Outside China, we offer power batteries solutions for Mercedes-Benz AG, Lotus, TOGG, Zero, Taiga and Joby, and our domestic clients include automakers like GAC, Geely, Voyah, JMC, Jinpeng and Sky-well, and motorcycle manufacturers like CFMOTO, Surron, Brilliance Xinri and Yugu.

It is our responsibility to ensure product quality and safety, and we see it as the most fundamental requirement. We follow the *Requirements for Prohibited Substances on Automobiles (GB/T 30512-2014)*, the REACH and the RoHS regulations to control hazardous and prohibited substances in electronic and electrical products, so we could improve the safety and quality of our products.

We have established complete product quality and safety assurance mechanisms. Farasis Energy works out big data operation analysis and control strategies based on a big data monitoring platform that is linked with automakers’ data platforms. All of these could help us monitor power batteries status on vehicles, so that we could send warnings to customers to replace batteries for root cause analysis and correction plan development. Now we have built up strategic partnership with the authorised recyclers, which are recognized by Ministry of Industry and Information Technology of China, to recycle the end-of-use batteries, scraps and ternary cathode materials, and create a global model for green recycling of power batteries.

While ensuring product quality and safety, Farasis Energy is also committed to minimize our production impact on environment.

- In terms of materials** We encourage anode material suppliers to use clean energy including wind energy, hydro energy and give full consideration to use recycled material, such as copper foil, aluminum foil, and ternary materials, through these actions to reduce the product carbon emissions.
- In product manufacturing** We improve the energy efficiency of equipments to lower energy consumption.
- In terms of energy structure** We build PV station in our plants, and increase the use of residual heat to reduce carbon emissions.

Case Farasis Energy Released Intelligent Power Battery Health Management Platform

To strengthen battery safety management, enable care-free travel of EV users and realize dynamic monitoring and proactive protection, Farasis Energy has released an intelligent power battery health management platform that combined big data analysis and deep neural network technologies. The platform monitors battery conditions (such as voltage, current, temperature and other parameters) based on real-time data collection and analysis, and establishes a deep neural network prediction model based on massive historical data, thus realizing early risk identification, proactive warning-push and handling, and life-cycle health management of batteries.

Case Farasis Energy Won GAC AION “Excellent Quality Award for 2022”

On January 3rd 2023, the 4th Supply Chain Partners Conference of GAC AION was held at Haikou. Farasis Energy was invited to the conference as a power battery supplier of GAC AION, and won the “Excellent Quality Award for 2022” with our strong research ability and outstanding quality management ability.

In product life-cycle management, we have established a comprehensive Product Life-Cycle Management System and Product Data Management System that cover the process of project management and product design. It will manage all product-related information and processes, and build up a unified and standardized data-sharing and service center to promote business synergy. In addition, we have conducted a life-cycle assessment of product carbon footprint for some production lines in accordance with ISO 14067 standards.

Intellectual Property Management

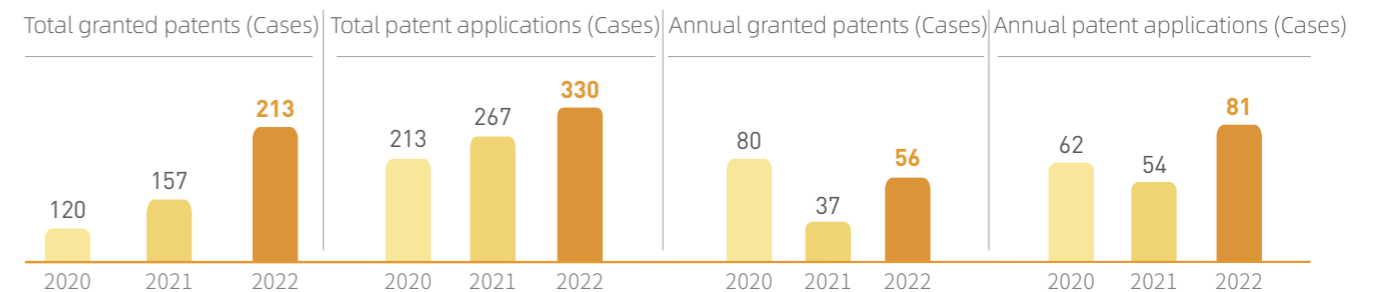
Farasis Energy focuses on patent application in both quantity and quality, and improves trademark registration strategy. We carry out patent risk analysis and investigation for our major products and technologies, and deliver trainings to all employees to raise their awareness of intellectual property management.

