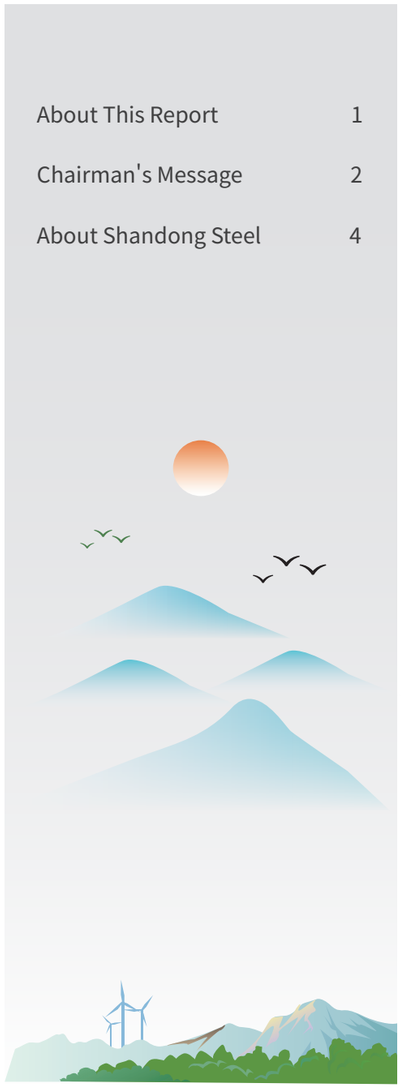
山钢股份
SD STEEL

2025

Sustainability Report

Shandong Iron and Steel Co., Ltd.

Contents



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About This Report

Shandong Steel Co., Ltd. Sustainability Report systematically discloses the Company's philosophy, initiatives, practices, and performance in environmental, social, and governance matters for 2025.

Reporting Entity and Scope

This Report refers to Shandong Steel Co., Ltd., which includes its subsidiaries, branch companies, directly affiliated institutions, and affiliated plants. On October 24, 2025, the Company's Eighth Board of Directors held its Seventeenth Meeting and approved the resolution to acquire 100% equity stake in Laiwu Steel Group Yinshan Profile Steel Co., Ltd., with equity transfer completed on November 1, 2025. 2025 data includes Laiwu Steel Group Yinshan Profile Steel Co., Ltd. For convenience of expression and reading, "Shandong Steel Co., Ltd." is also referred to in this Report as "Shandong Steel," "the Company," or "we;" "Laiwu Steel Group Yinshan Profile Steel Co., Ltd." is referred to as "Yinshan Profile Steel;" "Shandong Iron and Steel Group Co., Ltd." is referred to as "SD STEEL" or "the Group."

Reporting Period

This Report covers the period from January 1, 2025 to December 31, 2025. To ensure data continuity and comparability of trends, portions of the content extend beyond this timeframe.

Publication Cycle

This Report is an annual report, generally released by April 30 of the following year. Since 2010, the Company has released annual Social Responsibility Reports. In 2022, the Report was renamed to "Social Responsibility and ESG Report," and in 2024 it was further renamed to "Sustainability Report." The Company has continuously released Social Responsibility Reports / ESG Reports / Sustainability Reports for 16 consecutive years.

Data Sources

All data contained in this Report originate from official documents and statistical reports of Shandong Iron and Steel Co., Ltd. This report is published in both Chinese and English versions. In the event of any discrepancy, the Chinese version shall prevail.

Preparation Basis

- Global Sustainability Standards Board "GRI Standards for Sustainability Reporting" (GRI Standards)
- United Nations 2030 Sustainable Development Goals (SDGs)
- State-owned Assets Supervision and Administration Commission of the State Council "ESG Special ReportCompilation Study for State-owned Enterprise Controlled Listed Companies"
- Guidelines No. 4 of Shanghai Stock Exchange for Self-Discipline Supervision—Compilation of Sustainability Report
- Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)
- Shanghai Stock Exchange "Sustainability Development Report Compilation Guide for Listed Companies"
- Shandong Province "ESG Indicator System Work Guide for State-owned Controlled Listed Companies" (LuGuozi Shouyi [2024] No. 3)
- "Chinese Enterprise Sustainable Development Report Guide (CASS-ESG 6.0)"
- Guidelines for the Special Report on Environment, Society and Governance (ESG) for Iron and Steel Enterprises by the China Iron and Steel Association

Report Availability

You can search for Shandong Steel (Stock Code: 600022) announcements on the Shanghai Stock Exchange website http://www.sse.com.cn, or query and download this Report on the "Listed Companies - Shandong Steel (600022.SH)" column at http://www.shansteelgroup.com, the Shandong Iron and Steel Group Co., Ltd. website.

Chairman's Message

In 2025, faced with a complex and volatile market environment and multiple internal and external challenges, Shandong Steel adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully, accurately and comprehensively implemented the new development philosophy, firmly seized the important opportunities of strong support from Shandong Iron and Steel Group for its core business and integrated collaborative support from Baoshan Iron & Steel Co., Ltd. The Company accelerated reform to strive for survival, deepened benchmarking to identify gaps, strengthened team-based tackling of difficulties, and made targeted efforts along the five main lines of improving efficiency, reducing costs, expanding markets, adjusting structure and strengthening coordination. Key reforms achieved remarkable results, operating performance improved significantly, and a steady and positive development momentum was maintained.

Strengthening governance to build a solid foundation. The Company upheld Party-building leadership in driving development, steadily converting the political strengths of Party-building into governance effectiveness and development momentum. Anchored in our strategic positioning, we pursued scientific planning of management and operations, optimized the governance framework, and standardized decision-making processes. We continued to advance the standardization and diversification of the Board of Directors, deepened ESG governance practices, and fully safeguarded the legitimate rights and interests of all stakeholders. By adhering to the rule of law in corporate management and holding firm to the baseline of compliant operations, the modernization of our governance system and capabilities continued to improve.

Deepening reform to unlock new capabilities. The "1+6+N" system transformation was further implemented, achieving breakthroughs in key areas and continuously refining a modern organizational and institutional framework characterized by "centralized consistency, streamlined structure, efficient processes, and clear responsibilities." New business models for value creation operated with high quality and efficiency, the R&D system reform accelerated, manufacturing processes were deeply optimized, and the specialized integration of energy and utilities advanced steadily. The vitality of all employees in value creation was fully unleashed, overall operational quality and efficiency improved comprehensively, and core competitiveness continued to strengthen.

Dual breakthroughs in green and smart development. Upholding the philosophy of "Low-Carbon, Clean, Green Shandong Steel," the Company empowered its transformation and high-quality development through green, digital, and intelligent initiatives. A routine management and control mechanism for ultra-low emissions was established, consolidating and enhancing the Grade-A Environmental Performance rating across all operations. The pursuit of ultimate energy efficiency deepened, with self-generated electricity at Steel City Base rising steadily and Rizhao Base earning the national-level "Leader" title for energy efficiency in the steel industry.The carbon management system was strengthened to promote the application of proven carbon reduction technologies, and AI-powered smart management was advanced to empower industrial operations, fully tapping the profit potential of production lines and products, and actively cultivating new quality productive forces, with 20 "AI + Steel" application projects deployed across both bases.

Technological innovation as a driving force. Guided by the development principles of "high-end, high-efficiency, intelligence, and green practices" and with value creation as the core objective, the Company built a technology innovation management system featuring clear accountability, collaborative sharing, efficient operations, and dynamic vitality. Intellectual property lifecycle management was strengthened to continuously enhance the contribution of technological innovation to enterprise value. R&D efforts focused on core process bottlenecks such as smooth on-site operations, cost improvement, and quality stability. By precisely aligning with the practical needs of "the shop floor and the marketplace," the Company concentrated superior resources on key markets, continuously refined product varieties, strengthened brand presence, and drove products toward premium positioning and deeper penetration of niche markets.

Building a nest to attract talent. Focused on enhancing the quality and effectiveness of talent management, the Company continued to improve talent development mechanisms, driving continuous gains in human resource allocation efficiency and talent capital effectiveness. Emphasizing a "high-caliber, precision-focused, urgently needed" orientation, the Company prioritized the recruitment of critically needed talent in key fields, targeted national and provincial talent programs to broaden selection scope and horizons, and established an "industry-academia-research-application" collaborative training mechanism to deepen the development of highly skilled talent. The "Health Protection, Union Companionship" employee wellness initiative was vigorously implemented, and the "universal coverage plus targeted precision" care system became more refined, enriching employees' sense of belonging and fulfillment.

Joining hands to write a new chapter. We further advance the integration and restructuring of the steel sector to enhance asset value creation capabilities, vigorously advance intelligent manufacturing, empower industrial operations with artificial intelligence, fully tap the profit potential of production lines and products,actively foster new quality productive force promote strategic cooperation in all dimensions, and actively improve the industrial and ecological chains. We actively advance market value management to boost both the quantity and quality of corporate value, and effectively safeguard the rights and interests of shareholders and stakeholders. With firm confidence,steadfast resolve, strengthened actions, and joint efforts, we will together write a new chapter of high-quality development for Shandong Steel.

2026 marks the first year of the "15th Five-Year Plan" and also a critical year for the steel industry to undergo in-depth adjustment, optimization, and accelerated transformation and upgrading. Shandong Steel will continue to persist in the "Five Orientations" (Differentiation, High-end development, Green development, Intelligent development, People-or iented development) development direction and (production based on orders, output with marginal contribution, profits supported by cash flow, revenue driven by profits) of operations, deepen transformation and survival, vigorously enhance manufacturing capacity, product operational capability, and value creation ability, promote continuous improvement in operational performance, and achieve a good start for the "15th Five-Year Plan."

About Shandong Steel

Shandong Steel carries forward its original intention and mission of "steel for national benefit and steel for national strength," rooted in Shandong province, serving the whole nation, with eyes on the world, standing at the forefront, turning challenges into opportunities, advancing steadily amid stability, developing through reform, breaking through in adversity, and growing through innovation. The Company has explored a new development path characterized by green, intelligent, and low-carbon development, carving out a high-quality development route that adapts to the trends of the era, suits the Company's reality, and embodies innovative vitality.

Company Overview

Has successively won the following honors

- National Environmentally Friendly Enterprise
- National Model Unit for Afforestation
- National Pilot Demonstration Enterprise for Integration of Informatization and Industrialization to Promote Energy Conservation and Emission Reduction
- Top 10 Enterprises in National Resource Comprehensive Utilization
- Clean Production and Environmentally Friendly Enterprise in China's Iron and Steel Industry
- Green Factory

Shandong Steel is headquartered in Gangcheng District, Jinan City, Shandong Province, and is a state-owned controlled large-scale integrated steel enterprise. In December 2011, SD STEEL implemented an integration of its two steel listed subsidiaries—Jinan Iron and Steel Company Limited (Jigang) and Laiwu Steel Company Limited (Laigang exchanged shares to merge into Jigang); in February 2012, the Company's name was changed to "Shandong Steel Co., Ltd.," and in March 2012, the stock symbol was changed to "Shandong Steel" (Stock Code: 600022). In December 2023, China Baowu strategically invested in SD STEEL (holding 49% stake), and Baosteel strategically invested in Shandong Iron & Steel Rizhao Co., Ltd. (holding 48.6139% stake), forming a "dual participation" operating model where China Baowu participated in SD STEEL and Baosteel participated in Rizhao operations. In November 2025, the Company completed the acquisition of 100% equity stake in Laiwu Steel Group Yinshan Profile Steel Co., Ltd.

Shandong Steel operates two major steel production bases—Steel City Base in Jinan and Rizhao Coastal Base—forming five major product lines: plate, hot and cold rolled products, section steel, special steel, and construction steel. The Company's products are applied in advanced equipment, marine engineering, rail transportation, home appliances, petrochemical equipment, engineering machinery, automotive manufacturing, and other key sectors, and is a nationally recognized production base for medium-heavy plate materials, gear steel, and H-beam steel. The Company possesses a complete integrated production process covering raw materials, coking, sintering, pelletizing, ironmaking, steelmaking, and steel rolling. Overall equipment levels are comparatively advanced, including: 2 x 5,100 m^3 blast furnaces, 1 x 3,800 m^3 blast furnace, 4 x 210-tonne converters, 2 x 4,300 mm plate production lines, 1 x 3,500 mm steckel mill, 1 x 2,050 mm hot rolling line, 1 x 2,030 mm cold rolling line, large and medium special steel bar production lines, H-beam production lines, and other process equipment, all reaching nationally leading levels.

The Company upholds advance planning, precise positioning and acting in accordance with the trend, actively advances the development of informatization, intelligentization and greening, empowers traditional industries with advanced technologies including artificial intelligence, vigorously promotes the transformation to smart manufacturing, and integrates information technologies such as one-click steelmaking, remote operation and maintenance and industrial robots with industrial development and corporate governance. Adhering to the concept of attaching equal importance to developing circular economy and advancing energy conservation and emission reduction through science and technology, the Company further strengthens structural energy conservation, technological energy conservation and management energy conservation through technological innovation, deepens the cascade utilization and circular utilization of resources, and achieves remarkable results in energy conservation, emission reduction and circular economy. The main entities of the Company have successively received a number of honors including "National Environmentally Friendly Enterprise, ""National Model Unit for Afforestation, ""National Pilot Demonstration Enterprise for Integration of Informatization and Industrialization to Promote Energy Conservation and Emission Reduction, ""Top Ten National Enterprises for Comprehensive Utilization of Resources, ""Environmentally Friendly Enterprise for Clean Production in China's Iron and Steel Industry "and "Green Factory". Meanwhile, the Company has been selected as one of the first batch of national circular economy pilot enterprises, national water-saving benchmark enterprises, the first batch of "Dual-Carbon" Best Practice Energy Efficiency Benchmark Demonstration Factory Cultivation Enterprises by China Iron and Steel Industry Association, and Shandong Province Grade-A Environmental Performance Enterprise (all regions), with its sustainable development capacity continuously improved.

Principal Business

Driven by scientific and technological innovation, Shandong Steel is committed to building efficient and comprehensive integrated solutions for steel materials. Focusing on five core products, namely section steel, plate, hot and cold rolled products, special steel and construction steel, the Company continuously strengthens the upgrading and innovation of steel materials. As an important steel production base in China, the Company's products feature high standards, high technological content and environmental friendliness with outstanding comparative advantages, high market recognition and strong core competitiveness, and have won numerous national and industrial awards. The Company devotes itself to the research and development of high-performance steel materials, and has successfully made technological breakthroughs in key products such as hot-rolled coils of large-deformation-resistant pipeline steel and hot-rolled dual-phase steel for automobiles, filling industry gaps and promoting products toward high-end development. The products are widely used in automobiles, petroleum, railways, highways, bridges, construction, electric power, machinery, shipbuilding, home appliances and other fields, and are exported to dozens of countries and regions around the world.

Product Application Areas

Historical Milestones

2025 (11)

November 2025: The acquisition of 100% equity in Laiwu Steel Group Yinshan Profile Steel Co., Ltd. was completed.

2023 (10)

December 2023: China Baowu made a strategic investment in SD STEEL, acquiring a 49% stake; Baosteel acquired a 48.6139% stake in Shandong Iron & Steel Rizhao Co., Ltd., inaugurating the "Double Participation" operating model.

2021 (09)

November 2021: The 32.26% equity stake held by major shareholder Jigang Group was transferred without consideration to SD STEEL.

2019 (08)

The Rizhao High-End Steel Production Base was fully put into operation, and the Laiwu Branch launched the systematic optimization, upgrading and transformation for the transformation of old and new growth drivers.

2017 (07)

July 2017: All steel production lines at Jigang were permanently shut down.

2013 (06)

March 2013: The National Development and Reform Commission approved the Rizhao High-End Steel Production Base project.

2012 (05)

February 27, 2012: The Company was renamed "Shandong Iron and Steel Co., Ltd."

2011 (04)

December 30, 2011: The Company completed the absorption and merger of Laigang.

2006 (03)

April 24, 2006: The split share structure reform was completed.

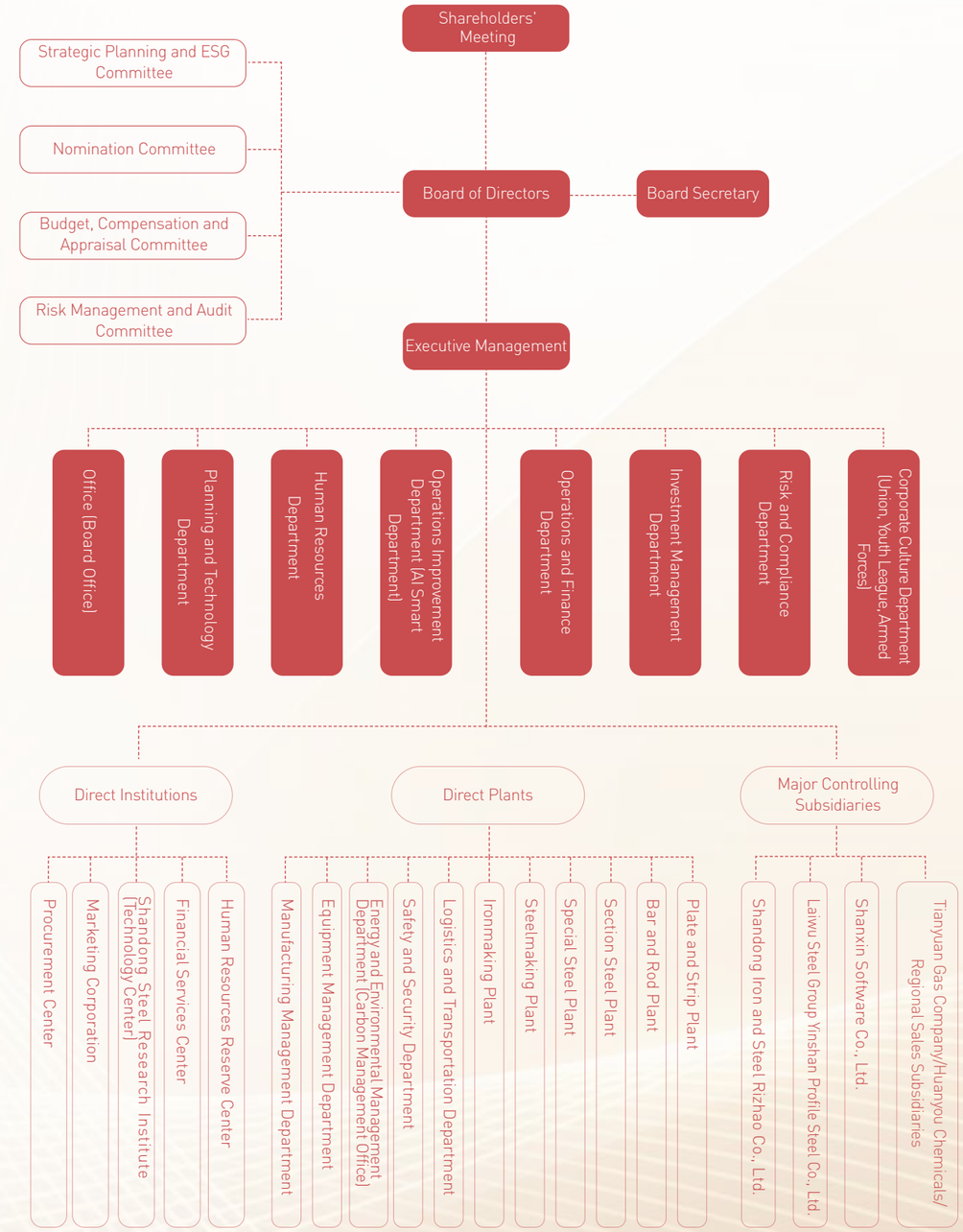
2004 (02)

June 29, 2004: The Company was listed on the Shanghai Stock Exchange.

2000 (01)

December 29, 2000: The Company was incorporated and registered.

Organizational Structure[1]



[1] Organization structure as at 31 December 2025

Corporate Culture

Vision
Building the most competitive steel enterprise in northern China

Mission
Contributing new momentum to the construction of a steel ecosystem and providing strong support for high-quality development of the manufacturing industry

Core Values
Co-creation, Co-progress, Co-win

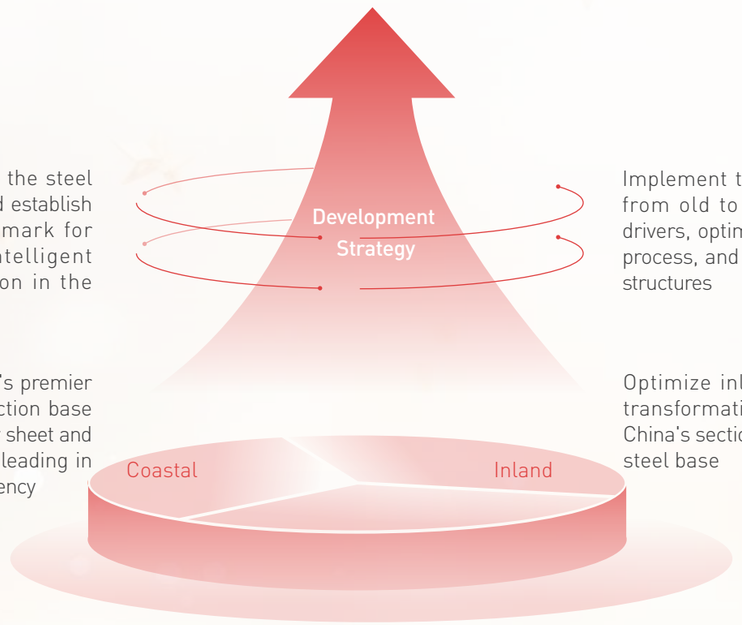
Business Philosophy
Excellent products win markets, integrity creates the future

Shandong Steel Spirit
Trust is constant as mountains, innovation transcends limits

Development Strategy

Integrate into the steel ecosystem and establish a new benchmark for green and intelligent transformation in the steel industry

Implement the transition from old to new growth drivers, optimizing energy, process, and technological structures



Develop China's premier coastal production base for high-quality sheet and coil products, leading in scale and efficiency

Optimize inland product transformation and build China's section and special steel base

Implement the new development concept, setting a model for green urban steel mill development

Recognition and Honors

ESG Ratings

- 2024-2025 China Iron and Steel Enterprise ESG Rating: AAA
- 2025 China Iron and Steel Enterprise ESG Rating: AAA
- Wind ESG Rating: AA
- Sino-Securities Index ESG: AA

Awards and Honors

- Won the "2025 Best Practice Case in Sustainable Development for Listed Companies" by China Listed Companies Association
- Won the "2025 Best Practice in Board Office Construction for Listed Companies" by China Listed Companies Association
- Won the "2025 A-Share Listed Companies ESG Excellence TOP 100" by Sino-Securities Index
- Won the Shandong Province's "May lst Labor Award"
- "Research and Application of Blast Furnace Stockline Charging Process Optimization Based on Discrete Element Method "won the Second Prize of Shandong Intelligent Manufacturing Competition
- Rizhao Base was selected into the 2025 National Key Industry Energy Efficiency "Leader "List, recognized as an Excellent-level Smart Factory, and included in the first batch of Environmental Facility Opening Units

01 Governance

Party-building Leadership

Corporate Governance

ESG Governance

Business Ethics

Compliance and Risk Management

Tax Management

Shandong Steel adheres to the concept of sustainable development, integrating ESG management into its entire business process. With Party-building leadership as the core, and corporate governance, compliance and risk control, tax management as priorities, the Company improves its sound and steady operation system by strengthening shareholder value management, perfecting stakeholder communication mechanisms, and building a strong line of defense for business ethics, so as to support the high-quality development of the Company.

Party-Building Leadership

Shandong Steel consistently upholds Party leadership as the "foundation" and "soul" of enterprise development. Guided by "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era", the Company earnestly implements "the spirit of the 20th Party National Congress and all subsequent plenums". Maintaining "two consistent principles" and achieving "two deep integrations," Party committees fully exercise their role in setting direction, managing the overall situation, and ensuring implementation. The Company leads high-quality development through high-quality Party-building.

◎ Political Leadership

The Company always prioritizes political development, firmly establishing the political identity that "state-owned enterprises serve the Party." The Company strictly implements the "first agenda" system, aligning political direction and enhancing political capability through studying the Party's innovative theories, firmly upholding "two establishments," and resolutely achieving "two safeguards." The Company conducts high-standard study and education on implementing "the spirit of the Central Committee's eight-point decision", The Company decisively implements superior decision-making and deployment, innovatively building a "1+4+N" three-dimensional supervision model and establishing a "one-matter-one-document, time-limited feedback, dynamic tracking" work mechanism. The Company bridges the "last mile" in implementation and ensures that superior decisions are faithfully executed without deviation or distortion.

◎ Ideological Excellence

Party organizations at all levels of the Company make full use of the theoretical study group sessions and the "First Agenda" study to conduct comprehensive, systematic, timely, in-depth and practice-oriented learning, and consciously arm the mind and guide practice with the Party's innovative theories. Taking the education on implementing the spirit of the Eight-Point Decision of the Central Committee as an important starting point to deepen the Party's work style and promote comprehensive and strict Party governance, the Company insists on leading bodies taking the lead in learning, carries out thematic study seminars and warning education, and advances learning, inspection and rectification in an integrated way to ensure quality learning, rigorous inspection and effective rectification. Party members and cadres have firmer ideals and beliefs, stronger awareness of discipline and more steadfast work style.

◎ Institutional Consolidation

The Company continuously improves its Party-building system, clearly defining the scope of matters subject to the Three Importance and One Majority decision-making system implementing pre-discussion by Party committees on major issues and checklist-based management of important matters, and strictly enforcing the system for reporting major issues. The Company has comprehensively implemented "Party-building inclusion in the Articles of Incorporation" across the Company and its subsidiaries, clarifying Party organizations' duties, authority, institutional structure, operating mechanisms, and fundamental safeguards. This has further solidified the legal position of Party organizations in the Company's governance structure.

◎ Organizational Strengthening

The Company places high importance on strengthening primary-level Party organization development, with Party organizations' political and organizational functions continuously enhanced. The Company continuously improves integrated top-down, tightly organized, and forcefully implemented organizational systems, establishing regular guidance and inspection mechanisms for primary-level Party-building work and a monthly key work list advancement mechanism. Through deepening "Five-Heart Four-Modernization" Party-building brand development, the Company integrates Party-building work with production and operations, forming a "one Party committee, one characteristic, one branch, one brand" primary-level Party-building work pattern. The Company builds a "1+N+X" brand matrix, upgrading Party-building brands from "quantitative accumulation" to "quality enhancement" and from "scale clusters" to "premium clusters." By the end of the reporting period, the Company has cultivated 103 excellent Party-building work brands, with the proportion of four-star and above Party branches reaching 82.1%.

The Company widely carries out Party character practice activities such as employee Party responsibility areas, model posts, task forces, project assignments, and technical problem-solving teams. The Company advances "Party-building+" projects and strategically develops the "Strive for Excellence and Innovation as Pioneers; Achieve Profitability and Build New Achievements" thematic practice activity, promoting effective coordination and unified effort between Party-building and central work. The Company fully leverages the battle-fortress role of primary Party organizations and the pioneering role of Party members. By the end of the reporting period, the Company has implemented 392 "Party-building+" projects; established 496 Party member model posts, 525 Party member responsibility areas, 248 Party member task forces, and 386 responsibility area problem-solving projects. Party members undertook 4,878 assigned performance projects, solving 4,054 production and technical challenges. The Company organized 249 Party member volunteer services with 2,081 Party member volunteer service participants.

The proportion of Party branches rated four-star and above reached **82.1%**.

Excellent Party-building work brands: **103** Party member model posts: **496**

Party member responsibility areas: **525** "Party-building +" projects: **392**

Performance indicators undertaken by Party members: **4,878**

Technical problems solved in production and operation: **4,054**

Research projects in responsibility areas: **386** Party member volunteer services: **249**

Party member volunteer participants: **2,081** person-times

◎ Work Style Refinement

The Company's Party Committee attaches high importance to conduct development, deeply implementing the "Refining Steel Industry Conduct and Implementing New Development Strategy" Education and Practice Activity Plan. The Company communicates and implements the "high standards, strictness, meticulousness, solidity, and speed" conduct requirements to every employee, continuously advances "four rectifications and four enhancements" activities, actively advocates "breaking ten and establishing ten," and earnestly refines steel industry conduct. This provides powerful momentum and solid guarantee for enterprise high-quality development. The Company deepens specialized rectification of formalism and bureaucratism, addresses development bottlenecks and employee concerns, and promotes problem self-inspection and rectification sign-off. The Company precisely implements "three distinctions," appropriately exempting or not holding accountable certain issues identified in specialized supervision in accordance with regulations. The Company conducts substantial follow-up education to demonstrate organizational care and inspire intrinsic motivation for enterprise development.

◎ Party Governance and Discipline

We have always maintained a strict tone and made unremitting efforts, formulated responsibility lists at all levels, continuously improved the responsibility implementation system featuring "coordination of four responsibilities" and sound operation, kept tightening the responsibility for Party governance over the Party, and further promoted comprehensive and strict Party governance. We adhere to a problem-oriented approach, conduct in-depth investigation and rectification, carry out thorough warning education, set up rectification ledgers and implement "item-based cancellation management". We have continuously strengthened the development of the major supervision system, issued the "Notice on Deepening the Major Supervision System and Strengthening Administrative Supervision," clarified the boundaries of duties, pooled supervision synergy, and taken integrity risk prevention and control as the starting point to build a supervision system that combines daily supervision and special supervision.

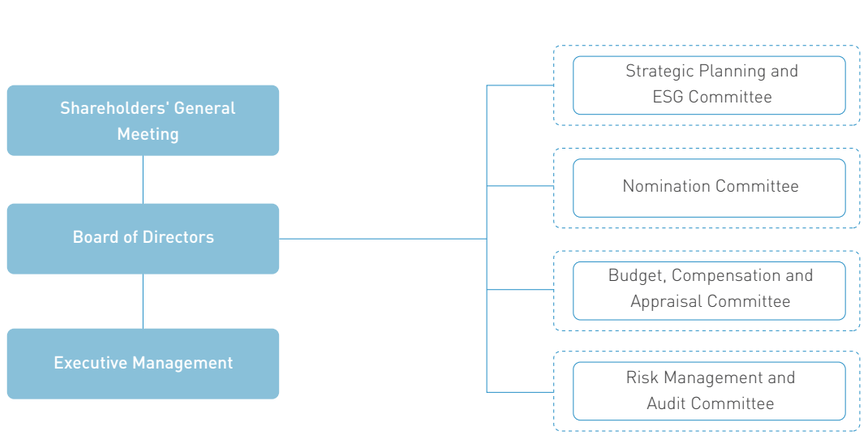
Corporate Governance

Shandong Steel adheres to principles of compliance first, proactive engagement, and honesty and integrity to earnestly protect shareholder rights and continuously advance company value creation. The Company strictly complies with the "Company Law of the People's Republic of China", the "Securities Law of the People's Republic of China", the "Code of Governance for Listed Companies", "Shanghai Stock Exchange Listing Rules", "Shanghai Stock Exchange Self-Regulatory Management Guidelines for Listed Companies No. 1 – Normative Operation", and other applicable laws, regulations, regulatory rules, and the Company's Articles of Association. The Company has established an effective checks-and-balance governance structure and a standard-compliant internal control system, fully protecting the legitimate rights and interests of the Company and all stakeholders while promoting healthy, stable, and sustainable company development.

