

Identified Biodiversity-Related Risks in Dynamic

● Dependency Risk

To address the risk of water dependency, our Kunshan Plant has passed the AWS water management system certification by 2022, while our Huangshi Plant has completed its hydrobalance external inventory and begun to assess the introduction of the relevant management system. Both plants aim to maximize water use efficiency and reduce dependence on tap water. The Company takes strict preventive and monitoring measures against possible leaks in its operating activities. In addition to paving an impermeable layer in the plant, the Company has also set up soil quality monitoring spots in the plant to continuously monitor the soil pollutant changes.

Risk Items	Risk Description	Risk Level
Status of water resource	The Company relies heavily on water resources for its operating activities. Excessive use of water resources will jeopardize the ecosystem.	Medium → Low (after taking control measures)
Habitat integrity	The Company needs to use large land lots for its operating activities. Over-development of the new plant will jeopardize the biological habitat.	Low
Soil quality condition	The Company operates on top of the land. Soil contamination will occur if pollutants are leaked during the operational processes.	Heavy → Low (after taking control measures)

● Impact Risk

None of the Company's operations are located within 2 kilometers of globally or nationally protected biodiversity areas.

The environmental protection policy of the Company is designed to meet or exceed the environmental protection laws and regulations. The Company has been able to maintain a penalty-free record in the past four years, which has minimized the impact risk caused by pollution to the biodiversity.

Dynamic's new facilities are primarily located in industrial zones designated by local governments. The Company has undergone a careful environmental assessment to minimize the impact of construction activities on the ecological habitats before setting up the new facilities.

Risk Items	Risk Description	Risk Level
Pollution	Operating activities may generate wastewater, waste gas, and waste emissions from the manufacturing processes. Inadequate treatment may cause air, water and soil pollution and damage to the ecosystem.	High → Medium (after taking control measures)
Conservation areas	If the Company's business activities are located in conservation areas, key biodiversity areas, or other important ecological allocated areas, the Company may damage the ecology.	Low
Key Biodiversity Areas		Low
Other Important Allocated Areas		Low
Ecosystem Condition	If the Company's business activities damage the surrounding ecosystems, it may lead to a loss of biological habitats and species extinctions.	Low
Rarity	If the Company's business activities damage rare species' habitats, it may cause a loss or extinction of those rare species.	Low
Land Change	If the Company's operations result in over-development of the land, it may lead to a loss of ecological habitat.	Low
Deforestation	If the Company's business activities cause excessive deforestation and overuse forest resources, it may lead to a loss of ecological habitat.	Medium → Low