Farasis Energy fully respect the intellectual property rights of others, and reinforce intellectual property training in R&D, production and sales. We also proactively protect our intellectual property and takes legal actions against intellectual property infringements.

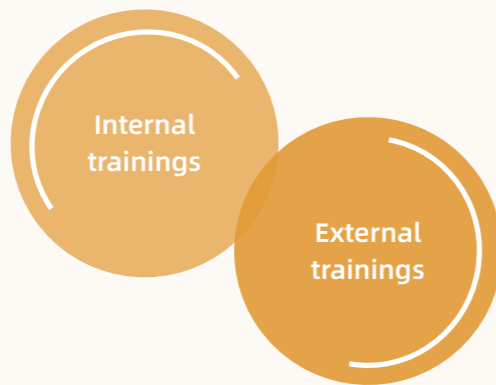
Farasis Energy has developed a series of management regulations including the *Measures for Patent Administration*, the *Management Measures for Classified Review of Patent Applications* and the *Patent Reward Measures*, and established a system of intellectual property management procedures, which promotes orderly and efficient management of intellectual property work.

To enhance patent application quality, Farasis Energy organized several trainings on patent drafting, mining, layout and infringement in 2022. We also have established a sound patent management mode, which increases the patent application efficiency.

To date, we have 213 granted patents, including 50 invention patents (33 domestic patents and 17 U.S. patents), 155 utility model patents and 8 design patents. We have a total of 330 patent applications, including 152 invention patent applications, 170 utility model patent applications and 8 design patent applications.



In 2022, we developed an intellectual property training plan in light of function needs and problems found in previous patent proposals and applications, and organized four intellectual property trainings given by external agencies and internal trainers. The training topics cover the use of the patent proposal system for R&D personnel, basic knowledge of patent application, layout and mining of high-value patents, retrieval and drafting of patent proposals, basic knowledge of patent infringement and case studies. To address the needs of trademark application, use and maintenance, in January 2022, we invited external lawyers to give training on basic knowledge and corporate trademarks protection for relevant functions.



We invite external training agencies to train the patent team on patent retrieval, mining and analysis. We also actively participate in intellectual property training held by government and third-party organizations, including intellectual property training for corporate executives, training on intellectual property protection and patent infringement determination, and intellectual property compliance.

In 2022, Farasis Energy was listed as the 2022 National Intellectual Property Advanced Enterprises by the China National Intellectual Property Administration for our intellectual property management capacity and performance.



Customer Service

Customer Rights Protection

We implement closed-loop management to cover different stages in product sales and after-sales services. Relative functions will be involved to strictly control product quality, satisfy customer needs, and optimize their experiences.

In regards to customer engagement and service, we report the progress of customer complaints on quality and our action plan at weekly meeting and annual quality report meeting, by which to proactively respond their concerns and provide effective solutions to solve the problems.

Proactive Response

Farasis Energy pays high attention to customer complaints. We have launched policies including the *Control Procedure of Customer Complaint*, the *Field Failure Analysis Process* to make sure that we could respond and handle complaints in a normative manner. These policies also will guide relative functions for root-cause analysis, correct action plan development and case closing. In 2022, we analyzed 779 complaints with an actual completion of 758 and closure rate at 97%.

We conduct quarterly satisfaction surveys on our customers, especially the mass vehicle producers to learn their comments and expectations on us. In 2022, all survey scores were above 91, which met our internal requirement as well.



¹ The data covers both Ganzhou and Zhenjiang sites.

05

Responsible Sourcing

Responsible sourcing is a crucial area that we need to make positive impact, we hope to work with ethical and responsible partners to jointly empower better life of mankind.

We insist on working with suppliers who are ethical and willing to make sustainable improvement. In this process, Farasis Energy is open to share our expertise and knowledge to support them. We attach great importance to the conflict minerals and build up complete tracking system to make sure that no minerals in our products come from the conflicted areas.

