

ESG

2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





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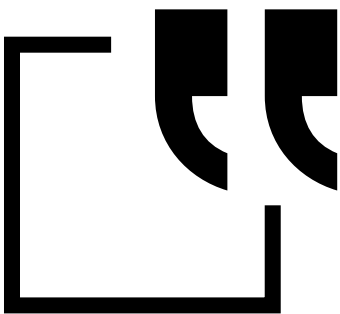
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Through vigorous and determined efforts, we will continue to apply our green solutions and initiatives on a global basis to enhance our own sustainability as well as that of the wider industry and society, injecting new impetus into the global new energy revolution.

Message from the **CHAIRMAN**

Since its establishment as one of China's first solar photovoltaic (PV) high-purity polysilicon manufacturers, Daqo New Energy Corp. has made "Dedication to Clean Energy and Green Development" its core philosophy, steadily carried out R&D and capacity enhancement, and continuously improved deliverability and product quality in its core business, contributing to both the healthy and rapid development of the photovoltaic industry and the stability of the supply chain.

As we all know, the PV industry is playing a crucial role in creating a circular economy, promoting the low-carbon transition, and achieving a cleaner and more diverse energy mix. PV power is one of the most economical sources of clean electricity. With growing international geopolitical tensions, accelerated transformation of global energy markets, and increasing risks and challenges from climate change, the PV industry is seizing new opportunities for development and growth.

2022 was a year of opportunities and challenges, and a year in which Daqo New Energy Corp. steadily advanced on its journey towards sustainability. With an independent, sound, diversified, and transparent governance structure as its foundation, and an honest, prudent, and efficient corporate culture as its guiding principle, Daqo New Energy Corp. strictly complies with the laws and regulations in all the regions where we operate, upholds the highest business and ethical standards, and closely safeguards the rights and interests of all stakeholders. Daqo New Energy Corp. embraces its responsibility to create social value in areas including environmental protection, low-carbon development, product quality, employee rights, and social welfare.

During the year, Daqo New Energy Corp. continued to invest in technology improvement projects geared towards environmental protection, improve energy management, and promote energy saving and reduced consumption to mitigate the impact of climate change. We strove to facilitate the efficient use of resources and promote recycling, creating synergy between economic value and environmental protection. We also continued to promote digital management and talent building, constantly improving Daqo's operational and management capabilities. We remain committed to actively carrying out public welfare and charity activities, contributing to rural revitalization and community development, and giving back to society.

Through vigorous and determined efforts, we will continue to apply our green solutions and initiatives on a global basis to enhance our own sustainability as well as that of the wider industry and society, injecting new impetus into the global new energy revolution. On behalf of the Board of Directors and the entire management team, I would like to thank all the employees of Daqo New Energy Corp. for their hard work and outstanding contributions, as well as all our customers, investors, partners, and the public for the recognition, trust, and support.

Chairman

Guangfu Xu

ABOUT THIS REPORT

Overview

This is the third Environmental, Social and Governance (“ESG”) Report (the “Report”) released by Daqo New Energy Corp., the aim of which is to present the Company’s management, practices, and performance in economic and ESG practices to stakeholders.

Reporting Scope

This Report covers the period from 1 January 2022 to 31 December 2022 (the “Reporting Period”). The business scope covers Daqo New Energy Corp. and its subsidiaries (“Daqo”, “we”, “us” or the “Company”). The environmental data refers to our primary operating subsidiary, Xinjiang Daqo New Energy Co., Ltd. (“Xinjiang Daqo”).

Reporting Reference

This Report is prepared with reference to the “GRI Standards” published by the Global Reporting Initiative (“GRI”) and the Guidelines No. 1 of the Shanghai Stock Exchange on the Self-Regulation Rules - Regulated Operation (Chapter 8 Social Responsibility). This Report is prepared in accordance with a set of existing procedures, which includes identifying key stakeholders, identifying and listing key ESG issues, determining the scope, collecting relevant data, and preparing and reviewing the information.

Data Source and Reliability Statement

The financial data in this Report are derived from the financial statements for the year 2022, which have been independently audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, and other information and data are mainly obtained from relevant internal statistical reports or documents of the Company. All financial data covered in the Report are measured in RMB.

Report Approval and Confirmation

This Report was approved by the Board of Directors on August 3, 2023 after confirmation by the management.


Access and Feedback

The electronic version of this Report is available on the Company website.

We attach great importance to the opinions of stakeholders and welcome readers to contact us through the following channels. Your opinions will help us further improve our Report and our overall ESG performance.

 **Tel:** 0086-21-5075 2918

 **E-mail:** dqir@daqo.com

 **Address:** 29th Floor, Huadu Building, No. 838, Zhangyang Road, Pudong New District, Shanghai



ESG Performance Highlights 2022



Environmental: Journey to a zero-carbon world

As one of the major market players in the polysilicon industry, Daqo New Energy Corp. is committed to fulfilling its sustainable development responsibilities and adheres to the ESG philosophy of "Dedication to Clean Energy and Green Development". This year, we continued to identify and actively respond to climate change risks. We will continue to strengthen our environmental, energy, and resource management, contributing to resource conservation and environmentally-friendly operations and development.

- Identified **6 categories** of climate change risks to the Company
- Achieved **19.6%** reduction in greenhouse gas emissions compared to 2021
- Four consecutive years of declining wastewater discharge
- Achieved **16.67%** reduction in water consumption compared to 2021
- Increased use of recycled water by **57.5%** compared to 2021
- Recorded **43.45%** lower overall energy consumption than in 2018



Social: Driving innovation and caring for society

In 2022, we remained committed to creating value for our customers, providing a platform for employee growth, giving back to society, and working with our partners to create a sustainable industry ecosystem. We further strengthened investments in technological innovation and research and development, brought diverse talent into the Company, continuously empowered employees, and actively organized public welfare volunteer activities to put our humanistic principles into practice.

- National Technology Innovation Demonstration Enterprise
- Average of **110** training hours per employee
- **23,000** total employee volunteer service hours
- **259** total patents
- **100%** employee training coverage
- RMB **3,684,700** in charitable donations



Governance: Lean governance for healthy corporate development

Daqo New Energy Corp. practices lean governance to promote the Company's long-term development. We rely on ESG governance practices aligned with our values to deepen corporate sustainability. During the Reporting Period, we maintained responsible and compliant operations, strengthened risk management, explored a high-quality sustainability path with all relevant parties, and continuously improved operational resilience and ESG governance.

- Achieved **100%** risk rectification rate
- Provided anti-corruption training to all employees
- Identified **12** highly material ESG issues
- Deepened sustainable development efforts based on the ESG governance structure

ABOUT DAQO



Company Profile

Daqo is a leading manufacturer of high-purity polysilicon for the global solar PV industry. In 2010, the Company was listed on the New York Stock Exchange (NYSE: DQ). With advanced equipment and technology, as well as professional R&D and management teams, the Company is among the polysilicon manufacturers with the lowest production costs in the world. Through years of development, Daqo has gradually established itself as one of the world's lowest-cost manufacturers of high-quality polysilicon.

Since our establishment, we have made continued R&D investments and technological innovations

in line with China's national new energy strategy. Leveraging our key advantages of low-cost energy supply and silicon industry clusters, we focus on the R&D, production, and sale of high-purity polysilicon. With an annual production capacity of 105,000 tons of high-quality, low energy consumption, low-cost, and high-purity polysilicon, more than 99% of the production is used for monocrystalline silicon wafers. With 259 core intellectual property patents and 30 independent invention patents, we are one of the major technology players in the polysilicon industry.

105,000 tons
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259
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intellectual
property patents

30
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independent
invention



Current Development and History

Daqo has emerged as an industry leader in terms of scale, quality, and cost efficiency. Since its inception, Daqo has made every effort to make solar PV a sustainable clean energy source, promoting power parity and the world energy revolution and aiming to contribute wisdom and solutions in relation to present and future energy and environmental challenges. The Company remains committed to its innovation-driven strategy and has built three national and provincial R&D labs, including the National-Local Joint Engineering Laboratory of Photovoltaic

Silicon Material Development Technology. We have mastered several key industry technologies, such as high-efficiency digital control technology for large-scale CVD (Chemical Vapor Deposition) reactors for the production of high-purity polysilicon, and Hydrochlorination technology for silicon tetrachloride. The comprehensive energy consumption and energy intensity of our polysilicon products has outperformed relevant national standards and industry norms.



Milestones

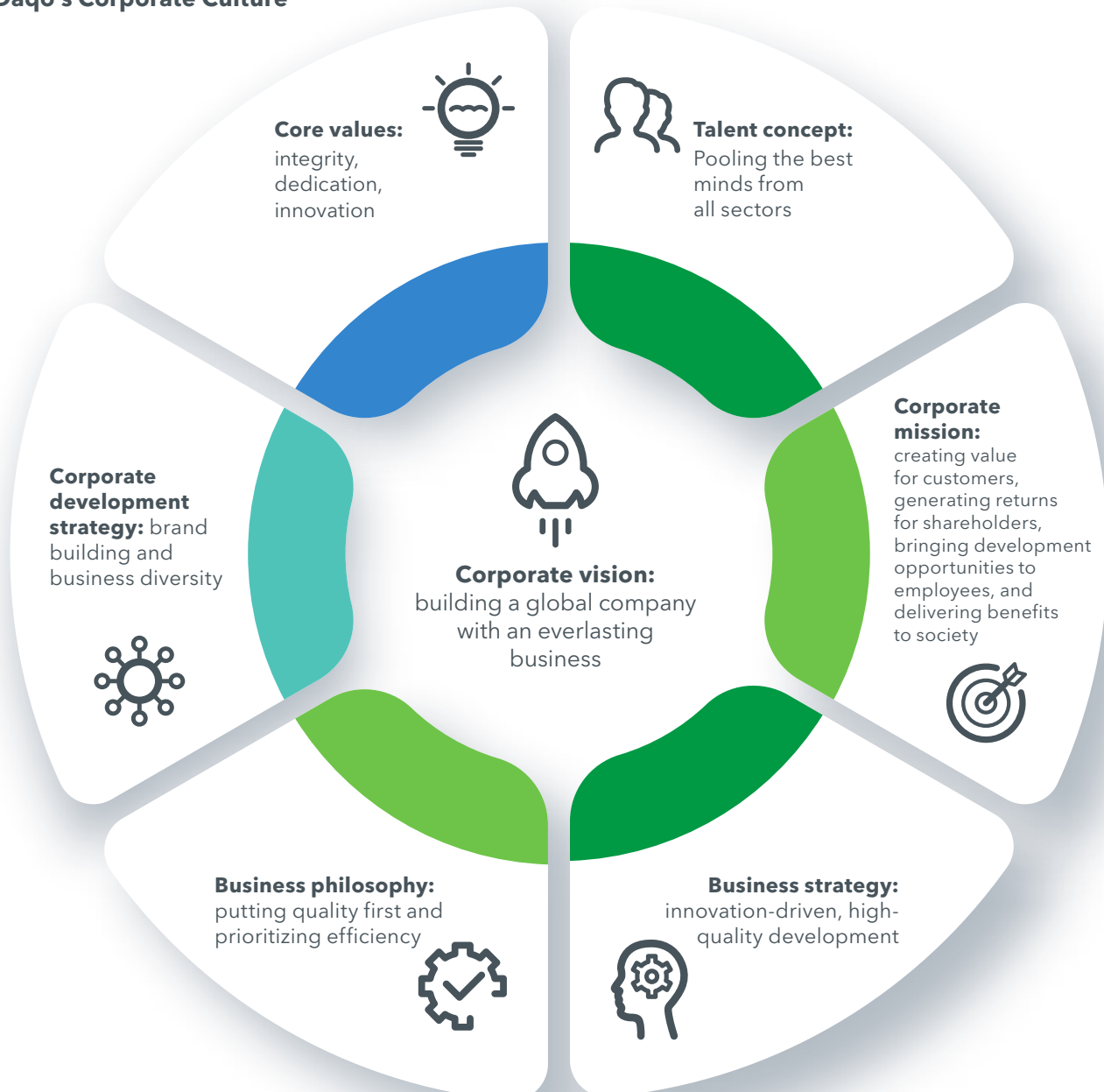
<p>2007</p> <p>Registration in Cayman Islands</p>	<p>2010</p> <p>IPO on New York Stock Exchange (NYSE ticker: DQ)</p>	<p>2011</p> <p>Establishment of Xinjiang Daqo New Energy Co., Ltd., started construction of project Phase 2A</p>	<p>2013</p> <p>Project Phase 2A reaches target capacity</p>
<p>2018</p> <p>Project Phase 3A reaches target capacity</p>	<p>2019</p> <p>Project Phase 4A reaches target capacity</p>	<p>2021</p> <p>Xinjiang Daqo listed on the STAR Market of Shanghai Stock Exchange (stock code: 688303)</p>	<p>2021</p> <p>Launch of project Phase 4B</p>

Corporate Culture

Corporate culture is the soul of any enterprise. To enhance corporate cohesion and optimize operations, Daqo is committed to fostering a positive and inclusive corporate culture focused on humanistic care, through which we aim to continuously create value for our customers, the industry, and society and achieve shared growth for all stakeholders.



Daqo's Corporate Culture



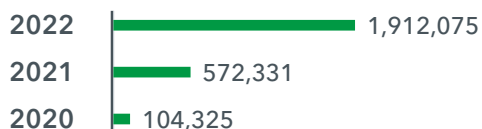
Business Overview

Daqo’s main business involves the R&D, production, and sale of high-purity polysilicon products as well as the by-products of the polysilicon manufacturing process (which include silicon core, caustic soda, silicon tetrachloride, trichlorosilane, dilute sulfuric acid, hydrochloric acid, sodium hypochlorite, and silicon slag). Our main product, polysilicon, is mostly used in solar PV products such as silicon wafers, solar cells, and solar modules. We adhere to the operational philosophy of “Dedication to Clean Energy and Green Development”, continuously advancing the greening of the PV industry, facilitating digital transformation and upgrade, and making breakthroughs in green manufacturing to create value for society. During the Reporting Period, our major subsidiary Xinjiang Daqo achieved a 185.64% increase in revenue, a 234.09% increase in net profit, and a 234.06% increase in net profit attributable to the parent company.

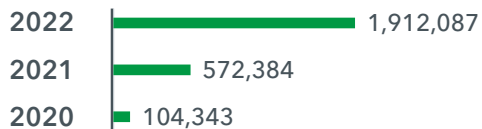
Revenue (RMB 10,000)



Net Profit (RMB 10,000)



Net Profit attributable to the Parent Company (RMB 10,000)





1 GOVERNANCE

ESG

ENVIRONMENT

SOCIAL

GOVERNANCE

Daqo believes that good corporate governance is the foundation upon which all successful enterprises are built, and deeply understands its importance to ensuring the Company's long-term sustainability. Adhering to strict compliance standards, we remain steadfast in our commitment to improving both corporate governance and ESG governance to protect the rights and interests of our shareholders and stakeholders.