◎ Governance Strategy

The Company's governance strategy is grounded in protecting the legitimate rights of shareholders and all stakeholders, centered on enhancing governance effectiveness and decision-making science, and maintains risk prevention and mitigation as its baseline. The strategy ultimately aims to achieve the company's goals of long-term company value growth and sustainable development.

The Company adheres to the "two consistent principles" and continuously improves modern corporate governance with Chinese characteristics. The Company establishes systematic, comprehensive, scientifically regulated, and efficiently operated governance systems. The Shareholders' General Meeting, Board of Directors, and Executive Management strictly adhere to principles of legally-defined authority and responsibility, transparent authority and responsibility, coordinated operation, and effective checks and balances, ensuring compliant and efficient operations.



Corporate Governance Structure

- The Shareholders' General Meeting serves as the Company's authority body and exercises all statutory powers. The Company treats all shareholders equally and fully protects shareholder legitimate rights. In 2025, the Company convened five General Meetings of Shareholders and deliberated 17 proposals. All General Meetings were strictly conducted in accordance with Listed Company Shareholder Meeting Rules and the Company's Articles of Association, combining in-person and online voting, actively inviting minority shareholders to participate. Proposals affecting minority shareholder interests had voting results separately recorded.

- The Board of Directors is the business decision-making body of the Company, which formulates strategies, makes decisions and manages risks. It exercises the decision-making power on material issues of the Company in accordance with legal procedures and the Articles of Association of the Company, and strengthens the management and supervision over the management. The Board of Directors has established the Strategic Planning and ESG Committee, Nomination Committee, Risk Management and Audit Committee, as well as Budget, Compensation and Appraisal Committee. Except for the Strategic Planning and ESG Committee, the other three committees are chaired by independent directors, with independent directors accounting for the majority of their members. All members of the Budget, Compensation and Appraisal Committee are independent directors. In 2025, the Company convened 13 meetings of the Board of Directors, deliberating 88 proposals. The attendance rate of Board members was 100%, and the performance of all special committees was strengthened. Among others, the Strategic Planning and ESG Committee held 1 meeting, the Nomination Committee held 6 meetings, the Risk Management and Audit Committee held 6 meetings, and the Budget, Compensation and Appraisal Committee held 1 meeting.

- Executive Management is the Company's execution body responsible for business planning, implementation, and management. It reports to and is supervised by the Board of Directors. Executive Management is responsible for company daily operations and management, providing clear task assignments, responsibility clarification, and detailed measures for Board decisions with focus on implementation. The Company implements closed-loop management, strengthens tracking of proposal execution, and ensures effective implementation of all Board resolutions. In 2025, the Company revised the Working System for the General Manager to Report to the Board, improved the reporting mechanism, held 28 general manager office meetings and deliberated 236 proposals, with all Board resolutions fully implemented with high quality.

Board diversity

The Company actively promoted Board diversity, taking a multidimensional approach that considers gender, age, educational background, work experience, professional expertise, and skills and knowledge in composing the Board, aligned with its development model and business needs, to ensure the diversity, independence, and compliance of Board membership. By the end of the reporting period, the Board comprised nine directors, including one female director, one employee director, five non-independent directors covering the fields of steel metallurgy, business administration, economic management, and finance, and four independent directors who are experts in steel metallurgy, automation, accounting, and applied economics.

5 non-independent directors

4 Independent Directors

Including,

1 Female Director

1 Employee Director

List of Directors as at 31 December 2025

Position	Name	Gender	Professional Background	Board	Strategic Planning and ESG Committee	Nomination Committee	Risk Management and Audit Committee	Budget, Compensation and Appraisal Committee
Chairman	Mao Zhanhong	Male	Steel Metallurgy	Chairman	✓	✓		
Director	Wang Xiangdong	Male	Steel Metallurgy	Director	✓			
Independent Director	Wang Jinkuan	Male	Automation	Independent Director	✓	✓	✓	✓
Independent Director	Wang Aiguo	Male	Accounting	Independent Director		✓	✓	✓
Independent Director	Xu Ke	Male	Steel Metallurgy	Independent Director	✓		✓	✓
Independent Director	Meng Qingchun	Male	Applied Economics	Independent Director		✓	✓	✓
Director	Li Hongjian	Male	Steel Metallurgy	Director	✓			
Director	Qiao Lihai	Male	Engineering and Finance	Director	✓			
Employee Director	Gao Fengjuan	Female	Business Management	Employee Director		✓	✓	

Reform of the Board of Supervisors

In 2025, in accordance with the arrangements for the reform of the board of supervisors made by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of Shandong Province, and in light of the Company's actual conditions, the Company completed the revision of the Articles of Association of the Company, abolished the board of supervisors and did not appoint supervisors. The Risk Management and Audit Committee of the Board of Directors exercises the functions and powers of the board of supervisors as stipulated in the Company Law of the People's Republic of China and regulatory provisions. Meanwhile, the Working Rules of the Risk Management and Audit Committee of the Board of Directors was revised simultaneously. The reform of the board of supervisors and the revision of articles of association for all its affiliated companies were completed, further consolidating the foundation for the standardized governance of subsidiaries.

Institutional Framework Improvement

The Company continuously tracked the latest regulatory rules and promptly undertook the development and revision of policies to ensure the legality, compliance, scientific rigor, and effectiveness of its corporate governance framework. In 2025, the Company formulated two new management policies — the "Information Disclosure Postponement and Exemption Management Policy" and the "Director and Senior Management Departure Management Policy" — and revised 15 management policies including the "Board Authorization Management Measures" and the Board Deliberation Agenda, consolidating the institutional foundation for the Company's standardized and efficient operations.

The Company won the 2025 Best Practice of Board Office of Listed Companies by China Listed Companies Association.

◎ Governance Strategy

Systematic Promotion of Market Value Management

The Company has always taken improving operation quality as the core focus, centered on value creation, systematically planned and further advanced market value management, thoroughly studied and flexibly applied value management tools, enhanced the effectiveness of value communication, and elevated the professional level of market value management. In 2025, the Company deliberated and approved the 2025 Valuation Improvement Plan and Action Plan for Quality Improvement, Efficiency Enhancement and Return Focus, clarified the path for valuation improvement, dynamically tracked work progress and optimized promotion measures. It organized directors, supervisors, senior executives and key personnel of relevant departments to participate in training on market value management, fostered awareness of market value management and thinking on capital operation, and improved professional competence. The Company continuously advanced share repurchase, strove for the controlling shareholder to increase its shareholding, and strengthened investor relations management. It efficiently pressed ahead with asset restructuring and completed the acquisition of 100% equity of Yinshan Steel Section, which thoroughly resolved the issue of horizontal competition, significantly reduced related party transactions, further optimized the product mix, and improved management efficiency and core competitiveness.

Legally Compliant Information Disclosure

The Company strictly complies with all laws, regulations, and regulatory requirements for listed companies and continuously improves information disclosure systems. In 2025, coordinating with "Company Articles of Association revisions," the Company timely revised and improved related systems including the "Management System for Information Disclosure Affairs," "Management System for Reporting Significant Information," and "Working Rules of the Board Secretary," establishing a sound, effective, scientific, and standard information disclosure system. The Company issued 104 standardized announcements throughout the year covering Board and General Meeting resolutions, earnings guidance, and other materials. All information disclosures were truthful, accurate, complete, timely, and fair.

Advancing Share Repurchase and Increase

The Company completed share repurchase as scheduled, and controlling shareholder SD STEEL completed share increases on schedule.

Share Repurchase

In 2025, the Company repurchased 57,338,400 shares, representing 0.5359% of total shares outstanding, for RMB 79,987,423 (excluding stamp duty, trading commissions, and other transaction fees). From February 5, 2024 to February 4, 2025, the Company cumulatively repurchased 153,508,852 shares, representing 1.4348% of total shares outstanding, for a cumulative amount of RMB 200,372,658.92 (excluding stamp duty, trading commissions, and other transaction fees).

Share Increase

In 2025, SD STEEL increased its shareholding by 10,721,700 shares, representing 0.1002% of total shares outstanding, for RMB 14,098,220 (excluding stamp duty, trading commissions, and other transaction fees). From June 13, 2024 to June 12, 2025, SD STEEL cumulatively increased its shareholding by 400,349,301 shares, representing 3.74% of total shares outstanding, for a cumulative amount of RMB 500,076,010.98 (excluding stamp duty, trading commissions, and other fees).

Strengthen Investor Relations Management

The Company continuously enhances communication and exchanges with investors, focuses on improving the effectiveness of value communication, and boosts market recognition. Directors, senior executives of the Company actively engage with investors and other stakeholders, earnestly listen to opinions and suggestions, and respond to demands in a timely manner. Meanwhile, it expands the breadth and depth of communication with stakeholders through various channels, including shareholders' general meetings, performance briefings, investor exchanges, visitor receptions, hotlines, SSE E-Interaction, WeChat Official Accounts, and news media. In 2025, the Company held 19 performance briefings or investor exchanges through a combination of online and offline approaches, attracting over 100 institutions to participate; it responded to 66 investor questions via SSE E-Interaction and answered 155 investor calls, conducting thorough communication on key concerned issues such as operating performance, equity acquisition of Yinshan Section Steel, informatization and intelligent construction, technological innovation, and capital expenditure.

Going forward, Shandong Steel will continue to strengthen internal information communication, ensure normalized and efficient operation of Shareholders' General Meeting, Board of Directors, and Executive Management, continuously improve decision-making compliance and information disclosure quality, strengthen research and application of shareholder value management policies and value tools, and deepen shareholder value management through active dividend distribution, standardized governance, capital operations advancement, optimized information disclosure, and continuous improvement of investor communication mechanisms, enhancing market recognition of company value.

ESG Governance

Shandong Steel, adhering to sustainable development principles, integrates ESG management into the entire process of enterprise operation and development. With normative governance as foundation, stakeholder cooperation as linkage, and material issue management as leverage, the Company systematically builds its ESG management system, continuously improves governance architecture, deepens practice implementation, and enhances disclosure quality. The Company earnestly fulfills environmental, social, and governance responsibilities while contributing to the Company's high-quality development and industry-wide sustainable development.

◎ ESG Governance Framework

Shandong Steel deeply integrates ESG principles into its corporate governance system, establishing a three-tier ESG governance structure: the Board of Directors, the Strategic Planning and ESG Committee, and ESG Promotion Organizations. By refining ESG top-level design, the Company ensures environmental, social, and governance-related topics are fully integrated into corporate strategic planning and all major decision-making processes, enabling strategic coordination and efficient implementation of ESG topics. Specifically: the Board of Directors is the highest responsible body for ESG management operations and information disclosure; the Strategic Planning and ESG Committee serves as the research and guidance body for ESG work; the ESG Implementation Leading Group oversees daily ESG operations; the ESG Coordination and Implementation Office organizes and implements daily ESG work; and all functional departments and business units serve as ESG execution bodies. For detailed responsibilities, please refer to the Company's "Announcement on the Proposal of ESG Governance Structure Construction" (Announcement No.2022-047).

ESG Governance Framework

The Company has established and improved its ESG management system, formulating policies including the "Working Rules of the Strategic Planning and ESG Committee of the Board of Directors" and "ESG Work Management System." These define ESG management philosophy, responsibility boundaries, and work principles while optimizing internal management mechanisms. To strengthen the ESG responsibility awareness of senior management, the Company closely links executive compensation with ESG factors such as safety, technological innovation, and risk management, establishing an incentive-constraint mechanism of "responsibility binding and performance linkage."

Define ESG management philosophy > Define responsibility boundaries and work principles > Optimize internal management mechanisms > Strengthen ESG responsibility awareness > Responsibility binding and performance linkage

The Company deepens the research on cutting-edge ESG theories and practical exploration through diversified means such as organizing and participating in special ESG trainings and conducting ESG exchanges with peer enterprises, continuously enhances the ESG management awareness and professional competence of all employees, and improves the effectiveness of ESG governance. In 2025, based on regulatory requirements, advanced industrial practices and mainstream rating standards, the Company formulated and issued an ESG improvement plan and management manual, which substantially enhanced the management level of sustainable development and ESG work. With solid practices and outstanding achievements in the ESG field, the Company has won a number of honors and achieved a significant improvement in ESG ratings.

Sino-Securities "2025 A-Share Listed Company Raw Materials Industry ESG Performance" TOP20

China Listed Companies Association "2025 Listed Company Sustainable Development Excellent Practice Case Award"

Sino-Securities "2025 A-Share Listed Company ESG Excellence" TOP100

2024-2025 China Steel Enterprise ESG Rating	2025 China Steel Enterprise ESG Rating	Wind ESG Rating	Sino-Securities ESG Rating
AAA	AAA	AA	AA

◎ Stakeholder Engagement

The Company views communication with stakeholders as a critical component of ESG management. Adhering to principles of integrity, interaction, equality, and transparency, the Company continuously improves stakeholder engagement mechanisms and communication channels, establishing diversified communication platforms combining regular and ad hoc engagement. The Company comprehensively collects stakeholder concerns and suggestions, actively responds to and implements recommendations, and earnestly creates continuous value for all stakeholders.

Stakeholder	Key Concerns	Communication and Response
Shareholders and Investors	• Corporate governance • ESG governance • Stakeholder communication • Economic performance and financial results • Anti-commercial bribery and anti-corruption	• Shareholders' general meeting • Information disclosure • Investor communication meetings • Earnings briefings • On-site visits • Other investor communication channels
Employees	• Compensation and benefits • Democratic management • Employee care and assistance • Career development and training • Occupational health and safety • Intelligent manufacturing	• Meetings and training • Compensation and benefits system optimization • Promotion mechanism improvement • Unions and workers' representative congresses • Employee assistance • Diverse cultural and recreational activities • Company intranet, bulletin boards, Wechat official account and other platforms • Public reporting channels
Customers	• Product and service safety and quality • Customer responsibility • Innovation-driven development • Intelligent manufacturing • ESG governance • Climate change response • Environmental compliance management • Occupational health and safety • Anti-commercial bribery and anti-corruption • Data security and customer privacy protection	• Quality management • Communications and visits • Official media platforms • Customer satisfaction surveys and improvement initiatives • "Three-one" New service model • QCDVS customized service • Co-building technology innovation collaboration centers • Customer complaint channels
Suppliers	• Supply chain security • ESG governance • Equal treatment of SMEs • Anti-commercial bribery and anti-corruption	• Supplier audits/assessments • Supplier management • Communications and visits • Supplier training
Government Agencies and Regulators	• Occupational health and safety • Climate change response • Environmental compliance management • Pollutant emissions • Waste management • Energy utilization • Circular economy • Anti-commercial bribery and anti-corruption • Anti-monopoly and fair competition • Compliance and risk management • Economic performance and financial results	• Compliance with laws and policies • Major projects, policy and recommendation participation • Participation in government and regulatory meetings • Information disclosure • On-site inspections/visits/reception • Energy conservation, emission reduction and pollution control
Communities and Public	• Social welfare • Climate change response • Environmental compliance management • Pollutant emissions • Waste management • Water resource utilization • Stakeholder communication	• Public welfare and volunteer activities • Community engagement • Interactions via official media and WeChat • Disclosure of energy conservation, emission reduction and pollution control initiatives • Information disclosure
Media	• Stakeholder communication • Climate change response • Pollutant emissions • Social welfare • Economic performance and financial results • Anti-commercial bribery and anti-corruption	• Press conferences • Information disclosure • Official media platforms, Wechat official account and other channels

◎ Dual Materiality Assessment

The Company follows the "dual materiality" assessment principle, simultaneously considering both impact materiality and financial materiality of ESG topics. The Company conducts annual material issue assessments and provides focused disclosure of dual materiality topics in reports to meet stakeholder expectations.

Topic Screening

- The Company comprehensively considers sustainable development disclosure standards and guidelines, capital market rating requirements, peer ESG disclosure practices and industrial sustainable development trends. Combined with the actual operation of the Company, it optimizes the original topics on the basis of the topics identified in 2024, and finally completes the identification, screening and definition of 28 ESG topics highly relevant to the Company's development.

Stakeholder Engagement

- The Company conducts communication and dialogue with stakeholders including shareholders and investors, employees, customers, suppliers, government agencies and regulators, communities and the public, and news media. The Company systematically collects important issues and concerns of each party.

Dual Materiality Evaluation

- Leveraging stakeholder engagement, the Company assesses the likelihood, scale, and scope of topic impacts. The Company organizes business experts, financial experts, and external sustainability experts to conduct financial materiality assessments across two dimensions: continuity of resource use and relationship dependency. Based on quantitative analysis of impact materiality and financial materiality assessment results, the Company presents overall topic materiality priorities in matrix form.

Verification and Disclosure

- Based on assessment results, the Company, through internal review, identifies topics requiring focused disclosure with high materiality, ensuring material topics are comprehensively presented in this report. The Company also applies assessment results to its ESG management work, implementing targeted closed-loop management to continuously improve performance.

Based on the 2025 dual materiality assessment, the Company identified six topics with both financial materiality and impact materiality: addressing climate change, pollutant emissions, energy utilization, innovation-driven development, employees, and occupational health and safety. For these topics, the Company will disclose information in four dimensions — governance, strategy, impact, risk and opportunity management, and metrics and targets — in accordance with the Guidelines No.14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies — Sustainability Report (Trial), to fully demonstrate the management effectiveness and advancement pathways for these topics.

Shandong Steel 2025 Dual Materiality Topic Matrix

Going forward, Shandong Steel will fully leverage this report's role in promoting management improvements, continue implementing sustainable governance initiatives, address ESG management gaps, overcome weak areas, actively respond to stakeholder concerns, continuously enhance ESG management level, and truly strengthen the Company's "non-financial reporting" brand.

Business Ethics

Shandong Steel maintains professionalism, honesty and integrity in commercial activities, conducts business in accordance with laws and highest ethical standards, creates a fair, transparent and honest environment, cultivates a clean culture, and firmly opposes and severely cracks down on commercial bribery, corruption, unfair competition and other acts that damage reputation, consolidating the foundation of sustainable development.

Anti-Bribery and Anti-Corruption

Integrity Risk Management

The Company strictly complies with the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, Provisional Provisions on Prohibiting Commercial Bribery, and other applicable laws and regulations. The Company formulates and implements systems including the "Integrity Risk Prevention and Control Work Implementation Measures (Trial)," "Guidelines for Special Prevention and Control of Commercial Bribery Risk," and "Sunshine Procurement Management Measures," continuously improving its integrity management system. These provide solid institutional foundation for comprehensive anti-commercial bribery and anti-corruption work. The Company firmly maintains fair, free market competition, opposes any form of commercial bribery, extortion, fraud, money laundering, monopolistic, or other unfair competition practices, and maintains zero tolerance for all conduct violating business ethics.

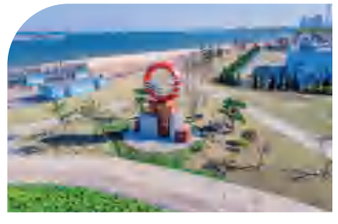
The Company systematically advances anti-commercial bribery, anti-corruption, and integrity risk prevention system development, continuously strengthening institutional constraints, digital enablement, cultural immersion, and supervision closed loops. The Company solidly establishes integrity foundations for enterprise high-quality development. Integrity risk prevention is incorporated into enterprise compliance and comprehensive risk management systems. The Company formulates and implements the "Integrity Risk Prevention and Control Work Implementation Measures (Trial)," establishing and continuously improving prevention networks covering key areas, core processes, critical links, and all positions. The Company establishes sound daily integrity risk investigation, identification, early warning, and disposal mechanisms.

The Company has formulated tiered and categorized prevention and control measures to realize systematic identification and precise management and control of integrity risks. Meanwhile, prevention and control measures are embedded into the entire process of operation and management, and synchronized management and control is realized through information-based approaches. In 2025, the Company did not incur any fines or settlements arising from unfair competition, conflicts of interest, money laundering or insider trading.

The Company continuously strengthens integrity compliance management for key position personnel. The Company formulated the "Regulations for Clean Interaction between Key Position Personnel and Stakeholders," establishing eight "negative lists" for respectful yet clear interaction. These comprehensively standardize interaction between key position personnel and stakeholders, establishing clean business relationships. The Company actively leverages information systems to enhance governance effectiveness, achieving effective monitoring of critical positions and sensitive areas, continuously eliminating or reducing integrity risks.

Integrity Culture Development

The Company has actively advanced the development of the "Clean Shandong Steel" brand, and earnestly implemented the Three-Year Plan for Integrity Culture (2024–2026) and other relevant documents. We have continuously consolidated the "1+4" integrity education matrix, which focuses on political education and Party spirit education, and consists of four major components: "embedded" discipline education, "stratified" warning education, "interactive" family style education, and "ladder-based" venue education. Integrity education has been integrated into daily business procedures, further enhancing the awareness of integrity in practice among all Party members, cadres and employees. In 2025, various entities at all levels of the Company carried out diverse forms of integrity education activities, and business ethics training was provided to all employees.



"1+4" Integrity Education Matrix

"Embedded" Discipline Education

- Discipline education is made a mandatory course for cadres and staff. Through multi-layered and categorized methods including discipline and law classes, thematic lectures, exchange discussions, integrity conversations, and knowledge tests, the Company educates and guides Party members, cadres, and staff to deeply understand the essence of discipline and law provisions, strictly practice specific requirements, and internalize compliance and discipline as unconscious daily conduct standards.

"Stratified" Warning Education

- The Company strengthens warning education for "key minority personnel" including Party members, cadres, and key position personnel. Through one-on-one and face-to-face discussions, and exchanges viewing warning education films by individuals and family members, circulating repentance records and typical case notices, visiting integrity education bases, and inviting experts for specialized lectures, the Company strengthens warning deterrence and promotes learning from cases and sustained vigilance.

"Interactive" Family Style Education

- The Company continued to deepen the unique role of families in integrity culture building, flexibly organizing family-assisted integrity seminars, signing of the Integrity Commitment Letter and Family-Assisted Integrity Initiative Letter, composing integrity-themed family letters and messages, family visits and immersive experiences, themed interactive activities, integrity-themed calligraphy and painting solicitations, and the recognition of exemplary role models, among other activities. These efforts continuously enhanced the appeal, engagement, and reach of family-assisted integrity initiatives, building a solid foundation of upright corporate culture through thousands of clean and honest households. In 2025, the Company adopted the "dual-course integration, two-way co-construction, dual-assessment activities" model to carry out family-assisted integrity activities, sustaining a positive atmosphere of family-enterprise collaboration.

"Ladder-based" Venue Education

- The Company builds the "Steel Integrity Culture Garden"[2] at the Rizhao Base, integrity culture creation demonstration sites and education venues, and integrity culture corridors, providing excellent venue and environmental resources for integrity education. In 2025, the Company organized 49 Party branches to participate in integrity culture demonstration point creation, fully activating "integrity" momentum, consolidating and strengthening integrity highlands.

"May 20 — I Love Integrity" Family-Assisted Integrity Awareness Campaign

"Clean Breeze Nurtures Young Hearts; Integrity Guides Growth"
Integrity-Themed Cultural Works Exhibition and Employee Family Fun Sports Day

[2] Recognized as China Baowu Warning Education Base and SD STEEL "Integrity Education Base".

Building a Clean Ecosystem

The Company views building a respectful-yet-clear, mutually beneficial commercial ecosystem as a key dimension of sustainable development strategy. The Company is committed to permeating fair, transparent, and trustworthy compliance concepts through key business areas such as procurement and marketing. Through systematized institutional constraints, digitalized process control, normalized bidirectional supervision, and deepened partner coordination, the Company continuously strengthens integrity safeguards and cultivates a healthy and stable market environment.

- Actively promote the co-construction of a clean ecosystem upstream and downstream. On the procurement side, dynamically carry out integrity education, case warning education and holiday reminders through platforms such as the "Lianxinqiao" WeChat Official Account and the "Integrity & Upright" education column, formulate and issue the Negative List for Interactions with Suppliers, and continuously strengthen the compliance awareness of all employees
- Actively expand two-way communication, take the initiative to listen to opinions through forms such as visits and research and co-construction activities, promote business through integrity, and strengthen cooperation through synergy, so as to effectively create a supply chain integrity ecosystem that is open, transparent, compliant and win-win.
- Strengthen source governance, revise the Integrity and Honesty Agreement, and include violations such as commercial bribery, fraudulent acts, contract breaches, and unfair competition into the breach clauses.
- Establish a working mechanism of "Interview & Consultation + Supervision & Recovery", strictly recover funds from defaulting suppliers, force suppliers to operate in good faith, and create a sound political ecosystem and a sunny and efficient operation ecosystem.

Reporting and Investigation Mechanism

The Company establishes and improves a multi-dimensional reporting acceptance and investigation mechanism covering letters, visits, internet, telephone and QR code channels. It encourages all stakeholders to report any acts violating business ethics either by real-name or anonymously, and regularly inspects and evaluates the effectiveness of reporting channels to ensure that any suspected violations of business ethics can be reported conveniently and securely.

The reporting matters involving violations of discipline and laws by Party members shall be accepted by the discipline inspection department in accordance with regulations, while other matters shall be transferred to the corresponding functional departments for investigation based on professional fields, so as to ensure timely response and standardized procedures. Strict confidentiality measures shall be implemented for reported matters through special personnel acceptance and special archiving. Proper rewards shall be given to real-name reporters whose reports are verified to be true in accordance with relevant provisions. In 2025, the timely disposal rate of reported matters of Shandong Steel reached 100%.

Reporting Hotline: 0531-76821163，77920968

Online Reporting Mailbox: gf77920968@shan-steel.com

No. 99 Fucheng Street, Gangcheng District, Jinan City, Shandong Province, Postal Code: 271104

Anti-Unfair Competition

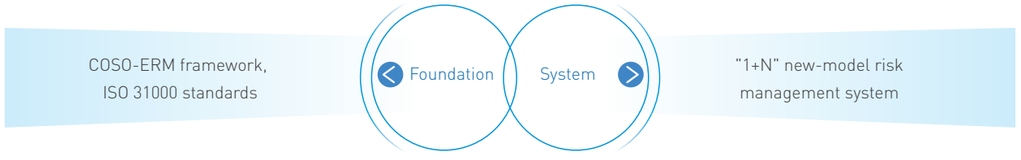
The Company strictly abides by the Anti-Unfair Competition Law of the People's Republic of China and other laws and regulations, upholds the principles of voluntariness, equality, fairness and good faith, observes business ethics and eliminates unfair competition acts. It focuses on preventing typical unfair competition acts such as commercial bribery, strengthens the internal compliance system, clarifies employee code of conduct, and enhances supervision and restraint through the reporting mechanism. Meanwhile, the Company accelerates the formulation of the Compliance Guidelines on Anti-Unfair Competition, and deepens compliance training on anti-unfair competition. In 2025, the Company had no lawsuits or major administrative penalties caused by unfair competition acts.

Compliance and Risk Management

The Company aims to achieve sustainable and high-quality development. It deeply integrates risk management, compliant operation and independent audit into the entire process of corporate governance and operation, and establishes a solid and effective supervision and control system to ensure the steady and long-term development of the Company.

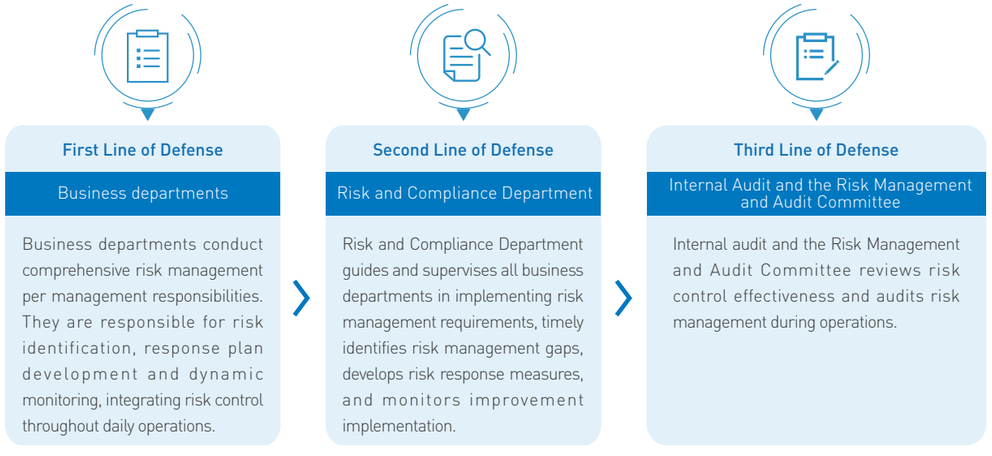
◎ Risk Management

Based on the COSO-ERM framework and ISO 31000 standard, and combined with its strategic planning and actual production and operation, the Company has established a new "1+N" risk management system featuring innovation, integration, coordination and continuous improvement, so as to ensure the Company's law-based, compliant and steady operation and achieve high-quality sustainable development. Guided by risk management, based on internal control, bottom-lined by compliance management and guaranteed by the rule of law, the system ultimately serves the creation and maintenance of the Company's value.



Risk Management System

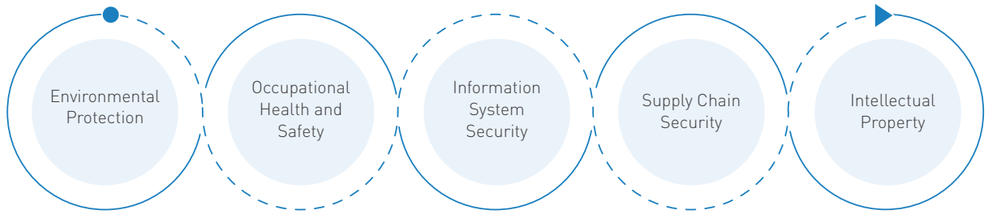
The Company established a risk management organizational system with clear authority and responsibilities and a "three lines of defense" operating mechanism, building a comprehensive risk management institutional framework that is "scientifically designed, clearly structured, process-standardized, comprehensively covered, responsibility-defined, mutually supportive, and operable." Leveraging a standardized corporate governance structure, the Company defined risk management responsibilities at all levels and built a top-down integrated risk management organizational system comprising the Party Committee, Board of Directors, Risk Management and Audit Committee, General Manager / Senior Management, Risk and Compliance Department, and all risk management business units, achieving clarity of responsibilities, standardized processes, tiered management, and coordinated collaboration. In 2025, seven core management policies including the "Comprehensive Risk Management Measures" and the "Internal Control Management Policy" were systematically revised, standardizing the procedures for identifying, assessing, and reporting major risks, and strengthening the management, information communication, and supervision of major risks.



Three Lines of Defense in Risk Management

Integrating ESG Risk

The Company integrates ESG risks including those related to environmental protection, employee health and safety, information system security, supply chain security, and intellectual property into existing risk management processes for unified identification, assessment, and monitoring, ensuring effective management of ESG-related challenges and opportunities. The Board Strategic Planning and ESG Committee is responsible for identifying and monitoring ESG-related risks and opportunities significantly impacting company business and guiding management in taking appropriate response measures.



Risk Management and Control Process

Through routine risk screening, specialized assessments, project-based management, and dynamic early-warning mechanisms, the Company achieved full-lifecycle risk management encompassing pre-event prevention, in-process control, and post-event resolution, ensuring that risks are identified, flagged, and mitigated at the earliest stage. The Risk and Compliance Department was deeply involved in pre-review of major decisions and business activities, proactively providing risk management recommendations in areas such as bidding and procurement, investment, and asset disposal throughout the year, effectively fulfilling its pre-event prevention function. In 2025, all major risks of the Company remained under control.