- CSR Risk Management on Suppliers
- Training and Capacity Building
- Responsible Mineral Management

CSR Risk Management on Suppliers

Complying with global standards and requirements, Farasis Energy integrate CSR into supplier management process, and identify environment protection, human rights and labor, child labor, health and safety, business ethics as key pillars that suppliers need to focus.

First of all, we have released [Farasis Energy Supplier Code of Conduct](#), which covers our ESG requirements for suppliers in respect of human rights and labor, health and safety, environment protection and business ethics, and all suppliers are required to sign the *Supplier Code of Conduct* before entering our supply chain.

Framework of Farasis Energy's Supplier Code of Conduct

 <p>Labor</p>	<ul style="list-style-type: none"> ○ Freedom of Choosing Career ○ Child Labor and Young Workers 	<ul style="list-style-type: none"> ○ Working Hours ○ Wages and Benefits 	<ul style="list-style-type: none"> ○ Discrimination and Harassment ○ Freedom of Association and Collective Bargaining
	<hr/>		
 <p>Health and safety</p>	<ul style="list-style-type: none"> ○ Occupational Safety ○ Emergency Preparedness 	<ul style="list-style-type: none"> ○ Occupational Injuries and Illnesses ○ Industrial Hygiene 	<ul style="list-style-type: none"> ○ Physically Demanding Work ○ Machine Safeguarding ○ Sanitation, Food and Accommodation ○ Communication for Health and Safety
	<hr/>		
 <p>Environment</p>	<ul style="list-style-type: none"> ○ Environmental Permits and Report ○ Pollution Prevention and Resource Conservation 	<ul style="list-style-type: none"> ○ Hazardous Substances ○ Wastewater and Solid Waste 	<ul style="list-style-type: none"> ○ Exhaust Emissions ○ Material Restrictions ○ Storm Water Management ○ Energy Consumption and Greenhouse Gas Emissions
	<hr/>		
 <p>Ethics</p>	<ul style="list-style-type: none"> ○ Corruption, Bribery and Other Illegal Acts ○ Money Laundering ○ Defending Fair Competition 	<ul style="list-style-type: none"> ○ Trade Compliance ○ Disclosure of Information ○ Intellectual Property 	<ul style="list-style-type: none"> ○ Fair Dealing, Advertising and Competition ○ Protection of Identity and Non-Retaliation Policy ○ Responsible Sourcing of Minerals ○ Privacy
	<hr/>		
 <p>Management System</p>	<ul style="list-style-type: none"> ○ Commitment of the Company ○ Management Accountability and Responsibility ○ Legal Requirements and Customer Demands 	<ul style="list-style-type: none"> ○ Risk Assessment and Management ○ Improvement Objectives ○ Training ○ Communication 	<ul style="list-style-type: none"> ○ Employee Feedback and Participation ○ Audits and Assessments ○ Corrective Action Process ○ Documentation and Record ○ Supplier Responsibility

For existing suppliers, we will help them to make continuous improvement through monthly performance monitoring and annual audits. The onsite audit plan will be updated based on the performance review results in last year. The audit frequency is defined as below:



By December 2022, we have completed annual audits of 47 suppliers, with a total number of 504 problems found and 100% of which have been corrected. During the on-site supplier audit, the audit team leader will discuss with suppliers about product quality, industry trends and CSR at the kick-off and close meeting respectively, and communicates with them about our requirements and expectations on them.

For the fair and transparent procurement, we have made written requirements to all suppliers - including anti-corruption, anti-bribery and fair competition to create a transparent and clean sourcing system with our suppliers. In addition, we have established the Bidding Committee to resolutely eradicate potential irregularities in this process.



We also build up a compliance/integrity-related grievance mechanism. All complaints related to responsible sourcing could be made following the grievance process information on our website. The complaint e-mail for supply chain due diligence is Due-Diligence@farasisenergy.com



Case Due Diligence Investigation of Cathode Material Suppliers

Due diligence investigates commercial, reputational, operational and legal risks from the supply chain. It includes child labor, infringement of human rights, corruption and other risks. Moreover, we also identify risks based on complaints and feedback from external stakeholders (government, associations, media, clients and suppliers, etc.)

Currently, our risk identification mainly covers cathode material suppliers. In 2023, we plan to expand the CSR assessment to more than 20 critical suppliers, and the assessment will include human rights and labor, health and safety, environment protection, CSR management system, and business ethics.