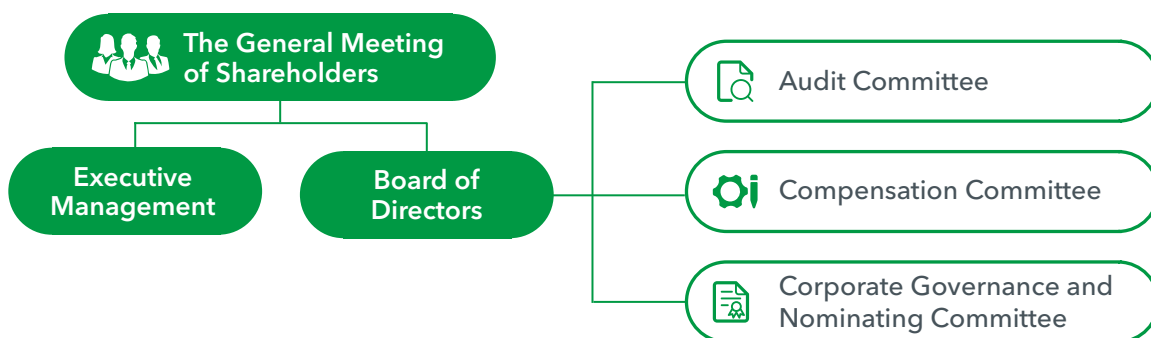
1.1 LEAN GOVERNANCE

Sound corporate governance is the cornerstone upon which Daqo safeguards the rights and interests of its shareholders while maintaining stable and healthy corporate development. Daqo always operates in good faith, and strictly abides by the *Cayman Islands Companies Law*, the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China*, the *Securities Exchange Act of 1934*, the *New York Stock Exchange: Corporate Governance Guide*, the *Law of the People’s Republic of China on Enterprise Income Tax*, the *Code of Corporate Governance for Listed Companies in China*, the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange* and other relevant laws, regulations, and normative documents. The Company continuously works to enhance its corporate governance through initiatives such as improving the governance framework and optimizing internal governance policies.

Corporate Governance Structure

Daqo has established its corporate governance structure in line with the modern enterprise system, establishing a Board of Directors and a Board of Supervisors under the General Meeting of Shareholders. The Board of Directors leads the Company’s business management decisions, deliberates on and approves the Company’s strategic objectives, and monitors and inspects the Company’s business operations, strategic decisions, and performance. The Company follows the principles of compliance,

independence, professionalism, and diversity to ensure a sound governance structure. One-third of the members of the Board of Directors are independent directors. The Board of Directors has established the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee, with clear terms of reference for each committee to carry out supervision and management in an orderly manner.



Board Diversity

Daqo believes that diversity is essential to good corporate governance. When nominating and appointing Board members, the Company considers their industry experience and professional background to ensure that they have the necessary skills and experience to perform their functions in committees. The Board of Directors of the Company

has accumulated many years of collective PV industry experience and acquired extensive specialized expertise. The Board also includes several qualified experts in financial investment and risk management in order to ensure Daqo's stable development in these areas. The present composition of the Board of Directors is set out as follows:

Position	Name	Age	Year Since Joining	Committee	Industry Expert	Financial Expert
Chairman	Xu Guangfu	81	November 2007		✓	
Director & CEO	Longgen Zhang	59	January 2018		✓	✓
Director	Xiang Xu	52	November 2007	Corporate Governance and Nominating Committee	✓	
Director	Dafeng Shi	51	February 2013	Compensation Committee		✓
Director	Fei Ge	59	June 2022			
Director	Fumin Zhuo	71	November 2009			
Independent Director	Rongling Chen	81	October 2010	Audit Committee, Corporate Governance and Nominating Committee	✓	
Independent Director	Arthur Wong	63	December 2012	Audit Committee		✓
Independent Director	Minsong Liang	54	October 2011	Audit Committee		
Independent Director	Shuming Zhao	70	October 2011	Compensation Committee, Corporate Governance and Nominating Committee		

For biographical details of the Board of Directors, please refer to **Daqo's 2022 Annual Report**.

The three committees of the board of directors have their respective duties:

Audit Committee: Oversees the accounting and financial reporting processes and the audits of the financial statements of the Company.

Compensation Committee: Reviews and approves the compensation structure of the Company's directors and executive officers.

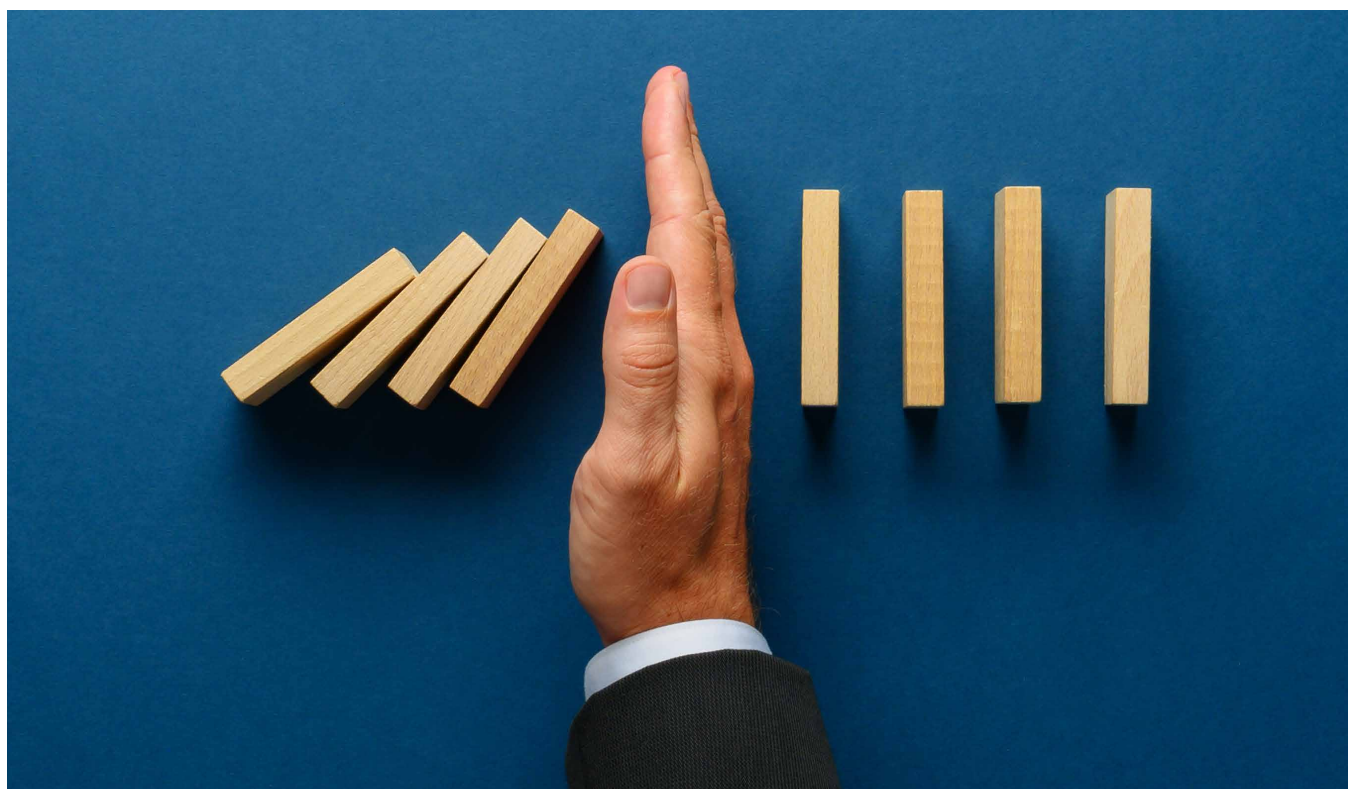
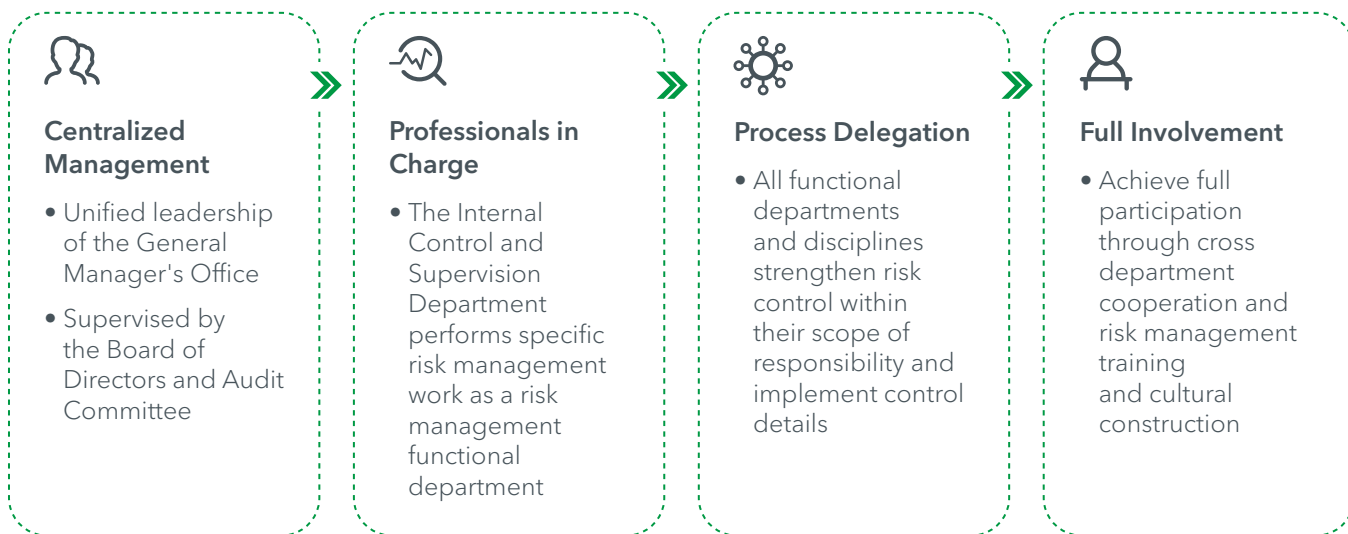
Corporate Governance and Nominating Committee: Identifies individuals qualified to become directors and determines the composition of the board and its committees; monitors compliance with the code of business conduct and ethics.

1.1.1. Risk Management

Daqo attaches great importance to both internal and external risk response and control measures. The Company has established the *Comprehensive Risk Management Measures*, a full-spectrum risk management system organized around the principles of Centralized Management, Professionals in

Charge, Process Delegation, and Full Involvement. This system enables the company to respond to risks with unified and professional management at every stage of the risk control process.

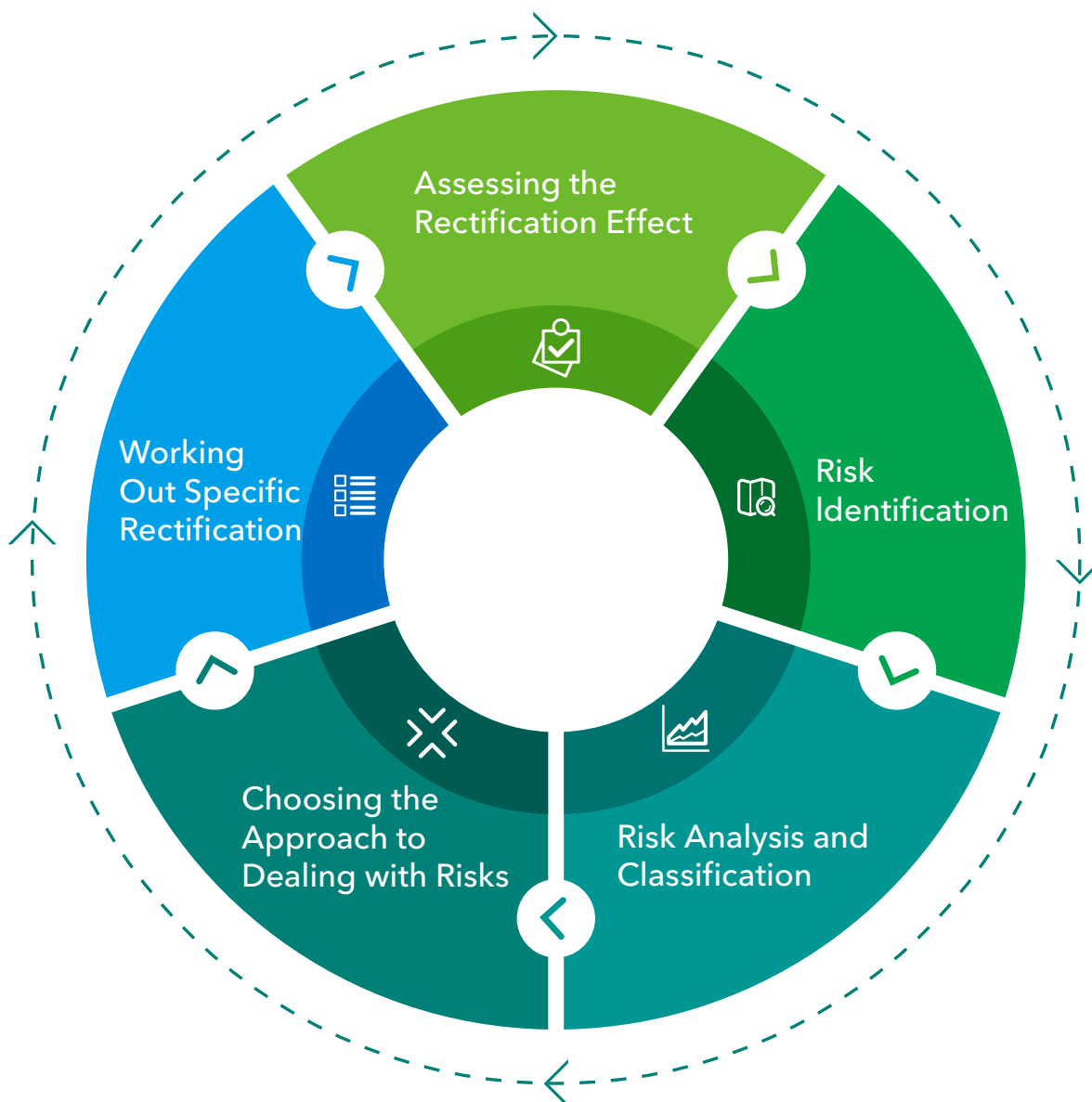
Daqo's Risk Management Principles



To achieve sound risk management, Daqo identifies, classifies and responds to risks through internally developed risk management tools such as the *Risk Identification Form* and the *Risk Management Response Form*. To ensure that risk identification, response, and rectification practices are carried out properly, the Internal Control and Supervision Department conducts

both regular and ad-hoc audits to monitor, control, and evaluate the risk management process and recommend any necessary rectification measures. Progress against these recommendations is tracked on a monthly and quarterly basis to confirm the closure of risk items and the completion of risk identification reports, achieving closed-loop risk management.

Daqo's Closed-Loop Risk Management System



Throughout the risk management process, Daqo determines the overall risk level of identified risks based on probability of occurrence and potential impact, classifying risks into four categories, with A being high risk, B being medium risk, and C and D

being low risks. During the Reporting Period, the Company launched a comprehensive risk assessment and took appropriate measures to manage level A risks, control all risks to levels C and D, and achieve 100% rectification efficiency.