Risk Management and Control Process

Risk Identification	Conduct regular risk identification, forming risk lists
Risk Assessment	Organize risk assessment work, assess risk probability and impact magnitude, determine annual major risk list
Risk Response	• Based on risk assessment results, analyze risk causes; • Develop risk response plans including risk mitigation, avoidance, sharing/transfer, and acceptance; • Develop risk management improvement plans and complete improvements within timeframes
Risk Monitoring and Reporting	Monitor and report on specialized risk management work and daily risk management progress

◎ Compliance Management

The Company innovates an integrated compliance operation and management mode, advancing deep integration of compliance management with production and operations to achieve full-coverage, normalized compliance management. The Company strengthens compliance review of major and important business decisions, enhances compliance management and internal control, continuously monitors updates to laws and regulations in business jurisdictions, timely develops compliance management system revision work, and strengthens compliance culture development to ensure company operations are legally compliant.

Management Structure

The Company implements a chief legal counsel-led responsibility system, building a coordinated top-down compliance management organizational system centered on Party Committee, Board of Directors, Executive Management, compliance management functional departments, business departments, and management units, with business, function, and audit serving as three lines of defense. Additionally, each subsidiary selects business personnel as compliance managers responsible for unit compliance risk identification, assessment, and response, ensuring position compliance performance, and promoting deep integration of compliance management with business work.

Management System

The Company continuously strengthens compliance system development, formulates "Measures for Compliance Management," develops specialized compliance guidelines for key areas such as investment and contract management, and includes compliance performance in performance evaluation systems.

The Company establishes a professional compliance risk assessment team, conducts regular compliance risk assessments with professional compliance risk evaluation teams, and systematically analyzes compliance risk probability, impact magnitude, and potential consequences. The Company provides timely warnings for typical, widespread, or potentially severe risks and develops contingency plans. The Company timely alerts subsidiaries to emerging, trending, or high-compliance-risk issues, ensuring timely and effective remediation.

◎ Audit Management

The Company strictly complies with the Audit Law of the People's Republic of China, Audit Law Implementation Rules, Audit Commission Provisions on Internal Audit Work, and other applicable laws, formulating "Internal Audit Management Provisions" to fully leverage internal audit functions and continuously improve governance systems.

The Company has established a comprehensive audit work organizational system. The Board of Directors is the leading body for the Company's audit work; the Risk Management and Audit Committee of the Board is responsible for guiding and supervising internal audit work; the Risk and Compliance Department is the Company's internal audit management body, under the guidance and supervision of the Risk Management and Audit Committee.

In 2025, the Company conducted 5 internal audits centered on high-risk management areas and critical links including economic responsibility and procurement management, received 3 audits from the parent company, and played important roles in closing gaps, preventing risks, improving performance, and standardizing governance. The Company highly values problem remediation, implements monthly scheduling advancement mechanisms, organizes responsible units to deeply analyze problem roots, develops concrete and feasible remediation measures, and ensures thorough problem resolution. The Company improves "registered remediation, signed-off management" audit problem remediation records and monthly oversight advancement of remediation implementation.

◎ Culture Cultivation

The Company actively fosters a risk and compliance culture, and creates a strong atmosphere where all employees study and practice risk and compliance culture and take the initiative to integrate it into the whole process of business operations, so that risk prevention and compliance awareness are internalized in mind and externalized in conduct. Through regular internal training, lectures by external experts, case studies and experience exchanges on risk control, irregular compliance knowledge competitions, benchmarking learning and other means, the Company ensures that employees fully understand compliance requirements and corporate policies, and improves their awareness and capability of risk prevention and compliance. Through publicity channels such as WeChat Official Accounts and working groups, the Company timely releases information on risk and compliance activities and typical cases to strengthen the publicity and implementation of risk control and compliance concepts. The Company takes compliance management as a compulsory course for the training of managers, key position employees and new recruits.

In 2025,

a total of **7** training sessions on compliance management and risk prevention were held

covering more than **800** people

Case **Business-Focused Compliance Capability Building**

In June 2025, Shandong Steel invited senior legal experts to conduct specialized contract management training. Over 70 business managers, contract managers, and key employees from various units attended in person. The training focused on "eight-step contract review methodology" and "commercial contract investigation guidelines," combining typical steel industry contract cases to provide in-depth instruction on full-cycle contract risk prevention and control. The training significantly enhanced business personnel's practical contract compliance management and risk prevention capabilities, establishing strong legal compliance safeguards for company stable operations.

Going forward, Shandong Steel will continuously strengthen synergistic effectiveness of risk, compliance, and audit management. The Company will strengthen major risk dynamic assessment and monitoring, specialized risk assessment of major issues, achieve normalized comprehensive risk management coverage, and strictly prevent major risk occurrence. The Company will establish and improve compliance management systems and compliance risk control mechanisms ensuring all business activities operate legally and compliantly. The Company will strengthen audit supervision and service to enhance governance effectiveness. The Company will continuously strengthen risk and compliance culture cultivation and development, enhance employee compliance awareness, and establish long-term risk management improvement mechanisms.

Tax Management

Shandong Steel consistently treats tax management as an important component of company management. The Company strictly implements national tax laws and regulations, fulfills tax obligations legally, ensures all taxes and fees are paid timely and in full, and strengthens internal management and standardized accounting processes to safeguard the authenticity and accuracy of tax data. In international tax business, the Company complies with international tax laws and regulations and follows principles including tax jurisdiction, double taxation avoidance, tax information exchange, international tax adjustment, anti-tax evasion and anti-escape measures, single taxation principles, benefit principles, and international tax neutrality to ensure all operations are conducted in accordance with laws and regulations.

The Company legally completes tax reporting and payment, actively cooperates with local tax authority supervision and guidance, and has maintained Level-A tax credit rating for consecutive years.

Our Commitments

The Company's operations comply withtax and legal regulations of countries/ regions where it operates, engaging only intransactions basedon genuine commercial activities.	The Company avoids tax structures lacking commercial substance, proactively aligns with tax policy guidance, focuses on developing business areas advocated by the state, and fully utilizes available tax incentives.	The Company discloses its tax policies transparently. Financial statements and audit reports detail deferred income tax assets and liabilities and applicable company tax items and rates.	The Company complies with tax law and fulfills tax reporting responsibilities while maintaining transparent relationships with government authorities.	The Company determines transfer pricing based on fair dealing principles, does not exploit tax law differences, international tax system gaps, or tax havens for tax evasion, and does not shift created value to lower-tax jurisdictions.

Tax Management System

The Company continuously advances tax management innovation, building modern, systematic, and standardized tax management systems, promoting deep integration of business, finance, and tax operations, and achieving transparent, standardized, fair, and just tax treatment. The Company implements a headquarters-centralized control model with tax management tailored to different business types and regional characteristics of management units. Headquarters and all management units' finance departments establish dedicated tax management divisions or positions with overall responsibility for tax risk prevention, fiscal-tax policy implementation, and tax business handling.

To ensure the standardized and professional operation of tax administration, the Company has formulated administrative measures including the Administrative Measures for Enterprise Income Tax and the Administrative Measures for Taxation of Overseas Non-trade Businesses, as well as administrative standards including the Tax Administration Standard, Tax Declaration Administration Standard, Enterprise Income Tax Administration Standard and Property and Behavior Tax Calculation and Administration Standard, further refining the specific operational procedures and requirements for tax administration to achieve the standardization and normalization of tax administration. In 2025, the Stamp Duty Administration Standard and Value-Added Tax Calculation and Administration Standard were newly formulated, forming a complete framework of 12 management documents covering tax declaration, tax category calculation, risk control and other aspects. The tax standardization system has been continuously improved.

Tax Risk Management

The Company continuously strengthens the regular management of tax compliance risk, and establishes a whole-process, full-link tax risk prevention mechanism and control process. The Company formulates "Tax Risk Management Measures" and "Tax Risk Management Standards," establishing a full-cycle tax risk control system featuring "pre-event warning, in-process control, post-event assessment." The Company comprehensively monitors tax risks from prevention, avoidance, control, and response dimensions.

Tax Risk Management Process

The Company adheres to risk control at the source and integrates tax administration into the front end of business processes. For procurement, sales, maintenance, engineering, finance and other businesses, the entire chain from contract signing, invoice issuance to accounting and fund transactions is incorporated into the scope of tax risk control. It strengthens tax-related risk assessment for major items and tax-related control over details of business processes, and establishes an early warning mechanism for prone tax risk points. Meanwhile, it dynamically updates the information base of tax laws, regulations and preferential policies, conducts regular internal audits and tax-related self-inspections, and promptly identifies and eliminates potential tax risks.

The Company emphasizes enhancing tax management team professional competency and risk awareness through multiple channels of tax information exchange and learning. The Company actively organizes personnel to participate in tax business training and major enterprise tax risk specialized training conducted by tax authorities and professional training institutions. The Company periodically invites tax authority experts and professional training institution instructors to conduct specialized training. The Company maintains normalized communication with external professional institutions such as tax service firms, timely discussing and researching tax regulations, policies, and company tax matters, ensuring tax treatment throughout all processes is legally compliant.

During the reporting period, the Company had no major tax violations.

Our Initiatives

- Systematically identify and assess tax risks and develop targeted risk prevention measures;
- Continuously monitor tax risk dynamics, establish rapid response mechanisms, and timely report and address potential risks;
- Implement full-process audit of all tax-related business to ensure compliance;
- Conduct normalized tax risk training to enhance enterprise-wide tax risk awareness.

02 Environment

Shandong Steel, anchored in the steel industry's commitment to green, low-carbon, high-quality development, thoroughly advances the development requirements of green productivity, and pursues green development, circular development, and low-carbon development as core pathways. The Company integrates ecological and environmental protection concepts deeply into its entire production and operation processes, achieving breakthroughs across climate governance, environmental compliance, solid waste utilization, energy efficiency, and ecosystem protection. The Company is committed to realizing a win-win relationship between ecological and environmental protection and high-quality enterprise development, and continuing to serve as a benchmark for green transformation in the steel industry.

Addressing Climate Change

Governance

Climate governance is a critical global issue. Shandong Steel continuously advances climate governance work. The Executive Management serves as the decision-making level for climate governance, responsible for reviewing the Company's carbon peaking and carbon neutrality targets and development plans, studying and deciding on major matters in the carbon peaking and carbon neutrality process, and establishing carbon management systems based on relevant national policy documents.

The Energy and Environmental Management Department serves as the management/supervisory level for climate governance, with dedicated low-carbon positions. It is responsible for coordinating low-carbon policy research, green low-carbon technology research and development and application; promoting carbon emission reduction, carbon asset management, and external exchange and cooperation; and organizing supervision and assessment of the implementation of climate governance measures at the implementation level.

Each relevant department and subsidiary of the Company constitutes the implementation level for climate governance, responsible for implementing specific energy conservation and carbon emission reduction measures and accepting supervision and assessment by the Energy and Environmental Management Department.

Strategy

Shandong Steel actively responds to the national "Dual-Carbon (carbon peaking and carbon neutrality) development strategy", follows SD STEEL's Carbon Peaking Work Plan, and has established strategic targets for carbon peaking and carbon neutrality aligned with the Company's circumstances.

Short-term Target	The target of reducing carbon emission intensity by 5% in 2025 compared with 2020 has been achieved.
Medium-term Target	Ensure carbon peaking before 2030. By 2030, the Company will have resource conditions and technical capacity to reduce carbon emission intensity by 30% compared to 2020, and will reduce carbon emission intensity by 20% compared to 2020.
Long-term Target	Strive to achieve carbon neutrality by 2050.

Carbon Reduction Pathway

During the reporting period, the Company implemented process-based carbon reduction projects, actively researched and applied carbon reduction technologies, and enhanced enterprise-wide energy conservation and low-carbon awareness, continuing to explore long-term, deep carbon reduction pathways for green sustainable development.

Short-term Strategy: Carbon Reductionin Production Processes + Energy-conservation Carbon Reduction

The Company continuously optimizes blast furnace charge structure, reduces iron-to-steel ratio, and increases scrap ratio, implementing a series of process-based carbon reduction projects including thick-bed sintering, sintering flue gas hot air ignition, hot air sintering, and pellet waste heat recovery utilization, continuously reducing CO_2 emissions. In 2025, Rizhao Base maintained converter scrap ratio above 23%, while Steel City Base increased converter scrap ratio from 14% in 2024 to 16.5%.

Rizhao Base maintained converter scrap ratio above **23%**

Steel City Base increased the converter scrap ratio to **16.5%**

Rizhao Base

Rizhao Base developed sintering hot air ignition energy-conservation technology in the sintering process, reducing sintering coke oven gas consumption while improving sinter quality. In the blast furnace process, the Company implemented an intelligent combustion project for blast furnace hot blast stoves, utilizing big data for automatic optimization to construct optimal combustion curves, achieving online autonomous intelligent control with blast furnace gas consumption reduced by over 3%. In the converter process, the Company upgraded steel ladle bakers to intelligent systems, achieving automatic baking curve adjustment and intelligent air-fuel ratio control, reducing converter gas consumption by 0.007 GJ/t. In the rolling process, the Company conducted online repair of heating furnace refractory materials, reducing furnace heat loss and lowering gas consumption. Cumulatively, CO_2 emissions were reduced by 89,900 tonnes.

Steel City Base

Steel City Base advanced the application of mature carbon reduction technologies, with key carbon reduction projects such as the 3,800 m^3 blast furnace hot blast stove co-firing with coke oven gas successfully commissioned, expected to reduce iron-making process carbon emission intensity by 8%. The Company implemented three projects: increased utilization of reclaimed municipal water, compressed air system renovation, and medium-scale steam recovery from profile steel production. In 2025, energy conservation and carbon reduction projects cumulatively saved 41,000 tonnes of standard coal equivalent and reduced CO_2 emissions by 127,000 tonnes. The Company is currently advancing five projects including oxygen-enriched combustion modification for thick plate lines and waste heat recovery utilization for 1.2 million tonnes pelletizing production line.

Medium- and Long-term Strategy: Technology Innovation-driven Carbon Reduction + Green Development-driven Carbon Reduction

Deepening Technology-based Carbon Reduction

The Company actively applies low-carbon and carbon-reduction technologies such as top-bottom combined blowing of CO_2 in converters and blast furnace injection of coke oven gas. Building on the successful implementation of CO_2 top-bottom combined blowing resourceful utilization projects in Converters 1 and 2 at Rizhao Base, in 2025 the Company promoted CO_2 resourceful utilization projects on Converters 3 and 4. By the end of the reporting period, all four converters have achieved the application of top-bottom combined blowing of CO_2, enabling the Company to realize resourceful utilization of 15,000 tonnes of CO_2 annually.

Management-based Carbon Reduction

The Company actively participates in the national carbon market, enhancing carbon management capability through building a carbon management platform and establishing a carbon management system. Steel City Base established a carbon management system infrastructure platform (carbon accounting and analysis) and carbon asset management platform, and has completed 2024 greenhouse gas emission reporting and verification, 2025 monthly data archiving, and 2024 carbon allowance fulfillment. Rizhao Base, following the overall approach of "dedicated organizational structure, clarified responsibility lists, closed-loop processes, and precise connections," coordinated carbon data and carbon asset management, benchmarking advanced enterprises, and established a Carbon Neutrality Promotion Committee. The Base clarified low-carbon management organizational structure, departmental responsibilities, and business processes. A unified "production data-carbon emission data" platform was built, with data quality control schemes as the framework and monthly digitalized archiving integrated throughout the year's carbon reduction work. The Company completed the steel industry's first on-site verification after inclusion in the carbon emissions trading market, 2025 monthly data archiving, and the first carbon compliance fulfillment.

Synergistic Carbon Reduction

Rizhao Base's integrated smart energy project combining waste heat utilization for residents' daily needs with fishery applications operates through 12 waste heat resource stations, 1 primary station, and 38 kilometers of heating pipeline networks. The project converts industrial waste heat from slag-flushing circulating water and flue gas generated in steel production into "green thermal energy" benefiting residents' daily life, saving 85,800 tonnes of standard coal equivalent annually and reducing CO_2 emissions by 230,000 tonnes, equivalent to cultivating an "offshore green forest" spanning approximately 2,000 acres, and achieving a win-win of environmental and social benefits.

◎ Impact, Risk and Opportunity Identification

Climate change risks have direct or indirect impacts on corporate operations and finances. Shandong Steel, in alignment with its actual circumstances, assesses climate-related risks and opportunities across policy, regulatory, and market dimensions, identifying climate-related risks that may have material economic or strategic impacts on the Company's business.

Risk Type	Risk Category	Potential Impacts
Physical Risks	Typhoons	Rizhao Base is located on the shores of the Yellow Sea and is vulnerable to typhoon strikes. In recent years, frequent extreme weather events globally may result in impairment or loss of physical assets and other potential economic losses.
Transition Risks	Policy and Legal Framework	As the steel industry is included in the national carbon market and the Carbon Border Adjustment Mechanism (CBAM) enters its formal implementation phase, the Company will face rising carbon prices, increased carbon compliance costs, energy transition policy constraints, and green trade barriers such as foreign carbon tariffs, which may suppress exports and increase investment, operational, and export costs while reducing returns.
	Technology and Cost	In the low-carbon transition process, the Company needs to increase investment in energy-saving environmental protection technology application and low-carbon steelmaking technology research and development, which will result in rising R&D costs and potential fixed asset value loss risks.
	Market	Domestic steel demand has entered a plateau phase. Driven by the green low-carbon development trend across the entire industrial chain, market demand for green, low-carbon emission steel products will gradually increase, and competition among steel enterprises will intensify. If the greening process lags, the Company may lose market share.
	Reputation	Stakeholders' and the public's concerns about the Company's climate action initiatives may pose reputational risks to company operations.

Climate change promotes and reshapes socioeconomic development patterns, offering opportunities for enterprise sustainable development. Through analyzing industry and market conditions, combined with the Company's circumstances and strategic positioning, the Company has identified the following opportunities:

Products and Services

Capitalize on the increasing demand for steel in new energy sectors by vigorously developing steel for wind power, marine equipment steel, and others. Through researching and developing ultra-high yield strength steel plates, pipeline steel, and other low-carbon green products, meet market and customer demand for low-carbon products and services.

Energy Efficiency

Through optimizing production processes, extreme energy utilization, and resource recycling, improve energy efficiency, advance energy conservation and emission reduction, and reduce operational costs.

Energy Sources

Substitute clean energy for traditional high-carbon energy, gradually increase the proportion of green electricity from photovoltaic, wind, and hydroelectric sources, establish a green circular economy system, continuously reduce company energy expenditure and compliance costs, and support low-carbon development.

Green Product R&D

Shandong Steel continuously researches green low-carbon steel materials with high strength, high toughness, high corrosion resistance, and high energy efficiency, coordinating with downstream steel-using enterprises in the industrial chain to implement carbon reduction practices. Rizhao Base established a "Green Low-Carbon Product Development and Certification Task Force," comprehensively advancing "green steel" research and development, production, certification, and market application. The Base has established the task force's organizational structure and a 2026 work advancement plan.

Offshore Engineering and Pressure Vessel Steel Plates

Serial development of offshore engineering steel grades has been realized. The R&D and application of LRAH89 offshore engineering steel marks the first application of the highest-grade steel grade in China's shipbuilding and offshore engineering sector. High-grade nuclear power steel SA738Gr.B has been successfully developed, and a breakthrough has been made in the R&D of 420DR steel plates for mobile pressure vessels.

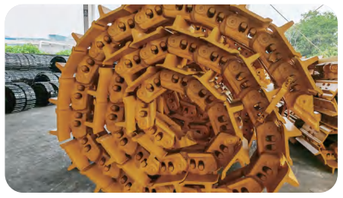
High-Strength, High-Toughness Wind Power Steel Plate

Achieved full coverage of 355–500 MPa strength grades with innovative applications in multiple landmark projects. The 420 MPa-grade wind power steel plate was successfully applied to distributed wind power projects, completing the first domestic full-tower design, manufacturing and demonstration application. While improving tower load-bearing capacity and safety performance, steel consumption was reduced by 10% to 15%, advancing the low-carbon development of the wind power industry.

High-Strength, High-Toughness Pipeline Steel Hot-Rolled Coil

Large-diameter, long-distance oil and gas transmission high-strength, high-toughness pipeline steel hot-rolled coil achieves scientific balance between high strength and high toughness through innovative processes. With excellent performance characteristics and broad mature applications, it has become the ideal selection for large-diameter, long-distance oil and gas transmission pipeline projects.

228 Single-Tooth Track Plate Steel



Characterized by excellent strength and toughness, erosion resistance, and fatigue resistance, it is a key component for the traveling mechanisms of large engineering machinery such as excavators, bulldozers, and crawler cranes. It is one of the most challenging track plate steel varieties in the hot rolling process. The Company has mass production capacity for track plate steel products across ten major series and more than 40 specifications.

Plates for Oil Storage Tank

Q490RW (Q490RW-SR) is a high-strength steel plate primarily used for manufacturing petroleum storage tanks and other equipment. It meets stringent performance requirements, including a low yield-to-tensile ratio (⩽ 0.91), high strength (610–730 MPa), and excellent low-temperature impact toughness. In extreme regions such as deep seas and polar areas, it safeguards energy security.

High-Strength Structural Steel

Product development has been achieved for products with specifications ranging from 6 to 100 mm and yield strength grades from 460 to 690 MPa. These products have passed second-party certifications by a number of well-known enterprises, enabling large-volume supply to key customers. Product supply standards cover European standards, American standards, Chinese national standards and Japanese standards. Q960E, the highest-strength medium and heavy plate product developed within Shandong Province, has been certified and put into mass production, representing a landmark breakthrough in medium and heavy plate products.

Premium Fingerprint-Resistant Galvanized Products

Our products have successfully entered the high-end home appliance market, with over 80% supply share for television back panels of a leading appliance enterprise, and the Company has become the highest-rated material supplier in its supply chain. Stable supply of this product has effectively enhanced the Company's competitiveness in premium appliance steel products.

Nickel-Based Steel Products

Ultra-thin nickel-based steel products with thicknesses of 5mm to 8mm achieve international advanced level in plate flatness control and realize the optimal matching of composition, rolling and heat treatment. The Company is the first in China to pass the crack arrest test for nickel-based steel with specifications of 10mm to 35.2mm at -165℃. Nickel-based steel products have been successfully applied in the 270,000 m^3 LNG storage tank project of Phase II of CNOOC Jinwan "Green Energy Port," the world's largest single LNG storage tank by capacity. The Company has become one of the very few enterprises globally capable of mass-producing ultra-thin nickel-based steel plates as thin as 5mm.

High-Strength Seismic Rebar Products

We have achieved the full-series development of 400–635 MPa high-strength seismic rebar, applied in multiple landmark projects across nuclear power, airports, tunnels, rail transit, and civil air defense underground engineering. The 600–635 MPa hot-rolled seismic rebar is the Shandong province's first product offering, featuring high strength (Rel ⩾ 600 MPa), high plasticity, and excellent seismic performance (yield-to-tensile ratio ⩾ 1.25). While reducing processing and labor costs, it saves over 15% in steel consumption, achieving significant cost reduction in engineering applications.

Low-Carbon Capability Building

Green Design

The Company adheres to the concept of Life Cycle Assessment (LCA) and green design, and actively promotes the green design and green product certification of steel products. During the reporting period, the Steel City Base carried out life cycle assessment on three special steel products of the special steel small bar, new medium bar and large bar production lines, completed LCA reports, and issued Environmental Product Declarations (EPD) for round steel (large bar) and round steel (medium and small bars). The Rizhao Base issued EPD reports for heavy steel plates (3500mm rolling mill) and heavy steel plates (4300mm rolling mill), and promoted the carbon footprint accounting of steel for shipbuilding and marine engineering, supporting the development of greenshipping through low-carbon production.

Participating in Green Low-Carbon Standard-Setting

The Company actively participates in low-carbon standard-setting to advance industry green low-carbon development. During the reporting period, the Company participated in formulating 1 national standard, 1 industry standard, 2 group standards, and 2 local standards: "Structural Steel Plate for Wind Power Towers" (GB/T 28410-2025), "General Requirements for Electric Arc Furnace Short-Route Steelmaking Production" (YB/T 6339-2025), "Hot-Rolled H-Beam Steel for Photovoltaic Support Structures" (T/SDSAS 005-2025), "Technical Specification for Selection of Steel Materials in Wind Turbine Tower Design" (T/CRES 0035-2025), "Safety Technical Requirements for Converter Gas Dry Electrostatic Dust Collection Systems" (DB37/T 2119-2025), and "Safety Technical Requirements for Converter Waste Heat Steam Recovery and Utilization" (DB37/T 2120-2025).

Energy Conservation and Carbon Reduction Training

The Company actively conducts energy conservation publicity campaigns, promoting resource conservation and environmental protection as a fundamental national policy through environmental advocacy, knowledge lectures, and participation in training. The Company enhances green environmental and energy conservation awareness while advancing green low-carbon production and lifestyle practices. During the reporting period, Rizhao Base organized training on "National Carbon Market Platform Testing Precautions, Platform Functions, and Operational Highlights" and a specialist training on "LCA and Carbon Footprint Methodology and CBAM Overview and Declaration", and also organized participation in the training class on Climate Change Response and Green Low-Carbon Transition Capacity Enhancement.

Case Rizhao Base Conducts Greenhouse Gas Accounting Training

In March 2025, Rizhao Base invited experts to conduct training on the interpretation of Greenhouse Gas Emission Accounting and Reporting Guidelines—Steel Industry and monthly data archiving requirements. Personnel from the Manufacturing Management Department, Equipment Department, Finance Department, and energy management staff from each production facility participated.

◎ Metrics and Targets

Shandong Iron and Steel conducts regular monitoring and management of direct and indirect greenhouse gas emissions, and has formulated short-term, medium-term and long-term goals as well as phased and quantifiable implementation plans. In 2025, the carbon emission intensity per tonne of steel was lower than 1.76 tCO_2 per tonne of crude steel, representing a decrease of more than 5% compared with 2020. During the reporting period, the Company accounted for greenhouse gas emissions in accordance with relevant national requirements and standards. The total greenhouse gas emissions (Scope 1 + Scope 2) were 32.1474 million tonnes of carbon dioxide equivalent.

Indicator	Unit	2023	2024	2025
Greenhouse Gas Emissions (Scope 1)	tCO_2e	24,512,877	24,821,339	29,932,954
Greenhouse Gas Emissions (Scope 2)	tCO_2e	2,670,937	2,331,860	2,214,487
Greenhouse Gas Emissions (Scope 1 and Scope 2)	tCO_2e	27,183,814	27,153,199	32,147,441

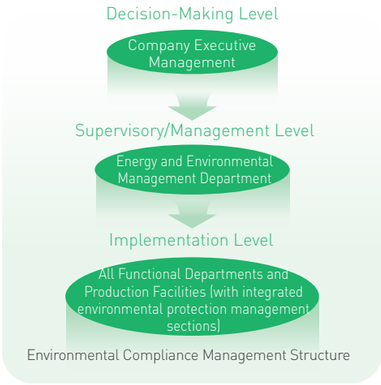
Note: 2025 carbon emissions are preliminary accounting data.

Environmental Compliance Management

Shandong Steel continuously optimizes its environmental management framework, establishing a three-tiered environmental protection management system. The Company's Executive Management serves as the decision-making level for environmental management, responsible for major environmental decisions. The Energy and Environmental Management Department serves as the management/supervisory level, responsible for enterprise-wide environmental management including establishing and implementing environmental policy, and organizing the organizational structure, planning activities, responsibilities, practices, procedures, processes, and resources necessary to establish, implement, achieve, review, and maintain the environmental policy. Other functional departments and production facilities serve as the implementation level, establishing integrated environmental protection management departments responsible for implementing and executing the Company's environmental protection work.

The Company, in accordance with ISO 14001 environmental management system and the "Environmental Management System—Requirements and Guidelines for Use" (GB/T 24001-2016), conducts routine annual environmental management system supervision audits, achieving 100% coverage of environmental management system certification.

During the reporting period, Steel City Base focused on 5 key areas including post-permit environmental management and dust control, cumulatively organizing 306 environmental supervision inspections, precisely identifying and eliminating environmental hazards, conducting closed-loop remediation of identified issues, and continuously improving environmental compliance management levels.



Environmental Compliance Management Structure

Environmental Management System Certification

Pollutant Emissions

◎ Governance

Shandong Steel strictly complies with environmental laws and regulations including the "Environmental Protection Law of the People's Republic of China," "Law of the People's Republic of China on Prevention and Control of Air Pollution," "Law of the People's Republic of China on Prevention and Control of Water Pollution," and "Law of the People's Republic of China on Prevention and Control of Noise Pollution," and continuously improves pollution control systems. During the reporting period, the Company revised 9 regulations including "Exhaust Emission Control Management Regulations," "Wastewater Discharge Control Management Regulations," "Noise Pollution Control Management Regulations," "Radiation Environment Management Regulations," "Environmental Monitoring Management Regulations," "Environmental Protection Supervision Management Regulations," "Environmental Factor Identification and Evaluation Management Regulations," "Environmental Protection Responsibility System and Accountability Management Regulations," and "Construction Project Environmental Protection Management Measures," ensuring standardized environmental management operations.

The Company attaches great importance to pollution control and invested a special fund of 1.15 billion yuan in environmental treatment projects in 2025. Through source emission reduction, process control and end-of-pipe treatment, the Company has carried out in-depth environmental governance covering the whole process, all areas and all dimensions, consolidated and improved the Grade A environmental performance across the board, and continuously enhanced its environmental treatment capacity and management level. During the reporting period, the Company had no environmental pollution incidents. The compliance rate of atmospheric pollutant emissions stood at 100%, the implementation rate of environmental protection "three simultaneous" was 100%, and the synchronous operation rate of environmental protection facilities reached 100%.

◎ Strategy

Air Pollutant Emissions

Shandong Iron and Steel has continuously deepened the governance of air pollutant emissions. The Rizhao Base took the lead in completing ultra-low emission transformation in 2020 and became an enterprise with Grade A environmental performance in the same year; the Steel City Base completed ultra-low emission transformation in 2023 and became an enterprise with Grade A environmental performance in the same year. The Company has become the first super-large iron and steel joint enterprise in Shandong Province to achieve Grade A environmental performance across the entire iron and steel sector. During the reporting period, the Company implemented the 2025 action special chapter of the "Three-Year Action Plan for Maintaining Grade A Environmental Performance (2024-2026) " and carried out key environmental governance projects.

Steel City Base

Steel City Base advanced 9 environmental governance projects. Three projects—standby coke oven pusher desulfurization, 480 m² sintering charging room and cooling machine discharge fugitive dust emission treatment—were commissioned. Environmental enhancement projects including upgrading and renovation of flue gas desulfurization and denitrification systems for No.1 and No.2 coke ovens and coke outlet dust removal flue gas desulfurization treatment are advancing as scheduled, with intrinsic compliance capability further enhanced. The Base conducted specialized desulfurization and denitrification treatment and sulfur mass balance calculation for the 480 m² sintering machine, reshaping the leading advantage of active coke process joint pollutant removal from sintering flue gas in the industry. Precise control operational schemes for environmental facilities were established, the fugitive dust intelligent management platform was migrated, and environmental air quality monitoring station terminals were improved, achieving 100% daily average compliance rate for 75 online monitoring facilities.