Training and Capacity Building

Farasis Energy would like to work with suppliers with common sustainability mindsets, and provide trainings and capacity building for them to support the development.

We aim to find solutions to the problems that faced by all peers, such as low-carbon product footprint and recycled materials. During these processes, we will sign strategic partnership agreements and technology development agreements with suppliers. Meanwhile, we introduce open innovation mechanism and share intellectual properties with them, so as to develop new technology roadmap, planning and producing processes

In addition, we visit suppliers to learn about their awareness on product carbon footprint, corporate carbon emission and the progress to topics including green electricity and recycled materials. As a next step, we will further deliver capacity building program with cathode material suppliers.

Responsible Mineral Management

Farasis Energy uses minerals including nickel, cobalt, manganese, lithium, graphite, copper and aluminum in our production and operation. As one of the global pioneers in the field of clean energy sustainable development, we are fully aware of the potential negative impacts of mining, trading, processing and exporting minerals in conflict-affected and high-risk areas. We are a member of the Responsible Critical Mineral Initiative (RCI, formally known as Responsible Cobalt Initiative), and obliged to take proactive actions with the principles of "reality-based, shared responsibility, continuous improvement, and addressing both manifestation and root causes", and contribute to high-quality development of global critical minerals supply chains. Against this background, Farasis Energy has developed the [Supply Chain Due Diligence Policy](#) and continues to carry out due diligence management of mineral supplies.

Our Supply Chain Due Diligence Policy is compiled by reference to regulations on tungsten, tin, tantalum and gold in conflict areas in the third edition of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance)*, the second edition of the *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains* issued by the China Chamber of Commerce of Metals, Minerals and Chemicals Importers & Exporters (CCCMC) (*Chinese Guidelines*), and the *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

In addition to conduct self-management and clear communication of requirements to our suppliers, this policy has been widely disseminated to more internal and external stakeholders, and could be accessed on our website www.farasis.com.

Due Diligence Management System

During the reporting period, we updated internal management regulations such as the *Due Diligence Management Procedures for Responsible Mineral Supply Chain*, and optimized the due diligence management system. The structure and function of Responsible Sourcing Committee is renewed as well to make it suitable for business development and manage the due diligence more effectively.

Apart from the *Due Diligence Management Procedures*, our key documents about responsible minerals management also include the *Farasis Energy Supplier Code of Conduct* and the *Complaint and Communication Mechanism for Supply Chain Management*. These documents are publicly available on our website and sent to suppliers in written. We also conduct regular trainings on these documents inside our company. In 2022, our due diligence training covered all key departments and positions.

In 2022, we did not receive any complaints from our public complaint and communication channel.

Risk Management and Response

Once the risk is confirmed, a timely report must be made to the Responsible Sourcing Committee on relevant information about high-risk supply chains, real and potential risks.

We will work out and implement a risk mitigation plan according to established due diligence policy and communicate with the suppliers to reach an agreement.

Risk mitigation strategies include continuation of cooperation with measurable risk management; temporary suspension of cooperation while continuously reducing the risks; and termination of cooperation when risk mitigation measures are not feasible or acceptable.

We will continuously monitor the risks and conduct new round of risk assessment when the situation changes.

Risk Identification and Assessment

According to our annual plan, we conducted on-site audits on the key suppliers, in which due diligence assessment is a very important part. In 2022, all cathode material suppliers were reviewed and audited.

Farasis Energy developed CAHRA (Conflict-Affected and High-risk Areas) Identification Procedure and KYS (Know Your Supplier) process to collect information of suppliers in conflict-affected and high-risk areas.

Based on the processes above, we regularly collect supply chain mapping information from suppliers, continuously carries out annual due diligence audit programs, and regularly monitors news media and legal updates from public channels to identify potential risks in the mineral supply chains. In response to identified potential risks, we carry out due diligence investigation to ascertain or mitigate the risks.