1.1.2 Business Ethics and Anti-Corruption

Daqo believes that upholding the highest standards for business ethics and anti-corruption is critical to the positive development of the company and the industry. The company strictly complies with the Law of the People's Republic of China Against Unfair Competition, the Law of the People's Republic of China Against Monopoly, the Foreign Corrupt Practices Act (FCPA), and other relevant laws and regulations in the jurisdictions where we operate. We continuously update our internal integrity systems, particularly the Anti-Corruption Management System, based on the latest laws and regulations, doing our part to maintain an honest and trustworthy business environment.

Daqo has established a Code of Professional Ethics and Business Conduct, which clearly outlines the Company's rules and regulations regarding business ethics and provides operational guidelines for safeguarding the company's integrity. The Code enshrines the company's commitment to upholding the highest standards of business ethics. The Company explicitly prohibits all employees from directly or indirectly committing, ordering, authorizing, colluding in, or inducing corruption in any internal or external business dealing. The Company closely monitors risk points with high exposure to business ethics issues and conducts unannounced audits to ensure compliance with internal policies such as the Code of Professional Ethics and Business Conduct.

Key Elements of Integrity Management

- Identify and avoid conflicts of interest
- Prohibit government bribery and illegal donations
- Prohibit embezzlement and misappropriation of company assets
- Prohibit disclosure of company secrets and maintain information confidentiality
- Ensure accuracy and authenticity of information disclosure and external communication

During the Reporting Period, Daqo continued to carry out regular trainings on business ethics and anti-corruption, used surveys to gauge employees' understanding of these principles, and held targeted in-depth training sessions to ensure employees are fully aware of anti-corruption practices.

Regular business ethics and anti-corruption training

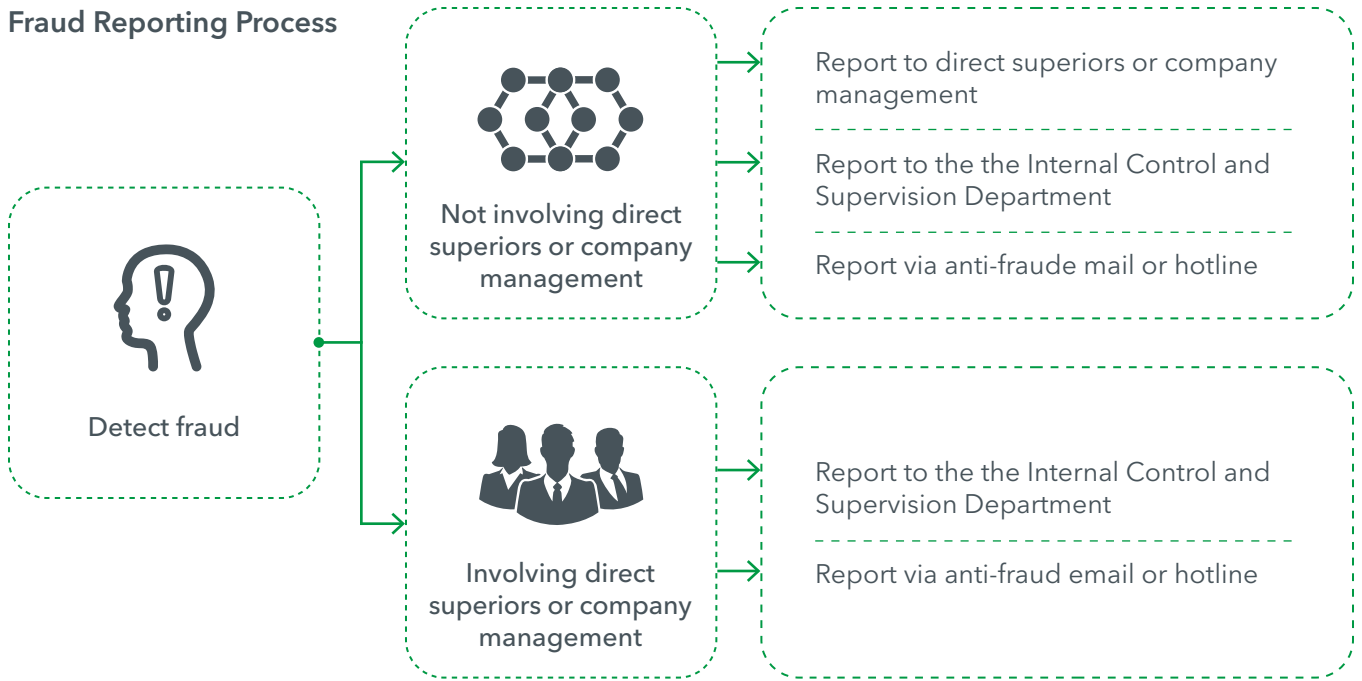
During the Reporting Period, Daqo conducted business ethics training for all employees (including part-time employees and contractors), enhancing awareness of topics including integrity and ethical culture, anti-corruption, anti-bribery, and internal control mechanisms.

Anti-fraud and Whistleblower Protection

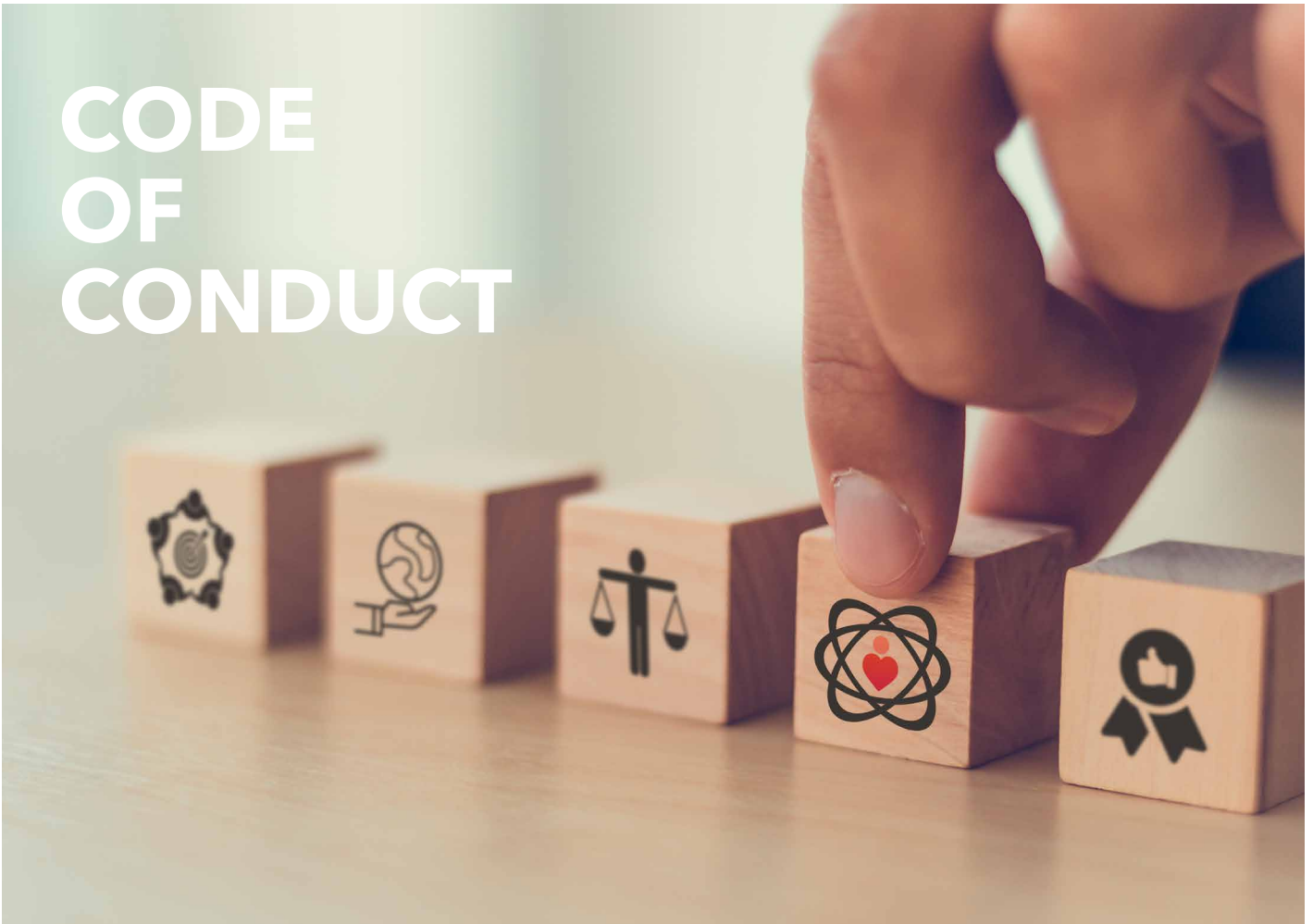
Daqo's anti-fraud reporting and complaint channels (anti-fraud email: jd.solar@daqo.com; anti-fraud hotline: +86 0993 270 6043) are open to the public, thereby encouraging all stakeholders, both internal and external, to report fraudulent and corrupt practices. Upon receipt of a report, the Company will immediately set up an anti-fraud investigation team, which will collect evidence and carry out an investigation with the authorization of the Company's senior management. The Internal Control and Supervision Department and the relevant departments will cooperate during the investigation. If the report is verified to be true, the Company will take disciplinary actions according to the seriousness of the misconduct. We will transfer the report to the relevant judicial authorities if it involves a violation of the law.



Fraud Reporting Process



CODE OF CONDUCT



Daqo is committed to protecting the privacy and safety of every whistleblower and strictly prohibits discrimination, harassment, and improper treatment of whistleblowers and employees who aid investigations. The Company has formulated a comprehensive whistleblower protection mechanism to keep whistleblowers' personal information and the content of all reports strictly confidential throughout the investigation process. To protect anonymous whistleblowers from retaliation, we will not attempt to identify them. At the same time, whistleblowers who perform a great service to the Company, either by enhancing its reputation, or by averting major losses or damages, will be given cash rewards based on the Company's assessments.



Supplier Integrity

The supply chain plays an important role in Daqo's integrity management and business ethics initiatives. Daqo practices transparent procurement, ensures all procurement and sales contracts contain anti-fraud clauses, and provides regular integrity training to procurement employees. The Company prominently publicizes anti-fraud complaint channels and conducts rigorous investigations to root out instances of collusive bidding, bid-rigging, and falsification of suppliers' qualifications or financial documents. During the Reporting Period, the Company strengthened supplier integrity by deepening digital management and enhancing integrity promotion, as laid out in the following figure:

Key Elements of Supplier Integrity Management

- **Integrity Promotion**
 - > Improve business ethics requirements for suppliers
 - > Continuous promotion and commitment to building a healthy and clean industry business environment with partners
- **Digital Management**
 - > Improve digital construction, optimize the procurement system, improve management granularity, transparency, and traceability, and ensure that all material purchases are traceable
 - > Material quotations are conducted online to avoid artificial interference in price negotiations and prevent price fraud

1.2 ESG GOVERNANCE

Guided by its corporate mission of “Creating Value for Customers, Generating Returns for Shareholders, Bringing Development Opportunities to Employees, and Delivering Benefits to Society”, Daqo has embraced the ESG development concept of “Dedication to Clean Energy and Green Development”, incorporating ESG elements into its corporate governance and strategic planning processes to deepen its corporate sustainability in all aspects.

(hereinafter “CFO”), and the ESG Working Group at its core, in order to ensure that ESG concepts are integrated into the Company’s governance and strategic planning processes at every level. The Company continues to promote the in-depth involvement of the Board of Directors and senior management in the ESG risk assessment and management process, encourage cross-department cooperation and full participation of all departments, and continuously improve ESG governance.

1.2.1. ESG Governance Structure

Daqo has established a three-tier ESG governance structure with the Board of Directors, the Chief Financial Officer

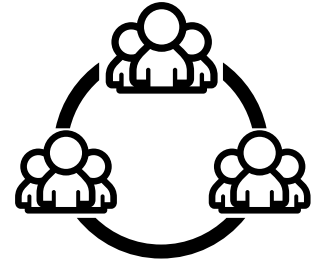
ESG Governance Framework



1.2.2. Stakeholder Engagement

Daqo is committed to establishing open, transparent, and convenient two-way communication channels with its stakeholders. Discussing topics of common concern with stakeholders, paying attention to their suggestions, and addressing their expectations on ESG risk issues enables the Company to identify various ESG-related risks and opportunities and continuously optimize its sustainability management practices.

Stakeholders	Topics of Interest	Communication and Feedback Channels	Frequency of Communication
Government departments/regulators	<ul style="list-style-type: none"> • Business Performance • Environmental Compliance • Product Safety • Product Quality • Innovative Product Development • Energy Use • Greenhouse Gas (GHG) Emissions • Water Resources Management 	<ul style="list-style-type: none"> • Performance Report • Meeting 	<ul style="list-style-type: none"> • Regular • Regular/Ad-hoc
Investors	<ul style="list-style-type: none"> • Business Performance • R&D in Environmental Protection Technology • Anti-Corruption Initiatives • Corporate Governance • Addressing Climate Change • Employee Rights Protection 	<ul style="list-style-type: none"> • General Meeting of Shareholders • Brokerage Investment Conferences • Earnings Report Conference Calls • Roadshows • Day-to-day Communications • Polysilicon Industry Conferences • PV Industry Conferences 	<ul style="list-style-type: none"> • Regular • Quarterly • Quarterly • Regular/Ad-hoc • Ad-hoc • Ad-hoc • Ad-hoc • Ad-hoc
Employees	<ul style="list-style-type: none"> • Occupational Health and Safety • Employee Training and Development • Employee Rights Protection • Employee Anti-Discrimination • Employee Hiring 	<ul style="list-style-type: none"> • Employee Training • Employee Communications Activities • Internal Publications (WeChat Social Media Platform, etc.) 	<ul style="list-style-type: none"> • Regular/Ad-hoc • Monthly • Ad-hoc



Stakeholders	Topics of Interest	Communication and Feedback Channels	Frequency of Communication
Suppliers	<ul style="list-style-type: none"> • Product Quality • Product Safety • Innovative Product Development 	<ul style="list-style-type: none"> • On-site Assessment • Quality Assessment • Supplier Training and Support 	<ul style="list-style-type: none"> • Ad-hoc • Ad-hoc • Ad-hoc
Customers	<ul style="list-style-type: none"> • Product Quality • Product Safety • Addressing Climate Change • Innovative Product Development • Complaint Handling Mechanism 	<ul style="list-style-type: none"> • Market Research • Customer Satisfaction Surveys • Customer Complaint Handling 	<ul style="list-style-type: none"> • Ad-hoc • Regular • Ad-hoc





1.2.3. ESG Material Issues

After communicating extensively with stakeholders and conducting a thorough analysis of industry policies and trends, media reports, peer practices, and our current situation, Daqo has identified the following ESG material issues, and ranked the materiality of each issue according to its impacts on the Company and stakeholders. Among the issues on this ESG materiality list, 12 are considered to be highly material: corporate governance, anti-corruption, GHG emissions, energy use, addressing

climate change, development and utilization of renewable energy, water resource management, employee development, labor rights, product safety, product quality, and product innovation and R&D. This report covers material ESG issues, especially those deemed highly material, and outlines Daqo's management initiatives and achievements in these areas.