Rizhao Base

Rizhao Base deepened environmental governance, implementing 6 key environmental enhancement projects including Steelmaking Plant No.5 Continuous Caster fan suction enhancement. The Base conducted ultra-low emissions further enhancement assessment, identifying 220 issues and establishing 242 remedial measures while advancing implementation, establishing a green channel for implementation, further consolidating ultra-low emissions results. The Base completed upgrades and renovations of 32 online monitoring devices, achieving hourly average compliance rate exceeding 99.9% and data valid transmission rate exceeding 99.6%. The Base strictly implemented pollutant discharge permit self-monitoring requirements, timely submitted pollutant discharge permit execution reports and environmental information disclosure, delegated annual environmental monitoring to qualified third-party organizations, was recognized as Rizhao's first batch of pollutant discharge permit management benchmark enterprises, and passed preliminary review as Shandong Province's pollution reduction and carbon reduction collaborative pilot unit.

Case Rizhao Base Implements New Semi-Negative-Pressure Benzene Removal Tower for Coal Gas Purification

Rizhao Base implemented a new semi-negative-pressure benzene removal tower for coal gas purification, using steam as the heat source for crude benzene distillation to eliminate emissions of nitrogen oxides, sulfur dioxide, and particulate matter generated from the combustion of refined coke oven gas and blast furnace gas, achieving environmental improvement goals.

Wastewater Discharge

Shandong Iron and Steel has formulated and improved the "Regulations on Wastewater Discharge Control and Management and the Measures for the Operation Supervision and Management of Integrated Wastewater Treatment Stations" in accordance with national laws and regulations. The Company actively implements the concept of the "Great Protection of the Yellow River," follows the work philosophy of "separation of rain and sewage, water conservation and emission reduction at the source, and full realization of zero wastewater discharge, "and promotes the utilization of urban reclaimed water in a timely manner in line with the requirements of local governments. Through source reduction, process control, cascade utilization of wastewater and other measures, the Company has improved the reuse rate of water resources and reduced the volume of wastewater discharged. In 2025, the Company's wastewater discharge was 5.4626 million tonnes, down 19% year-on-year; the chemical oxygen demand (COD) discharge in wastewater was 91.23 tonnes, down 27% year-on-year. The emission intensities of COD and ammonia nitrogen were 0.005 kg per tonne of crude steel and 0.00016 kg per tonne of crude steel respectively, better than the national Grade I standard for cleaner production.

Wastewater discharge decreased by **19%**.

COD (Chemical Oxygen Demand) emission decreased by **27%**.

Steel City Base

Steel City Base optimized its water intake model, adjusted water consumption structure, steadily increased municipal reclaimed water usage, improved fresh water quality, and enhanced water use cost-effectiveness. Profile steel steelmaking plant and special steel plant circulating water systems were adjusted to the energy power plant, achieving consolidated, professional management and efficient circular utilization of water resources while reducing wastewater discharge. Circulating water chemical treatment was delegated to specialized companies for operation, strengthening operational control and supervisory monitoring of circulating water. The Base continuously advanced wastewater reduction projects, and three projects were commissioned: the New Dynamic Zone 70 MW power generation circulating water wastewater supply to 3,800 m³ blast furnace slag quenching, profile steel district rainwater-sewage separation domestic wastewater supply to profile steel 1,880 m³ blast furnace slag quenching, and large drainage ditch pump station rainwater recovery supply to profile steel 1,880 m³ blast furnace slag quenching.

Rizhao Base

Rizhao Base established a "differentiated collection–graded treatment–cascading reuse" system. Through source-based clean-sewage separation and pretreatment, the base installed 28 water treatment systems with online monitoring, and conducted deep end treatment with full external supply of concentrated brine. The base recycled 7 million tonnes of wastewater annually, consolidating the industry's zero-discharge benchmark, with key indicators consistently exceeding the limits of GB 13456-2012 and GB 19430-2013.

Case Steel City Base Power Generation Circulating Water Wastewater Supply to Blast Furnace Slag Flushing

In 2025, Steel City Base implemented the 70 MW power generation circulating water wastewater supply project for 3,800 m³ blast furnace slag Flushing, redirecting external wastewater discharge from power generation circulating water for use in the blast furnace slag Flushing process, achieving waste valorization and cascading utilization. The project reduced wastewater discharge by 40 m³/h.

Case Rizhao Base Advances Wastewater Resource Utilization, Achieving Water Conservation and Harmless Disposal

Rizhao Base focused on wastewater resource utilization, implementing multiple technological modifications to achieve cascading wastewater utilization and consumption. Continuous casting wastewater was treated through multi-stage reaction and sedimentation tanks, utilizing "dual-alkali" and "defluorination" technologies for reuse in steelmaking evaporative coolers as a substitute for fresh water, achieving zero discharge from continuous casting wastewater. Additionally, cold rolling acidic wastewater was used in the steel slag hot briquetting process, consuming 185,000 m³ of acidic wastewater annually, substituting for fresh water in cooling and slag quenching operations, saving 750,000 tonnes of water annually. This achieves resource utilization and harmless disposal of acidic wastewater, significantly reducing industrial fresh water consumption and improving water resource utilization efficiency.

Going forward, the Company will continue consolidating wastewater zero discharge achievements, deeply advancing water utility centralized control center construction, conducting water balance testing, and achieving high-quality wastewater zero discharge. The Company will develop "two lists and one table" (toxic and hazardous substance list, critical locations and equipment list, on-site investigation record table), continuously optimizing lists based on actual production field conditions. The Company will optimize and improve soil and groundwater self-monitoring point layouts, track changes in monitoring data trends, and prevent soil and groundwater pollution and deterioration.

◎ Impact, Risk and Opportunity Management

Pollutant emissions' impacts on company production and operations are primarily reflected in operational costs and corporate image. The Company, leveraging its "company-level, professional department, production facility" three-tiered environmental management network, systematically manages the impact, risks, and opportunities of pollutant emissions.

Risk	Opportunity
● Regulatory and compliance risk: non-compliant emissions may result in regulatory fines or even production suspension for remediation ● Environmental impact and reputational damage: pollution incidents or sudden environmental events may attract public attention and damage corporate image	● Investment in advanced environmental protection equipment and technology can improve corporate environmental performance and corporate image ● Reducing pollutant emissions may qualify for environmental tax incentives ● Establishing sudden environmental event emergency response plans and conducting emergency drills can enhance environmental risk response capability and prevention levels

Enhancing Response Capabilities

Shandong Steel adheres to safety and environmental protection bottom lines, classifying non-compliant emissions, environmental penalties, and other environmental protection risks as major company risks. The Company invites professional agencies to identify and resolve environmental protection risks, formulates environmental emergency response plans and conducts drills, strengthens environmental protection publicity and training, and advances clean production initiatives to strengthen management of various environmental protection risks and enhance environmental risk response capability. Targeting stakeholders including community residents, the Company establishes normalized environmental monitoring and communication mechanisms, proactively disclosing environmental information and responding to community concerns. During the reporting period, the Company experienced no significant community complaints triggered by environmental pollution.

Environmental Emergency Plans and Drills

The Company establishes an "Emergency Response Plan for Sudden Environmental Events," building and perfecting emergency mechanisms for sudden environmental events to enhance the Company's capability and prevention level in responding to sudden environmental pollution incidents. The Company conducts emergency drills for material spills, fires, environmental facility failures, radiation accidents, and other sudden environmental events. In 2025, Steel City Base organized 34 emergency response drills for sudden environmental events with cumulative duration of approximately 47.2 hours and approximately 760 participants; Rizhao Base organized 50 emergency drills with cumulative duration of approximately 50 hours and approximately 600 participants. Drills covered critical risk areas including wastewater quality anomalies, wastewater treatment facility failures, radiation source loss, and hazardous waste spills, employing realistic scenarios to focus on verifying plan practicality, command system coordination, and rescue team practical capability, achieving full-coverage risk prevention and comprehensive emergency response capability enhancement.

Case Rizhao Base Radiation Source Theft Emergency Response Drill

In September 2025, Rizhao Base's Plate Plant organized a specialized radiation emergency response drill simulating scenarios of radiation source theft and thickness gauge signal interruption. When operators discovered abnormalities, they promptly reported them. The control room rapidly activated the specialized emergency response plan, coordinating with multiple departments to secure the scene, establish cordons, and preserve evidence. Various units coordinated effectively and interfaced with superior departments, ensuring standardized handling with no secondary risks. The drill verified plan operability, strengthened personnel emergency response and inter-departmental coordination capabilities, and enhanced awareness of radiation safety risk prevention and emergency reporting standards.

Strengthening Energy Conservation and Environmental Protection Training and Publicity

The Company actively conducts enterprise-wide ecological civilization training and publicity month activities, enhancing employee ecological environmental awareness and capability. In 2025, utilizing World Environment Day, the Company launched an energy conservation and environmental protection publicity month, calling for company-wide energy conservation and environmental protection publicity activities supporting the construction of Beautiful Shandong Steel and Beautiful China. Meanwhile, the Company conducted specialized training on hazardous waste standardized management, online monitoring management, and others through organizing expert lectures and participating in industry conferences. Steel City Base conducted 2 large-scale training sessions with over 500 participants; Rizhao Base organized 4 environmental protection training sessions.

Case Rizhao Base Environmental Protection Promotion with Community and Property Management

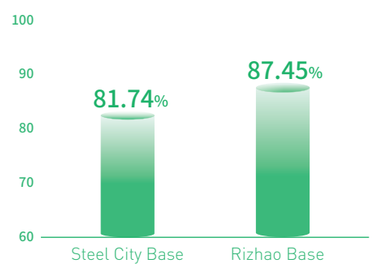
During the energy conservation and environmental protection publicity month, Rizhao Base partnered with Kuian Community and Bona Property Management to conduct environmental protection promotion activities in the Shandong Steel residential area, promoting citizen ecological environmental behavioral standards and inviting citizen representatives to visit Rizhao Base to personally experience the new image of modern green steel enterprises.

Advancing Cleaner Production

Shandong Steel actively promotes the creation of cleaner production environmentally friendly enterprises, and both Steel City Base and Rizhao Base are China's steel industry cleaner production environmentally friendly enterprises. During the reporting period, the Company optimized production processes and operational procedures, employed clean raw materials, advanced cleaner production and process control technologies, and consolidated cleaner production achievements. All major air pollutant emission indicators exceed Grade 1 standards of the cleaner production evaluation index system. Steel City Base passed the national Ministry of Industry and Information Technology "Green Factory" re-examination.

Clean Transportation Ratio Further Increased

In 2025, Steel City Base added 28 new-energy electric traction vehicles, 9 electric dump trucks, 10 electric forklifts, and 2 electric loaders. Rizhao Base increased new-energy electric vehicle transport by 2 million tonnes, raising new-energy electric vehicle transport proportion to 40.13%. By the end of the reporting period, Steel City Base achieved a clean transportation ratio of 81.74% and Rizhao Base 87.45%, both exceeding the 80% target required for Grade-A Environmental Performance Enterprises.



◎ Metrics and Targets

In 2025, the Company fully completed annual pollutant emission targets set at year-beginning as well as mandatory environmental protection indicators and anticipated targets. Pollutant comprehensive compliance rate, construction project environmental protection "Three Simultaneities" execution rate, and environmental facility synchronized operation rate all reached 100%. Major and above environmental pollution accidents were zero, environmental administrative penalties were zero. Sulfur dioxide, nitrogen oxides, particulate matter, chemical oxygen demand, and ammonia nitrogen per-tonne-steel emissions complied with total pollutant discharge control requirements. Factory environmental air quality remained stable, and the Company continued maintaining Grade-A Environmental Performance Enterprise status across all operations.

Indicator	2025 Target	Completion Status
Environmental Performance	Company-wide "Maintain Grade-A"	Continued Grade-A Environmental Performance across all operations
Pollutant Emissions Compliance Rate	100%	100%
Construction Project Environmental Protection "Three Simultaneities" Execution Rate	100%	100%
Environmental Facility Synchronized Operation Rate	100%	100%
Clean Transportation Ratio	80% and above	80% and above
Environmental Administrative Penalties	Zero	Zero
Solid Waste Resourceful Utilization or Harmless Disposal Rate	100%	100%
Pollutant Emissions	Emissions of sulfur dioxide, nitrogen oxides, particulate matter, chemical oxygen demand, and ammonia nitrogen comply with total pollutant discharge control requirements.	In compliance with total pollutant discharge control requirements.

Indicator	Unit	Permitted Discharge	2025 Actual Emissions
Total Particulate Matter Emissions	Tonne	10,531.16	3,948.11
Total Sulfur Dioxide Emissions	Tonne	6,638.1	2,219.22
Total Nitrogen Oxides Emissions	Tonne	13,019.86	5,678.85
Chemical Oxygen Demand (COD) Emissions in Wastewater	Tonne	219	91.23
Ammonia Nitrogen Emissions in Wastewater	Tonne	21.9	2.95
Biochemical Oxygen Demand (BOD) Emissions in Wastewater	Tonne	/	/
Total Nitrogen (TN) Emissions in Wastewater	Tonne	65.7	39.46
Total Phosphorus (TP) Emissions in Wastewater	Tonne	2.19	1.33

Waste Management

Shandong Steel strictly complies with laws and regulations including the "Solid Waste Pollution Prevention and Control Law of the People's Republic of China," and in accordance with the "Pollution Control Standard for Storage and Disposal of General Industrial Solid Waste" (GB18599-2020), has established "Solid Waste Management Measures," "Hazardous Waste Management Measures," "Hazardous Waste Management Standards," and "Hazardous and General Industrial Solid Waste Category 1 Material Disposal Management Measures." Through source-based waste reduction control and professional recovery and utilization management, the Company achieves 100% legal and compliant disposal or utilization of solid waste and hazardous waste, with continuously improving resourceful utilization levels.

In 2025, the total amount of waste generated by the Company was 11.1052 million tonnes, with a recycling and utilization rate of 98.82%. Among them, the generation volume of general industrial solid waste was 10.9842 million tonnes, 100% of which was recycled or disposed of by entrusted entities; the generation volume of hazardous waste was 121,000 tonnes, 100% of which was disposed of in compliance by qualified third-party enterprises.

Comprehensive utilization rate of solid waste resources: **100%**

Compliant disposal rate: **100%**

Recycling ratio: **98.82%**

Indicator	Unit	2024	2025
Scrap Steel Recovery Rate	%	100	100
Total Waste Generation	10,000 tonnes	833.95	1,110.52
——Generation volume of general industrial solid waste	10,000 tonnes	795.34	1,098.42
Recycling and utilization volume of general industrial solid waste	10,000 tonnes	794.47	1,097.47
——Generation volume of hazardous waste	10,000 tonnes	38.61	12.1
Harmless treatment volume of hazardous waste	10,000 tonnes	38.61	12.1
Recovered and Utilized Waste Ratio	%	95.27	98.82

The Steel City Base has actively promoted the reduction of steel slag. For various types of steel slag from different sources such as converter red slag, splashing slag, desulfurization slag, residual pouring slag and electric furnace red slag, the Company has reduced steel slag generation at the source by adopting high-quality lime, increasing slag retention, conducting refined steelmaking operations, strengthening internal primary sorting of splashing slag, and precisely controlling residual pouring volume according to different steel grades. During the reporting period, the comprehensive utilization rate of solid waste resources reached 100%.

Case **Efficient Utilization of Converter Steelmaking Dust Sludge Briquetting**

Steel City Base continuously optimized converter steelmaking dust sludge briquetting utilization, gradually consuming previous inventory sludge. Combined with iron-to-steel ratio adjustments and hot metal temperature conditions across regions, the Base, in accordance with the overall approach of inventory effective control, ultimate utilization in steelmaking, and appropriate process fine-tuning, established differentiated briquetting utilization target plans and formed utilization models to achieve efficient circular reuse of dust sludge.

The Rizhao Base focuses on building a "Zero-Waste Factory" and has formulated a three-step strategy of process reengineering, intelligent revolution and gene remodeling, and has incorporated energy conservation and environmental protection indicators into departmental performance assessment. A cross-departmental "Zero-Waste Task Force" has been established to integrate production, technical and environmental protection resources, and promote internal collaborative disposal by drawing on advanced experience. A variety of solid wastes such as cold-rolled iron oxide pellets are reused on-site without being transported out of the plant, and rolling line sludge is recycled independently, reducing the outsourced disposal of hazardous wastes and continuously improving the comprehensive utilization rate of solid wastes. In the steel slag treatment process, the converter steelmaking process is optimized and low-slag smelting is adopted, so that the steel slag output per tonne of steel keeps decreasing.

● Rizhao Base Three Major Solid Waste Reduction Measures

Flux Substitution Implementation

Using lightly-roasted dolomite to substitute for lightly-roasted magnesia balls, total flux consumption reduced to 41 kg/t lowering total slag volume.

Converter Bottom Blowing Optimization

The bottom blowing mode of the converter has been changed from clustered type to annular gap type bundle form to ring-gap form, with annular gap type large bottom blowing promoting the rate of carbon-oxygen reaction in the smelting process, reducing endpoint oxygen content by approximately 40 ppm, reducing total iron in slag by 1.1%, and lowering slag volume.

Raw Material Quality Improvement

Diversified scrap steel procurement with clear standards, and all molten iron slag shall be thoroughly removed to reduce slag carryover in hot metal.

Case Rizhao Base Actively Creating "Zero-Waste Factory"

Rizhao Base systematically advanced a three-tiered "reduction-reuse-regeneration" management system, reducing per-tonne-steel solid waste generation by 6.4%, and achieving full-process digitalized waste reduction with steelmaking steel slag and hot rolling shear loss reduced by 14% and 20% year-on-year respectively.

The Company has adopted the innovative dual-track model of "in-plant recycling + social collaboration, "consuming 1 million tonnes of social scrap steel annually. It has pioneered a "real-time generation and real-time clearance "dynamic zeroing model for hazardous waste, and built a grid-based storage system consisting of "on-site hazardous waste bins + comprehensive warehouses". Relying on intelligent technologies, the Company has realized full-life-cycle traceability and visual monitoring of hazardous waste, and increased the reuse rate of waste ceramic balls by more than 50%. An environmental performance reward system has been established, and ecological education activities have been carried out to build a comprehensive solid waste treatment and resource recycling system.

Standardized Hazardous Waste Management

Shandong Steel strictly aligns with the National Hazardous Waste List and implements full-process control over hazardous waste generated in the production process, including waste mineral oil and mineral oil-containing waste, waste activated carbon, polychlorinated (brominated) biphenyl waste, waste acid, waste alkali, and various distillation residues generated in the coke and coke by-product recovery process. The Company adheres to the principle of "prevention first, addressing both root and symptoms, and standardized management", implementing the disposal principles of "clear division of responsibilities with each bearing responsibility" and "reduction, resourceful utilization, and harmless treatment" for the standardized management and safe disposal of hazardous waste.

In accordance with the requirements of the Pollution Control Standard for Hazardous Waste Storage (GB1859 7-2023), the Company has built standardized hazardous waste temporary storage rooms for the temporary storage of hazardous waste. According to the annual hazardous waste management plan, the Company tenders to qualified third parties for disposal using methods including C5, R4, R9, and D10, with the entire process being legal, compliant, traceable and verifiable.

Energy Utilization

◎ Governance

Shandong Steel's energy management framework consists of three levels: company-level, department-level, and facility-level. The Company's Management/Executive Management serves as the decision-making level for energy management, responsible for coordinating and deciding major company energy matters. The Energy and Environmental Management Department serves as the management/supervisory level, comprehensively responsible for company energy management work including revising and improving company energy management systems, establishing annual energy conservation work plans and supervising implementation. Other departments and production facilities are responsible for implementing specific energy work. Both Steel City Base and Rizhao Base have achieved ISO 50001 Energy Management System certification with 100% certification coverage.

Energy Management System Certification

The Company strictly abides by national laws and regulations, and has formulated such management systems as the "Energy Conservation Target Management Measures", "Energy Review and Improvement Management Measures", "Energy Performance Parameter Management Measures", "Energy Statistics and Monitoring Management Measures", and "Energy Dispatching Management Measures". Adhering to the philosophy of "System Concept, Scientific Concept, Value Concept" and the energy conservation approach of "Systematic Energy Conservation, Scientific Energy Utilization and Efficiency Improvement", the Company takes management-based energy conservation, collaborative energy conservation and technology-based energy conservation as the starting points to challenge the limit of energy consumption, and regards energy efficiency improvement as an important path to achieve green and low-carbon transformation.

◎ Strategy

Ultimate Energy Efficiency

The Company has continuously deepened the ultimate energy efficiency improvement project. More than 74% of the production capacity at both the Steel City Base and Rizhao Base exceeds the benchmark energy efficiency level. The Steel City Base's "Dual Carbon Best Practice Energy Efficiency Benchmark Demonstration Plant" has entered the public notice procedure. The Rizhao Base was successfully recognized as a "Dual Carbon Best Practice Energy Efficiency Benchmark Demonstration Enterprise" in 2024, won the title of "Energy Efficiency Leader" in the iron and steel industry in Shandong Province in 2025, and was selected into the 2025 List of "Energy Efficiency Leaders "in Key Industries publicized by the Ministry of Industry and Information Technology, with its converter process awarded the "Leader" title.

Steel City Base

Steel City Base actively advanced energy-conservation technology application, cumulatively reducing comprehensive energy consumption per tonne of steel by 44 kg standard coal equivalent over three years. The Base formulated the Energy System Cost Reduction and Efficiency Increase Three-Year Action Plan, sorting out various energy-conservation measures for improving gas utilization efficiency, reducing electricity consumption, improving waste heat recovery and utilization, reducing fresh water consumption and minimizing wastewater treatment, and continuously deepening energy efficiency improvement work.

Rizhao Base

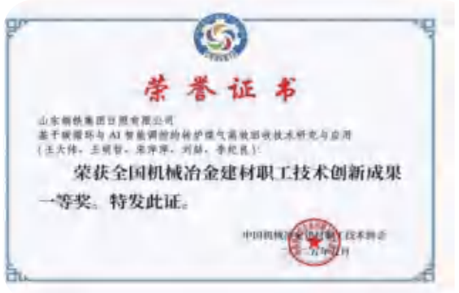
Rizhao Base built an integrated "process energy conservation + technological innovation + management optimization" system. Starting in May 2024, the base launched comprehensive, three-dimensional grid-based extreme energy efficiency diagnostic work, establishing 59 process-specific energy conservation projects and eight general technology categories, with anticipated technology-based energy conservation of 182,000 tonnes of standard coal equivalent. During the reporting period, the base formulated and released the 2025 Extreme Energy Efficiency Creation Leadership Action Plan, systematically sorting key energy conservation measures across management-based, technology-based, and process-based energy conservation dimensions, and advancing 16 energy conservation projects, among which 8 were commissioned, cumulatively realizing 45,000 tonnes of standard coal equivalent technology-based energy conservation. At present, the converter, blast furnace and sintering processes maintain a 100% benchmark achievement rate for energy consumption. The converter process has been awarded the Shandong steel industry and national-level energy efficiency "Leader" designation, with multiple key indicators including per-tonne-steel comprehensive energy consumption and converter gas recovery consistently maintaining leading domestic levels.

Case Rizhao Base Blast Furnace 2 and Converter 2 Honored as "Champion Furnaces"

In July 2025, the benchmarking competition results for national key large steel production equipment energy conservation and consumption reduction were announced. Rizhao Base's Blast Furnace 2 was honored as a "Champion Furnace," Converter 2 was honored as a "Champion Furnace," and Sintering Machine 2 was honored as a "Pioneer Furnace."

Case Rizhao Base Converter Process Achieves Provincial Steel Industry and National Energy Efficiency "Leader" Recognition

In recent years, Rizhao Base's converter process energy consumption indicators continuously improved. In 2025, Rizhao Base sorted 1,180 key data points across 17 categories, and through scientific data and significant energy conservation achievements, became the provincial steel industry benchmark for converter process energy efficiency, while being selected for the 2025 key industry energy efficiency "Leader" enterprise list jointly released by the Ministry of Industry and Information Technology, National Development and Reform Commission, and State Administration for Market Regulation.


荣誉证书

荣获全国机械冶金建材职工技术创新成果

一等奖。特发此证。

Rizhao Base implemented 5 converter energy conservation measures, completed intelligent renovation of steel ladle bakers to improve energy efficiency and equipment stability, and innovatively applied low-carbon resourceful smelting technology, with jointly tackled technical projects receiving first prize in the National Machinery, Metallurgy, and Building Materials Industry Employee Technical Innovation Achievement Awards. The base simultaneously completed 10 related renovations improving converter gas recovery calorific value.

Additionally, the base established 5 lean management and control models, implemented energy metering management systems, achieved 100% equipping of converter process energy metering instruments, and relied on new converter equipment advantages for precise management and control, further optimizing process energy efficiency.

Collaborative Energy Conservation

Shandong Steel fully leverages the Baosteel integrated synergistic support platform to deepen collaborative cooperation and solidly advance synergistic energy conservation and value creation work, achieving remarkable results in key areas such as energy recovery and utilization, continuously improving the enterprise's energy utilization efficiency and supporting green low-carbon development. Focusing on the core goal of energy conservation and consumption reduction, Steel City Base actively implemented a number of synergistic support projects, strengthened the implementation of energy-saving measures, effectively exerted synergistic advantages, and achieved significant energy-saving results, providing strong support for the enterprise's carbon and consumption reduction. With the help of the Baosteel synergistic platform, Rizhao Base has orderly advanced relevant optimization and upgrading projects, realizing two-way empowerment of safe production and energy efficiency improvement, which not only firmly holds the bottom line of safe production, but also effectively improves the operational energy efficiency of equipment, further consolidating the foundation for the enterprise's green development.

Efficient Waste Heat Recovery

Shandong Steel, through implementing comprehensive, full-coverage, and all-dimensional energy conservation renovations, continuously advances waste heat and residual energy extreme recovery technology. Steel City Base maintains zero flaring of blast furnace gas and coke oven gas with extreme converter gas recovery, completing 0.78 GJ/t annually. The base constructed steam pipeline from the medium section production line area to the old plant area, integrating large heating furnace waste heat steam into converter waste heat power generation utilization, eliminating steam venting, reducing annual steam venting by 70,000 tonnes, and reducing CO_2 emissions by 7,800 tonnes.

Rizhao Base comprehensively advanced gas extreme recovery utilization and efficient value-added utilization, reducing blast furnace gas venting rate to 0.05%, a 37.5% decrease from 2024's 0.08%. Converter gas recovery reached 0.94 GJ/t, a 0.02 GJ/t increase year-on-year. Surplus gas supplies self-generation power plants with co-firing gas ratio of 12.2%. The base established a coke oven gas utilization value-maximization model, prioritizing coke oven gas for liquefied natural gas (LNG) and synthetic ammonia production, achieving efficient carbon-containing resource utilization and reducing annual carbon emissions by approximately 28,000 tonnes. In 2025, the LNG process utilized 590 million m^3 of coke oven gas.

Improving Self-Generated Power

Steel City Base extremely enhanced self-generated power. In 2025, self-generated power reached 3.27 billion kWh, with a self-generation ratio of 76%, an increase of 3 percentage points year-on-year. Rizhao Base follows the principle of "matching heat supply to demand, making full use of heat energy, matching temperature to application, and realizing cascaded utilization," and has built a cascaded utilization system of "power generation – process heat – domestic heat – waste heat storage". In 2025, the power generation from waste heat and residual energy reached 1.091 billion kWh, and the power generation per unit product remained at an advanced industry level.

Power generation of Gangcheng Base: **3.27** billion kWh

Proportion of self-generated power: **76%**

Waste heat and residual energy power generation of Rizhao Base: **1.091** billion kWh

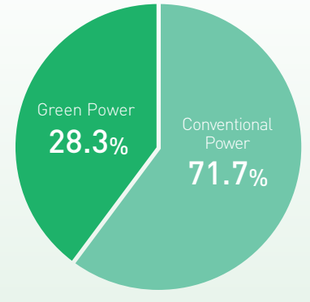
Case Steel City Base Advances 1.2 Million Tonne Pellet Plant Waste Heat Recovery and Utilization Project

Steel City Base's 1.2 million tonne pellet plant waste heat recovery and utilization project is advancing steadily. The project includes vertical cooling furnace coolers, blowers, steam transmission pipelines, electrical distribution systems, perimeter hot water supply piping, and steam pipes. Hot pellet ore is loaded into closed vertical furnace chambers through large-angle chain-bucket elevators. High-temperature flue gas undergoes dust reduction through cyclone separators, with portions entering waste heat boilers for steam recovery and portions entering denitrification supplementary heating furnaces for combustion support. Upon completion, the project will recover 87,100 tonnes of steam annually, reduce gas consumption by 2%, and decrease carbon emissions by 31,800 tonnes.

Renewable Energy

Shandong Steel actively explores renewable energy utilization. Steel City Base conducted on-site surveys of factory buildings and structures, calculating a total roof area of approximately 1.5 million m^2 across the entire zone with an estimated photovoltaic installation area of over 600,000 m^2. During the reporting period, the construction of a 14.49 MW photovoltaic power generation project commenced, with expected commissioning in 2026. The Base established a research task force to conduct in-depth research on green electricity and green certificate trading rules. Rizhao Base plans a 28.3% green electricity consumption ratio in 2026, achieving a breakthrough "zero" in green electricity consumption through the purchase of green certificates.

Expected Power Consumption Structure of Rizhao Base in 2026



Water Resource Utilization

Water Resource Management System

Shandong Steel strictly implements the national Water Intake Permit Management Measures, establishing a "top-level coordination, hierarchical responsibility, and universal participation" water resource management organizational framework. The company management level serves as the decision-making level, the Energy and Environmental Management Department as the management/supervisory level, and the energy power plants and related facility departments as the implementation level, with clear departmental responsibilities at each level forming a closed-loop management mechanism. The Company established Water System Management Measures, Water Supply, Consumption and Water Resource Management Measures and other systems, improved the statistical accounting and metering system, and incorporated water consumption and conservation indicators into performance evaluation to strengthen responsibility implementation.

Strengthening Planning and Water Source Protection

The Company strictly adheres to water intake (consumption) quota declaration, rationally plans and calculates water intake, and takes water according to plans. For new construction, modification, and expansion projects, water conservation facilities are built concurrently. Combined with the Yellow River Protection Law of the People's Republic of China, Shandong Yellow River Basin Ecological and Environmental Protection Specialized Plan, and the Company's water resource management targets and plans, Shandong Steel comprehensively advances the "Great Yellow River Protection" initiative, comprehensively strengthening water-saving technology research, development, and application, implementing multiple water conservation measures and projects, and continuously improving water resource utilization efficiency.

Neither the Steel City Base nor the Rizhao Base involves key protected areas, and they earnestly fulfill their ecological protection responsibilities. The Steel City Base is located in the Yellow River Basin, giving priority to the use of surface water and unconventional water to reduce groundwater exploitation and strengthen water source protection. In the future, it will firmly implement the requirements of the Opinions on Comprehensively Promoting Ecological Protection and High-Quality Development of the Yellow River Basin and continuously tap water-saving potential. The Rizhao Base implements differentiated water supply and source water reduction management, setting a benchmark for ecological protection in the steel industry.

In 2025,
the Company's total water consumption was **45.07** million m³,

with fresh water consumption at **41.22** million m³.

The fresh water consumption per ton of steel was **2.26** m³

the water recycling rate remained above **98.48%**.