Supervision and Audit

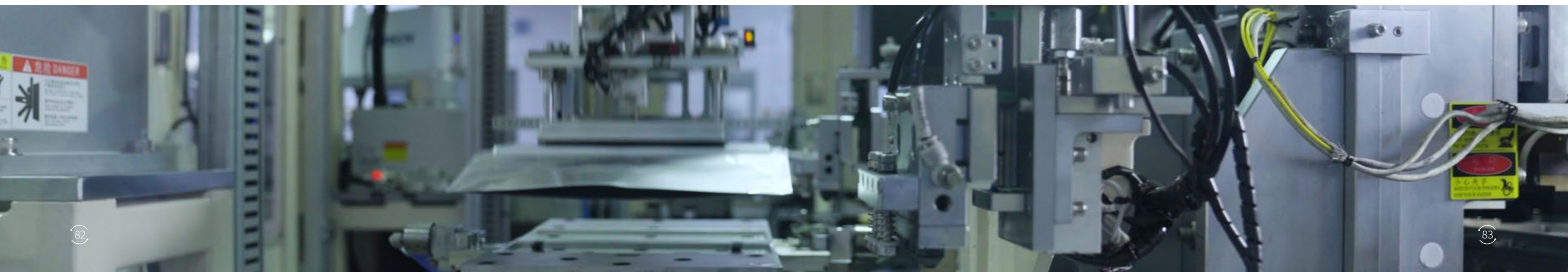
In 2022, Farasis Energy completed and passed all supply chain due diligence audits by external agencies commissioned by our clients.

In accordance with the *OECD Guidance* and the *Chinese Guidelines*, we launched cooperation with external agencies to conduct comprehensive due diligence audits of cobalt and lithium supply chain in 2022. And we plan to audit and communicate with at least 20 key suppliers in the near future.

The audit progress and report are regularly submitted to the Responsible Sourcing Committee. Assisted by professional agencies, we work out improvement plans for audit findings, and continuously track the closure of corrective actions. By the end of 2022, we found no major issues involving child labor, inhumane treatment, forced labor, armed conflict, or ecological damage.

The annual audit programs mentioned above are also used to establish and improve supply chain transparency for critical materials.

Records and reports relating to responsible mineral due diligence investigation will be kept for at least five years for properly using, and securely stored in our internal database.



06

Corporate Citizenship

- Community Charity

Community Charity

Caring for Left-behind Children

Farasis Energy cares much for the left-behind children and carries out charity activities consistently for a long time.

On April 30th 2022, the Party branch and Labor Union launched a "Children's Love Harbor" program with a donation of CNY 60 thousand to offer free after-school tutoring and psychological service to children in Xiejiao Village, Sanjiang Town, Ganzhou Economic and Technological Development Zone.

On the occasion of "Children's Day" on June 1st 2022, Farasis Energy donated stationery and gift bags to the left-behind children in Xiejiao village at Sanjiang town. At "Tongxin Bay", communist party members and volunteers from Farasis Energy have accompanied some children to complete the kite DIY (Do-It-Yourself) and send them fly. Our volunteers visited Emei Elementary School in Ganzhou Economic and Technological Development Zone as well.

We have aided two left-behind children in Huangsha Village, Gan County with approximately CNY 10 thousand each year for five years.

Case

Farasis Energy Caring for Left-behind Children Activity

To strengthen caring and protection for left-behind children and create a warm and cheerful environment for them, the Party branch and volunteers launched a caring for left-behind children activity at the "Children's Love Harbor" in Xiejiao Village, Sanjiang Town, Ganzhou Economic and Technological Development Zone. In this activity, the left-behind children had a fun class, wrote letters to their parents, described their dreams, and made paper airplanes. Having few opportunities to communicate face-to-face with their parents, they wrote what they wanted to say in letters with plain sentences, pinyin and hand-drawing. At the end of the activity, they flew the paper airplanes they made from the letters, hoping the airplanes could bring their words to their parents.



Support Education

A nation will prosper only when the youth thrive. Farasis Energy actively launch charitable activities to help students in need.

Case Farasis Energy Cares for the Youth

On August 29th 2022, Sanjiang Town held the Conference for the Establishment of Sanjiang Town Education Assistance Association and the 2022 Scholarships and Student Grants Conference, to establish a civilized fashion in which teachers are respected, education is valued. At the activity, CNY 154.8 thousand of scholarships and student grants were distributed to 115 students. Farasis Energy contributed half of the amount, which was CNY 77.4 thousand, and received a honor of "2022 Education Supporting Charity Enterprise" from the local government of Sanjiang Town and "Donation for Education with Selfless Love" awarded by the chairman of Sanjiang Town Education Assistance Association.