ESG Material Issues

Economic Issues	1 Business Performance	Labor Issues	19 Employee Health
	2 Tax Planning		20 Employee Development
	3 Government Support		21 Legal Employment
	4 Environment Impact of Trade		22 Labor Rights
Governance Issues	5. Corporate Governance		23 Employee Anti-Discrimination
	6 ESG Governance Framework	Community Issues	24 Community Contribution
	7 Anti-Corruption		25 Community Impact
Environmental Issues	8 GHG Emissions		26 Integration with Surrounding Community
	9 Energy Use	27 Compliance with Laws and Regulations	
	10 Addressing Climate Change	Product and Service Liability Issues	28 Product Safety
	11 Environmental Compliance		29 Product Quality
	12 Waste Management		30 Product Innovation and R&D
	13 Sewage Treatment		31 Complaint Mechanism and Handling
	14 Development and Utilization of Renewable Energy		32 Product Compliance
	15 Environmental Research and Development		33 Supplier Environmental Performance
16 Investment in Environmental Protection	34 Supplier Social Performance		
17 Biodiversity	35 Supplier Labor Code Performance		
18 Water Resource Management	36 Supplier Employee Rights Performance		



2 SOCIAL

At Daqo, we believe that if you never forget why you started, any mission can be accomplished. Mindful of our own original aspirations, we remain committed to creating value for customers, providing a development platform for employees, giving back to society, and working hand in hand with our partners to create a sustainable industry ecosystem.



2.1 COMMITMENT TO INNOVATION AND QUALITY

The PV industry has ushered in new opportunities for rapid development amidst the global shift to green and low-carbon energy. Daqo is putting its full weight behind the development of green technology in the PV industry by pursuing technological innovation, improving product quality, and delivering excellent products and services. Through these efforts, we aim to maintain stable long-term customer relationships and establish a sustainable supply chain.

2.1.1. Technological Innovation

Innovation is Daqo’s core competency and the main driver of its development. We pursue forward-looking research and development that advances the frontiers of technology and the industry. Technology is in Daqo’s DNA. We are focused on investing in research and development and integrating the most advanced technologies into our innovation platform. During the Reporting Period, the Company maintained its high levels of R&D investment, allocating a total of RMB 1,103.13 million to this critical area. The Company has gained recognition from both national authorities and industry peers for its outstanding R&D outcomes.

Material Development Technology” by the National Development and Reform Commission



“Smart PV Pilot Model Enterprise” by the Ministry of Industry and Information Technology and other departments



“Inaugural List of Approved Green Manufacturing Models”

R&D Management

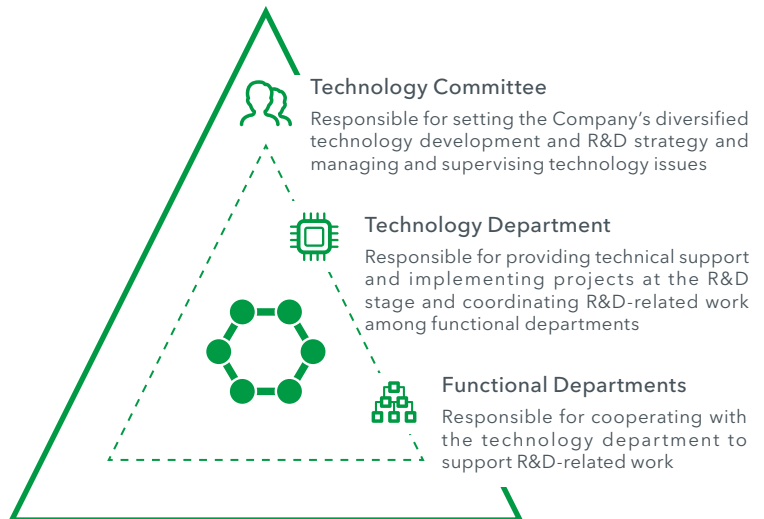
Daqo places a significant emphasis on R&D management, and we are dedicated to [continuously] enhancing our capacities in this area through organizational structure improvement, policy enablement, process optimization, and R&D team building. The Company has set up a three-tier R&D management structure composed of a Technology Committee, a technology department, and functional departments to ensure that R&D projects receive maximum support at every level. We have established policies and procedures such as the *Management System for R&D Projects*, the *Patent Management System*, the *Implementation Measures for Rewarding Scientific and Technological Achievements*, and the *Management System for Publishing Papers and Publications*, to facilitate R&D breakthroughs and enhance our PV materials production capacity.



“National Technology Innovation Model Enterprise” by the Ministry of Industry and Information Technology

“National and Local Joint Engineering Laboratory for Photovoltaic Silicon

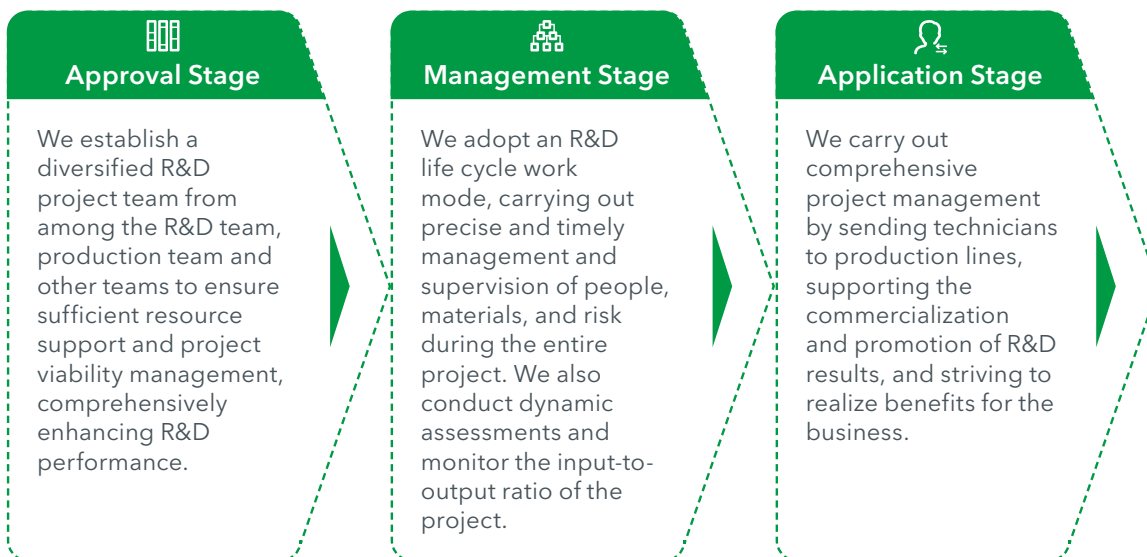
R&D Management Structure



Daqo recognizes the importance of adapting to diverse R&D scenarios and has implemented a range of organizational approaches to R&D project management. From project establishment to mid-term management and application, our approach integrates life cycle management, team management, and technical-production cooperation management. These measures enable us to ensure the smooth progress of R&D projects by providing resource support and maintaining precise control over costs, organization, risks, and outcomes.



R&D Project Process Control



R&D Team Building

Daqo is committed to building a stable and effective R&D team by harnessing the organizational synergy of cross-departmental groups, cultivating core R&D talents, and providing attractive incentives and targeted development support for research talents. We have instituted performance incentives and cash rewards for technical personnel who publish patents under the Patent Management System, and we have also established incentive systems as part of the job assessment and promotion processes, fueling R&D talents' enthusiasm for contributing to the Company's technological progress.

During the Reporting Period, the Company updated the project incentive mechanism in the Management System for R&D Projects to overcome practical problems under the previous mechanism. Assessment requirements for one-off rewards have been added to further stimulate the vitality of R&D innovation within the Company.

In addition, the company introduced the PatSnap patent database, which provides insights on the cutting-edge patents in our industry area and helps R&D staff work more efficiently, greatly improving our success rate in patent conversion.

R&D Outcomes

Daqo has implemented a complete scientific management system, conducting continuous data collection and project analysis to enhance its R&D capability. To accelerate the R&D process, we break down our overall research goals into sub-projects, which are carried out by the relevant departments and production lines. At the same time, the Company identifies potentially patentable inventions from R&D projects and improvements to technology, creating a pipeline of patent applications enabling the Company to legally protect its inventions. As of December 31, 2022, the Company had a total of 38 technology R&D sub-projects, including 18 new projects, 17 annual maintenance projects, and 21 operational projects.

In 2022, Daqo focused on the following R&D priorities:

Improving energy recovery and utilization in polysilicon devices

- We completed the energy consumption analysis of key devices, and started the verification and optimization process. Compared with 2021, the total energy consumption of polysilicon production decreased by more than 5%, while steam consumption decreased by more than 15%.

Reducing metal content and non-metal impurities in polysilicon

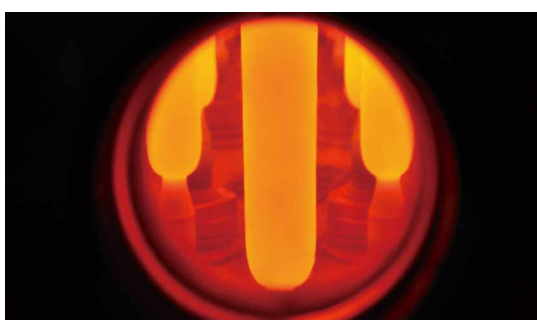
- We completed development of an impurity detection method and finished evaluating impurity influencing factors, achieving a 59% reduction in metal in the polysilicon surface

Daqo continued to enhance its R&D capability during the reporting period and obtained a total of 259 patents.

Number of patent applications in 2022	67
Invention patents	12
Utility model patents	55
Number of patents granted in 2022	83
Invention patents	2
Utility model patents	81
Cumulative number of patent applications before December 31, 2022	325
Cumulative number of patents granted before December 31, 2022	259

Intellectual Property Protection

Daqo attaches great importance to the protection of intellectual property rights, continuously improving its internal intellectual property management system in strict compliance with the Patent Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Corporate Intellectual Property Management Code and other relevant laws and regulations. During the Reporting Period, the Company established a long-term intellectual property protection mechanism to promote the transformation of innovation achievements into intellectual property rights. The mechanism includes both internal reviews and external verification by institutional experts and legal counsel.



Collaboration and Innovation

We take our responsibility to lead industry development seriously. We are committed to collaborating actively with external stakeholders and industry partners through participating in industry conferences and helping to establish and improve industry standards. To achieve this, we leverage our extensive research bases and platform resources to drive innovation and tackle the industry's most pressing technical difficulties, with the ultimate aim of making the PV industry more sustainable.

Based on its extensive industry experience and deep technology expertise, Daqo has participated in the formulation of six standards, including two national standards, three association standards, and one SEMI¹ standard in the PV industry.

6 Photovoltaic Industry standard including



Digital Empowerment

The digital transformation of industry is accelerating against the backdrop of China's national sustainable development strategy. Daqo leverages digital innovation by developing industrial digital systems that integrate both internal and external technologies to enable digital production.

China Silicon Industry Conference 2022

The 2022 China Silicon Industry Conference, jointly hosted by the China Nonferrous Metals Industry Association and the city of Baotou, was held from 28-30 December 2022 in Baotou, Inner Mongolia Autonomous Region, with the theme of New Era, New Momentum, New Change, New Pattern. More than 360 experts from government, industry associations, silicon industry enterprises, research institutes, and investment institutions gathered in Baotou to discuss the development of the silicon industry.



In terms of policy, the Company updated the Rules and Regulations on Information Management in 2022 to refine digital management responsibilities, improve the organizational structure for information management, add cross-company business processing functions, and ensure safe and stable digital management. In terms of human resource support, the Company established a training model supported by IT consultants, technical consultants, and information engineers from internal departments, and created a systematic, sophisticated, and multi-disciplinary system to meet the Company's digital development needs.

Our digital manufacturing system currently operates seamlessly across all processes. Utilizing data to drive our targets and tasks, we proactively facilitate closed-loop management of production plans and processes, effectively accelerating Daqo's transformation into a "smart factory".



"Smart Factory" Digital Application Scenarios



Real-time monitoring of core process indicators, timely feedback of process warnings, timely response to production anomalies, and closed-loop control of the entire production process, including warnings and shutdowns, risk detection and classification, etc.



Managing repair, maintenance, accident handling, and equipment life cycle management



Monitoring and managing product quality throughout the entire production process by combining online data and real-time production operations warning data



Implementing whole process control on-site, including operations procedures, equipment inspections, and special operations

Based on the smooth operations of its own digital manufacturing processes, Daqo is committed to expanding its digital manufacturing system into a replicable, reusable, and collaborative platform to create further business development and innovation opportunities. We continue to promote the extensive application of data to operations and management processes. In 2022, we further optimized and iterated on our digitalization project systems, including 74 MES/ALM/WMS systems and 177 ERP systems. During the Reporting Period, the Company launched a data warehouse project in line with our data management needs, achieving full coverage of our operations.

Data Warehouse Projects

The Digital Warehouse project was built based on on-site reports utilized by business departments and key data generated during business operations. **The data warehouse system combines online data and real-time warning data from warehouse operations to enable the real-time monitoring of core process indicators. This allows multi-scenario application and whole-process control of the digital warehouse.** The project was officially launched on 25 March 2022, meeting the BI² analysis needs of the Company's business operations.

¹ SEMI refers to Semiconductor Equipment and Materials International, a global industry association dedicated to promoting the overall development of the microelectronics, flat panel display, and solar photovoltaic industry supply chain.

² BI refers to Business Intelligence, meaning the use of modern data warehousing technology, online analytical processing technology, data mining, and data presentation technology to realize business value through data analysis.



Cybersecurity and Customer Privacy

As we strive to promote digital applications, we recognize the critical importance of cybersecurity. During the Reporting Period, Daqo introduced *Information System Security Management Regulations, Information Security Incident Prevention and Disposal Regulations*, and other guiding documents. These documents define responsibilities for handling information security incidents, as well as their classification, division, and the process for handling them, all of which contribute to comprehensively safeguarding information security and cybersecurity. In 2022, the Company carried out several network security projects and invested about RMB 3.5 million in cybersecurity.

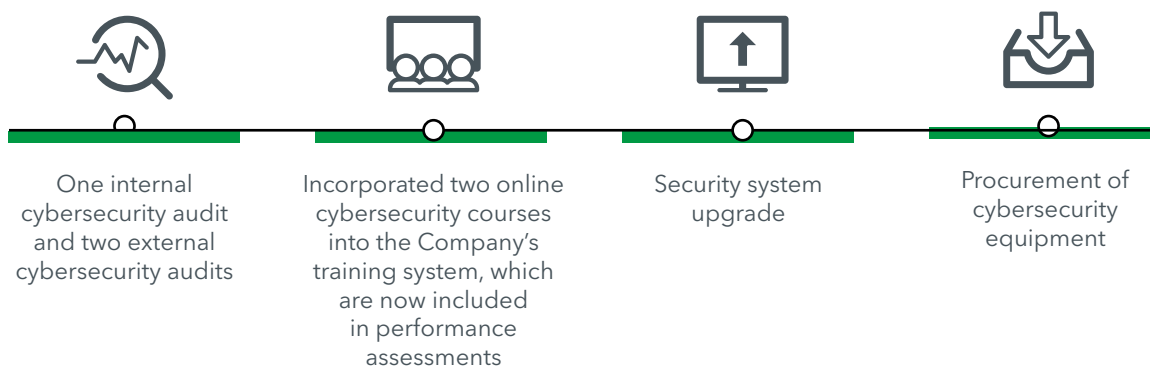
Daqo strictly abides by laws, regulations, and management policies such as the *Cybersecurity Law of the People's Republic of China* and the *Baseline for Classified Protection of Cybersecurity*. Combining these with the standard for best practice

globally, the Information Security Management Systems (IEC/ISO 27001-2013), we formulated the *Information Management Rules and Regulations, Information System Security Management Regulations, Confidentiality Management System*, and other sales management and information security policies, to establish a comprehensive customer information security management system.