Case Rizhao Base Intelligent Water-Saving Demonstration

Rizhao Base has deeply cultivated the field of industrial water-saving and become a model for regional water resource protection. Its developed "Steel Rolling Turbid Circulating Water System Equipment Treatment Capacity Improvement Technology" was selected as a typical case in the Catalogue of Industrial Water-Saving Technologies, Processes and Equipment Encouraged by the State (2025 Edition) by the Ministry of Industry and Information Technology. This technology addresses the pain points of industrial turbid circulating water treatment in the industry, achieving dual improvement of water-saving and production stability through optimization such as synergistic treatment and equipment upgrading. At the same time, it improved the water system control and realized zero wastewater discharge during blast furnace maintenance. The Base upgraded the intelligent water management phase one through intelligent enhancement, adding an intelligent dispatch module, clearing water consumption information across processes, improving the factory-wide water dispatch response speed by 50%, and fortifying the operation and maintenance defense line coupled with intelligent inspection. It established a three-tiered water circulation system with a 100% wastewater recycling rate, providing a practical sample for the steel industry.

Water Conservation and Utilization Measures

Steel City Base adheres to the policy of "source reduction, process cascading, end treatment, and recovery utilization" and builds a water-saving model of "diversified resource development, systematic consumption reduction, and refined management and control".

In terms of management, it built a dynamic water intake model, conducts regular water balance testing, improves the three-tiered water metering network to achieve precise control.

In terms of water source expansion, it recycled 7.92 million cubic meters of reclaimed water in 2025, the coking wastewater recycling rate exceeded 92%, reducing wastewater discharge by 466,000 tonnes annually, and collected rainwater to supplement production water.

In terms of system optimization, it advanced process cascading water use and circulating water recovery and utilization, implemented equipment and process transformation, and a number of measures saved more than 1 million tonnes of fresh water annually.

Reclaimed water reused: **7.92** million m³

Coking wastewater reuse rate: **92%**

Wastewater emission reduction: **466,000** tonnes

Rizhao Base relies on the integrated water system management and control platform to realize full-process refined control of water use and dynamic analysis of process water use efficiency, timely rectifying water leaks, and providing data support for water-saving technological transformation and indicator optimization.

It explored a seawater desalination water-saving path and built a seawater desalination project with a daily capacity of 20,000 m³, which converts seawater into industrial water through advanced membrane treatment technology, saving 3 million tonnes of fresh water annually and taking into account both water conservation and ecological protection.

The Base advanced wastewater resource utilization, purifying wastewater into pure water for reuse in furnaces through more than 60 process steps. At present, the factory-wide wastewater recycling rate reaches 100%, the per-tonne-steel fresh water consumption leads the industry, and the annual recycled water volume is equivalent to that of the West Lake.

Fresh water saved: **3** million tonnes

Wastewater reuse rate for the whole plant: **100%**

Water-Saving Culture Publicity

The Company attaches great importance to training all employees on water use efficiency to enhance water-saving awareness across the enterprise. The Company carries out a series of activities in conjunction with important nodes such as World Water Day and China Water Week. In 2025, the Company organized 5 specialized training sessions and 13 online promotions. It creates a good atmosphere of "water conservation by everyone, everywhere" through posting slogans and holding special activities.

5 special training sessions

13 online publicity activities

◎ Impact, Risk and Opportunity Management

The Company's production and operation consume various energy sources including water, electricity, coal, and gas. The impacts of energy utilization on company production and operations are primarily reflected in operational costs and corporate image. The Company, leveraging its "company-level, professional department, production facility" three-tiered energy management network, systematically manages the impacts, risks, and opportunities of energy consumption and resource utilization.

Risk	Opportunity
● Regulatory and compliance risk: energy consumption above relevant standards, unauthorized water intake and use may result in regulatory fines ● Research and development of new low-carbon energy sources (such as hydrogen energy) may increase company R&D investment ● Environmental impact and reputational damage risk: if energy-related pollution incidents occur, it will attract public attention and damage corporate image	● Investment in equipment upgrade and renovation, utilizing advanced energy-conservation technology, can reduce energy consumption, lower enterprise operational costs, and enhance environmental performance and corporate image ● Active development of renewable energy, optimizing enterprise energy structure, supporting enterprise carbon reduction, and enhancing enterprise competitiveness ● Scientific energy management and utilization benefits establishing a positive image, winning the trust of customers and the public, and enhancing enterprise industry influence and brand value

◎ Metrics and Targets

Shandong Iron and Steel tracks and monitors indicators such as comprehensive energy consumption per tonne of steel in real time. In 2025, the Company's comprehensive energy consumption per tonne of steel was 563.64 kg of standard coal per tonne of steel, and fresh water consumption per tonne of steel was 2.26 m^3 per tonne of steel, both meeting the annual targets.

Company Future Resource Utilization Targets

Through increasing comprehensive resource utilization efforts, reducing external disposal ratio, particularly improving bulk solid waste return-to-production utilization rate and product conversion rate, and creating "zero-waste factories." By 2030, the Company aims to achieve solid waste return-to-production utilization rate of 38% or above, reduce per-tonne-steel comprehensive energy consumption by 4.5% compared to 2025, and reduce per-tonne-steel fresh water consumption by 1% compared to 2025. Improve water resource comprehensive utilization efficiency, reduce external wastewater discharge from Steel City Base, and achieve Rizhao Base high-quality wastewater zero discharge targets.

Circular Economy

Shandong Steel actively leverages circular economy industrial cluster advantages, establishing a standard system encompassing five recycling chains: solid waste treatment, water resource cascading utilization, gas resource utilization, waste heat cascading utilization, and coal chemical product deep processing, achieving resource-efficient utilization.

◎ Solid Waste Recycling

The Company actively advanced rotary kiln fines return-to-production utilization, blast furnace slag resourceful utilization, and high-value utilization of carbon-containing and iron-containing resources such as coke-making dust ash and scale. Solid waste resourceful utilization levels continuously improve with achievement of 100% resourceful utilization of blast furnace slag and iron-containing dust sludge, high-value utilization of desulfurization slag, and effective promotion of cross-industry solid waste resource cycling and utilization.

Strengthening Rotary Kiln Fines Return-to-Production Utilization

In accordance with rotary kiln fines generation conditions and zero-inventory management requirements, the Company researched and optimized sintering charging models and increased rotary kiln fines utilization. During the reporting period, rotary kiln fines return-to-production utilization reached **65,900** tonnes.

Blast Furnace Slag Resourceful Utilization

The Company constructed slag micro-powder production lines, achieving **100%** resourceful utilization of blast furnace slag.

Dust Ash/Sludge Recovery and Utilization

The Company continuously promoted steelmaking dust ash briquetting return-to-steelmaking utilization. Various zinc-containing dust ashes were processed through rotary kilns for return-to-sintering utilization. Dust ashes with minimal harmful elements were directly returned to sintering. achieving **100%** utilization of iron-containing dust sludge.

High-Value-Added Desulfurization Slag Utilization

The Company independently developed desulfurization slag graphite carbon extraction technology, achieving new breakthroughs in desulfurization slag processing technology with annual desulfurization slag processing capacity of **100,000** tonnes, enabling extraction of over **3,000** tonnes of graphite carbon with purity exceeding 90% annually and achieving high-value-added desulfurization slag utilization.

Exploring Cross-Industry Solid Waste Resource Utilization

The Company actively explored new models for cross-industry solid waste resourceful utilization. Through technological innovation and process optimization, the Company achieved consumption of red mud generated in the aluminum electrolysis industry within the steel industry. In 2025, the Company consumed **124,900** tonnes of red mud, effectively promoting cross-industry solid waste resource cycling and utilization.

◎ Packaging Materials

Shandong Iron and Steel strictly implements steel packaging standards. Each production plant has formulated specific management and usage rules for packaging materials in light of packaging quality and business needs. Adhering to the principles of reduction and recyclability, the Company has reduced the consumption of packaging materials by adopting reduced packaging, improving the control precision of packaging equipment, and increasing the use of recyclable packaging materials. In 2025, the total consumption of various packaging materials was approximately 40,000 tonnes.

Weight-Reduction Packaging

Using high-strength materials achieves both ensuring packaging quality and reducing packaging material usage. Detailed segmentation of strapping length categories reduces the overlap length per strapping and minimizes waste.

Adopting Circular Materials

Implementing a packaging material substitution strategy, keeping pace with industry development trends, increasing recycled packaging material usage, improving the packaging material circular utilization rate, and reducing environmental impact.

Improving Equipment Control Precision

Enhancing strapping equipment control precision, such as length and width cutting precision for various packaging materials, reducing overlap quantity, and thereby saving packaging material consumption.

Ecosystem and Biodiversity Conservation

Biodiversity is the foundation of human survival and development, closely related to food safety, quality of life, economic development, and disease prevention. Shandong Steel strictly complies with international, national, and regional biodiversity protection laws and regulations, taking active measures to ensure all business activities comply with regulatory requirements and proactively avoiding operations in high-biodiversity-value areas. Simultaneously, the Company strictly adheres to ecological red lines, refraining from construction near national ecological protection areas, and taking concrete action to maintain ecological balance.

The green coverage rate of the Steel City Base has been raised to 28.36%, with continuous improvement of the ecological environment. The Dawenhe National Wetland Park (AA) at the Steel City Base is a model of integrated factory-urban governance, home to wild animals such as white storks, egrets and mallards, which vividly demonstrates the beauty of biodiversity.

Greening Milestones of Steel City Base

- Increased factory green coverage rate to **28.36%**, achieving continuous improvement of the ecological environment

Case Steel City Base Green Action, Protecting Ecological Environments

In March 2025, Steel City Base, with the theme of "Laying a Solid Foundation for Green Development and Striving to Create a New Situation in the Steel Industry", organized a 2025 volunteer tree-planting activity, planting more than 1,000 saplings. The sapling combination followed the principle of "greenery visible year-round, flowers visible three seasons, distinct layering", selecting northern tree species such as persimmon, cherry blossom, and dwarf cypress to enhance the ecological landscape quality of the factory and its surrounding areas. Through related activities, 64,500 m² of supplementary planting was completed, with increased environmental investment and remarkable results in the factory's greening environment.

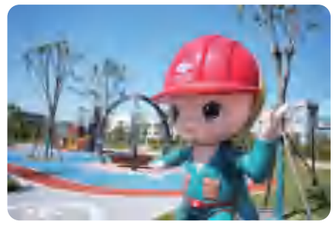
Rizhao Base is a coastal steel production base surrounded by 2.1 million m² of ecological green corridors, with plantings of 150,000 trees and 500,000 shrubs, attracting more than 20 migratory bird species. It has transformed from a manufacturing facility to a green landmark with a "steel plant botanical garden". The base has successively received honors including "AAA-Level Industrial Tourism Scenic Area", "National Green Factory", and "Steel Industry Green Development Benchmark Enterprise". Relying on 1.8 kilometers of natural coastline, it has built a steel cultural-tourism landmark and become a regional green name card. It has received a total of more than 200 visiting batches, actively demonstrating the achievements of green intelligent manufacturing to the society.

AAA-level Industrial Tourist Attraction

National-level Green Factory

Benchmark Enterprise for Green Development in the Iron and Steel Industry

During the reporting period, the Rizhao Base was selected into the first list of environmental protection facilities open to the public by the Ministry of Industry and Information Technology. Nine distinctive sites were opened, including the Intelligent Control Center, 2050mm hot rolling production line and coastal ecological restoration demonstration spot, forming an industrial tourism system integrating science education, cultural experience and red education. In the future, it will showcase the achievements of green transformation through regular open activities.



03 Social Responsibility

The Company continues to deepen its innovation-driven development strategy, strengthening its development capabilities and practical achievements in R&D system construction, digital and intelligent transformation, supply chain security assurance, and product quality enhancement. At the same time, the Company consolidates data security safeguards, focuses on protecting employee rights and interests, and actively practices social responsibilities such as rural revitalization and community co-development. Through multi-dimensional collaborative development, the Company continuously enhances its core competitiveness, drives high-quality development to greater depths, and achieves alignment between enterprise development and social value.

Innovation-Driven Development

Shandong Steel places innovation at the core of its strategy, advancing in the directions of "high-end, high-efficiency, intelligent, and green" by establishing an open and collaborative R&D system, driving product upgrades and process innovation, and injecting strong momentum for the sustainable development of itself and the industry.

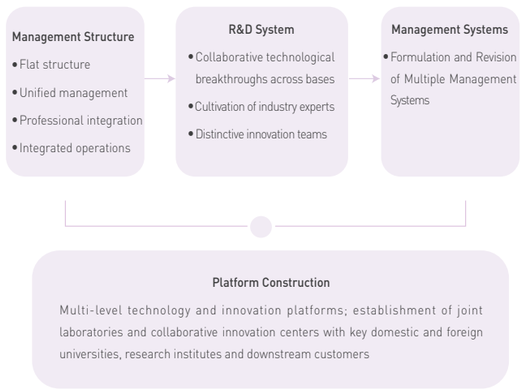
◎ Governance

The Company continues to build a technology and innovation management system with clear responsibilities and authority, collaborative sharing, efficient operations, and vibrant energy. Oriented toward value creation and with project topics as the vehicle, the Company focuses on the core responsibilities of "advanced steel material new product R&D, key common technology development, and economic strategy research". Through a flat organizational structure, unified management, professional integration, and integrated operations, the Company enhances professional R&D capabilities, promotes collaborative technological breakthroughs across bases, cultivates industry experts and distinctive innovation teams, and builds an integrated R&D system that "aggregates and empowers, conducts unified research, serves the front line, operates efficiently, and creates value". The Planning and Technology Department is the responsible department for the Company's technological innovation, while the Shandong Iron and Steel Research Institute/Technology Center and the Rizhao Company Iron and Steel Research Institute are the R&D implementation institutions.

Focusing on key links such as project initiation, fund usage, evaluation and incentive, patent application, and achievement reporting, the Company has formulated and revised 11 management systems including the "Scientific Research Project Management Measures," "New Product Development Management Measures," "Scientific Research Project Evaluation and Incentive Standards," "Patent Management Measures," and "Scientific and Technological Achievement Management Measures," continuously optimizing management processes and clarifying responsibility divisions to achieve standardization and efficiency in technology and innovation management.

The Company has established multi-level technology and innovation platforms at national, provincial, and municipal levels, including a National Enterprise Technology Center and Shandong Provincial Key Laboratory, and has built joint laboratories and collaborative innovation centers with key domestic universities, research institutes, and downstream customers, fully integrating internal and external R&D resources to provide solid platforms for product development and technological breakthroughs.

Science and TechnologyInnovation Management System of Shandong Steel



1 National-level Technology Innovation Platform

11 Provincial/Ministerial-level Technology Innovation Platforms

2 Municipal-level Technology Innovation Platforms

6 High - tech Enterprises

◎ Strategy

Shandong Steel continues to deepen the coordinated development of the Jinan Steel City Base and Rizhao Base, integrating comprehensive resources including location, capital, technology and talent. Focusing on five major product categories—thick plates, section steel, special and superior steel, rebar, and hot/cold rolling products—the Company strengthens the competitiveness of advantageous products such as plates, section steel and special and superior steel. Concentrating on advanced steel material R&D, breakthroughs in key common technologies and digital and intelligent transformation, the Company drives innovation resources to converge on core fields and key links, achieving synchronized enhancement of innovation value and industrial value, and facilitating the steel industry's transition toward high-end manufacturing and green, low-carbon development.

◎ Impact, Risk, and Opportunity Management

The Company integrates risk prevention and opportunity capture throughout the entire technology and innovation process, establishing a comprehensive and multi-level risk and opportunity management system. It precisely assesses and mitigates various potential risks in R&D, management, and technology, maintains the bottom line of innovation development, and proactively explores and integrates development opportunities from internal and external resources and policy enablement. This optimizes innovation resource allocation, ensures controllable risks and effective opportunity utilization, and provides safeguards for the implementation of the technology and innovation strategy.

Risks	Risk Description	Mitigation Measures
Technological R&D Direction Risk	R&D direction deviates from market demand, site requirements, or industry trends, easily causing ineffective investment and waste of R&D resources.	Strengthen multi-dimensional assessment and full-process verification on the demand side. In the project initiation stage, conduct in-depth research on market demand and on-site application scenarios to enhance the practicality and site-fitting of R&D outcomes. Establish an industry technology research system to track cutting-edge technological developments and trends in the international steel field, ensuring R&D direction aligns with industry mainstream. Deepen coordination and collaboration with downstream users and site operations, jointly conduct project-based R&D to achieve precise matching between R&D demand and practical application. Through pilot and intermediate-scale tests, progressively verify process feasibility and economic viability, strictly control R&D investment pace, and avoid large-scale blind investment causing resource loss.
Technology Bottleneck Risk	Technology barrier breakthroughs face difficulties. Core processes or equipment for advanced steel depend on imports, with long R&D cycles and high costs, easily causing R&D progress lag due to unsolved technical problems or changed implementation conditions.	Strengthen full-element assurance for technology breakthroughs. In the project initiation stage, review the overall level of the project team to ensure project objectives match the team's overall capability. Apply digital technologies such as digital twin for process parameter simulation and verification, reducing trial-and-error costs in actual production.
R&D Management Efficiency Risk	Lack of professional scientific research management systems, resulting in cumbersome R&D management processes and low efficiency, making it difficult to achieve efficient tracking and control of R&D processes.	Introduce professional scientific research project management informatization tools, build a digital management platform covering the entire R&D process, achieve real-time monitoring of R&D progress, transparent data management and cross-departmental collaboration, and improve R&D management efficiency. Establish a standardized technical documentation library and knowledge management system, normalize R&D data archiving, sharing, and succession, and prevent knowledge discontinuity in core technologies.

Opportunities	Utilization Initiatives
Taking advantage of the unified deployment opportunity for information technology construction within the Group company, initiate the development of a scientific research management system.	Promote the application of scientific research project management systems to achieve real-time monitoring of R&D progress, data sharing and collaboration, and improve R&D management efficiency.
Leveraging the opportunity of executive changes in various academic societies and industry associations, participate in high-end academic conferences and technical exchange meetings.	Using academic societies and industry associations as important platforms for cooperation, deepen external technical exchange and industry collaboration, actively organize and participate in high-end academic conferences and technical seminars, promote the sharing and transformation of R&D achievements within the industry, strengthen industry talent exchange and capacity building, and provide intellectual support for the Company's technology innovation upgrade and industry high-quality development.

Cultivation of Innovation Talent

The Company has revised technology and innovation management systems such as the Scientific Research Project Management Measures and Scientific Research Project Evaluation and Incentive Standards, building a multi-dimensional evaluation system and position performance assessment model with a prominent focus on value creation, and optimizing incentive mechanisms to effectively stimulate innovation vitality. In 2025, the Company strictly adhered to academic and ethical standards, upheld professional ethics, practiced high-quality technology innovation requirements, and fostered a culture of technology serving good and established supporting mechanisms. Focusing on key core technology breakthroughs, through major technology campaigns and "challenge and reward" initiatives, the Company accelerated the cultivation of leading talent and innovation teams in practice, continuously stimulating talent innovation potential. In 2025, the Company won 1 gold award and 2 silver awards in the "Elite Talents Strengthening Shandong" Shandong Province Youth Innovation and Efficiency Exchange and Display Activity.

In 2025, the Company obtained **13** China Machinery, Metallurgy and Building Materials Industry employee innovation including **1** special first prize, **2** first prizes, **3** second prizes, and **7** third prizes

In 2025, the Company continued to increase R&D investment, with total R&D investment of 3,538 million yuan, representing 5.26% of main business revenue. A total of 151 scientific research projects were initiated, with 1 national key R&D project application and 1 Taishan Industrial Leading Talent Project application in Shandong Province.

Intellectual Property Protection

The Company has established an intellectual property management framework with "leading department coordination, departmental synergy, and full-staff participation", ensuring that intellectual property management covers the entire R&D, production, and operation processes. The Planning and Technology Department, as the leading department for intellectual property management, comprehensively oversees the application, maintenance, and other management of various types of intellectual property including patents, software copyrights, and trademarks. Focusing on core intellectual property types and in combination with the Company's Confidentiality Management Measures, the Company has formulated specialized management systems including the Patent Management Measures, Technical Secret Management Measures, Software Copyright Registration and Management Measures, and Trademark Management Measures, and is actively promoting the construction of an intellectual property management system aligned with GB/T 29490-2013 Enterprise Intellectual Property Management Norms, forming a refined system covering the entire process of "creation, acquisition, and maintenance".

In 2025, the Company filed 339 patent applications, including 277 invention patents and 62 utility model patents. As of the end of the reporting period, the Company cumulatively held 1,704 valid patents, including 1,174 invention patents.

Formulation of Industry Standards

The Company actively participates in the formulation and revision of standards at various levels, leading industry normative development through its technical capabilities. In 2025, the Company chaired and participated in the formulation of 21 standards, among which it chaired 2 national standards, 3 industry standards, and 2 group standards; and participated in 6 national standards, 3 industry standards, 2 group standards, and 3 local standards.

Case Leading the Formulation of National Standard GB/T 46214-2025 Hot-Rolled H-Section Steel for Bridge Steel Structures

In August 2025, the National Standard GB/T 46214-2025 Hot-Rolled H-Section Steel for Bridge Steel Structures, led by the Company, was officially issued. As an important foundational standard in the bridge steel structure field, this standard precisely connects steel material standards with engineering construction standards, further perfecting China's technical standard system for bridge steel structures, providing technical basis for structural design units to conduct design material selection and optimize structural solutions, and strongly promoting the development and innovation of China's bridge steel structures.

Case Leading the Formulation of Intelligent Manufacturing Industry Standards

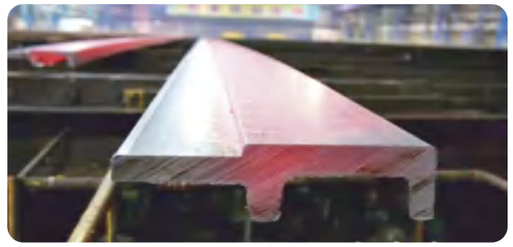
In 2025, the Company led the formulation of 3 industry standards in the field of intelligent manufacturing, including YB/T 6393-2025 "Technical Requirements for Intelligent Control System for Converter Production," YB/T 6394-2025 "Technical Requirements for Intelligent Control System for Ladle Refining (LF)," and YB/T 6396-2025 "Technical Requirements for Online Steel Plate Contour Detection System," systematically standardizing the design, development, and application requirements of intelligent control systems for related processes, which is of significant importance for the intelligent manufacturing transformation and upgrading of the steel industry.

Scientific and Technological Innovation Achievements

The Company continuously focuses on practical demand from "sites and markets" to conduct process and product R&D, achieving breakthroughs in multiple key material fields, supporting high-end manufacturing and green transformation.

Section Steel Field

Anchoring on the directions of high-end, differentiation, green, and series development, the company strengthens the multi-functional advantages of H-section steel, builds distinctive features of special-shaped section steel with complex cross-sections, and continuously consolidates leading advantages in section steel for marine engineering, mechanical manufacturing, and rail transit. Marine/offshore engineering section steel has achieved breakthroughs in core technologies of low-temperature resistance, high strength and toughness, and high cleanliness, developing high-performance section steels such as Q460MD, C390-6, and Q355NF, leading customer material upgrades. Section steel for mechanical applications pioneered unbalanced compensative rolling theory, conquering large-size highly asymmetric cross-section forming and property integrated control technology, with high-end track steel for super-large equipment breaking foreign monopolies, and multiple types of gantry section steel such as C142 being launched globally for the first time, supporting independent and controllable core materials for domestically-made equipment. Maglev track section steel has solved surface quality control challenges through rolling process innovation, filling international gaps.



Special Steel Field

The Company concentrates efforts on new energy vehicles, wind power, and molds industries, increasing development of high-end varieties and leading industry customers. Deepening supply chain collaborative breakthroughs, with new energy vehicle products successfully entering supply chains of leading enterprises such as Chery, BYD, and SAIC; developing a complete series of wind power steel, with gearbox steel passing certifications from high-end customers such as Envision Energy, DeGeMa, and Nanjing High-Tooth, achieving stable batch supply; H13 series hot work mold steel covering a wide range of specifications, with rolled materials below 200mm featuring defect preservation capability, achieving significant success in electroslag ingot domestic substitution.

Thick Plate Field

Advancing the breakthrough of special plate material domesticization, consolidating leading advantages in energy-use steel industry. Leading the market with 420 MPa high-strength and toughness wind power steel, supporting large-scale crude oil storage projects with Q490RW oil tank steel, promoting R&D of TMCP-state coal machinery equipment steel, accelerating green and low-carbon transformation of traditional energy equipment; achieving batch supply of ultra-high-strength steel Q890-960; BS450E/F-XGKY high-toughness wear-resistant steel breaking foreign monopolies, applied to super mining equipment in the Arctic Circle at -50°C ultra-low temperature environment; freeze-thaw resistant structural steel for plateau permafrost achieving domestic first launch.

Case Full-Specification Nickel-Based Steel Products

The Rizhao Base has successfully achieved batch stable production of full-specification nickel-based steel products of various grades such as 9Ni, 7Ni, 5.5Ni, and 5Ni, achieving a major breakthrough in high-performance steel manufacturing and application. The products were selected in the 2025 Top 10 Scientific and Technological Innovation Achievements of Shandong Province.

The Company has conquered key technologies such as ultra-pure smelting and thick plate performance uniformity, building a green and efficient ultra-large width-to-thickness ratio coil rolling process system. Products are adapted to ultra-low temperature environments ranging from -101°C to -196°C, with steel plate thickness tolerance controlled within ±0.05mm, with main performance indicators reaching the international leading level, providing core materials for critical fields such as the energy industry and supporting independent and controllable supply chains in the high-end manufacturing field.

Among these, ultra-thin nickel-based steel developed by the Rizhao Base was successfully applied to the world's largest single-unit liquefied natural gas (LNG) storage tank with a capacity of 270,000 m^3 in Zhuhai, Guangdong. Compared with conventional products, the inner wall weight reduction of the storage tank reaches up to 37%, reducing welding on the tank body, shortening construction cycles, and saving manufacturing costs, achieving a new breakthrough in ultra-low temperature material manufacturing and application of medium-thick plate steel products in Shandong Province.

Innovation Technical Exchange

The Company adheres to the philosophy of openness and collaboration, striving to build an "innovation chain – industry chain – supply chain" integration system. Through integrating resources from all parties, the Company stimulates innovation vitality and promotes high-quality industry development. Strengthening synergy and technical cooperation with Baowu, organizing participation in technical exchange meetings on Baowu long-product R&D and industry development collaboration and steelmaking processes organized by the China Baowu Scientific and Technological Association and Steelmaking Committee. The Company actively hosts and participates in various industrial technology innovation exchange activities, co-building an innovation ecosystem with universities, research institutes, downstream customers and peers, exploring low-carbon and intelligent transformation pathways, and promoting supply chain collaborative upgrading and high-quality development.

Indicators and Targets

The Company adheres to the philosophy of "high-end-driven, technology-led, "concentrating efforts on building strategic product advantages of "section steel, special and superior steel, thick plates, hot rolling, and cold rolling, "comprehensively advancing the high-end, distinctive, and specialized development of products. The Company persists in the strategy of "low cost for mature products, differentiation for high-end products, and series development for core products," continuously improving the proportion of premium steel and high-end customers. By the end of 2030, the Company plans to maintain R&D investment at above 5%, possess a batch of key technologies and leading products with independent intellectual property rights, achieve an upgrade in product quality and grade, rank among the first echelon of the domestic steel industry in overall technical level, reach international advanced level in some fields, and strive to become a leader in steel technology.

In 2025, the Company focused on technological innovation development targets, coordinating the advancement of technical R&D, achievement transformation, and innovation management work, with scientific and technological innovation activities steadily progressing according to plan and all annual targets fully achieved. The Company obtained 1 first prize and 1 second prize of the Metallurgical Scientific and Technological Award; 2 Shandong Provincial Science and Technology Awards; 48 Shandong Provincial Metallurgical Science and Technology Progress Awards, including 13 first prizes; 1 first prize of the Inner Mongolia Autonomous Region Science and Technology Progress Award; and 1 second prize of the Liaoning Provincial Science and Technology Progress Award.

Number	Project Name	Award Name	Award Level	Award-Winning Unit (Ranking)
1	Vanadium-Nitrogen Microalloyed Advanced Steel Material Green Manufacturing Key Technology and Industrialization	Shandong Provincial Science and Technology Award	Second Prize	Yinshan Profile Steel (1st Position)
2	Ultra-Large Width-to-Thickness Ratio Thin-Specification Medium-Heavy Plate Furnace Coil Rolling Line Core Technology Innovation and Industrialization Application	Shandong Provincial Science and Technology Award	Second Prize	Rizhao Base (1st Position)
3	High-Strength Wind Power Steel High-Purity Electromagnetic Regulation Key Technology Development and Application	Inner Mongolia Autonomous Region Scientific and Technological Progress Award	First Prize	Shandong Steel (2nd Position)
4	Tundish Ring Outlet Argon Blowing Green Metallurgy Technology R&D and Application	Liaoning Province Scientific and Technological Progress Award	Second Prize	Shandong Steel (3rd Position)
5	Hot Continuous Rolling High-Strength Steel Grade Quick Transition and Stable Rolling Intelligent Optimization Control Technology Development	China Iron and Steel Industry Association and Chinese Society for Metals Metallurgical Scientific and Technological Award	First Prize	Rizhao Base (1st Position)
6	Large-Specification Low-Temperature-Resistant H-Section Steel for Ships and Marine Engineering Key Preparation Technology Research and Product Development	China Iron and Steel Industry Association and Chinese Society for Metals Metallurgical Scientific and Technological Award	Second Prize	Shandong Steel (1st Position)

Looking ahead, the Company will focus on two core directions—decarbonization and intelligent transformation—accelerating research and exploration of cutting-edge technologies and their industrialization application, striving to overcome technological bottlenecks in key links, and exploring feasible transformation and upgrade pathways. The Company will continue to actively host and deeply participate in various industrial technology innovation exchange activities, further strengthening synergistic collaboration with universities, research institutes, downstream customers, and industry partners, jointly building an open, symbiotic, and vibrant innovation ecosystem. By deepening close cooperation and resource integration along the supply chain, promoting coordinated upgrade and value enhancement across the entire chain, and jointly building a safe, efficient, green, and sustainable modern industrial system, the Company will contribute solid strength to promoting high-quality development of the industry and economic society.

Intelligent Manufacturing

The Company actively implements the national digital economy development strategy and the requirements of the "dual carbon" goals, grasps the trend of intelligent upgrading of the steel industry, takes "AI + Steel" as the core, promotes the deep integration of data-driven and intelligent decision-making, builds an intelligent manufacturing system, and drives high-quality development.

◎ Construction of Digital and Intelligent Organizational Framework

With AI as the technological core and "data-driven + intelligent decision-making" as the pathway, the Company leads intelligent transformation, establishing the "AI + Steel" core strategy, promoting deep integration of AI technology with intelligent operations, digital operations, and smart decision-making. In 2025, the Company established an AI Digital Intelligence Department, clarifying functions such as technology origination, data center, and project coordination, while simultaneously formulating the "AI + Steel Scenario Application Promotion Plan," establishing a solid organizational foundation for transformation.