With Party members taking the lead, our employees actively join the volunteer team to exercise the spirit of "dedication, friendship, mutual assistance and progress", through which to demonstrate our dedication and commitment as a good corporate citizen.

Employee Volunteering

Case Our Volunteer Services

Farasis Energy is committed to promoting positive energy and creating a volunteering atmosphere. In the afternoon of January 27th 2022, two volunteer teams of our Party branch and Labor Union at Ganzhou and Zhenjiang respectively visited Jiangxi Lantian Luzhiyou Sanitation Equipment Technology Co., Ltd. and Zhenjiang New Area Xingrui Home-based Care for the Aged Service Center. The volunteers learned about the living condition of front-line sanitation workers and the seniors without a family, and sent Spring Festival gifts and greetings to them, which made them feel warm in the winter and at the Spring Festival.



Case Heart-warming Charitable Event by Female Employees

On the morning of January 24th 2022, in response to the urge from the Women's Federation of Ganzhou Economic and Technological Development Zone, the Women's Committee at Farasis Energy organizes a dedicated charitable event for women with breast and cervical cancers - together with the district Women's Federation. Two volunteer teams have formed to deliver seasonal greetings and offerings, covering eight poverty families of women patients who suffered aforesaid two cancers in Hubian, Panlong, Fenggang, Sanjiang, Yangkeng as well as other areas of Ganzhou Economic Development Zone.

Rural Revitalization

To respond to the charity fundraising initiative of "One Heart for Common Prosperity" by the United Front Work Department of the Zhenjiang Municipal Committee of the Communist Party of China, and serve rural revitalization, Farasis Energy participated in Tencent's 99 Giving Day in Jiangsu online and donated CNY 30 thousand on September 9th 2022. That day, we visited Zhenjiang New Area Xingrui Home-based Care for the Aged Service Center with tailor-made Mid-autumn Day gift packages.

To support poverty relief, we have set up employment assistance workshops. In 2022, we helped 14 needy families (offering 14 jobs), and donated materials worth more than CNY 1.25 million (including salary, five insurances and one fund, and benefits for Spring Festival, Dragon Boat Festival and Mid-autumn Day to the recipients).

External donation

Monetary
 2022 **162.2** thousand CNY

Non-monetary
 (Goods or Materials)
 2021 **21** thousand CNY
 2022 **120** thousand CNY

Rural revitalization

Monetary
 2021 **1,000** thousand CNY
 2022 **1,280** thousand CNY

Non-monetary
 (Goods or Materials)
 2021 **16** thousand CNY
 2022 **419** thousand CNY

Support for employment
 2021 **16** persons
 2022 **14** persons

Employee volunteers

Volunteer activities
 2021 **7** sessions
 2022 **8** sessions

Employees participating
 in volunteer activities
 2021 **53** person times
 2022 **59** person times

GRI Standards Index

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find	
General Disclosures	2-1	Organizational details	A Global Leader in Power Batteries	
	2-2	Entities included in the organization's sustainability reporting	A Global Leader in Power Batteries	
	2-3	Reporting period, frequency and contact point	About this Report	
	2-4	Restatements of information	--	
	2-5	External assurance	--	
	2-6	Activities, value chain and other business relationships	A Global Leader in Power Batteries	
	2-7	Employees	SDG-8, SDG-10	Employee Development
	2-8	Workers who are not employees	SDG-8	Responsible Sourcing
	2-9	Governance structure and composition	SDG-5, SDG-16	Governance and Operation
	2-10	Nomination and selection of the highest governance body	SDG-5, SDG-16	Governance and Operation
	2-11	Chair of the highest governance body	SDG-16	Governance and Operation
	2-12	Role of the highest governance body in overseeing the management of impacts	SDG-16	Governance and Operation
	2-13	Delegation of responsibility for managing impacts		Governance and Operation
	2-14	Role of the highest governance body in sustainability reporting		Governance and Operation
	2-15	Conflicts of interest	SDG-16	Stakeholders Engagement
	2-16	Communication of critical concerns	SDG-16	Stakeholders Engagement
	2-17	Collective knowledge of the highest governance body		ESG Strategy and Governance
	2-18	Evaluation of the performance of the highest governance body		--
	2-19	Remuneration policies		--
	2-20	Process to determine remuneration		--
	2-21	Annual total compensation ratio		--
	2-22	Statement on sustainable development strategy		ESG Strategy and Governance
	2-23	Policy commitments		Governance and Operation
	2-24	Embedding policy commitments		--
	2-25	Processes to remediate negative impacts		Governance and Operation
	2-26	Mechanisms for seeking advice and raising concerns	SDG-16	Governance and Operation
	2-27	Compliance with laws and regulations		Governance and Operation
	2-28	Membership associations		--
	2-29	Approach to stakeholder engagement		ESG Strategy and Governance
	2-30	Collective bargaining agreements	SDG-8	Employee Development