Employees are strictly required to keep customer information confidential, and we attach great importance to protecting customer privacy and information security. We also protect information security through our code of conduct for sales and by ensuring that all employees understand their obligations and responsibilities regarding customer information privacy. In 2022, there were no complaints regarding the Company's handling of customer privacy-related issues.

SECURITY

Cybersecurity Projects



2.1.2 Quality Management

Daqo adheres to a quality-oriented business philosophy based on principles including Scientific Management, Technological Advancement, Full Involvement, Self-Improvement, Cost Effectiveness, and Building a Global Quality Brand. We are constantly enhancing our quality management system and optimizing the customer service process to achieve the best possible product and service quality.

improve our product quality and our quality management system, we standardized control over the full product development life cycle, from product development to delivery and after-sales service. During the Reporting Period, we underwent a QES re-certification audit by the China Quality Mark Certification Group and obtained the quality management system certification verifying that the Company's polysilicon production and related management practices meet the requirements of the ISO 9001/GB/T 19001:2016 standard.

Quality Control

Outstanding product quality is the foundation for all value creation. To further

In building its quality management system, Daqo formulated internal systems and policies covering raw and auxiliary materials management, production standards, and finished product quality to ensure unified and standardized quality management. During the Reporting Period, the Company did not have any product violations or recalls caused by quality problems.

Daqo also strengthened its standardization compliance by optimizing quality red line indicators and the alarm settings in its DCS³ parameters to ensure the smooth operation of production facilities and improve product quality.



ISO 19001 Quality Management System Certification

³ DCS refers to Distributed Control System, also known as a centralized control system in the automation control industry,



Quality Control Initiatives

Quality Red Line Indicators

The Company has formulated and optimized a set of quality red line indicators, which strictly control key parameters such as the load lifting rate of the distillation system, the absorption and resolution temperature of the tail gas recovery system, and the circulation volume. We also maintain strict compliance with the quality red line requirements for material storage control. Through regular sampling and monitoring of quality indicators for both work in progress and finished products, we can receive early warning of any deviation from our quality standards and remedy any issues that arise.

DCS Parameter Alarms

To further ensure stable production, we set up parameter alarms in our DCS to generate alerts when any materials or finished products deviate from production parameters, allowing us to address quality issues while optimizing operating procedures. We have prepared the indicator card, operation card, emergency treatment card, and other production cards to instruct employees on how to deal with production abnormalities in a timely manner. These efforts will ensure the smooth operation of our production system, improve our quality standardization management, and comprehensively strengthen our product quality.

Daqo understands that its quality control efforts depend on building a strong quality culture at all levels of the Company. We carry out extensive quality-related training to enhance employees' quality awareness and fully implement the Company's quality-oriented philosophy.



Quality Training Activities – Everyone Talks About Work

In order to improve the professional knowledge and skills of our front-line production employees and ensure product quality at the source, we conducted a training program called Everyone Talks about Work, which included a training module for front-line production employees called Everyone Does the Work. This program addressed a wide range of topics, including application of theoretical knowledge, inspection standards, operation cards, safety/equipment/process/quality indicators and operation rules, clean management, inspection rules, quality control, and various company rules and regulations, covering all stages of the production process and effectively improving the quality awareness of every production employee.

As of the end of the Reporting Period, the training module Everyone Does the Work had been completed by all front-line personnel in all production departments, strengthening employees' knowledge of quality issues, helping them apply theoretical knowledge to the production process, and ensuring superb product quality at every stage of the production process.



Customer Service

Daqo is highly customer-oriented and is dedicated to providing high-quality customer service. The Company has built a digital sales management system that protects the privacy rights of customers and closely monitors customer service satisfaction to ensure that we meet the expectations of each customer.

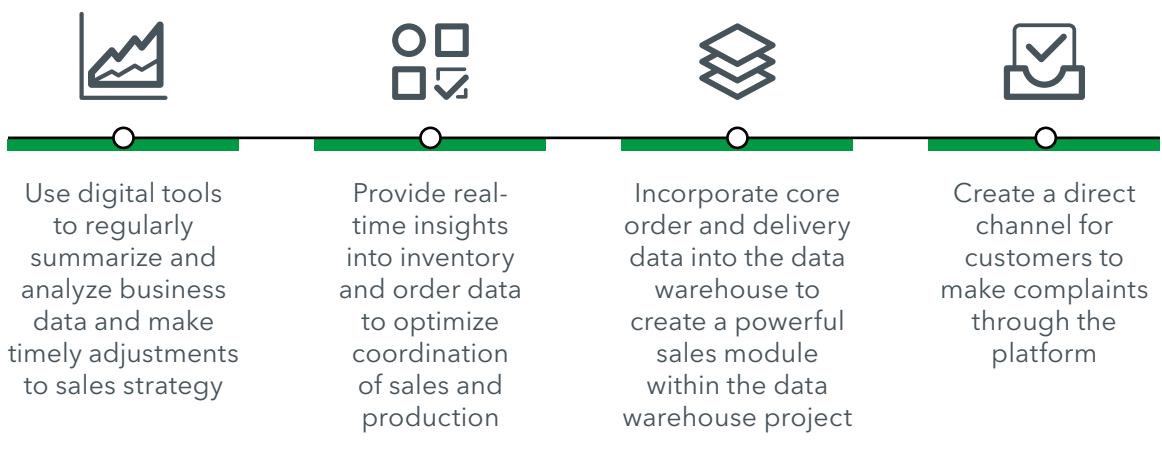




Digital Sales Management

To optimize the entire sales process and empower sales management, Daqo established a digital sales management system based on the four priorities outlined below.

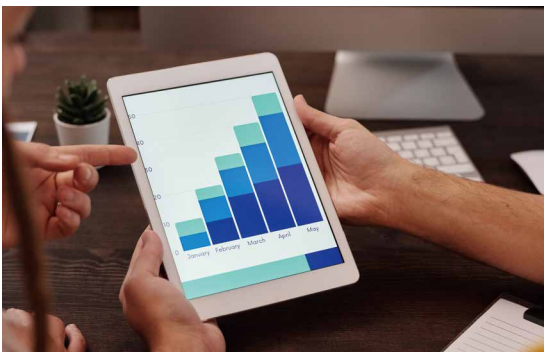
Digital Sales Management Priorities





Customer Complaint Management

Daqo has established a comprehensive customer complaint management system and added a new customer complaint platform that enables customers to provide direct feedback on product quality and service problems. This new platform is in addition to our existing telephone and email complaint channels. The Company has also formulated the Customer Complaint and Return Management System to ensure that customers receive timely and effective feedback on their after-sales service needs, and has made targeted improvements to the system based on customer feedback.



Customer Complaint Mechanism

Response mechanism

- Inform relevant departments upon receiving complaints, immediately initiate 8D report, and reply within 1 to 2 working days

Rectification mechanism

- Upon receiving the 8D report, the responsible department shall immediately investigate the cause and determine responsibility, confirm rectification measures, and complete a quality improvement report

Rectification mechanism

- Provide timely feedback to customers with clear communication. Relevant departments are responsible for implementing corrective measures and cooperating to track and verify the solution

Enhancing Customer Satisfaction

We are committed to proactively understanding customer needs and continuously improving the *Customer Satisfaction Measurement Procedure*. Through a combination of internal self-inspection and external surveys, the Company has gained a comprehensive and in-depth understanding of customer needs and their suggestions for improvement. In our 2022 customer satisfaction survey, customer evaluations of our product quality, cost-effectiveness, and delivery time all improved compared to the previous year. We received a total of four customer complaints, and both the number of customer complaints and the number of complaint categories are on a gradually declining trend. To further improve customer satisfaction, the Company conducted a detailed analysis of the results of the customer satisfaction survey. For problems raised in customer survey comments, such as abnormal information, mixed materials, impurities and rain, and fine silicon powder, we have implemented improvement measures accordingly.

Abnormal information, mixing

- The correction of system logic problems has eliminated such risks, and the reasons for mixing and polysilicon powder have been preliminarily verified and confirmed by customers

Silicon material foreign body and rain

- Strengthen the management and control of logistics, and find the defects of equipment and tools timely through frequent inspection and replacement

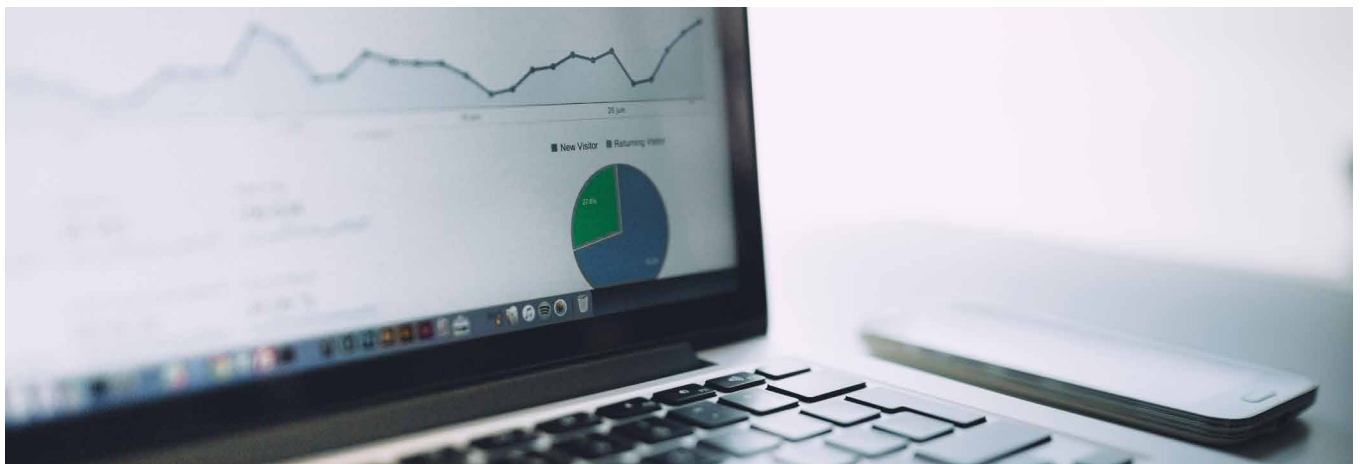
Delivery/ arrival rate on time

- Increase production capacity, improve logistics management and build digital projects

In addition, the Company has carried out several special trainings to enhance the professional skills of sales employees, ensuring that customers have an excellent product service experience.

Sales Employee Training

In 2022, the sales employee training program mainly covered policy interpretation and business service concepts including safety management, professional quality, occupational health, and information security. Trainings included *The Four Habits to Cultivate Professionalism, Information Security Training, Regulations on Internet Replying and Commenting Services, and Network Safety Training for the Second Half of 2022*. A total of 23 online training sessions totaling 28.4 credit hours were held.



2.1.3. Supply Assurance

Daqo is committed to integrating sustainability concepts into our supply chain management, actively promoting supply chain stability and green transformation. To achieve this, we are continuously improving our supply chain management system, beginning with the standardization of raw material use and supplier selection. We prioritize communication with our partners to achieve synergy, promote the standardization of social responsibility in the industry, and steadily improve supply chain security.

Supplier Management

Daqo has established a series of supplier management systems and program standards, including *the Supplier Access and Management System, Qualified Supplier Management Policy, Supplier Rating Policy, and Procurement Management System*. We are committed to providing a comprehensive set of standardized supplier management guidelines to ensure the safety, stability, and sustainability of the supply chain.

Supplier Access Criteria

Daqo regards supplier selection as the foundation of supply chain stability. The Company requires all newly qualified suppliers to fill in the *Basic Information Questionnaire for New Suppliers* and the *Pre-tender Approval Form*. We adopt a multi-dimensional and batch assessment approach to select suppliers, as set out in the following figure:



Daqo's Supplier Assessment Process



Multi-dimensional assessment

Set requirements for new suppliers in terms of quality, capacity, delivery time, cost, and other aspects

Evaluate suppliers' CSR performance in areas including employee rights and interests, environmental protections, and safety management to ensure suppliers' sustainability.

Batch trial

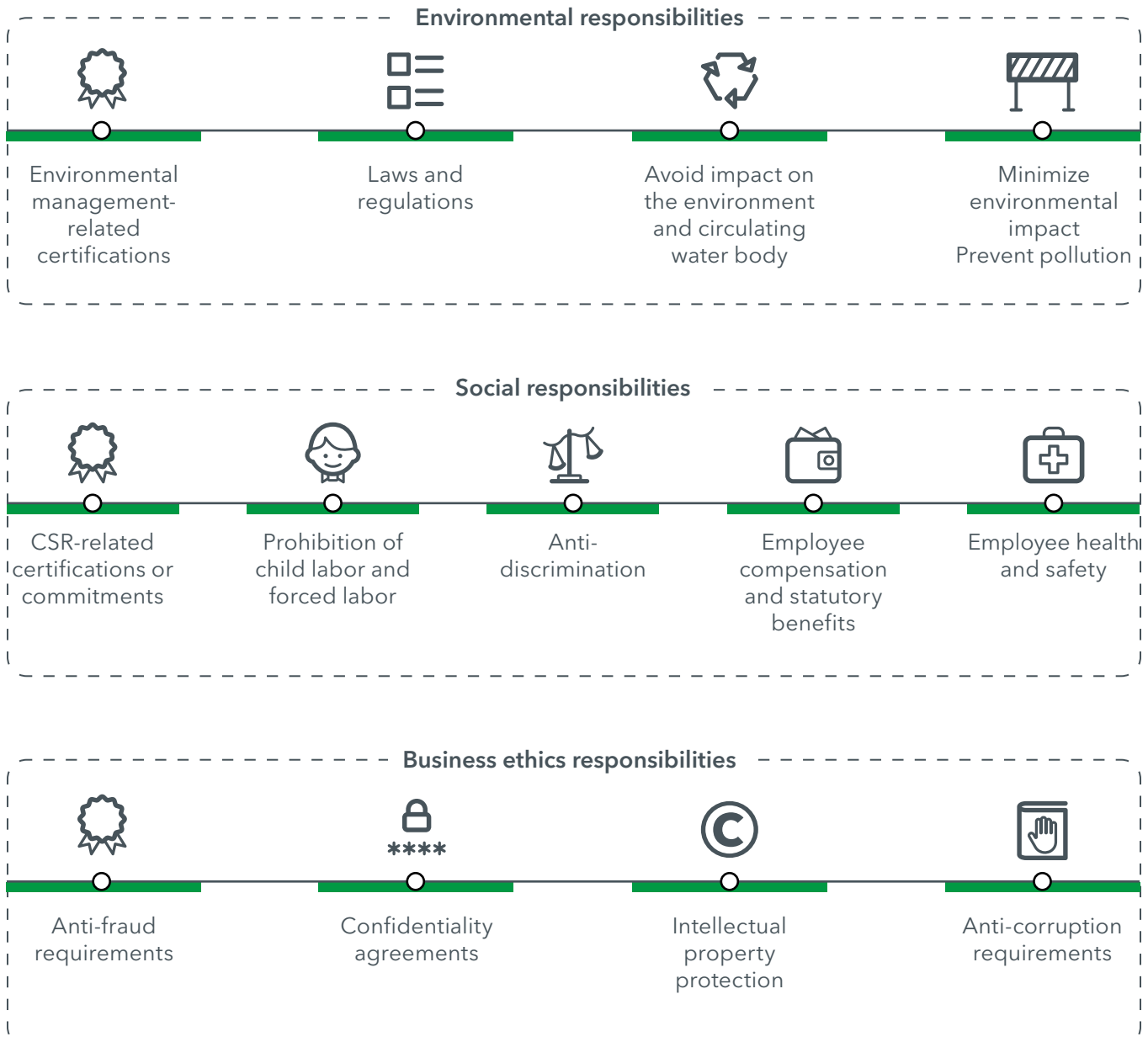
Conduct mass trials of products provided by suppliers

Following batch trials, all departments of the Company will conduct a comprehensive evaluation and formulate the annual list of qualified suppliers

In addition, the Company has gradually raised its ESG performance requirements for suppliers, requiring all suppliers to sign the *Supplier Social Responsibility Questionnaire* and the *Declaration on Protecting the Legal Rights and Interests of Employees and*

Refusing Forced Labor. Daqo also includes information about suppliers' performance in environmental protection, labor rights, employee health and safety, business ethics, and intellectual property protection in its assessments and audits.