◎ Digital and Intelligent Transformation Strategy and Achievements

With "digital and intelligent transformation" as the core strategy, the Company has constructed a systematic intelligent manufacturing promotion system spanning top-level design, organizational change, basic infrastructure, scenario application, to talent cultivation. During the reporting period, the Company planned 38 scenarios and deployed 20 applications, covering core scenarios such as iron area management and steelmaking smelting. Among these, the iron smelting centralized control system was selected in the intelligent manufacturing solution recommendation directory for the steel industry, reducing coal gas consumption by 5% year-on-year; the steelmaking mini-AI assistant was locally deployed, alleviating the shortage of high-skill talent and assisting the converter end-point carbon-temperature dual-hit rate to exceed 90%.

In January 2025, the Company's independently developed Molten Steel Smelting Intelligent Control System Based on Data Analysis won the second prize in the intelligent system software track at the Fourth Shandong Province New Material Industry Intelligent Manufacturing Competition held by the Shandong Province Department of Industry and Information Technology and other institutions. Research and Application of Blast Furnace Charging Process Optimization Based on Discrete Element Method won the second prize in the provincial intelligent manufacturing competition, and the Company was successfully evaluated as a "provincial intelligent manufacturing excellent scenario" and a "provincial morning star factory", significantly enhancing the Company's influence in the intelligent manufacturing industry.

Case Company's "Shandong Steel Xing Yun" Smart Logistics Platform Launch

In September 2025, the Company's "Shandong Steel Xing Yun" smart logistics platform was launched, leveraging Internet of Things and AI technology to achieve full-process visual monitoring, intelligent dispatching, and "single-vehicle bidding." The platform constructed a private fleet pool with 3,850 vehicles, stimulating carrier vitality through innovative settlement mechanisms, achieving "heavy going and heavy returning," and reducing empty-running rate. First-order transportation cost was reduced by 2%, promoting logistics digital and intelligent transformation, helping the enterprise reduce costs and improve efficiency.

Case Thick Plate Online and Offline Identification Platform Deployment, Empowering Intelligent Production

The thick plate online and offline identification platform in the thick plate workshop of the Plate and Strip Plant at the Steel City Base has been successfully put into use in the heat treatment zone, equipping the production line with "intelligent eyes". Relying on 25 sets of high-precision vision systems, the platform can identify the status of thick plates in real time and send offset data, solving the problem of errors in traditional manual operation, effectively avoiding the risks of decreased product yield and equipment damage, realize real-time monitoring of the entire production process, promote the innovation of production models, and significantly improve production line efficiency.

Case Rizhao Base Awarded the Title of Excellent Smart Factory

The Rizhao Base's "Smart Factory for High-Quality Steel Plates with Full-Process Integrated Application of Artificial Intelligence" has been selected as a 2025 Excellent-Level Smart Factory by the Ministry of Industry and Information Technology. The project promotes the in-depth integration of AI and the entire steel manufacturing process, realizes the replacement of manual labor by machines in high-risk positions, and achieves intelligent control of the whole production process. It has also established a carbon accounting and carbon footprint management system, practices green and low-carbon development, and sets an industry benchmark.

◎ Digital and Intelligent Talent Cultivation

Focusing on digital and intelligent transformation needs, the Company cultivates digital and intelligent talent through multiple initiatives. The AI Digital Intelligence Department, in collaboration with the Youth League Committee, conducts the "AI + Steel Youth Innovation Toward the Future" campaign, organizing 40 teams and 200 young employees to participate, conducting 6 technical trainings and sharing sessions, covering over 300 person-times, stimulating innovation vitality. Benchmarking against leading enterprises, the Company organizes business backbone exchange and learning, consolidating information technology construction foundation. In the system testing phase, nearly 100 operation trainings were conducted, achieving full-staff coverage, improving business operation proficiency. Surrounding the upgrading of the integration of informatization and industrialization management system, the Company organized AAA-level specialized trainings, comprehensively enhancing employees' digital literacy and professional capabilities.

Case AI + Steel Innovation Work Type Skills Competition

Seizing the "AI + Steel" transformation opportunity, the Company included AI + steel manufacturing scenario design and application in the first-level work type category of the Company's Sixth Employee Occupational Skills Competition for the first time, attracting many young employees to compete. The competition was centered on core content including AI application scenario design across the entire steel production process, intelligent equipment operation and optimization, etc. Prior to the competition, matching specialized training was conducted, inviting industry experts to explain AI technology application cases and practical techniques in the steel industry. This competition not only tested employees' digital skill levels, but also discovered a batch of young talent with AI application potential, reserving core strength for enterprise intelligent manufacturing transformation, gaining wide recognition from employees.

Supply Chain Security

As a core support for the sustainable development of an enterprise, Shandong Steel consistently adheres to the supply chain management philosophy of "safety and stability, collaborative efficiency, and green low-carbon", deeply integrating ESG requirements into the full life-cycle supply chain management. Through establishing a standardized management system, perfecting the full-process control mechanism, and strengthening collaborative empowerment, the Company continuously enhances supply chain resilience and sustainability, building a solid defense for industry chain and supply chain security.

◎ Supplier Management System

The Company has established a supply chain management organizational system with clear classification and well-defined responsibility and authority. The Procurement Center provides unified management of bulk raw material procurement, while equipment and materials procurement is managed through a professional management platform. A Supplier Review Committee has been established as the highest responsibility decision-making body, composed of procurement center management, responsible for reviewing and deciding on supplier admission, performance evaluation, and major ESG matters, ensuring the sustainable development direction of the supply chain from a strategic perspective.

The Company has established a systematic supplier management system, formulating management systems including the Raw Material Supplier Management Provisions, Raw Material Supplier Comprehensive Management System On-Site Evaluation Implementation Provisions (Trial), Raw Material Supplier Evaluation Standards, Equipment and Materials Procurement Management Measures, Goods Supplier Performance Evaluation Standards, and Goods Supplier Audit Standards for bulk raw materials and equipment and materials, standardizing the entire process of supplier admission, audit, evaluation, and tiered management. In the relevant management measures, the Company explicitly commits not to procure conflict mineral raw materials from conflict-affected and high-risk regions, practicing the commitment of responsible procurement.

The Company implements procurement management processes covering the entire supplier life cycle, embedding ESG-related requirements throughout the entire management process.

Admission and Due Diligence

- Supplier admission must meet basic conditions including legal qualifications, as well as ESG requirements such as environment, occupational health and safety, and information security. Through admission due diligence, on-site audits, and other methods, the Company conducts preliminary screening and evaluation of potential suppliers.

On-Site Audit and Evaluation

- On-site audits are conducted for important suppliers, conducting second-party audits based on standards such as the Raw Material Supplier Comprehensive Management System On-Site Evaluation Implementation Provisions, forming audit reports. The Company has established a dynamic assessment mechanism covering monthly and annual evaluations. Evaluation dimensions not only include traditional performance aspects such as price, quality, delivery, and service, but also innovatively incorporate sustainable development indicators such as green and low-carbon. In 2025, a total of 142 suppliers accepted annual due diligence audits. The rate of suppliers passing the three system certifications of quality management system, environmental management system, and occupational health and safety management system reached 66.92%.

Grading and Withdrawal Mechanisms

- Based on comprehensive evaluation results, suppliers are classified into five levels: A, B, C, D and E for dynamic management. For suppliers with negative behaviors, measures such as reducing business volume, suspending new business, downgrading and even banning are taken according to the seriousness of the case, so as to ensure supply chain security. During the reporting period, 42 suppliers were suspended from cooperation due to failure to meet compliance standards, and upon strict review, potential suppliers rejected for non-compliance accounted for 1.88%.

Supplier Capability Building

- The Company emphasizes communication and collaborative capacity building with suppliers. Through hosting supplier training meetings, specialized exchange and discussion sessions, and other methods, the Company promotes its sustainable development philosophy and requirements, shares best practices, and jointly enhances the ESG management and technical level of the supply chain.

◎ Supply Chain Risk Management

The Company incorporates supply chain risk management into its enterprise development strategy, aiming to ensure supply chain stability, improve supply chain efficiency, and reduce supply chain risks. The Company has formulated documents such as the Notice on Standardizing Tendering and Public Procurement Review Process Management and the Notice on Raw Material Supplier Online Management Operation in PLMS, continuously standardizing business processes, and establishing supply chain risk identification, evaluation, supervision, and response mechanisms through market research, supplier evaluation, logistics monitoring, digital platforms, and other means, ensuring the timeliness and effectiveness of risk management, and comprehensively preventing and controlling supply chain risks.

Responsible Mineral Management	Supplier Clean and Compliant Practices	Procurement Digital Platform
The Company has established a rigorous supply chain management system ensuring that all procured raw materials and components come from legal and reliable channels. The Company commits not to use any conflict minerals and requires suppliers to commit that their supplied products do not use conflict minerals from conflict-affected and high-risk regions.	The Company works with cooperative partners to build a "sunny and transparent" industrial supply chain, organizing the signing of "Clean and Integrity Agreements," communicating to suppliers the philosophy of upholding business ethics and maintaining integrity and honest business practice bottom line. In 2025, the supplier clean and integrity agreement signing rate reached 100%, urging suppliers to improve quality and participate in clean co-construction.	The Company continuously advances procurement digitalization transformation, fully leveraging the centralized procurement scale advantages of Shandong Iron and Steel Group and Baowu Group, relying on digital procurement platforms including the Sunshine Sales and Purchase Management Information Platform, Raw Material Procurement Logistics Control System (PLMS), and Procurement Supply Chain System (PSCS), efficiently coordinating the centralized procurement of bulk raw fuels, equipment and spare parts, engineering equipment and materials, achieving resource sharing, sunshine procurement, cost reduction, and efficiency enhancement, thus improving supply chain service quality and enhancing risk prevention and control capabilities.

Looking ahead, Shandong Steel will target building a more resilient, more responsible, and more competitive supply chain ecosystem, continuously deepening the full-life-cycle ESG management of suppliers, perfecting the supplier ESG evaluation and incentive mechanisms; strengthening supply chain risk prevention and control capabilities, continuously deepening clean co-construction and collaborative innovation with upstream and downstream enterprises, strengthening data-driven risk early warning capabilities, enhancing supply chain rapid response and recovery capabilities, and laying a solid foundation for supply chain security for sustainable high-quality development.

◎ Fair Treatment of Small and Medium-Sized Enterprises

Shandong Steel has established a unified e-procurement platform that ensures transparent procurement operations and controlled processes, while continuously standardizing platform procurement behaviors to comply with standard procedures. Throughout the procurement process, the Company consistently adheres to the principle of honest cooperation in dealing with all types of suppliers, equally safeguards the participation rights of all SMEs, and creates a fair competitive environment for SMEs to participate in procurement activities. At the same time, the Company actively responds to the requirements of the Regulations on Ensuring Payment of Funds to SMEs, promptly and fully pays funds due to SMEs, and effectively protects the legitimate rights and interests of SMEs.

Product and Service Safety and Quality

Shandong Steel has always viewed product quality and safety as the foundation for corporate survival and development. The Company adheres to the quality philosophy of "quality creates excellence, excellence supports brands, and brands create value," establishes quality standards aligned with sustainable development goals, implements comprehensive quality control throughout all processes and across all personnel, continuously improves product quality, continuously cultivates and builds a quality brand matrix, and provides customers with high-quality products.

◎ Quality Management

Quality Management System

Guided by sustainable development, the Company integrates excellent quality into its core strategy and builds a quality governance structure with clear responsibilities and a top-down approach. The quality management system centers on three major dimensions—"strategic coordination, customer focus, and data loop closure"—and is highly aligned with the "green intelligence and lean operations" strategy and the requirements of "integration of two systems" (informationization and industrialization). In 2025, based on IATF 16949 and GB/T 19001 (ISO 9001) standards, the Company developed, revised, and published the Quality Management Manual, which systematically clarifies quality policies, objectives, and responsibilities at all levels, and strengthens quality control across all personnel and processes.

The Company strictly complies with laws and regulations such as the Product Quality Law of the People's Republic of China and benchmarks against international advanced standards. Products have obtained certifications from the EU PED, CPR, Japanese JIS, Korean KS, and nine national classification societies. Since 2007, the Steel City Base laboratory has maintained continuous accreditation under CNAS (ISO/IEC 17025), and its test results have international mutual recognition validity, providing solid support for product quality.

Q960E High-Strength Structural Heat-Treated Steel Plate obtained the "Taishan Quality" certification

Large-Diameter Long-Distance Oil and Gas Transportation High-Strength and High-Toughness Pipeline Steel Hot-Rolled Coil Plate was selected as "Shandong Manufacturing Luchain Premium Products"

Case Offshore Engineering Steel Products Obtain Nine National Classification Societies' Certification and Are Applied to Global Equipment

The EH460Z35 ship plate and offshore engineering steel developed by the Company passed the joint certification from nine national classification societies in one go, achieving complete coverage of shipbuilding and offshore engineering steel plates in the series with a yield strength of 690 MPa and below. This product provides material solutions for shipbuilding and marine equipment manufacturing enterprises and has won high recognition from customers.

In terms of standardization management system, the Company continuously promotes a five-year position standardization initiative, builds an "8+1+N" standard system, develops more than 4,000 operation cards covering all processes, innovatively applies the "Four Questions and Four Observations" working method and the SDCA cycle mechanism, and promotes implementation through the "Thousand-Hundred-Ten" initiative The initiative has earned recognition from Baosteel as a benchmark and strengthened the foundation of quality.

Note: The "8+1+N" standard system consists of: 8 core modules defining position responsibilities, 1 operation card standardizing actions, and N single-point lessons addressing specific issues

The "Thousand-Hundred-Ten" initiative: optimizing 1,000 operation standards, producing 100 standard videos, establishing 10 demonstration positions.

Quality Risk Control and Management

Based on quality "consistency" management, the Company builds a quality risk control and management system for the entire product lifecycle. Through systematic identification, assessment, and response, it effectively prevents and controls product quality and safety risks. During the reporting period, the Company did not experience any major product quality and safety accidents.

Product Quality Risk Identification and Assessment

The Company systematically identifies risks across the entire process from product design and development, raw material procurement, production and manufacturing, to delivery and after-sales. For technical challenges, it conducts specialized identification, and the technical team performs specialized assessment and response to major risks. Through "daily tracking, weekly adjustments, and monthly optimization", it continuously monitors production volatility risks, forms quality problem lists and problem-solving projects, establishes special problem-solving groups, and advances the optimization of process parameters, technical modifications, and the strengthening of standardized operations.

Product Design and Development Quality Improvement

The Company adheres to innovation-driven development, focuses on the high-end, premium, and differentiated route, and incorporates requirements for high performance, high reliability, and environmental protection into product development. It improves product quality through process innovation and process optimization, and all new products undergo strict trial production and inspection to ensure that performance meets standards. The Rizhao Base has revised the "New Trial Product Development Management Method" to further standardize the product development process.

Process Quality Supervision and Audit

Internal Audit and Continuous Improvement

The Company establishes an internal audit and management review improvement mechanism and implements a "quality gate" management model. Through auditing to identify problems, closed-loop rectification, and standard optimization, it achieves continuous quality improvement. In 2025, the Company conducted joint internal audits with Baowu Group for the first time, promoted closed-loop problem management by formulating rectification schedules, and simultaneously conducted weekly inspections of the systems of each unit, integrating auditing into daily management to improve quality management levels.

Supply Chain Quality Management

The Company implements a strict supplier admission evaluation process, constructs a linkage model through "coke-iron integrated management reform" to control raw and fuel material quality from the source, and ensures the overall quality level of the supply chain.

Quality Digitalization Construction

The Company advances quality digitalization and intelligent transformation, implementing real-time monitoring and automatic adjustment of key process parameters and in-depth analysis of quality data through technological means such as quality design informatization platforms and intelligent control platforms.

Case Developing Quality Design Informatization Platform to Improve Quality Planning and Control Capabilities

Leveraging the newly established manufacturing management system, the Company developed a quality design informatization platform that enables precise customer standard identification, scientific establishment of process standards, and other capabilities, advancing quality design toward informatization, process-based management, and standardization. In 2025, the quality design informatization platform was applied to five major product series—section steel, thick plate, special and superior steel, rebar steel, and commodity billet—with a total of 1,881 new metallurgical standards added, covering the entire process from hot metal pretreatment to product release for shipment. This significantly enhanced quality planning and control capabilities.

Product Traceability and Recall Mechanism

Adhering to the "customer-centric" philosophy, the Company establishes a comprehensive product monitoring and customer feedback closed-loop management process, and formulates clear product recall procedures and contingency plans. Through systems such as the "Quality Problem Assessment Rules" and "Quality Accident Management Standards," it ensures effective system operation. Through routine quality inspections and market problem reviews, the Company continuously enhances process control capabilities.

Quality Culture Development

The Company consistently adheres to the core concept of "quality is the lifeline of the enterprise," anchors to quality management system standards such as IATF 16949, builds a multi-level and comprehensive quality culture development system, promotes all personnel to transition from "passive acceptance of inspection" to "active prevention of defects," and empowers the Company's core competitiveness through quality.

The Company strengthens the foundation of quality through routine training. In 2025, it conducted 21 quality management-related training programs with content covering system standards, quality tools, and position-specific skills, implemented on a functional and hierarchical basis. It focuses on organizing specialized training for internal auditors and external "Six Quality Tools" training, continuously strengthening the construction of a professional talent pool. At the same time, it systematically promotes the implementation of Six Sigma projects and develops employees' data-driven improvement capabilities through methods such as DMAIC. In terms of mechanism guarantees, the Company continuously improves its quality assessment and incentive system, refines departmental and position-specific quality indicators, and strengthens positive guidance. Through the coordination of systems, processes, and culture, it effectively promotes employees to develop conscious behaviors of "operating according to standards, actively reporting, and actively participating in improvements," achieving a deep-level transformation of quality culture from ideological advocacy to behavioral habits.

Case "Quality Month" Multi-Dimensional Empowerment for Quality Improvement

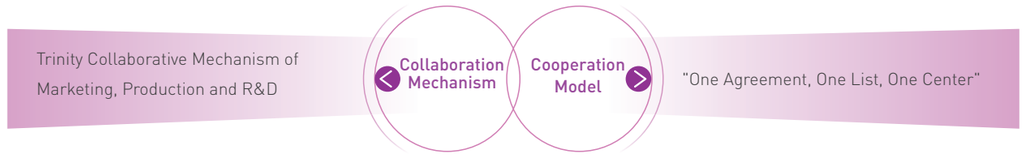
In 2025, the Company launched the "Quality Month" special initiative with the theme of "Deepening Quality to Strengthen Foundations and Casting Premium Products". The initiative disseminated the "customer-centric" philosophy through multiple channels, conducted standardized "fault-finding" work and collected 1,347 improvement suggestions; practiced the "downstream is customers" philosophy and completed 28 cross-process mutual visits and visits to 37 external customers. At the same time, it organized activities such as knowledge competitions and case sharing to promote the visual and narrative dissemination of quality concepts, and fostered a strong organizational atmosphere of "everyone values quality and everyone creates quality".

◎ Customer Responsibility

Guided by customer value, Shandong Steel optimizes its service system, precisely identifies customer needs, upgrades service experience, and builds a mutually beneficial and win-win cooperation ecosystem. The Company steadily advances its transformation toward becoming a "comprehensive solution service provider," achieving symbiosis, co-prosperity, and coordinated development with customers.

Customer Service System

The Company adheres to a customer-centric approach, systematically optimizes its customer service system, and has revised 11 systems including the Customer Classification and Maintenance Strategy Management Method and the Steel Product Quality/Quantity Dispute Management Method to strengthen the foundation of service management. Leveraging the "three-in-one" synergy mechanism of marketing, production, and research and development, it continuously builds a cooperation model of "one agreement, one list, one center". It comprehensively implements a large-account manager system, focusing on "Five-Heart Service" commitments, and builds an end-to-end, full-lifecycle customer service system covering joint research and development, customized production, quality collaboration, rapid dispute response, and supply chain optimization. This effectively supports strategic customers in achieving import substitution, cost reduction and efficiency improvement, and product upgrades, while co-building a safe, efficient, and sustainable iron and steel industry ecosystem.



Case "Five-Heart Service" Empowers Cooperation and Promotes Green and Intelligent Development

In 2025, the Company held a strategic user conference and deepened strategic cooperation with the "Five-Heart Service". With its precision manufacturing capabilities, the Company controlled the tolerance of cold-rolled coil to 0.01mm and achieved a 23% weight reduction of high-strength steel for new energy vehicles, meeting the precision and lightweight requirements of high-end manufacturing; implemented a regional supply assurance model to shorten customers' inventory cycles; organized a joint technical team to reduce customers' comprehensive costs and shorten the R&D cycle; established a technical support mechanism and assigned exclusive customer managers to respond to customers' technical consulting and after-sales needs. During the strategic user conference, the Company signed long-term cooperation agreements with many customers to jointly promote the application of green low-carbon and intelligent manufacturing technologies.

Customer Experience and Feedback

The Company focuses on optimizing customer experience, standardizing feedback, and addressing complaints, advancing services from passive response to proactive solutions, and continuously improving customer satisfaction and loyalty.

Optimizing Customer Experience

High-Efficiency Service Response

The Company builds a three-level service mechanism of senior management mutual visits, technical service, and account manager tracking. It assigns dedicated large-account managers to strategic priority customers, launches multi-channel coordinated rapid response processes, optimizes production through spare inventory, schedules logistics scientifically, prioritizes delivery lists, and ensures on-time delivery.

Service Process Intelligentization

Deploying the "IEC-S Smart Innovation" client and mobile APP enables end-to-end independent operations including order submission, fund matching, delivery tracking, and dispute submission. This shifts information acquisition from passive waiting to proactive engagement. The system features a user-friendly interface and simple operation, effectively addressing the pain points of lengthy manual inquiry processes and information opacity.

Service Interface Precision

The Company forms production-sales-research integrated teams to go deep into customer sites and carry out diverse services such as specialized training. Using precise service interface as a lever, it strongly promotes the strategic transformation from product orientation to customer value orientation and realizes the comprehensive upgrade of the service model.

Case Section Steel "Spot Supermarket" Mode Innovation Empowers Service Upgrade

Positioning itself as the preferred comprehensive solution service provider for section steel, the Company focuses on customers within 500 kilometers, advancing a "one-stop" delivery and sales model. In March 2025, the first order of "section steel spot supermarket" delivered 496 tonnes of section steel to a key project within 72 hours. Meanwhile, Qingdao achieved full-process one-stop distribution, and Jining jointly established a research institute with over 10 high-end products under development, collaboration volume breaking 10,000 tonnes, achieving win-win results through speed and quality.

Case Deepening Technical Collaboration and Co-Cultivating Rich Annual Results

In May 2025, the food-grade premium tin plate joint laboratory co-built by the Rizhao Base and Yulan was unveiled. The laboratory centers on technical collaboration, focuses on product research and development, quality, and process optimization, and serves as an innovation engine spanning the entire chain from "material research and development-manufacturing-application."

Standardizing Customer Feedback

The Company deepens the implementation of the "Customer Satisfaction Engineering" and "Four Advantages One Strategy" classification service and establishes a rapid response channel for quality disputes. In customer satisfaction management, it conducts assessments using stratified quota sampling methods and precisely captures customer needs around five core dimensions: brand image, market promotion effectiveness, product quality, service experience, and customer requirements. In 2025, the customer satisfaction assessment achieved a comprehensive score of 90.1 points.

In the area of feedback closed-loop management, the Company establishes and improves its customer feedback closed-loop management mechanism, standardizes complaint handling procedures and response time standards, and formulates specialized disposal procedures for product quality disputes with clear professional departmental responsibility allocation and coordination mechanisms. It achieves a 100% resolution rate for quality dispute complaints, effectively protecting customer rights and interests.

In 2025, the composite score of customer satisfaction evaluation reached **90.1**.

The resolution rate of quality objection complaints stood at **100%**.

Case Strengthening Customer Response and Enhancing Service Quality

In December 2025, the Company held a special meeting on the operation of the customer satisfaction management system, focusing on customer needs and feedback governance, and clarifying the construction goals of the full-process customer satisfaction management system. It deployed work around improving service capabilities, strengthening collaborative linkage, and promoting closed-loop problem solving, tested the effectiveness of the system operation through special tests, and continuously optimized customer services to improve customer satisfaction and comprehensive service value.

Customer Rights Protection and Compliant Marketing

Shandong Steel adheres to the principles of compliant operations, honest service, and responsible marketing. It deeply integrates compliance requirements into the entire product promotion and service process. It standardizes product labeling, instructions, and warnings, relies on truthful information in marketing, eliminates false guidance, effectively protects customer legal rights, and promotes sustainable development of marketing business. During the reporting period, the Company experienced no customer data information leakage events, network information security-related incidents, or events that harmed customer rights.

In 2025, the Company systematically conducted compliance training and organized 31 activities and specialized training sessions, strengthening compliance capabilities through multi-form practical training and closed-loop management. During the reporting period, a cumulative total of 5,638 people participated in training with a total duration of 53,480 hours, strengthening the foundation for compliant operations.

Data Security and Privacy Protection

Following the principle of "equal emphasis on security and development," Shandong Steel builds a safety protection system covering the entire data lifecycle and achieves strategic transformation from passive defense to proactive governance. Through optimizing organizational structure, improving system standards, and advancing technology system construction, it forms a systematic information security governance landscape.

◎ Data Governance System Construction

The Company uses systematic construction as a lever to advance data governance and information security management, strengthening the foundation for digital transformation. In 2025, it established the new AI and Data Intelligence Department, responsible for data and model governance system construction and the overall management of network and information system security. Simultaneously, it improved the implementation of the information security organizational management system, built a three-level architecture from the decision-making to management to execution levels, clarified responsibilities at each level, and formed a coordinated and efficient data security management mechanism.

The Company adopts a "pilot-rollout" approach to implement the data governance system. The Rizhao Base and Shanxin Software were the first to establish comprehensive data governance systems. The Steel City Base published the "Big Data System Construction and Data Governance Management Method," building a systematic and standardized support framework that enables data management to follow procedures and be evidence-based.

In January 2025, the Company issued the "Network Security Management Measures" to refine business processes. In accordance with the "Data Security Law of the People's Republic of China, " the "Personal Information Protection Law of the People's Republic of China" and other laws and regulations, the Company established a cross-departmental compliance working group to carry out regular data risk assessment and compliance audit.

Case Shanxin Software Data Governance Practice

As a pioneer in the Company's data governance, Shanxin Software has passed DCMM Level 2 certification, and obtained the Information Security Management System Certification ISO/IEC 27001:2022 and the Information Technology Service Management System Certification ISO/IEC 20000-1:2018. It has established a standardized data classification and grading management mechanism, realizing full-lifecycle traceability of core data, providing replicable and promotable practical experience for the Company's data governance, and has been successfully selected into the list of key enterprises for network and data security in Shandong Province and the list of technical support units for network and data security in Jinan City.

◎ Network and Information Security Risk Prevention

The Company constructs a comprehensive risk prevention system through technology upgrade, risk assessment and remediation, emergency plan development and drills, effectively enhances security protection capabilities, and safeguards network and information security.

During the reporting period, the Company had no information security leakage incidents throughout the year.

Technology Protection

Technology Protection System Upgrade

In 2025, the Company comprehensively upgraded its security technology system. It deployed the scalable detection and response platform XDR above the security situation awareness platform to enhance threat detection and response capabilities; built a network security supervision platform to achieve centralized monitoring of subsidiary security events; optimized wide area network firewall policies, strengthened access permission management, and implemented virus scanning, intrusion prevention and other protective measures for boundary traffic.

Network Security

Network Security Protection Upgrade

The Company optimizes firewall policies, strengthens access permission management, and implements virus scanning and intrusion prevention for external traffic. At the same time, through specialized risk assessments, it identified issues such as low antivirus software coverage and promoted time-limited remediation, raising the antivirus installation rate to 95%. Through system hardening and governance, the Company's network security protection capabilities have been significantly enhanced.

Emergency Response

Emergency Response Capability Development

In 2025, the Company developed new information security incident emergency response plans that match actual working conditions, clarified personnel allocation and disposal procedures, and organized emergency drills for "Trojan Infection Leading to Phishing Information Dissemination Event Response," covering three relevant departments. These drills tested the scientific validity and feasibility of emergency plans, enhanced cross-departmental coordination capabilities, and established standardized response procedures.

Network and Information Security

Network and Information Security Training

The Company upgraded its information security training system, added risk management and decision security training for management levels, and strengthened specialized practical training courses for technical positions. It conducted company-wide information security knowledge popularization, focusing on improving technical personnel's professional capabilities such as vulnerability mining and emergency response. Through simulated phishing attack drills, it enhanced employees' risk identification and response capabilities, strengthening the foundation of security protection. In 2025, the Company organized 3 relevant training sessions, with the employee information security training coverage rate reaching 100%, comprehensively improving all employees' awareness and capabilities of data security protection.

Case The Company Strengthens Confidentiality Education and Builds a Solid Security Defense Line

In May 2025, the Rizhao Base organized relevant personnel to conduct training at the Rizhao Confidentiality Education and Training Platform. Trainees studied the important guiding spirits of confidentiality work, watched warning education videos, intuitively understood the leakage risks of common equipment, strengthened political responsibilities and risk awareness, improved the confidentiality capabilities of all staff, and consolidated the defense line of compliant governance and information security.

◎ Privacy Protection

The Company strictly complies with laws and regulations including the "Law of the People's Republic of China on the Protection of Personal Information" and formulates comprehensive "Network Security Management Methods." It adheres to the principles of legality, justification, and necessity, and protects personal information throughout its entire lifecycle through strict technological and administrative measures such as encryption and access control. It safeguards user information-related rights and establishes an emergency mechanism for security incidents. During the reporting period, the system operated continuously and effectively with no major personal information security incidents.

Employees

Shandong Steel upholds the philosophy that "talent is the first resource and talent advantage is the core advantage of the enterprise", regarding employees as the company's most valuable asset. The Company focuses on talent team building, optimizes recruitment, development, promotion, and care across all links, and achieves co-creation of value and win-win growth between employees and the enterprise.

◎ Governance

The Company has established a cross-departmental talent management coordination mechanism of "CCP committee leadership, HR-led direction, union guarantee, and league committee coordination". The Human Resources Department comprehensively oversees human resource strategy planning, recruitment and allocation, compensation and benefits, employee training and development, performance management, and labor relations. To ensure the effective implementation of policies and comprehensive protection of employee rights, each subsidiary company under the Company is equipped with professional human resources specialists, forming a standardized and professional human resource management network covering the entire company. At the same time, the Company's Board of Directors has established a Budget, Compensation and Assessment Committee to guide and supervise the standardized operation of the Company's compensation system and ensure the scientificity and impartiality of key decisions such as compensation incentives.

Cross-departmental Linkage Mechanism

◎ Strategy

Adhering to the principle of "talent first", the Company focuses on building a high-level talent hub in the steel mainstream business, deepens human resource system reform, and works to cultivate and develop a workforce with an optimized structure, reasonable distribution, and excellent quality. Through deepening the "Wanxiang Gengxin" compensation reform, building a market-oriented compensation distribution system, strengthening talent recruitment, systematic development, and value-oriented performance evaluation, the Company fully activates human resources and improves organizational effectiveness.

In 2025, the Company revised the "Employee Performance Management Method," "Position Salary System Implementation Rules," "Position Annual Salary System Implementation Rules," "External Expert Recruitment Management Method," "Human Resource Allocation Management Method," "External Recruitment Management Method," and "Staffing Management Method," while simultaneously optimizing eight work systems including the "Employee Position Innovation Management Method" and "Union Fund Revenue and Expenditure Management Method." These comprehensively cover recruitment, compensation and benefits, performance management, position innovation, and union operations, ensuring that the systems are highly aligned with the "Labor Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China," with a 100% annual system compliance execution rate.