GRI Standard Indicator Contents			Sustainable Development Goals	Where to Find
Material Topics	3-1	Process to determine material topics		ESG Strategy and Governance
	3-2	List of material topics		ESG Strategy and Governance
	3-3	Management of material topics		ESG Strategy and Governance
Economic Performance	201-1	Direct economic value generated and distributed	SDG-8, SDG-9	Farasis Energy in 2022
	201-2	Financial implications and other risks and opportunities due to climate change	SDG-13	Green Development
	201-3	Defined benefit plan obligations and other retirement plans		Employee Development
	201-4	Financial assistance received from government		--
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	SDG-1, SDG-5, SDG-8	--
	202-2	Proportion of senior management hired from the local community	SDG-8	Employee Development
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	SDG-5, SDG-9, SDG-11	Employee Development
	203-2	Significant indirect economic impacts	SDG-1, SDG-3, SDG-8	--
Procurement Practices	204-1	Proportion of spending on local suppliers	SDG-8	Responsible Sourcing
Anti-corruption	205-1	Operations assessed for risks related to corruption	SDG-16	Governance and Operation
	205-2	Communication and training about anti-corruption policies and procedures	SDG-16	Governance and Operation
	205-3	Confirmed incidents of corruption and actions taken	SDG-16	Governance and Operation
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	SDG-16	Governance and Operation
Tax	207-1	Approach to tax	SDG-1, SDG-10, SDG-17	Governance and Operation
	207-2	Tax governance, control, and risk management	SDG-1, SDG-10, SDG-17	Governance and Operation
	207-3	Stakeholder engagement and management of concerns related to tax	SDG-1, SDG-10, SDG-17	Governance and Operation
	207-4	Country-by-country reporting	SDG-1, SDG-10, SDG-17	--
Materials	301-1	Materials used by weight or volume	SDG-8, SDG-12	Green Development
	301-2	Recycled input materials used	SDG-8, SDG-12	Green Development
	301-3	Reclaimed products and their packaging materials	SDG-8, SDG-12	Green Development
Energy	302-1	Energy consumption within the organization	SDG-7, SDG-8, SDG-12, SDG-13	Green Development
	302-2	Energy consumption outside of the organization	SDG-7, SDG-8, SDG-12, SDG-13	Green Development
	302-3	Energy intensity	SDG-7, SDG-8, SDG-12, SDG-13	Green Development
	302-4	Reduction of energy consumption	SDG-7, SDG-8, SDG-12, SDG-13	Green Development
	302-5	Reductions in energy requirements of products and services	SDG-7, SDG-8, SDG-12, SDG-13	Green Development