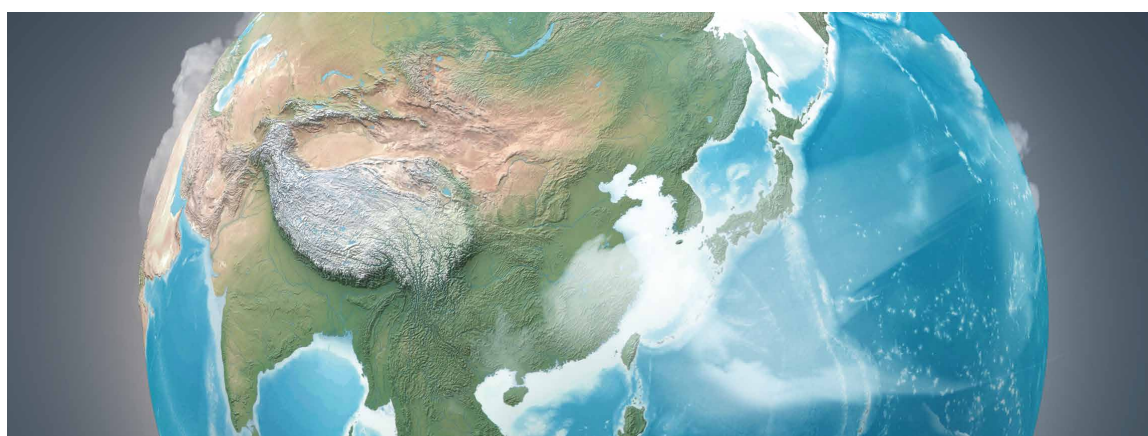
Responsibility Requirements for Suppliers



At the same time, Daqo is committed to its supplier localization strategy, prioritizing local suppliers when they meet the assessment requirements to reduce supply chain risks. At the end of the Reporting Period, we had 537 suppliers, 45% of which

were local suppliers. The breakdown of the Company's suppliers is as follows:

Total number of suppliers	537
By region	
Other areas in Mainland China	325
Hong Kong, Macau, and Taiwan	0
Overseas	0
Local	212
By type	
Contractors	47
Dealers	96
Manufacturers	394
By contract status	
Contract	537
Non-contract	0
Number of suppliers with an annual purchase amount of RMB 200,000 or more	401



Supplier Evaluation

Daqo has established a supplier evaluation system based on the *Supplier Management System* to maintain long-term supply chain stability and ensure the quality and safety of products. Through monthly and annual evaluations, we assess each supplier’s capabilities in a multi-dimensional manner to provide a solid basis for future procurement decisions.

Based on the results of the supplier assessment, Daqo assigns grades to suppliers and deals with them according to the guidelines set out in the *Qualified Supplier Annual Assessment Form*. The grading scale is as follows:

Grade	Measures
A	<ol style="list-style-type: none"> 1. Strengthen cooperation; 2. Increase purchasing volume
B	<ol style="list-style-type: none"> 1. Maintain and consolidate a balanced supply relationship; 2. Normal procurement
C	<ol style="list-style-type: none"> 1. Purchasing continued only after the improvement measures report is submitted and approved by relevant departments. 2. Daqo will suspend purchases and cancel the supplier's qualification if the supplier's submission is overdue or the improvement measures report fails to pass the review.
D	<ol style="list-style-type: none"> 1. Cancel the qualification of qualified suppliers. 2. Suppliers that receive major penalties related to quality defects, safety issues, environmental pollution incidents, dishonesty, or related issues in the process of cooperation will be blacklisted and frozen in the system. Other suppliers will be required not to cooperate with blacklisted suppliers in bidding, procurement, sales, and other activities.



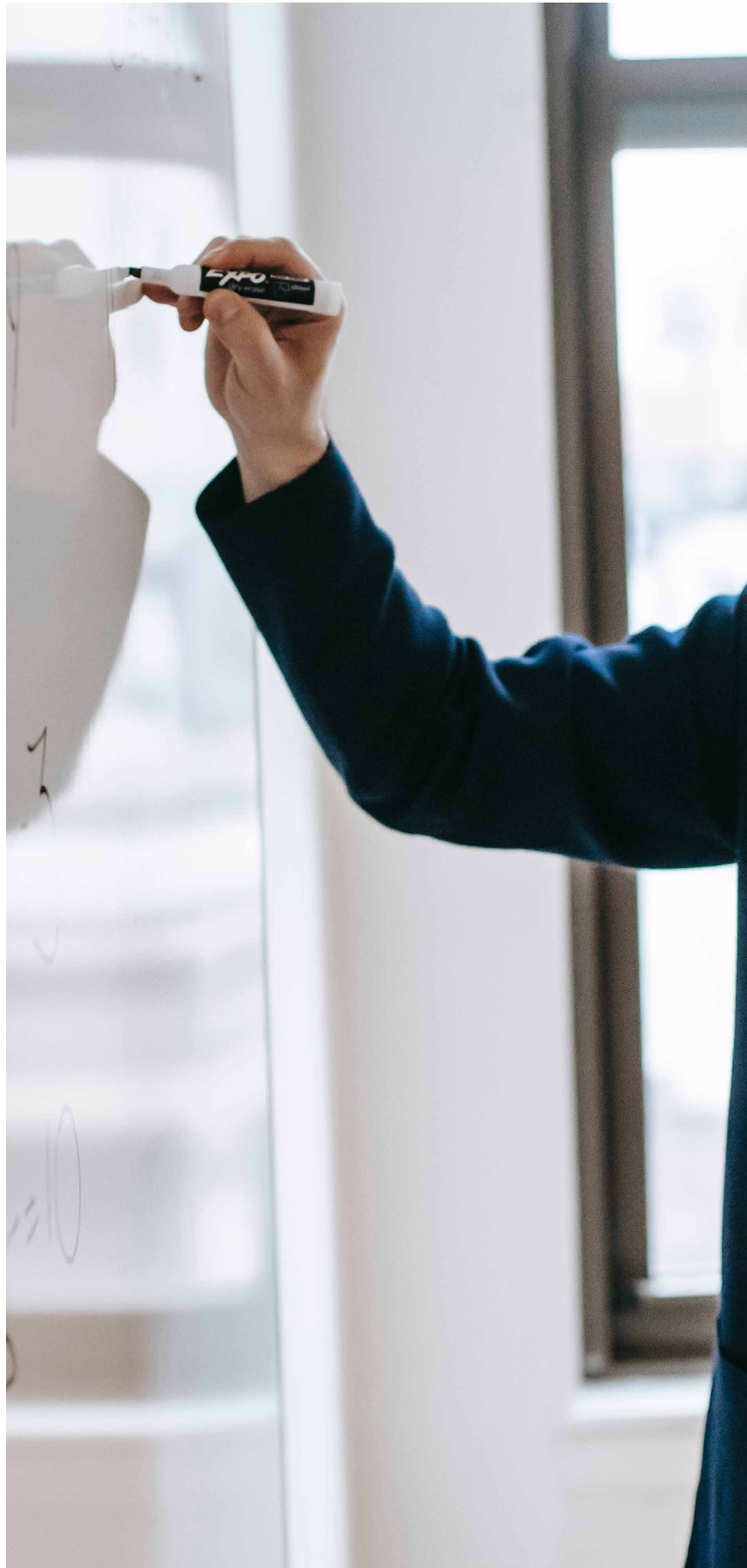
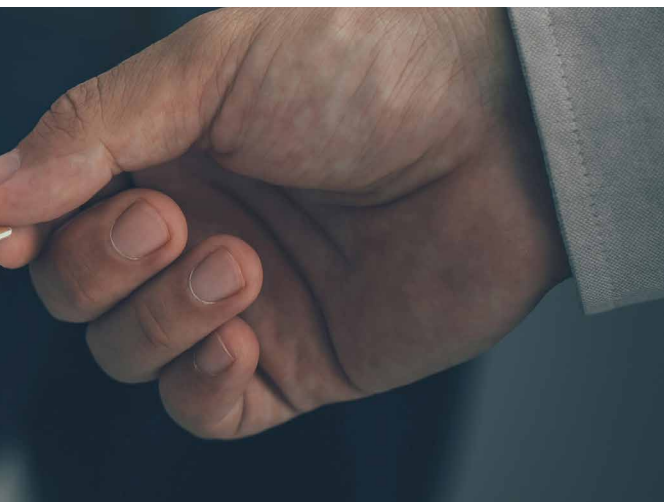
Supplier Empowerment

Daqo strives to maintain close relationships with suppliers and to help them make progress through technical exchanges and in-depth communication. We believe that sincere cooperation and collaborative development between the Company and its suppliers can create win-win scenarios both upstream and downstream in the supply chain.

Supplier Communications

In 2022, Daqo proactively shared product quality data and standards with suppliers to facilitate testing and verification.

If the quality of the goods delivered by a supplier is abnormal, we share the quality testing data, analyze the potential causes of the abnormality, and identify the differences from standard goods. We also formulate short-term and long-term solutions to help the supplier improve the quality of their raw materials. This level of communication reflects our willingness to pursue collaborative development with our suppliers. Our detailed indicators of product quality supported by our in-depth technical expertise serves to further improve the stability and security of the supply chain.



2.2 TALENT DEVELOPMENT



Daqo regards talent as the Company's most precious asset. The Company empowers employee development by adopting a diverse set of progressive employment policies, competitive remuneration and benefits, and a comprehensive training system. We also provide employees with a clear development path and a healthy working environment. We are committed to protecting employees' legitimate rights and interests, and to creating a happy and harmonious working environment.

2.2.1. Employee Profile

We recognize that outstanding talents are essential to our growth and success. From the very beginning, Daqo has adhered to the concept of "Talent from Everywhere" and introduced outstanding talents from diverse backgrounds to continuously facilitate the Company's globalization strategy and create synergy between Daqo and its employees.

Recruiting Diverse Talent

Daqo strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Employment Promotion Law of the People's Republic of China*, and other national laws and regulations, and firmly prohibits the employment of child labor or forced labor in any form. The Company has established strict review mechanisms in recruitment and requires all candidates to verify their identity when they fill in the *Candidate Information Survey*. The Company verifies each candidate's identity and monitors recruitment procedures to ensure compliance. If the Company discovers any false information has been provided or identifies any non-compliant recruitment practice, it will immediately terminate the corresponding employment contract. During the Reporting Period, the Company did not identify any issues relating to child labor or forced labor.

As part of its commitment to fair and transparent recruitment, Daqo upholds the hiring principles of equal opportunity, fair competition, and merit-based recruitment. To ensure procedural fairness and increase diversity, we have established a comprehensive **Recruitment Management System**. During the Reporting Period, the Company actively encouraged internal recommendation and competition, recruited through diverse channels including campus recruitment and social recruitment, and absorbed talents with a wide range of relevant professional knowledge, skills, and experience to provide a solid foundation for company development.

Career Talk to Fresh Graduates



On 28 February 2022, we attended a career talk for the graduating class of 2022 at Tianshui Normal University. We established connections with the University's College of Chemical Engineering, which will facilitate the future recruitment of well-qualified graduates.

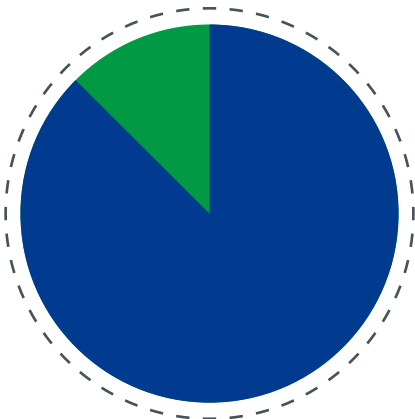


As of December 31, 2022, we had a total of 4,091 employees, all of whom were regular employees, including 147 from ethnic minorities.



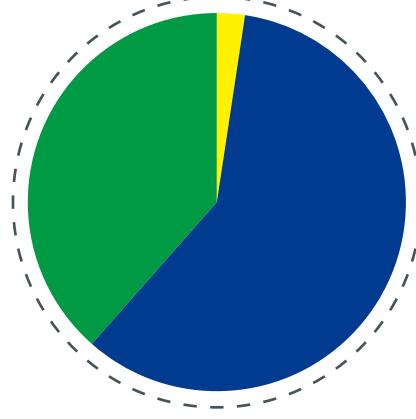
The demographic breakdown of our workforce is shown as follows:

• Number of employees by gender



Male 3,601 female 490

• Number of employees by age



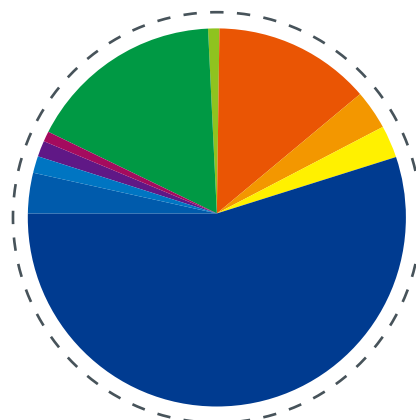
31-49 years old 2,502
30 years old or below 1,525
50 years old or above 64

• Number of employees by education



College 1,911
Professional School or below 1,350
Bachelor 795
Master or above 35

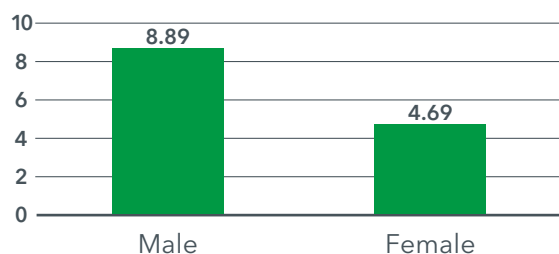
• Number of employees by ethnic minority background



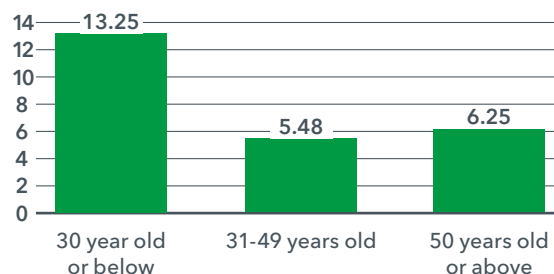
Hui 20 Miao 5 Tibetan 4
Mongol 82 Tujia 5 Tu 2
Zhuang 2 Kazak 1
Man 25 Ewenki 1

Daqo highly values the efforts and contributions of all its employees. To meet employees' needs, the Company has upgraded and optimized its systems in multiple areas including welfare, promotion, and external training. We proactively communicate with departing employees to better understand their reasons for leaving, address their feedback, and ultimately improve our talent retention. During the Reporting Period, the Company's staffing levels remained stable, with the turnover rate as follows:

Employee turnover rate by gender (%)



Employee turnover rate by age (%)



Protecting Employee Rights

Daqo strictly complies with applicable laws and regulations such as the *Law of the People's Republic of China on the Protection Specification on Collective Contracts*.