8 Items	5 Major	100%	0 Cases
Revision of Systems Completion of Revision of Core Personnel Systems	**Covered Fields** Recruitment, Compensation, Performance Management, etc.	**Compliance Rate** System Implementation Compliance Rate	**Legal Disputes** Major Labor Dispute Cases

◎ Impact, Risk and Opportunity Management

The Company establishes a routine risk and opportunity identification mechanism and regularly assesses potential challenges and opportunities in employee management, employee development, and organizational change. It formulates scientific response strategies and strengthens the talent foundation for high-quality enterprise development.

Identification Area	Risk	Opportunity	Response Measures
Human Resources and Employee Stability	During industry restructuring and enterprise transformation and upgrading, the stage-by-stage mismatch between employee skill adaptation, dynamic position. adjustment, and career development expectations impacts team stability and organizational effectiveness	Leveraging industrial upgrade and intelligent manufacturing transformation, continuously improve the talent development system, revitalize internal positions, enhance skill training, and build career paths to ensure stable employment and growth for employees, strengthening organizational cohesion and sustainable development capability	Strengthen ideological guidance and protect employee rights. Deepen the "Wanxiang Gengxin" compensation reform, strengthen performance orientation, and implement pay-for-performance. Build a three-level talent pool of "core-backbone-potential," implement dynamic management and precise development. Establish platforms such as labor competitions and company-wide position innovation to provide growth opportunities for skilled talent

◎ Employee Rights

Compliant Employment and Diversity

The Company strictly complies with the "Labor Law of the People's Republic of China" and other laws and regulations. It builds a sound and closed-loop labor contract management system, focusing on three dimensions: anti-discrimination and diversity, child labor prevention, and forced labor prevention. It adheres to the principle of "fairness, justice, and inclusive diversity," strictly prohibits any form of employment discrimination, forced labor, and workplace harassment, firmly eliminates child labor, standardizes recruitment control procedures, selects and employs outstanding college graduates, implements employment support policies for discharged military personnel, and optimizes flexible introduction of external experts. It truly guarantees equal employment rights for all groups of people and aligns with the core requirement of industrial reform to "strengthen the workforce and ensure fair employment."

In 2025

the Company's labor contract signing rate reached **100%**

with no major labor disputes.

Talent Recruitment

Anchoring to the goal of building a high-level talent hub in the steel mainstream business, the Company establishes a management system of "precise talent recruitment, systematic talent development, scientific talent utilization, and ecological talent retention." It establishes a talent pipeline and dynamic talent pool to ensure that talent reserves precisely match strategic development. Focusing on "high-tech, cutting-edge, and scarce" areas such as production processes and technology, it widens talent recruitment channels, improves flexible talent recruitment mechanisms, recruits key talents to solve technical and process difficulties, and supports key team building with specialized incentive plans to enhance the Company's core competitiveness through talent effectiveness.

In 2025, the Company recruited a total of 16 new employees, including 10 college graduates. The Company actively fulfilled its social responsibility by accepting and placing 6 discharged military personnel.

Compensation and Benefits

The Company has optimized and improved its compensation system, and revised performance management and compensation systems including the "Employee Performance Management Measures, ""Implementation Rules for the Post Salary System, " and "Implementation Rules for the Post Annual Salary System, " implementing the requirement of "safeguarding labor and economic rights and interests" in the reform of the industrial worker team construction throughout the whole process. Adhering to the principle of "grading by post, setting salary by grade, matching people with posts, and adjusting salary with post change, " the Company breaks the restrictions of fixed ranks, establishes a salary promotion system for employees with vertical promotion and horizontal grade advancement, and forms a dynamic adjustment mechanism in which employees' salary levels increase with value contribution and

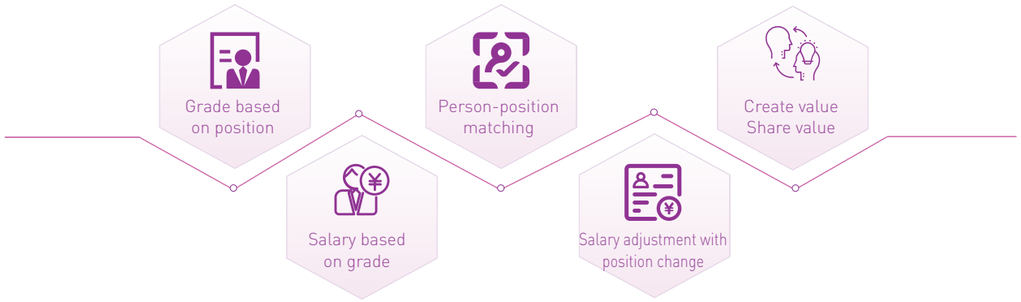
career development, truly achieving steady growth in employees' income. Upholding the principle of "value creation and value sharing, " performance-based compensation is tilted preferentially to profit-creating units and high-tech and skilled talents, further stimulating employees' enthusiasm for innovation and creation.

In terms of welfare, the Company has been continuously improving its security level and service convenience. In 2025, the Company optimized supplementary medical insurance coverage items and service procedures, and implemented the "Four-Season Care" inclusive services to effectively enhance employees' sense of gain in compensation and welfare. In 2025, the employee social insurance coverage rate reached 100%, and the average annual paid leave days per employee were 9.6 days. Meanwhile, the Company promoted the upgrading of "three rooms, one hall and one station, " improved various living facilities in the plant area, upgraded the intelligent bathroom system, and optimized the working and living environment for employees. It also established an urgent affairs handling mechanism to quickly respond to employees' demands, effectively enhancing employees' sense of belonging and happiness.

In 2025

the employee social insurance coverage rate reached **100%**

the average annual paid leave days per employee were **9.6** days



Democratic Management and Communication

The Company improves its democratic management system, achieves full coverage of grassroots employee representative conferences (ERCs), and uses ERCs and delegation leader liaison meetings to deliberate and vote on major matters, ensuring employees' information access, participation, expression, and supervision rights. It truly implements the core requirement of industrial workforce development reform to "guarantee the master status". It builds a diversified two-way communication mechanism, forming a closed-loop management model. To date, it has implemented 79 employee representative proposals, responded to and handled over 160 suggestions and comments, with response rates and satisfaction rates both reaching 100%.

It innovatively held "Speak Out, Express Ideas, and Promote Development" democratic symposiums, providing on-site responses to 13 issues and written replies to 7 issues. It established a "submit suggestions with one click" opinion collection network and, combined with quarterly surveys, formed full-process closed-loop management, substantially enhancing employee sense of achievement and happiness.

Career Development

Promotion and Development

Breaking through traditional hierarchical barriers, the Company establishes a career development mechanism with vertical integration and horizontal linkage. Employees can develop vertically along one sequence or horizontally transfer between different sequences based on work needs, position characteristics, and their own strengths. It integrates industrial workforce development reform "career development" requirements into the promotion system, establishing a three-channel promotion mechanism of management, technical business, and operations maintenance for industrial workers. It promotes job rotation for key positions and training positions for excellent personnel, broadening talent development pathways; through channels such as ERCs and democratic symposiums, it protects employee rights, strengthens team stability foundation, and aligns with compliance and governance requirements.

Employee Development

In line with the principle of "on-demand, classified and phased, "the Company has coordinated and planned the annual employee training plan and built a training system covering all employees and running through their career. Focusing on key positions and core competencies, the Company has carried out precise and systematic training programs. In 2025, the total annual training hours of employees reached 4.1391 million, with 100% employee training coverage, 100% professional skill training coverage and 100% leadership training coverage.

Core training programs are conducted through classified and tiered approaches. The first-line operations focus on skill-level evaluation training in core processes such as steelmaking, rolling, and ironmaking, with over 600 participants and cultivation of 252 senior workers, technicians, and above. Eight-phase equipment inspection personnel capability enhancement training was conducted, inviting experts for theoretical and practical teaching, covering 552 inspection personnel at all levels. In the management technology area, it held young and middle-aged backbone training classes and middle management leadership development seminars, covering 45 young backbones and 43 middle managers respectively, strengthening change awareness and leadership capabilities.

Deepening the reform of industrial workforce development and building a high-quality workforce. Maintaining typical leadership and demonstration effects, the Company actively cultivates and selects advanced models and high-skilled talent. In 2025, the Company commended 20 labor models and 30 excellent employees at this level; 18 people received group-level "Shandong Steel Labor Model" and "Shandong Steel Craftsman" titles; 34 people were selected for the Shandong Iron and Steel Group 2025 first batch high-level talent support plan; Zhao Shilong received the "Qilu Master Craftsman" title, Yu Hui received the "Qilu Craftsman" title, Liu Wenping received the "Qilu Most Beautiful Worker" title; Li Zigao received the "Great Country Craftsman" talent title, achieving Shandong Steel's "zero breakthrough" in this honor. The Company received Shandong Province's "May 1st Labor Award." It held a high-skilled talent team building promotion conference and continuously fostered a strong atmosphere of "respecting labor, advocating skills, and striving to be advanced."

Continuously promoting company-wide position innovation, focusing on key indicators such as employee participation rates and average number of outstanding results per person. Through improved process management and achievement incentive mechanisms, employees cumulatively implemented and completed 28,700 projects throughout the year. It organized annual excellent project and advanced individual selections, held an all-staff position innovation commendation ceremony, and carried out activities to present awards at positions, commending 145 excellent projects and 8 innovation pioneers. It held an all-staff position innovation competition, organized themed seminars, implemented 12 key problem-solving topics, and commended 12 excellent innovation teams.

In 2025

Total Training Hours: **4.1391** Million Hours

Employee Training Coverage: **100%**

We will deepen the reform of the industrial worker team development and build a high-quality workforce.

20 model workers commended at the company level	**30** outstanding employees
18 individuals awarded group-level model worker and master craftsman titles	**34** employees selected for the echelon development program

Strengthening skill competition empowerment. The Company held the second employee professional skill competition and youth technical competition, and the Rizhao Base held the sixth employee professional skill competition, promoting new skill improvement for employees. In the metallurgical industry group leader comprehensive skill competition held by the Shandong Federation of Trade Unions, the Company won a group second prize with 7 people receiving individual awards. A series of competitions effectively stimulated employees' enthusiasm for learning skills and practicing capabilities, cultivated a large number of skilled talents for the Company, and formed a craftsman talent pipeline with clear levels and excellent business competence.

Case Rizhao Base Holds Sixth Employee Professional Skill Competition

In July 2025, the Rizhao Base successfully held the sixth employee professional skill competition. The competition featured 23 job categories including AI + steel manufacturing scenario design applications, with over 2,600 employees participating and 125 people commended for being technical leaders and technical experts. Through pre-competition training and position-specific drills, the event used competition to promote learning, training, and advancement, providing a platform for employee skill improvement, comprehensively strengthening employee competency and job performance capabilities, and laying a solid talent foundation for enterprise high-quality development.

Case Company Holds High-Skilled Talent Team Development Promotion Conference and Second Employee Professional Skill Competition Summary and Commendation Conference

In November 2025, the Company held a high-skilled talent team development promotion conference and second employee professional skill competition summary and commendation conference. The meeting focused on talent development, craftsman spirit cultivation, and skill competition empowerment, commending excellent skilled talent and deploying talent building work.

This employee professional skill competition and youth technical competition featured 21 job categories, divided into preliminary and final stages, with over 6,000 employee participations. A total of 21 technical leaders and 153 technical experts were commended. Through competition-driven learning and talent development, it laid a solid talent foundation for enterprise high-quality development.

Employee Well-being and Care

Deepening the construction of a happy and harmonious enterprise, the Company practices the philosophy of "sitting on the same bench with employees" and uses "doing practical things for employees" as a lever. Through thematic research, it identified 51 practical matters, of which the Company prioritizes 10 and departments implement 41, all completed by the end of the year. Shift optimization, comprehensive health checkups, charging pile construction and other matters received widespread employee approval, substantially enhancing employees' sense of achievement and belonging. The Company established a "six-line guarantee" precision assistance system covering specialized assistance, routine relief, mutual assistance, and supplementary medical dimensions, with a total of over 310,000 yuan in relief funds distributed throughout the year, achieving comprehensive benefit coverage.

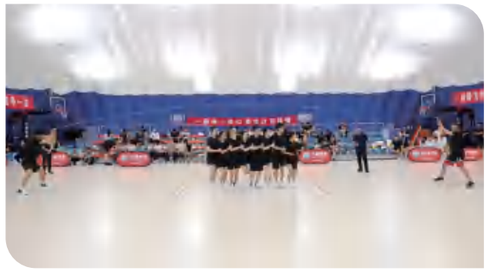
Strengthening precise care and cultural empowerment, the Company regularly conducted "Four-Season Delivery" activities, distributing cooling supplies benefiting 9,000 employee visits; organized 319 first-line employees and labor models/craftsmen to participate in recuperation and rest programs; enriched cultural and recreational activities by holding the first employee culture and sports festival series activities, organizing 8 mass sports competitions such as group walks with over 4,500 employee participations. The Company held employee children "Innocent Wisdom, Empowered Growth" practical activities and the first "Baolan Good Voice" youth singer competition, balancing employee and children needs and enriching employee leisure time; cultural and sports associations and grassroots units conducted over 200 team-building activities, fostering a harmonious and uplifting cultural atmosphere.

Case National Tug-of-War Championship Victory and Culture, Sports Festival Empowerment

In November 2025, the Company fielded a team for the 2025 National Tug-of-War Championship and, through solid training and perfect teamwork, achieved a historic best result of 2 gold and 1 silver medals. This not only demonstrated the tenacious and hard-working spirit of Shandong Steel employees, but also used cultural and sports activities as a bridge to unite the strong synergy of company-wide collaborative advancement.

Highlights of Cultural and Sports Activities

The First "Baolan Good Voice" Youth Singer Competition



The First Series of Activities of the Staff Culture and Sports Festival

2025 Culture, Sports and Arts Festival Opening Ceremony and Mini-Marathon Employee Healthy Walking Activity

Employee Healthy Walking Activity On-Site

Focusing on the needs of female employees, young employees, and other groups, the Company implemented "twice-yearly screening for two cancers" for female employees, completing 4,674 screening visits throughout the year. It conducted 19 quality education and position competition activities, with 3 units receiving recognition as the "13th National Book-Fragrant March 8" excellent organizational units, and 1 female employee receiving the "Qilu Most Beautiful Worker" title. For young employees, it provided growth and socializing platforms, held "Fate on Qixi·Steel is Good with You" social activities, and organized 5 outdoor team-building sessions covering over 300 people, effectively protecting the rights and interests of all groups.

Company Held Celebration of Women's Day Commendation Conference

◎ Metrics and Targets

In 2025, through implementing a precise talent development mechanism, building a value-oriented assessment and distribution mechanism, and a company-wide innovation mechanism, the Company achieved significant results in talent team building, providing a solid talent guarantee for sustainable development. Notably, professional skill-level evaluations were conducted for at least 300 employees, and at least 5 people were independently cultivated and selected for national and provincial talent programs.

Indicator	Unit	2025
Total Employee Count	Person	18,844
Male Employee Count	Person	16,670
Female Employee Count	Person	2,174
Female Employees in Management Positions	Person	30
Employees Aged 30 and Below	Person	2,070
Employees Aged 30-50	Person	10,790
Employees Aged 50 and Above	Person	5,984
Employee Turnover Rate	%	0.6
Male Employee Attrition Rate	%	0.57
Female Employee Attrition Rate	%	0.03
Employee Work-Related Injury Insurance Coverage Rate	%	100
Labor Contract Signing Rate	%	100
Proportion of Employees Receiving Regular Performance and Career Development Evaluations	%	100

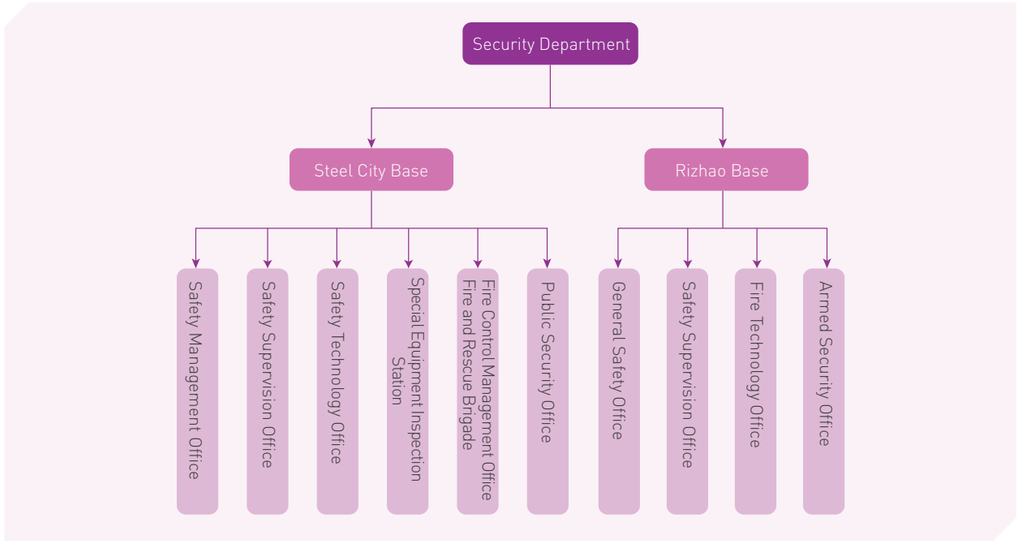
Looking ahead, the Company will continue to deepen cadre and talent team building, establish a scientific cadre pipeline, and continuously inject vitality into high-quality development. The Company will comprehensively advance improvement of human resource efficiency, improve talent development and growth mechanisms, and continue to do well in employee welfare and rights protection work, mobilizing the tremendous force that drives the enterprise forward.

Occupational Health and Safety

Shandong Steel is firmly committed to the safety philosophy of "putting people first and life first", continuously deepening the three-year action plan for safety production "fundamental remediation", perfecting the occupational health and safety management system, rigorously implementing the full-staff safe production responsibility, ensuring high-level safety to support the Company's high-quality development, and wholeheartedly protecting the health and safety of employees and stakeholders.

◎ Governance

The Company has established the Work Safety Committee as its highest decision-making and deliberative body, with six specialized work safety committees underneath. The Safety and Security Department implements safety management functions; production units at all levels implement localized safe production responsibility systems. Through promoting "one position one checklist, one position one assessment" and cause-tracing investigation mechanisms, the Company strengthens full-staff safety responsibility and solidifies the foundation of safety management.



The Company implements a tiered inspection mechanism that links supervisory performance with the "Safe Production Performance Assessment Responsibility Statement," dynamically coordinating the annual safety reward assessment in accordance with the "Safe Production Supervision and Management Measures." This effectively clarifies hierarchical responsibilities, addresses performance gaps, and enhances managers' occupational health and safety competency.

◎ Strategy

The Company integrates occupational health and safe production targets deeply into its overall development strategy, which is reviewed and approved by the Work Safety Committee. Upon approval, these targets are transformed into concrete implementation plans with corresponding resources allocated to ensure their achievement. The Safety and Security Department continuously improves the safety management system through regular monitoring, periodic assessment, and dynamic optimization, effectively addressing risk challenges and supporting the Company's sustainable high-quality development.

Occupational Health and Safety Management System

The Company firmly establishes the philosophy of "life first, safety-oriented development," rigorously implements occupational health and safety laws and regulations, actively advances the three-year action plan for safety production "fundamental remediation," comprehensively deepens the full-staff safe production responsibility system, strengthens "one person with dual responsibilities" and "three management three must-dos," and continuously perfects the dual-prevention mechanism of safety risk classification management and hidden hazard investigation and treatment.

In 2025, while maintaining the effective operation of the ISO 45001/OHSMS occupational health and safety management system, the Company completed the revision of 41 safety management systems and improved the performance evaluation methods for various production units, achieving precise alignment between safety regulations, laws and actual risks. In accordance with the "Grading and Scoring Standards for Work Safety Standardization of Industrial and Commercial Enterprises, "the Company constructed a basic safety documentation list consisting of 12 elements and 125 detailed rules.

During the reporting period, the Steel City Base passed the secondary standardization review and verification of Shandong Province's safe production standards. The Rizhao Base maintains the tertiary standardization level and continues to promote the extension of standardization requirements to related parties through self-assessment, achieving integrated safety management.

Rizhao Base

Steel City Base - Laiwu Iron and Steel Group Yinshan Section Steel Co., Ltd.

Shandong Steel

Fire Prevention and Emergency Management

The Company has established a standardized emergency drill mechanism that clarifies the drill cycles, standards, and requirements for comprehensive emergency response plans and specialized emergency response plans. On-site disposal plans must ensure full-coverage drill implementation, with special attention to the effectiveness of emergency response plan drills involving major hazard sources. Simultaneously, the Company promotes routine "four-not" emergency drills to effectively validate each unit's on-site emergency response capability and continuously strengthen the safe production defense line. In 2025, the Company conducted drills for 11 comprehensive emergency response plans, 67 specialized emergency response plans, and 954 on-site disposal plans, comprehensively enhancing the level of emergency response and risk prevention and control.

In terms of fire management, the Company strictly implements the work policy of "Prevention first, combination of prevention and fire fighting". It organizes fire safety inspections, identifies 169 fire hazards and completes closed-loop rectification. In 2025, the Company organized 10 fire safety education and training sessions, achieving the goal of "zero occurrence" of major fire accidents for the year.

Case The Company Successfully Hosts Jinan Emergency Drill

In June 2025, the Company hosted a high-standard emergency response drill for steel enterprises in Jinan simulating blast furnace hearth burnthrough. The drill simulated hazardous situations triggered by abnormal blast furnace operations and personnel entrapment scenarios. The enterprise rapidly activated emergency response plans, established command structures to coordinate rescue operations, and various task forces coordinated seamlessly to complete rescue and treatment exercise tasks efficiently and successfully conclude the exercise on schedule, demonstrating the Company's commitment to public safety governance.

Case Rizhao Base Organizes Fire Prevention Facility Hazard Elimination Campaign

In January 2025, the Rizhao Base established a cross-departmental task force to launch a six-month fire prevention facility hazard elimination campaign. The task force established a "daily dispatch - weekly advancement - monthly evaluation" management system, comprehensively coordinating various workshops, procurement departments, construction, supervision, and maintenance units to thoroughly address existing fire equipment and facility hazards including missing equipment, offline linkage failures, frequent false alarms, and aging equipment. The reliability and operational efficiency of critical fire prevention equipment and facilities, including fire alarm systems, automatic fire suppression systems, water systems, and linkage control systems, have all been significantly improved.

Related Party Management

The Company strictly implements "four unifications" control standards for related parties, implements precise control around "six links," and improves the safety performance evaluation mechanism for cooperative suppliers. The Company has formulated the "Cooperative Supplier Safety Management Standards" and implemented an admission system to strengthen upstream management. In 2025, the Company identified and corrected 498 related party hazards, established a blacklist system to remove non-compliant units, related parties' violations decreased year-on-year, and safety performance continued to improve steadily.

◎ Impacts, Risks and Opportunity Management

The Company manages safety risks with scientific approaches, clarifying the objectives of ensuring safe production, reducing hidden hazards, and enhancing employee safety awareness. Taking the three-year action plan for safety production "fundamental remediation" as an opportunity, the Company improves its responsibility system, deepens intelligent control, and builds multiple quantitative measures and specialized initiatives to fortify the essential safety defense line, protecting safe production operations and employee safety.

Risk and Opportunity Identification	Response Measures
Intensifying industry competition, with some units neglecting safe production in cost reduction and efficiency improvement efforts	Optimize the responsibility system, dynamically update duty performance checklists, and achieve full coverage of quarterly safety evaluations by plant leaders; implement hierarchical assessment, clarify responsibility boundaries, and improve the timeliness of duty performance.
Increasingly stringent environmental and safety compliance standards, upgraded regulatory requirements, increased compliance investment and operation and maintenance pressures	Integrate safety targets into company strategy, achieve 100% execution rate of "three simultaneous" requirements for construction projects; complete assessment and filing of hazardous chemical major hazard sources, pass secondary safety production standardization re-evaluation by Shandong Province
Key field risks such as hazardous chemicals and high-temperature molten metals are complex with difficult-to-manage dynamic risks	Conduct monthly major hazard screening and achieve dynamic clearance of hazards, complete safety essential transformation; empower risk early warning through intelligent upgrading, achieve 100% major hazard placard supervision rate

Strengthening Safety Risk Management

Advancing Safety Production Fundamental Remediation

The Company adheres to a "zero tolerance for safety violations" bottom line, focusing on "three major hazard sources" including molten metals, coal gas, and hazardous chemicals, to break through pain points in industry safety management. The Company innovatively constructs a management and control system of "smart prevention enablement, closed-loop defect elimination, cultural radiation, and collaborative prevention," driving safety management toward active prevention and precise strategic implementation. The Company has implemented the "one plan three-list" approach to achieve safety risks that are preventable, controllable, and traceable.

Full-Process Risk Prevention and Control

The Company strictly implements "three simultaneous" safety management for construction projects, completes procedural handling of key projects and special safety assessments for hazardous chemical-related enterprises. Centering on major events and critical production phases, the Company intensifies key link inspections and supervision to resolve management coordination blind spots. The Rizhao Base, in response to risks in the Mid-term Maintenance of Blast Furnace No.2, optimized plan review and team allocation, conducted six specialized training sessions for personnel supervising high-risk operations, implemented grid-based supervision and "offline + online" full-process monitoring to ensure maintenance safety and controllability.

Strengthening Closed-Loop Hazard Rectification

In 2025, the Company adheres to a problem-oriented approach, identifying and correcting hidden hazards through multiple channels including specialist inspections, routine audits, and technical monitoring across work processes, equipment and facilities, personnel operations, and work environment aspects. The Company has established a comprehensive management mechanism implementing placard-based supervision and dynamic clearance of major hazards. The Rizhao Base conducted targeted specialist inspections in electrical, high-temperature molten metal, and confined space fields, comprehensively completed multi-dimensional hazard rectification, and prevented and mitigated operational safety risks.

Deepening Intelligent Safety Construction

In 2025, the Company implemented 31 safety essential technology transformation projects, advancing coal gas cabinet safety instrumented systems construction to eliminate waste gas transmission safety hazards. The Rizhao Base launched the intelligent safety protection system, which comprehensively covers all requirements of safety production standardization and dual-prevention mechanisms, integrating video surveillance, safety production risk monitoring and early warning, special equipment management, dangerous operation control systems, and other functions. The system has solidified the Company's specific safety management measures into the system, enabling dynamic risk early warning and scientific decision-making while enhancing the standardization and intelligence level of safety management.

Rizhao Base "Smart Security" System

The "Smart Security" System of Rizhao Base has been fully put into use and deeply integrated into daily safety management, driving a key transformation of the Company's safety management model from traditional paper-based to modern digital and intelligent. The system covers 25 functional modules including objective management, institutional responsibilities, system development, training capacity, contractor safety, occupational health, labor protection articles, "Three Simultaneities" management, special equipment, hazardous chemicals, major hazard sources, fire safety, maintenance operation, emergency management, dual prevention mechanism, accident management, safety performance of duties, and safety performance, forming a full-domain digital and intelligent safety management and control system.

Case Special Equipment Safety Management and Control Practice

In 2025, the Company obtained the qualification for special equipment inspection station, completed the modification and cancellation of 381 lifting machinery and regular inspection of 423 units, and carried out diagnostic inspections to rectify 135 hidden dangers. It organized 70 training sessions for special type of work certification and re-examination, with 3,212 person-times trained, ensuring that the certification rate of special equipment operators reached 100%, and the equipment itself as well as its safety accessories and protection devices were always in sound and effective operation.

Occupational Health Protection

The Company strictly complies with occupational health management regulations and has constructed a comprehensive occupational health protection system covering the full work process, rigorously managing pollutant emissions across all production and operation stages to ensure stable compliant discharge and effectively prevent adverse impacts on employees. During the reporting period, the Company experienced no occupational health damage incidents caused by pollutant emissions.

In 2025, the Company comprehensively advanced detection and closed-loop remediation of dust, high-temperature, and other hazard factors, completed noise reduction transformation projects, strictly implemented labor protection regulations, and coordinated health check-ups covering new hires, current employees, and departing workers totaling 9,145 person-times. The Company adjusted 28 employees with occupational contraindications and achieved 100% participation rate and 100% establishment rate for employee health records. The Company reported zero new occupational disease cases throughout the year, establishing a multi-dimensional occupational health and safety defense line.

9,145	100%	0
Number of health monitoring physical examinations	Physical examination participation rate Health file establishment rate	New occupational disease cases

Safety Culture Construction

In 2025, the Company optimized its safety culture construction system with multi-dimensional enabling across precision, technology, and full-staff participation as the core, realizing universal safety training coverage through tiered training, innovative forms, thematic activities, and skills competitions.

Adhering to the safety concept of "putting people first", the Company has built a comprehensive and multi-level safety culture system. With systematic training and distinctive activities as the starting point, the Company promotes the rooting of safety culture. Focusing on improving safety capabilities and fostering a safety atmosphere throughout the year, the Company has achieved 100% coverage of safety training for all employees through diverse forms such as special training, experiential teaching, themed activities, and skills competitions.

2.0329 million yuan
Total training investment amounted

2,022,476 hours
Workplace safety training

175,922
Employee participations

100%
The safety training coverage rate stood

In 2025, the Company continued to increase the total investment in workplace safety training, strengthened employees' risk awareness, operational procedures and emergency response capabilities, organized security personnel to complete special training on human rights policies and procedures, and built a strong ideological line of defense and practical foundation for workplace safety.

Case Leading with Distinctive Thematic Activities to Foster Strong Safety Atmosphere

The Rizhao Base has implemented the "Safety Guardian" initiative, conducting hazard investigation and remediation through the "Safe Production Cup" competition as a carrier and continuously advancing routine labor protection supervision and inspections. The Base has launched the "Zero-Violation Shift Team" creation and assessment activities, promoting company-wide hazard source identification and standardized work implementation.

The Steel City Base promotes experiential training utilizing VR/AR simulation of high-risk scenarios, expanding the coverage of its sensory experience center services. In 2025, the Base organized 6,834 participants in experiential training.

Case The Company Launches the "Joint Operation • Family-Caring Safety Assistance" Work Safety Practice Activity

The Rizhao Base Hot Rolling Mill Trade Union, jointly with the Safety Management Office, conducted the "Joint Operation • Family-Caring Safety Assistance" activity. The activity invited employee family members to tour production lines and innovation workshops, incorporating electrical safety explanations, interesting Q&A, and family safety letter readings, combined with children's talent performances and hazard-finding puzzles. Using family affection as the bond, the activity integrated safety concepts into work and life, weaving a dense safe production protection network and solidifying the safety foundation for the realization of the enterprise's phased targets.