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find	
Water and Effluents	303-1	Interactions with water as a shared resource	SDG-6、SDG-12	Green Development
	303-2	Management of water discharge-related impacts	SDG-6	Green Development
	303-3	Water withdrawal	SDG-6	Green Development
	303-4	Water discharge	SDG-6	Green Development
	303-5	Water consumption	SDG-6	Green Development
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	SDG-6、SDG-14、SDG-15	--
	304-2	Significant impacts of activities, products and services on biodiversity	SDG-6、SDG-14、SDG-15	--
	304-3	Habitats protected or restored	SDG-6、SDG-14、SDG-15	--
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	SDG-6、SDG-14、SDG-15	--
Emissions	305-1	Direct (Scope 1) GHG emissions	SDG-3、SDG-12、SDG-13、SDG-14、SDG-15	Green Development
	305-2	Energy indirect (Scope 2) GHG emissions	SDG-3、SDG-12、SDG-13、SDG-14、SDG-15	Green Development
	305-3	Other indirect (Scope 3) GHG emissions	SDG-3、SDG-12、SDG-13、SDG-14、SDG-15	Green Development
	305-4	GHG emissions intensity	SDG-13、SDG-14、SDG-15	Green Development
	305-5	Reduction of GHG emissions	SDG-13、SDG-14、SDG-15	Green Development
	305-6	Emissions of ozone-depleting substances (ODS)	SDG-3、SDG-12	--
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	SDG-3、SDG-12、SDG-14、SDG-15、	Green Development
Waste	306-1	Waste generation and significant waste-related impacts	SDG-3、SDG-6、SDG-11、SDG-12	Green Development
	306-2	Management of significant waste-related impacts	SDG-3、SDG-6、SDG-8、SDG-11、SDG-12	Green Development
	306-3	Waste generated	SDG-3、SDG-6、SDG-11、SDG-12、SDG-15	Green Development
	306-4	Waste diverted from disposal	SDG-3、SDG-11、SDG-12	Green Development
	306-5	Waste directed to disposal	SDG-3、SDG-6、SDG-11、SDG-12、SDG-15	Green Development
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria		Responsible Sourcing
	308-2	Negative environmental impacts in the supply chain and actions taken		Responsible Sourcing
Employment	401-1	New employee hires and employee turnover	SDG-5、SDG-8、SDG-10	Employee Development
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SDG-3、SDG-5、SDG-8	Employee Development
	401-3	Parental leave	SDG-5、SDG-8	--

GRI Standard Indicator Contents		Sustainable Development Goals	Where to Find	
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	SDG-8	--
	403-1	Occupational health and safety management system	SDG-8	Employee Development
Occupational Health and Safety	403-2	Hazard identification, risk assessment, and incident investigation	SDG-8	Employee Development
	403-3	Occupational health services	SDG-8	Employee Development
	403-4	Worker participation, consultation, and communication on occupational health and safety	SDG-8、SDG-16	Employee Development
	403-5	Worker training on occupational health and safety	SDG-8	Employee Development
	403-6	Promotion of worker health	SDG-3	Employee Development
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SDG-8	Employee Development
	403-8	Workers covered by an occupational health and safety management system	SDG-8	Employee Development
	403-9	Work-related injuries	SDG-3、SDG-8、SDG-16	Employee Development
	403-10	Work-related ill health	SDG-3、SDG-8、SDG-16	Employee Development
	Training and Education	404-1	Average hours of training per year per employee	SDG-4、SDG-5、SDG-8、SDG-10
404-2		Programs for upgrading employee skills and transition assistance programs	SDG-8	Employee Development
404-3		Percentage of employees receiving regular performance and career development reviews	SDG-5、SDG-8、SDG-10	Employee Development
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	SDG-5、SDG-8	Employee Development
	405-2	Ratio of basic salary and remuneration of women to men	SDG-5、SDG-8、SDG-10	--
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	SDG-5、SDG-8	Employee Development
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	SDG-8	--
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	SDG-5、SDG-8、SDG-16	Employee Development
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	SDG-5、SDG-8	Responsible Sourcing
Security Practices	410-1	Security personnel trained in human rights policies or procedures	SDG-16	Employee Development
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	SDG-2	--
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs		Corporate Citizenship
	413-2	Operations with significant actual and potential negative impacts on local communities	SDG-2	Corporate Citizenship
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	SDG-5、SDG-8、SDG-16	Responsible Sourcing
	414-2	Negative social impacts in the supply chain and actions taken	SDG-5、SDG-8、SDG-16	Responsible Sourcing
Public Policy	415-1	Political contributions	SDG-16	--
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories		Product and Innovation
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	SDG-16	Product and Innovation
Marketing and Labeling	417-1	Requirements for product and service information and labeling	SDG-12	Product and Innovation
	417-2	Incidents of non-compliance concerning product and service information and labeling	SDG-16	Product and Innovation
	417-3	Incidents of non-compliance concerning marketing communications	SDG-16	Product and Innovation
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SDG-16	Product and Innovation



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