We have formulated employee management systems such as the *Administrative Comprehensive Management System*, the *Performance Appraisal Management System*, and the *Compensation and Benefits Management System* in line with the core conventions of the *International Labor Organization*. During the Reporting Period, we further improved the *Labor Contract Management Measures* to comprehensively protect employees' rights and interests in recruitment, remuneration and welfare, and promotion. The Company is committed to treating every employee equally and has zero tolerance for discrimination, harassment, stigmatization, or intimidation due to an employee's race, gender, ethnicity, nationality, religion, age, marital status, sexual orientation, and other personal characteristics.

To provide further rights and protections to its valued female employees, Daqo has formulated the *Special Provisions on Labor Protection for Female Employees* and signed the *Special Collective Contract on Protection of Rights and Interests of Female Employees*. We are committed to meeting female employees' needs through initiatives such as the provision of pregnancy benefits, maternity leave, and regular health check-ups.

Cancer Screening for Female Employees

On 3 August 2022, the Company organized a visit to the First Affiliated Hospital of Shihezi University for 50 female employees to participate in both breast cancer and cervical cancer screening programs



In addition, per the *Provisions of the Collective Contract*, Daqo fully respects employees' rights to participate in trade unions and operates a robust employee congress system, holding an annual session to conduct democratic collective bargaining in the interests of employees.

Compensation and Benefits

Daqo strictly complies with the Social Insurance Law of the People's Republic of China and the Law of the People's Republic of China on Trade Unions. To build a stable and sustainable salary system appropriate to the Company's situation, we have optimized internal regulations such as the Compensation and Benefits Management System and the Salary Scale to clarify the salary standards for different jobs and ranks. The Company provides competitive remuneration packages to employees through a dynamic salary adjustment mechanism, which effectively rewards employees' efforts. During the Reporting Period, the average annual salary of employees was RMB 142,597.

We insist on equal pay for males and females at the same level of responsibilities and in the same position. At the end of the Reporting Period, we had a company-wide pay ratio of 135.4% for male and female employees.



Daqo Employee Congress

To maintain harmonious and stable labor relations within the Company, safeguard the legitimate rights and interests of employees, and facilitate the Company's healthy development, Daqo Trade Union held the 7th Session of the 3rd Employee Congress on May 7, 2022, negotiating and signing the new Collective Wage Contract on an equal basis with the Company. During the session, the representatives from the Company and the trade union negotiated over the provisions for overtime wages in the contract, making improvements to reflect opinions shared during consultation. After reaching an agreement, representatives of both sides formally signed the revised contract.



Salary Adjustment Mechanism

- Monitoring market salaries: We conduct regular external salary surveys and analysis and recommend salary adjustments within the Company when necessary
- Rewarding core employees: Salaries for core employees are adjusted with reference to promotion evaluation results
- Performance-oriented: Compensation is linked to performance. Employees with poor performance receive no adjustment or a partial reduction in compensation
- Salary adjusts along with position

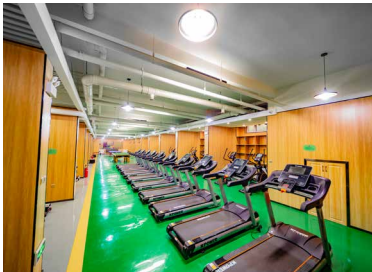
Daqo strives to meet each employee's individual needs. We provide a flexible and diverse range of welfare benefits in order to provide care for our employees in all respects.

Employee Benefits



Employee leave

Paid annual leave, marriage leave, funeral leave, nursing leave, family leave (travel expenses reimbursement), Xinjiang ethnic festivals (Lesser Bairam, Corban Festival)



Employee apartment

We provide standard rooms in employee apartments equipped with all daily essentials. We have also opened a counseling room within the apartment complex to support employee's mental health.

Employee leave

Employees have access to a 500 square meter gym equipped with treadmills, exercise bikes, elliptical machines, free weights, billiards tables and table tennis.



Free commuter bus

We provide a free commuter bus for employees with service to all main areas of the city

Other benefits

Seniority pay, annual physical examination, festival bonuses/gifts, union activities, transportation and communication allowances, wedding gifts, serious illness and death condolences, etc.



2.2.2. Talent Cultivation

We are committed to building a diversified talent development system that promotes shared progress between the Company and its employees. Our robust employee assessment and promotion management system enables us to deliver targeted training programs and provide a sound development platform that empowers all employees to achieve their full potential.

Employee Development

Daqo firmly believes that our growth and success depend on the full support of every employee. We strive to provide each employee with a platform for growth by establishing a fair and objective performance assessment process linked to a clearly defined career development path.

During the Reporting Period, Daqo conducted a comprehensive audit of the Company’s internal performance management system. We formulated and

optimized goal-oriented internal rules and regulations such as the *Company Performance Appraisal Management System* and the *Employee Annual Appraisal Management System*, using monthly and annual appraisals to objectively and fairly evaluate employees’ contributions to the development of the Company.

Daqo has established a range of employee promotion channels in various categories and with different focuses. We help employees choose an optimal career progression path by matching their individual strengths to suitable roles. The Company has formulated Management Measures for Employee Career Development Channels to create a fair and standardized promotion system, clarify the process for internal promotions, and ensure reasonable and fair promotion decisions. These measures will ensure that employees’ personal career progression is well-aligned with the Company's development.

We have open promotion paths across four employment categories: management, technical, skilled, and auxiliary. We are continuously raising the upper limit for non-management career paths in order to attract and retain professional and technical talent. We also facilitate internal rotations among our diversified career paths to help employees decide on their future trajectory and achieve their career goals.



Daqo's Promotion Principles

Defined promotion channels

Employees choose promotion channels according to job categories

Performance-oriented

Employee advancement is based on the results of annual performance assessment

Capability-oriented

All promoted employees must meet the competencies listed in the target job description

Dynamic adjustment

Employees are promoted or demoted based on the results of performance and ability evaluations

Employee Training

Daqo is committed to helping employees enhance their skills and professionalism. The Company has adopted internal training policies such as the *Management Measures for Platform Operation and Maintenance*, the *Management Measures for Internal Trainers*, and the *Management Measures for Employee Training and Cultivation* to standardize training processes and clarify course contents and assessment standards. We provide custom training programs for employees of different ranks based on the job duties in each business line. During the Reporting Period, the Company launched the Daqo Cloud Class System, which has boosted the efficiency and quality of the company's training modules by enabling daily training and tests.

New Employee Induction

Daqo has developed special programs for the onboarding and training of new employees. Through a comprehensive training and assessment system, the Company ensures that all new employees meet key objectives and possess the core competencies required for their new positions.

"Everyone Talks About Work"

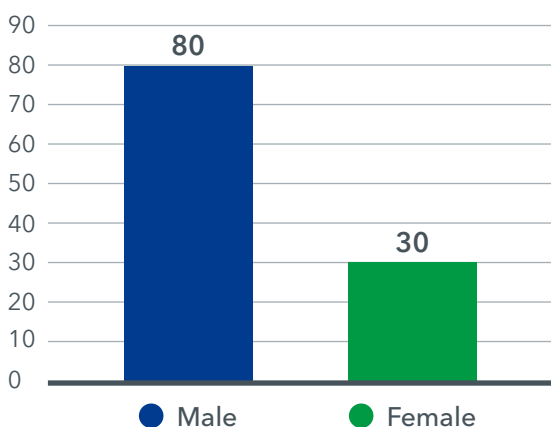
To promote the new training model and create a strong atmosphere of Learning through Lecturing, Facilitating Training through Learning, and Retaining Talent through Training, Daqo organized a series of training activities entitled "Everyone Talks About Work" for production staff. A total of 158 employees from 15 departments participated in the program, representing full coverage of the participating departments. The content mainly focused on production processes and operations requirements.

At present, Everyone Talks About Work has become each workshop's daily training module, representing a significant upgrade to the Company's training and self-learning programs and enabling employees to rapidly develop their skills at work and broaden their horizon.

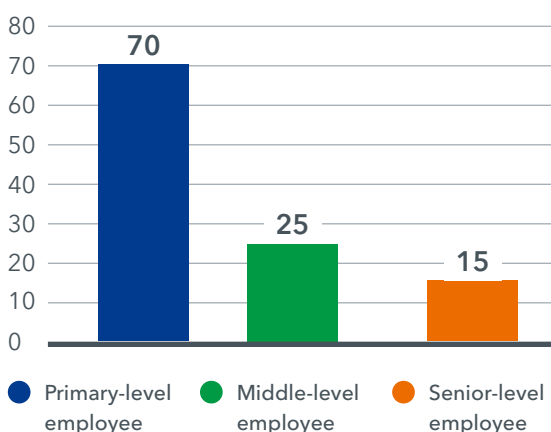


During the Reporting Period, a total of 4,091 employees attended trainings, representing a 100% training coverage rate. The average employee underwent 110 hours of training. Going forward, the Company will focus on further increasing training hours to better facilitate employees' self-improvement. The breakdown of training activities across different employee categories is as follows:

Average training hours per employee by gender



Average training hours per employee by rank



2.2.3. Employee Care

We are committed to caring for our employees. Through open communication and a diverse range of activities, Daqo helps employees feel more at home in the workplace.

Employee Communication

Daqo listens to employees and deeply understands their needs, working hard to solve any problems that arise. The Company has established a sound communication and feedback mechanism consisting of multiple open communication channels. We actively listen to employee concerns and implement solutions to continuously enhance the work experience and cultivate a sense of belonging within our team.

Employee Communication Channels

- Intra-departmental communication**
 - Regular communication among employees in each department
 - Improvements to working environment and workflow based on the Company's business objectives
- HR communication**
 - HR employee relations specialists interview employees each month to learn more about their work, life, and career plans
 - Recruitment and employee relations specialists interview outgoing employees to understand their reasons for leaving, improve company practices, and reduce turnover



Communication with the general manager

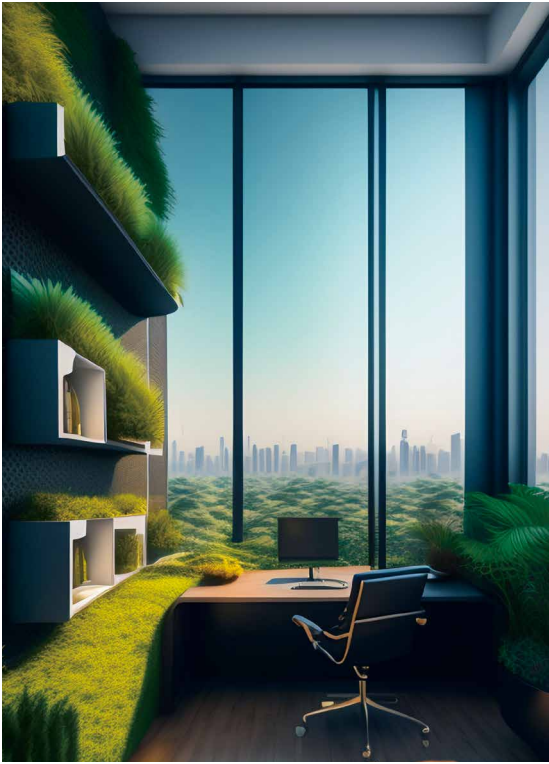
- General manager email
- Face to face communication

Satisfaction surveys

- Survey of new employees to understand their initial impressions and level of satisfaction with the Company
- Quarterly canteen satisfaction survey to improve service levels and employee satisfaction

Employee Activities

During the Reporting Period, Daqo carried out a wide range of team-building activities to promote work-life balance and cultivate a positive corporate culture. We held activities such as employee cooking competitions and Women's Day activities to relieve stress, promote communication among colleagues, and enhance corporate cohesion.



"I'm Cooking Today" Employee Cooking Competition

In November 2022, the Company organized the I'm Cooking Today competition among 16 departments and workshops. Employees from each department divided the work and cooperated in preparing delicious meals. This activity further enhanced team cohesion and improved communication among employees.



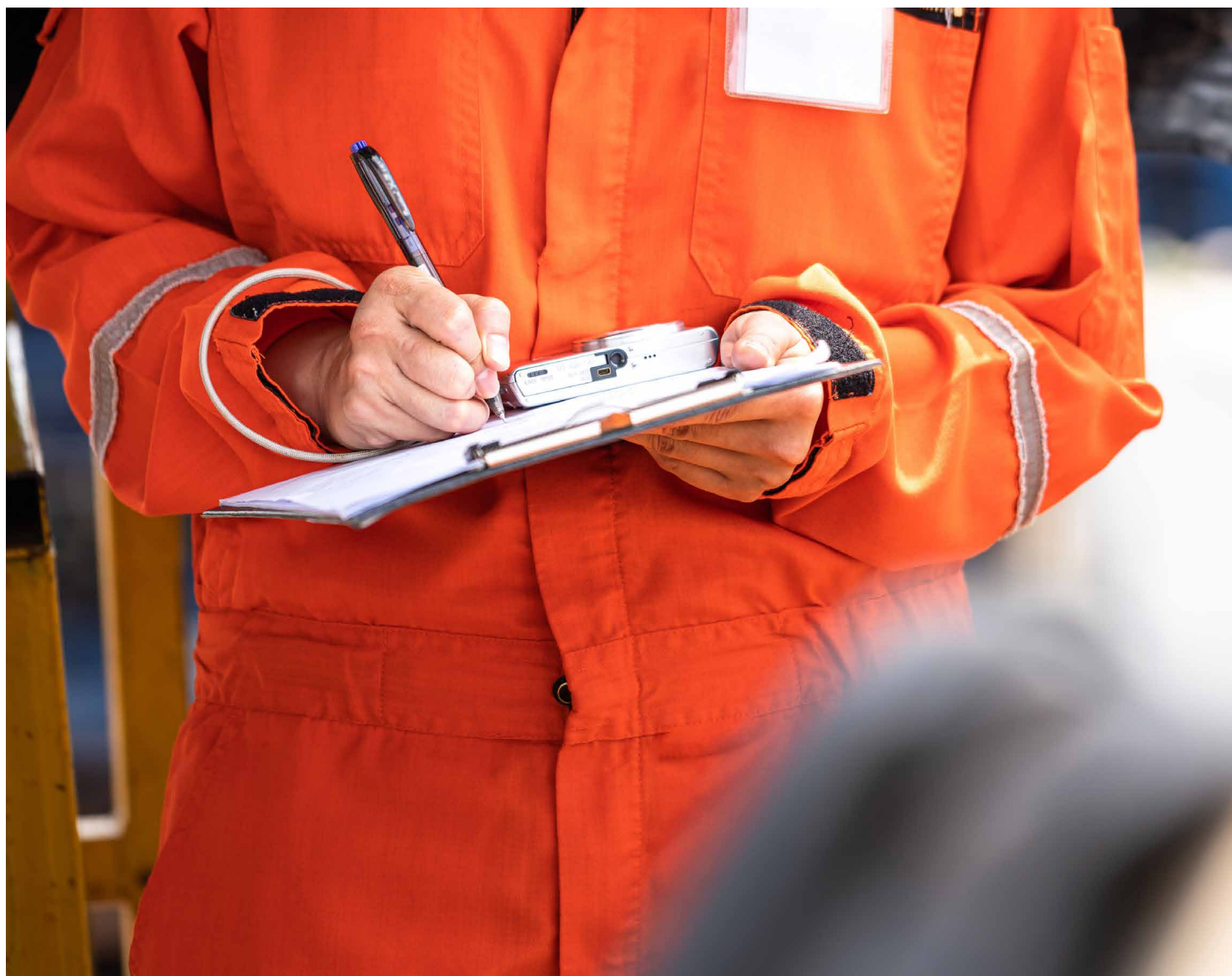
Women's Day Activities

The Company held a variety of Women's Day activities to show its appreciation to female employees.