Metrics and Targets

In 2025, the Company achieved the core safety production goals of "Six Zeroes" and "Seven 100%". It resolutely prevented all kinds of liability accidents such as general and above production safety accidents and major and above fire accidents, consolidating the fundamental defense line for occupational health and safety production

Short-Term Targets (2025)

Achieving Safe Production "Six Zeros"

- ✓ Zero general or above production safety accidents
- ✓ Zero major or above fire accidents
- ✓ Zero major or above equipment accidents
- ✓ Zero major or above production accidents
- ✓ Zero major or above traffic accidents for which the Company bears primary responsibility
- ✓ Zero related party accidents for which the Company bears primary responsibility

Completing "Seven 100%" Compliance Tasks

- ✓ 100% compliance rate for "three simultaneous" requirements (safety and occupational health) in construction projects
- ✓ 100% testing rate for special equipment safety and technical conditions
- ✓ 100% certification rate for special operation personnel in actual work assignments
- ✓ 100% safety training and education rate for employees and related parties
- ✓ 100% physical examination rate for workers in positions with toxic/harmful exposure
- ✓ 100% testing rate for occupational disease hazard factors in work environments
- ✓ 100% implementation rate for hazard rectification

Medium- and Long-Term Development Roadmap

Medium-Term Targets (1–5 Years)

Continuously deepen the three-year action plan for safety production "fundamental remediation," constructing a normalized mechanism for dynamic clearance of major accident hazards, and substantially elevating the Company's intrinsic safety level. Perfect the "people protection, technology protection, engineering protection, and management protection" four-in-one risk prevention and control system, forming a comprehensive and multi-level safety protection landscape, and promoting normalization and standardization of occupational health and safe production management.

Long-Term Targets (5+ Years)

Establish a forward-looking safety prevention and control system that surpasses industry standards, achieving comprehensive upgrading of the occupational health and safe production governance system from "tangible coverage" to "deepened operations." Using benchmark leadership to advance industry development, building a demonstration model in occupational health and safe production management, and providing solid safety assurance for the Company's sustainable development.

The Company received the 2025 Shandong Province Emergency Management Popular Law Knowledge Competition Excellent Organization Award and achieved excellent results in the Fourth "Safe and Sound Cup" Municipal Managed Industrial and Commercial Enterprise Safety Production Knowledge Competition.

Looking forward, the Company will advance with a sense of responsibility that "leaves room for concern at all times" and execution power that "has certainty in all matters," solidly promote the final phase of the three-year action plan for safety production "fundamental remediation," and systematically advance comprehensive upgrading across five dimensions of responsibility system implementation, risk prevention and control, foundation assurance, science and technology enabling, and culture building.

Social Welfare

Shandong Steel upholds the core values of "co-creation, co-progress, and co-prosperity," deeply integrating the fulfillment of social responsibility into enterprise strategy and daily operations. The Company systematically advances rural revitalization, community co-building, volunteer service, and charitable donation work, actively fulfilling social responsibilities, effectively responding to social concerns, and contributing enterprise strength to achieve social harmony and sustainable development.

◎ Rural Revitalization

The Company actively responds to the national Rural Revitalization strategy, transforming enterprise resource advantages into strong momentum for rural development through multiple measures including dispatching resident first secretaries, implementing the "Warm-Hearted Benefit to Farmers" livelihood project, and conducting consumer-driven assistance, writing new chapters in integrated enterprise-local development.

Precise Assistance with Heart-Warming Support for Villagers

To thoroughly implement Jinan's "tens of thousands going to villages, thousands of villages improved" project, the Company dispatched outstanding cadre Liu Defeng to serve as resident first secretary of Xiaxiashang Post-Village under Wenyuan Subdistrict, Steel City District. In 2025, the Company made multiple visits to the village, providing material support for the "Happiness Canteen," donating warm clothing to lonely elderly residents during Chinese New Year, and delivering essential livelihood supplies such as rice, flour, and cooking oil to families in difficulty, effectively conveying enterprise care.

"Warm-Hearted Benefit to Farmers" Livelihood Project Supporting Rural Development

The Company actively fulfills social responsibility, achieving remarkable results in consumer-driven assistance, industrial tourism, and livelihood supply heating.

Consumer-Driven Assistance Boosting Agricultural Income

The Company actively fulfills its social responsibilities, implements poverty alleviation through consumption, and supports the comprehensive advancement of rural revitalization. Through the labor union, the Company purchased 1,100 portions of featured agricultural products from Xinjiang, worth more than 106,700 yuan. It carried out the "Coolness in Summer" campaign, and purchased more than 12,500 kilograms of watermelons from Juye County, Heze City, the village stationed by the First Secretary of the Group, which was well-received by local melon farmers.

Industrial Tourism Driving Research-Study Tourism

The Company fully leverages the resource advantages of the Rizhao Base as a national AAA-level industrial tourism scenic area, actively conducting industrial research-study activities, attracting significant numbers of students and social groups to visit, and effectively promoting deep integration of cultural tourism and rural economy.

Waste Heat Heating Benefits People and Assists Agriculture

The Company extends its green and low-carbon development philosophy to people's livelihood. Utilizing zero-carbon waste heat from industrial production, the Company provides clean heating for 10 residential communities in Taoluo Town, Rizhao City, covering an area of 300,000 square meters, radiating to 18 administrative villages, and benefiting more than 5,000 households and over 700 breeding households. It has become a vivid model of industry nurturing agriculture and urban areas supporting rural areas.

◎ Community Co-Building

Shandong Steel adheres to the principle of "originating from society, giving back to society," using party building as the guide, deepening enterprise-local integration through paired co-building, livelihood assistance, and outcome sharing, establishing a standardized community management system with long-term mechanisms ensuring implementation.

The Company ensures the deep integration of party building work and community governance through institutionalized governance mechanisms, establishing a multi-dimensional governance network covering industrial resource downward flow, precise assistance, and joint construction of love libraries, significantly enhancing community governance effectiveness and resident happiness.

Case Steel City Base Pairs with Local Community in Co-Building to Enhance Community Governance Effectiveness

Using party building as the bond, the Steel City Base pairs with the local community in co-building to enhance governance effectiveness. The second party branch of the bar mill rolling steel workshop leverages technical expertise to reinforce aging dangerous bridges, addressing resident traffic safety concerns; organizes "agricultural benefit public welfare promoting development" activities, establishing agricultural product sales platforms, and provides material assistance to families in difficulty through the "clothing and books building dreams" public benefit initiative. The organization office first branch focuses on caring for children with special needs, coordinating with social forces to conduct warm companionship activities, effectively enhancing residents' sense of gain, safety, and happiness.

◎ Public Welfare Activities

The Company continuously improves its public welfare and charity management system, using volunteer service organizations such as "Love Alliance" and "Little Raindrops" as carriers, conducting diverse public welfare activities, and transforming the enterprise's social responsibility into concrete social service action.

Exam Support

During the national college entrance examination in June 2025, the Company Communist Youth League Committee set up "Caring Exam Support Service Points" at Laigang High School and Laiwu No.4 High School, built cool rest areas, and provided free mineral water, exam stationery and other supplies to candidates and parents. The thoughtful services eased the tense atmosphere before exams and escorted dreams.

Scholarship-Driven Dream Realization

The Rizhao Base Iron Smelting Plant "Love Alliance" volunteer service team actively fundraises, dedicating funds specifically to scholarship donations for two children from impoverished families in Bishiguo Village, Lanshan District. The initiative genuinely helps children overcome practical difficulties in their pursuit of education, supporting them to study with peace of mind and pursue dreams with confidence, demonstrating the enterprise's social responsibility through concrete action.

Caring for and Respecting the Elderly

The "Little Raindrops" Charity Association of the Special Steel Plant of Steel City Base has continuously provided volunteer services at institutions including Wenhe Nursing Home in Gangcheng District, Jinan City, offering daily care and spiritual comfort to lonely elderly people and warming their later life with company. By the end of 2025, the "Little Raindrops" Charity Association had conducted more than 50 volunteer services, paired up to support 18 disadvantaged families in surrounding areas, served over 2,000 people including lonely elderly people, disabled children and community residents, and raised a total of 174,900 yuan in relief funds. With concrete actions, the Company fulfills its social responsibilities, conveys corporate warmth, and contributes to building a harmonious and friendly community environment.

Appendix

ESG Key Data Table[3]

Economic Performance Indicators

Indicator	Unit	2023	2024	2025
Operating Revenue	Ten Thousand Yuan	9,047,506.18	8,209,409.31	6,725,282.45
Profit /(loss) before tax	Ten Thousand Yuan	-9,821.6	-250,718.71	48,472.36
Total Tax Payment	Ten Thousand Yuan	86,721.45	91,809.81	183,928.77
Total Cash Dividends (Including Tax)[4]	Ten Thousand Yuan	32,096.55	12,038.52	7,998.74
Cash Dividends per 10 Shares	Yuan	0.3	0.11	0.08
Social Contribution Value per Share	Yuan/Share	0.45	0.25	0.66

Governance Performance Indicators

Indicator	Unit	2023	2024	2025
Proportion of Independent Directors	%	43	44	44
Proportion of Female Directors	%	-	11	11
Number of Board Meetings	Times	11	16	13
Number of Meetings of the Strategy Planning and ESG Committee	Times	1	3	1
Number of Meetings of the Risk Management and Audit Committee	Times	4	7	6
Number of Meetings of the Budget, Compensation and Appraisal Committee	Times	2	2	1
Number of Meetings of the Nomination Committee	Times	2	8	6
Frequency of Performance Releases	Times	3	3	3
Investment Bank Strategy Meetings	Sessions	1	2	3
Hosting Investor Visits	Persons	16	46	19
Responding to Investor Questions	NOS	356	375	269
Investor Relations Questionnaires	NOS	1	1	1
Number of Regular Announcements	NOS	4	4	4
Number of Temporary Announcements	NOS	49	80	100
Proportion of Independent Directors Serving as Independent Directors in More than 3 Listed Companies	%	0	0	0
Proportion of Independent Directors Serving as Directors in More than 6 Listed Companies	%	0	0	0
Percentage of Directors Receiving Anti-Commercial Bribery and Anti-Corruption Training	%	100	100	100
Percentage of Management Receiving Anti-Commercial Bribery and Anti-Corruption Training	%	100	100	100
Percentage of Employees Receiving Anti-Commercial Bribery and Anti-Corruption Training	%	100	100	100
Proportion of Operating Sites That Have Conducted Internal Audits/Risk Assessments for Business Ethics Issues to the Total Number of Operating Sites	%	100	100	100

Environmental Performance Indicators

Indicator	Unit	2023	2024	2025
Environmental Management				
Environmental Protection Investment	Hundred Million Yuan	4.2	11.72	11.5
Number of Environmental Pollution Incidents	Case	0	0	0
Environmental Protection Fines Incurred During the Fiscal Year	Ten Thousand Yuan	0	0	0
Coverage Rate of Environmental Protection Training	%	100	100	100
Environmental Performance Rating(Grade A is the highest level of environmental performance rating)		A	A	A
Proportion of Operations Certified by Environmental Management System	%	100	100	100
Proportion of Operations Certified by Energy Management System	%	100	100	100
Energy Utilization				
Energy Consumption	Tonne of Standard Coal	8,058,786.11	7,052,242.49	10,289,308.09
Self-generated Electricity	Hundred Million kWh	31.62	30.61	43.61

[3] In 2025, the Company acquired 100% equity interest in Yinshan Section Steel. Compared with previous years, the relevant data have been adjusted to include Yinshan Section Steel due to the change in consolidation scope.

[4] The total dividends for 2025 equal the actual cash amount used by Shandong Steel to repurchase shares during the year. According to Article 8 of the Shanghai Stock Exchange's Self-Regulatory Guidelines No.7 for Listed Companies-Share Repurchase, when a listed company repurchases shares via centralized bidding or tender offer with cash consideration, the amount spent on share repurchases during the year shall be regarded as cash dividends and included in the calculation of the annual cash dividend ratio.

Indicator	Unit	2023	2024	2025
Water Resources Utilization				
Total Annual Water Consumption	Ten Thousand m^3	4,258.83	4,135.02	4,506.83
Fresh Water Consumption	Ten Thousand m^3	3,481.06	3,174.79	4,121.98
Water Recycling and Reuse Rate	%	98.3	97.04	98.48
Fresh Water Consumption Intensity	m^3 / Tonne of Crude Steel	2.34	2.125	2.26
Total Waste Water Discharge	Ten Thousand Tonnes	646.4	674.1	546.26
COD Discharge in Waste Water	Tonne	133.03	124.43	91.23
Ammonia Nitrogen Discharge in Waste Water	Tonne	1.64	3.343	2.95
Pollution Emissions				
Particulate Matter (PM) Emissions	Tonne	3,677.96	2,658.81	3,948.11
Sulfur Dioxide (SO_2) Emissions	Tonne	1,520.72	1,404.19	2,219.22
Nitrogen Oxides (NOx) Emissions	Tonne	3,545.07	4,083.57	5,678.85
Solid Waste				
Total Waste Generation	Ten Thousand Tonnes	930.60	833.95	1,110.52
General Waste Generation	Ten Thousand Tonnes	893.46	795.34	1,098.42
General Waste Recycled	Ten Thousand Tonnes	892.06	794.47	1,097.47
General Waste Disposal	Ten Thousand Tonnes	1.4	0.87	0.95
Hazardous Waste Generation	Ten Thousand Tonnes	37.14	38.61	12.1
Hazardous Waste Harmless Treatment Volume	Ten Thousand Tonnes	37.14	38.61	12.1
Waste Recycling Rate	%	95.86	95.27	98.82
Cleaner Production				
Scrap Steel Recovery Rate	%	100	100	100
Comprehensive Utilization Rate of Steel Slag	%	100	100	100
Greenhouse Gas Emissions				
Direct (Scope 1) Greenhouse Gas Emissions	tCO_2e	24,512,877	24,821,339	29,932,954
Indirect (Scope 2) Greenhouse Gas Emissions	tCO_2e	2,670,937	2,331,860	2,214,487
Total Greenhouse Gas Emissions (Scope 1 and Scope 2)	tCO_2e	27,183,814	27,153,199	32,147,441

Social Performance Indicators

Indicator	Unit	2023	2024	2025
Employees				
Total Number of Employees	Person	16,535	16,031	18,844
Number of Male Employees	Person	14,573	14,181	16,670
Number of Female Employees	Person	1,962	1,850	2,174
Number of Employees Aged 30 or younger	Person	2,029	2,018	2,070
Number of Employees Aged 30-50	Person	11,222	9,556	10,790
Number of Employees Aged 50 or older	Person	3,284	4,457	5,984
Number of Ethnic Minority Employees	Person	130	91	143
Number of Employees with Disabilities	Person	51	41	74
Proportion of Employees with Disabilities	%	0.31	0.26	0.39
Number of Veterans Recruited	Person	3	5	6
Employees Turnover Rate	%	0.35	0.57	0.6
Turnover Rate of Male Employees	%	0.22	0.48	0.57
Turnover Rate of Female Employees	%	0.04	0.09	0.03
Investment Amount of Employee Work Safety Liability Insurance[5]	Ten Thousand Yuan	103.85	98.42	107.91
Investment Amount of Employee Work-Related Injury Insurance	Ten Thousand Yuan	2,000.27	2,221.16	2,111.77
Employee Work-Related Injury Insurance Coverage Rate	%	100	100	100
Labor Contract Signing Rate	%	100	100	100
Proportion of People Covered by Collective Agreements	%	100	100	100
Number of Labor Dispute Cases	Cases	0	0	0
Number of Discrimination and Harassment Related Incidents	Cases	0	0	0
Proportion of Employees Receiving Anti-Discrimination and Anti-Human Rights Infringement Training	%	100	100	100
Social Insurance Coverage Rate	%	100	100	100
Total Number of Female Employees on Parental Leave	Person	169	158	177
Return Rate and Retention Rate of Female Employees on Parental Leave	%	100	100	100
Number of Assisted Employees in Difficulty	Person	193	352	459

[5] Data for 2023 and 2024 have been restated due to changes in statistical scope.

Indicator	Unit	2023	2024	2025
Average Annual Paid Leave Days Per Employee	Day	9	9.5	9.6
Employee Satisfaction	%	100	100	100
Employee Training Coverage Rate	%	100	100	100
Total Employee Training Hours	Hour	4,071,062	4,102,890	4,139,127
Average Training Hours Per Employee[6]	Hour	85	99	92
Proportion of Employees Receiving Regular Performance and Career Development Assessments	%	100	100	100
Occupational Health and Safety				
Total Safe Production Investment	Hundred Million Yuan	1.28	1.2	1.15
Proportion of Safe Production Investment in Operating Revenue	%	0.14	0.14	0.11
Safety Training Investment Cost	Hundred Million Yuan	0.04	0.03	0.02
Number of Safe Production Accidents	Cases	0	0	0
Number of Work-Related Deaths (In-House Employees and Dispatched Workers)	Person	0	0	0
Work-Related Injury Rate	%	0	0	0
LTIFR (Lost Time Injury Frequency Rate)	injuries per million hours worked	0	0	0
Working Days Lost Due to Work-Related Injuries	Day	0	0	0
Number of Participants in Safe Production Training	Person-Times	156,450	188,912	175,922
Total Safe Production Training Hours	Hour	1,356,201	2,265,481	2,022,476
Occupational Health Examination Coverage Rate	%	100	100	100
Number of New Occupational Diseases	Person	0	0	0
Safety Risk Protection Training Coverage Rate	%	100	100	100
Products and Customer Service				
Amount of Compensation Involved in Major Liability Accidents Related to Product and Service Safety and Quality Occurred During the Reporting Period	Ten Thousand Yuan	0	0	0
Specific Amount Involved in Customer Privacy Leakage Incidents	Ten Thousand Yuan	0	0	0
Total Number of Illegal and Regulatory Violations Concerning Health and Safety, Labeling of Products and Services Provided	Cases	0	0	0
Complaint Resolution Rate	%	100	100	100
Customer Satisfaction	Score	89	90	90.1
Total Number of Illegal and Regulatory Violations Concerning Customer Privacy	Cases	0	0	0
Supplier Management				
Total Number of Suppliers	NOS	2,564	1,980	2,231
Proportion of Suppliers in the Mainland	%	100	100	100
Green Procurement Proportion of Materials and Spare Parts	%	100	100	100
Proportion of Local Equipment and Materials Procurement	%	72.54	61	27.52
Data Security and Privacy Protection				
Number of Information Security Leakage Incidents	%	0	0	0
Coverage Rate of Data Security/Customer Privacy Protection Related Training	Case	100	100	100
R&D and Innovation				
R&D Investment	Ten Thousand Yuan	285,519.33	270,779.22	353,770.24
Proportion of R&D Investment in Operating Revenue	%	3.16	3.3	5.26
Number of R&D Personnel	Person	1,776	1,747	2,036
Proportion of R&D Personnel	%	10.47	10.9	10.8
Number of Invention Patents Applied to Core Business Operations	PCS	686	979	1,174
Number of Invention Patents Applied	PCS	548	544	277
Number of Invention Patents Granted	PCS	426	381	208
Number of Software Copyrights	PCS	19	13	2
Rural Revitalization and Social Contribution				
Investment in Rural Revitalization	Ten Thousand Yuan	49.8	9.8	10.67
Number of Volunteer Service Participants	Person	3,078	3,425	3,592
Volunteer Service Hours	Hour	64,638	54,354	53,370
Average Volunteer Service Hours Per Person	Hour	21	16	15

[6] Calculation Formula for Average Training Hours per Capita = Σ (Training Hours per Session × Number of Participants per Session) ÷ Σ Number of Participants per Session

GRI Standards Index

Instructions for Use	Shandong Steel compiled this report with reference to GRI Standards for the period January 1 to December 31, 2025.
GRI Standards Used	GRI 1: Foundation 2021

Disclosure Item	Corresponding Section
GRI 2: General Disclosures 2021	
2-1 Organizational details	Company Overview
2-2 Entities included in the organization's sustainability reporting	About This Report
2-3 Reporting period, frequency and contact point	About This Report
2-4 Restatements of information	About Shandong Steel ESG Key Data Table
2-5 External assurance	Not Applicable
2-6 Activities, value chain and other business relationships	About Shandong Steel Supply Chain Security Product and Service Safety and Quality
2-7 Employees	Employees ESG Key Data Table
2-8 Workers who are not employees	Occupational Health and Safety Supply Chain Security
2-9 Governance structure and composition	Corporate Governance ESG Governance
2-10 Nomination and selection of the highest governance body	Please refer to the Company's 2025 Annual Report
2-11 Chair of the highest governance body	Please refer to the Company's 2025 Annual Report
2-12 Role of the highest governance body in overseeing the management of impacts	Please refer to the Company's 2025 Annual Report
2-13 Delegation of responsibility for managing impacts	Please refer to the Company's 2025 Annual Report
2-14 Role of the highest governance body in sustainability reporting	ESG Management
2-15 Conflicts of interest	Corporate Governance Business Ethics
2-16 Communication of critical concerns	Corporate Governance
2-17 Collective knowledge of the highest governance body	ESG Governance
2-19 Remuneration policies	Corporate Governance Employees
2-20 Process to determine remuneration	Corporate Governance Employees
2-22 Statement on sustainable development strategy	Chairman's Message ESG Governance
2-23 Policy commitments	Business Ethics Supply Chain Security
2-24 Embedding policy commitments	Business Ethics Supply Chain Security
2-25 Processes to remediate negative impacts	Compliance and Risk Management Product and Service Safety and Quality
2-26 Mechanisms for seeking advice and raising concerns	ESG Governance Business Ethics
2-27 Compliance with laws and regulations	See various topics in the report
2-28 Membership associations	About Shandong Steel Innovation-Driven Development
2-29 Approach to stakeholder engagement	ESG Governance
2-30 Collective bargaining agreements	Employees
GRI 3: Material Topics 2021	
3-1 Process to determine material topics	ESG Governance
3-2 List of material topics	ESG Governance
3-3 Management of material topics	ESG Governance Addressing Climate Change

Disclosure Item	Corresponding Section
GRI 201: Economic Performance 2016	
201-1 Direct economic value generated and distributed	ESG Key Data Table
201-2 Financial implications and other risks and opportunities due to climate change	ESG Governance Addressing Climate Change
201-3 Defined benefit plan obligations and other retirement plans	Employees
201-4 Financial assistance received from government	Please refer to the Company's 2025 Annual Report
GRI 203: Indirect Economic Impacts 2016	
203-1 Infrastructure investments and services supported	Social Welfare and Community Benefit
203-2 Significant indirect economic impacts	Social Welfare and Community Benefit
GRI 204: Procurement Practices 2016	
204-1 Proportion of spending on local suppliers	Supply Chain Security
GRI 205: Anti-Corruption 2016	
205-1 Operations assessed for risks related to corruption	Business Ethics
205-2 Communication and training about anti-corruption policies and procedures	Business Ethics
205-3 Confirmed incidents of corruption and actions taken	Business Ethics
GRI 207: Tax 2019	
207-1 Approach to tax	Tax Management
207-2 Tax governance, control, and risk management	Tax Management
207-3 Stakeholder engagement and management of concerns related to tax	Tax Management
207-4 Country-by-country reporting	Please refer to the Company's 2025 Annual Report
GRI 301: Materials 2016	
301-1 Management of material topics	Energy Utilization Circular Economy
301-2 Recycled input materials used	Circular Economy
301-3 Reclaimed products and their packaging materials	Circular Economy

Disclosure Item	Corresponding Section
GRI 302: Energy 2016	
302-1 Energy consumption within the organization	ESG Key Data Table
302-3 Energy intensity	ESG Key Data Table
302-4 Reduction of energy consumption	Energy Utilization
302-5 Reductions in energy requirements of products and services	Energy Utilization
GRI 303: Water and Effluents 2018	
303-1 Interactions with water as a shared resource	Energy Utilization
303-2 Management of water discharge-related impacts	Energy Utilization
303-3 Water withdrawal	ESG Key Data Table
303-4 Water discharge	ESG Key Data Table
303-5 Water consumption	ESG Key Data Table
GRI 304: Biodiversity 2016	
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Ecosystem and Biodiversity Protection
304-2 Significant impacts of activities, products and services on biodiversity	Ecosystem and Biodiversity Protection
304-3 Habitats protected or restored	Ecosystem and Biodiversity Protection
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	The core business of the company has limited relevance to this information or it is of low materiality
GRI 305: Emissions 2016	
305-1 Direct (Scope 1) GHG emissions	ESG Key Data Table
305-2 Energy indirect (Scope 2) GHG emissions	ESG Key Data Table
305-3 Other indirect (Scope 3) GHG emissions	The core business of the company has limited relevance to this information or it is of low materiality
305-4 GHG emissions intensity	Addressing Climate Change ESG Key Data Table
305-5 Reduction of GHG emissions	Addressing Climate Change ESG Key Data Table

Disclosure Item	Corresponding Section
305-6 Emissions of ozone-depleting substances (ODS)	The company's production and business activities do not produce ODS
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Compliance Management ESG Key Data Table
GRI 306: Waste 2020	
306-1 Waste generation and significant waste-related impacts	Waste Management
306-2 Management of significant waste-related impacts	Waste Management Circular Economy
306-3 Waste generated	ESG Key Data Table
306-4 Waste diverted from disposal	ESG Key Data Table
306-5 Waste directed to disposal	ESG Key Data Table
GRI 308: Supplier Environmental Assessment 2016	
308-1 New suppliers that were screened using environmental criteria	ESG Governance
308-2 Negative environmental impacts in the supply chain and actions taken	ESG Governance ESG Key Data Table
GRI 401: Employment 2016	
401-1 New employee hires and employee turnover	Employees ESG Key Data Table
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employees
401-3 Parental leave	ESG Key Data Table
GRI 402: Labor-Management Relations 2016	
402-1 Minimum notice periods regarding operational changes	The company currently has no major operational changes
GRI 403: Occupational Health and Safety 2018	
403-1 Occupational health and safety management system	Occupational Health and Safety
403-2 Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety
403-3 Occupational health services	Occupational Health and Safety
403-4 Worker participation, consultation, and communication on occupational health and safety	Employees Occupational Health and Safety
403-5 Worker training on occupational health and safety	Occupational Health and Safety

Disclosure Item	Corresponding Section
403-6 Promotion of worker health	Employees Occupational Health and Safety
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety
403-8 Workers covered by an occupational health and safety management system	Occupational Health and Safety
403-9 Work-related injuries	Occupational Health and Safety ESG Key Data Table
403-10 Work-related ill health	Occupational Health and Safety ESG Key Data Table
GRI 404: Training and Education 2016	
404-1 Average hours of training per year per employee	Employees ESG Key Data Table
404-2 Programs for upgrading employee skills and transition assistance programs	Employees
404-3 Percentage of employees receiving regular performance and career development reviews	Employees ESG Key Data Table
GRI 405: Diversity and Equal Opportunity 2016	
405-1 Diversity of governance bodies and employees	Employees ESG Key Data Table
GRI 406: Non-Discrimination 2016	
406-1 Incidents of discrimination and corrective actions taken	Employees
GRI 407: Freedom of Association and Collective Bargaining 2016	
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Employees Supply Chain Security
GRI 408: Child Labor 2016	
408-1 Operations and suppliers at significant risk for incidents of child labor	Employees Supply Chain Security
GRI 409: Forced or Compulsory Labor 2016	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Employees Supply Chain Security
GRI 410: Security Practices 2016	
410-1 Security personnel trained in human rights policies or procedures	Occupational Health and Safety

Disclosure Item	Corresponding Section
GRI 413: Local Communities 2016	
413-1 Operations with local community engagement, impact assessments, and development programs	Environmental Compliance Management Social Welfare and Community Benefit
413-2 Operations with significant actual and potential negative impacts on local communities	The company has not identified any operations with actual or potential significant negative impacts on local communities
GRI 414: Supplier Social Assessment 2016	
414-1 New suppliers that were screened using social criteria	Supply Chain Security ESG Key Data Table
414-2 Negative social impacts in the supply chain and actions taken	Supply Chain Security
GRI 415: Public Policy 2016	
415-1 Political contributions	The core business of the company has limited relevance to this information or it is of low materiality
GRI 416: Customer Health and Safety 2016	
416-1 Assessment of the health and safety impacts of product and service categories	Product and Service Safety and Quality
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	ESG Key Data Table
GRI 417: Marketing and Labeling 2016	
417-1 Requirements for product and service information and labeling	Product and Service Safety and Quality
417-2 Incidents of non-compliance concerning product and service information and labeling	Product and Service Safety and Quality ESG Key Data Table
417-3 Incidents of non-compliance concerning marketing communications	Product and Service Safety and Quality ESG Key Data Table
GRI 418: Customer Privacy 2016	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Security and Privacy Protection ESG Key Data Table
GRI 419: Socioeconomic Compliance 2016	
419-1 Non-compliance with laws and regulations in the social and economic area	The company has not violated laws and regulations in the social and economic sphere

Topic Disclosure Index

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

Dimension	No.	Topic	Clause	Location
Environmental	1	Climate Response	Articles 21-28	Addressing Climate Change
	2	Pollutant Discharge	Article 30	Pollutant Emissions
	3	Waste Disposal	Article 31	Waste Management
	4	Ecosystem and Biodiversity Protection	Article 32	Ecosystem and Biodiversity Protection
	5	Environmental Compliance Management	Article 33	Environmental Compliance Management
	6	Energy Utilization	Article 35	Energy Utilization
	7	Water Resource Utilization	Article 36	Energy Utilization
	8	Circular Economy	Article 37	Circular Economy
Social	9	Rural Revitalization	Article 39	Social Welfare and Public Good
	10	Social Contributions	Article 40	Social Welfare and Public Good
	11	Innovation	Article 42	Innovation-Driven Development
	12	Ethics of Science and Technology	Article 43	Not Applicable
	13	Supply Chain Security	Article 45	Supply Chain Security
	14	Equal Treatment of SMEs	Article 46	Supply Chain Security
	15	Product and Service Safety and Quality	Article 47	Product and Service Safety and Quality
	16	Data Security and Customer Privacy	Article 48	Data Security and Privacy Protection
	17	Employees	Article 50	Employees
Governance	18	Due Diligence	Article 52	ESG Governance
	19	Stakeholder Engagement	Article 53	ESG Governance
	20	Anti-Commercial Bribery and Anti-Corruption	Article 55	Business Ethics
	21	Fair Competition	Article 56	Business Ethics

Feedback Form

Dear Reader:

Thank you for reading this report. To continuously optimize the company's ESG management system, enhance sustainable development capacity, and improve the quality of report disclosures, we sincerely hope to hear your opinions and suggestions. We earnestly ask you to evaluate this report despite your busy schedule. Your feedback will be an important basis for our improvement efforts. Please help us complete the following feedback form and submit it in the designated manner. We express our most sincere gratitude for your support and assistance!

Shandong Iron and Steel Co., Ltd. ESG Work Office
Contact Address: No. 99 Fuqian Street, Gangcheng District, Jinan
Telephone: 0531-77920789 Email: sdgt600022@126.com
Postal Code: 271104 Fax: 0531-77920798

1.Which category of stakeholder do you belong to?

☐ Shareholders and Investors ☐ Company Management ☐ Employees ☐ Customers ☐ Suppliers
☐ Government Departments ☐ Regulatory Bodies ☐ Social Organizations ☐ News Media ☐ General Public
☐ Others (please specify)

2.Your overall evaluation of this report:

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Very Poor

3.Your evaluation of Shandong Steel's environmental protection practices:

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Very Poor

4.Your evaluation of Shandong Steel's social responsibility practices:

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Very Poor

5.Your evaluation of Shandong Steel's corporate governance practices:

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Very Poor

6.Your evaluation of the clarity, accuracy and completeness of information, indicators and data disclosure in this report:

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Very Poor

7.Your evaluation of the readability of this report:

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Very Poor

Open-Ended Questions

1.What suggestions do you have for improving Shandong Steel's sustainable development and ESG efforts?

2.What do you think are the shortcomings of this report?

3.What additional sustainable development and ESG-related information do you think this report should disclose?

山钢股份
SD STEEL

2025
Sustainability Report