In addition, the Company also held a group birthday party for female employees born in March, creating a memorable and fun celebration.





2.2.4. Health and Safety

At Daqo, we prioritize the health and safety of our employees in all aspects of our production and operation process. We make continuous improvements to our occupational health and safety management system and implement rigorous safety enhancement measures to create a healthy and safe work environment for every employee. During the Reporting Period, the Company invested RMB 7,296,200 in labor protection.

Safety Production

Daqo strictly complies with the *Work Safety Law of the People's Republic of China*, the *Measures for the Administration of Contingency Plans for Work Safety Accidents*, and other safety-related laws and regulations. During the Reporting Period, the Company revised its internal *Management System for Special Operations* according to the *Safety Specifications of Special Work in Hazardous Chemicals Enterprises*. In addition, the Company

updated its contingency plan for major hazards in line with the latest results of its risk identification and assessment reports. We also consolidated the *On-site Disposal Plan for Leakage of Carrier Gas in the Quality Department* and the *On-site Disposal Plan for Leakage of Argon in Product Finishing* into the *On-site Disposal Plan for Leakage of Inert Gases (Nitrogen, Argon, etc.)*, a unified plan with a wider scope of application across several similar accident categories.

In addition, to clarify the production safety responsibilities of each production workshop and functional department, Daqo

revised and improved the *Compilation of Safety Rules and Regulations, Safety Production Responsibility System for All Employees, Safety Point Management*, and the *Safety Production Responsibility Assessment System*. We carried out a comprehensive quantitative assessment and adjusted safety points to help the Company achieve its annual production safety targets and further enhance product safety control capabilities. During the Reporting Period, the Company had no work-related deaths, and the number of lost days due to work-related injury was 150.

Progress towards Production Safety Targets in FY2022



Safety Risk Management

Daqo places great emphasis on safety risk management in our production and operation processes. We have established a comprehensive risk control mechanism, with the production and operation departments responsible for the overall management of potential risks through monthly safety risk reviews. Major risks are reported to the

Company's management for annual review and considered as key risks in the following year. In 2022, we conducted a job hazard analysis of safety risks and formulated detailed risk prevention, control, and response measures based on the results to ensure the safety of our production processes.

Measures to Ensure Production Safety

New employees must complete both induction training and on-site production training before beginning their job duties

The production department and the administration and human resource department carry out monthly spot checks to assess employees' mastery of operational skills

The production department holds a workshop to prepare emergency operation and process operation cards, which are incorporated into the operational process to ensure that employees follow standard procedures in emergency situations

All plant equipment is maintained through regular repairs, anti-corrosion treatment, and insulation work in line with safety inspection requirements

High-risk equipment is subject to regular maintenance requirements

To ensure production safety in real-time, the Company can detect combustible gases according to the (0-100)% LEL combustible gas alarm measurement standard assessment

Daqo is dedicated to providing safety training for all employees in accordance with national regulations to continuously enhance occupational safety. During the Reporting Period, we devoted a total of 67,389 employee hours to safety training and achieved a 100% safety training coverage rate.



Training in Safe Operations

On July 14, 2022, Daqo's machine repair workshop conducted a special training session on maintenance safety to enhance workers' ability to safely operate high-risk equipment and promote a safe culture within the Company. The training covered relevant laws and regulations, safety production standards for machine repair, safety production rules and regulations in the workshop, and safety operation standards for machine repair.



In addition, the Company hired nine experts from the China Chemical Safety Association to review our materials and practices and provide guidance on the process, equipment, electric power instruments, safety, and other areas in accordance with the first level of safety standardization assessment requirements.





Occupational Health

We strictly abide by the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases, the Measures for the Administration of Occupational Health Examination, the Regulations on Work-Related Injury Insurance, and other relevant national and local occupational health laws and regulations, and have formulated the Occupational Disease Hazard Prevention and Control Responsibility System, the Occupational Disease Hazard Warning and Notification System, the Occupational Hazard Declaration System, the Occupational Health Education and Training System, the Occupational Disease Hazard Protective Equipment Management System,

and the Occupational Disease Hazard Emergency Rescue and Management System to build a comprehensive occupational health management system. Currently, the Company is certified under the ISO 45001 Occupational Health and Safety Management System standard.

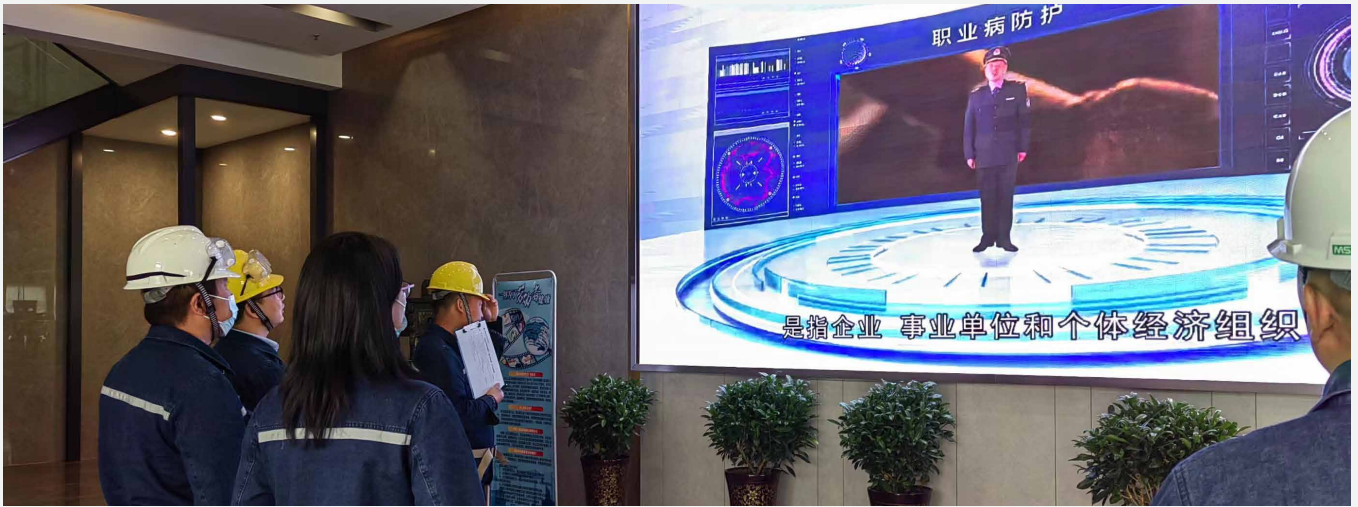
During the Reporting Period, Daqo implemented various measures to protect the overall occupational health of its employees, including regular occupational hazard monitoring, occupational health education, regular physical examinations, workplace environment monitoring, and provision of protective equipment.

Occupational Health Initiatives

	<p>Conduct monthly monitoring of occupational hazard factors</p>		<p>Provide annual physical examinations for employees and establish employee occupational health records</p>
	<p>Hire external occupational health and technical service institutions to assess and report on occupational hazards within the Company</p>		<p>Strictly adhere to national standards and industry norms; distribute appropriate protective equipment to employees based on their job duties</p>



Occupational Health Initiatives



On 29 April 2022, the Company organized a publicity campaign on the Prevention and Control of Occupational Diseases, aiming to further enhance employees' awareness and knowledge of occupational health issues.

2.3 GIVING BACK TO SOCIETY



Daqo has long been deeply committed to public welfare. Giving back to society is a central part of our corporate culture, and we encourage all of our stakeholders to participate in our frequent volunteer activities and public charity initiatives.



2.3.1. Volunteer Activities

Daqo believes strongly in the importance of giving back to our community. As part of this commitment, we encourage our employees and partners to participate in our diverse range of service programs, embodying the spirit of volunteerism. We organize a number of environmental protection activities such as neighborhood clean-ups,

and gather volunteers to feed and care for animals. By integrating the concepts of environmental and animal protection into our social responsibility culture, we aim to make a positive impact on our community. In 2022, our total annual employee volunteer service time reached 23,000 hours.



2.3.2. Public Charity

Daqo understands the importance of giving back to society and creating a positive impact beyond the scope of business development. We are committed to promoting corporate social responsibility and making meaningful contributions to the communities in which we operate. In the past year, we have donated RMB 3,684,700 to support communities and individuals in need, reflecting our dedication to creating welfare and hope for society. We also work with local farmers to promote high-quality agricultural products and accelerate rural economic development, further demonstrating our commitment to serving local communities.

Caring for Stray Animals



On April 22, 2022, 17 company employees acted as volunteers and distributed supplies of 300 kilograms of grain, 50 kilograms of vegetables, and two boxes of medicine to the Li Han Stray Dogs Home in Nanwan Village. Volunteers cleaned the kennels, fed the stray dogs, and brought them to nearby shelters, helping these vulnerable animals feel the warmth of human companionship.



Greening the Global Village



During the Reporting Period, the Company organized a natural adventure for more than 40 children of employees to help them understand the need of protecting our environment. The children learned about waste classification and the Empty Plate Campaign, and took part in fun, interactive games and a fingerpainting activity.



Support for Local & Rural Farm Produce Campaign



In 2022, Daqo actively contributed to the welfare of rural and local farms by supporting development work in local and rural farm communities. We actively participated in an industry association initiative and procured 32 tons of "Daolang Melon" planted by local and rural farmers to support local farming communities.

3

ENVIRONMENTAL

As a company at the forefront of renewable energy transition, Daqo is fully committed to low-carbon development and green operations. To meet its responsibilities in these areas, Daqo actively builds its resilience to address climate change risks and strengthens its energy management, environmental management, and resource management efforts. We strive to implement resource-saving and environmentally-friendly operations and development practices in every aspect of our business.



3.1 RESPONDING TO CLIMATE CHANGE

Daqo recognizes the material risks associated with climate change, and as a responsible player in the PV industry, we believe we have a responsibility to address these risks and do our part to mitigate the impact of climate change.

3.1.1. Risks and Opportunities

Opportunities Presented by Climate Change
In 2022, global energy scarcity was exacerbated by geopolitical tensions, and although some regions slowed down their efforts to meet carbon neutrality targets as a result of these uncertainties, we still see increasing investment in new energy sources such as PV power generation. Hence, diversifying the energy mix is still fundamental to coping with the unstable supply of fossil fuels, and PV power generation will continue to play a pivotal role in the green energy transition. In China, carbon neutrality is a major strategic decision and national priority for all sectors, and PV power generation is an important component to peak carbon dioxide emissions and achieve carbon neutrality.

To encourage the development of the PV industry and establish sound industry norms, the Chinese government has issued a series of policy documents, such as *On the Issuance of the '14th Five-Year Plan' National Urban Infrastructure Construction Plan, On the Promotion of New Energy in the New Era of High-Quality Development of the Implementation Plan and To Expand Domestic Demand Strategic Planning Outline (2022-2035)*, creating a favorable policy environment in which the PV industry can achieve strong growth and development.



The huge market demand for PV products has incentivized companies to enter the market and consequently, expansion in production capacity has led to an oversupply of high-purity polysilicon, the basic essential raw material for PV power modules, since 2023. As an upstream company in the PV industry chain, Daqo plays an important role in the PV supply chain and we are committed to meeting this market demand to help address climate change and promote the green energy transition.

To this end, Daqo is dedicated to increasing production capacity and optimizing product quality through research and innovation. Based on the industry average production level of approximately 2.7 grams of polysilicon per watt of PV module, the 133,812.21 tons of polysilicon produced by Daqo for PV module manufacturing in 2022 is capable of producing approximately 49.56GW of PV modules and generating 74.34 billion kWh of clean electricity per year, equivalent to a 42.4 million ton⁴ reduction in CO₂ equivalent GHG emissions.

Climate Change Risk Response

Against the backdrop of global concerns over climate change, Daqo has incorporated climate change issues into its risk management framework. In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Company has assessed the relevance and impact of a range of climate change risks and responded with initiatives to reduce climate risk and explore opportunities for a low carbon transition.

⁴The GHG emission reduction in tons of CO₂ equivalent is calculated using the latest national grid average carbon emission factor of 0.5703 t CO₂/MWh issued by the Ministry of Ecology and Environment of China for consultation on the Methodology and Reporting Guidelines for Corporate Greenhouse Gas Emission Accounting for Power Generation Facilities (Revised Version 2022). The specific calculation is reduced GHG emissions in tons of CO₂ equivalent = (national grid average carbon emission factor - 0) * power generation (0 for PV power generation carbon emissions).

Risk Type		Risk Impact	Response Initiatives
Physical Risk	Acute Risk	Risks in production, transport, and employee health and safety are exacerbated by extreme weather conditions such as drought, heat, typhoons, and flooding	Closely monitor severe weather forecasts and ensure timely warnings. Develop emergency plans to deal with the impact of unexpected severe weather events on production, transport, and the health and safety of employees.
	Chronic Risk	Changes in temperature, rainfall patterns, and other climactic conditions could impact the company's operations and the production management	Utilize predictive analysis of chronic climate risks to optimize our future site selection and operational footprint.
Transition Risk	Policy and Law	Under stricter emission compliance and disclosure requirements, non-compliant companies may face negative consequences such as fines, restrictions on financing, restrictions on operations, and closure of operations	Closely track energy conservation and emissions reduction policies at all work sites; forecast policy trends and strictly comply with all relevant laws and regulations. Conduct carbon inventory and product carbon footprint verification to confirm the scope of emissions and provide clarity as to the calculation methodology, emission sources, etc.
	Technology	Risk of failure to meet market demand due to low-carbon technology transition	Continue to conduct innovative research and development work, strengthen our exploration in the field of clean technology, achieve greater levels of digitalization, automation, and intelligence, enhance product quality, reduce product costs, and improve the cost performance of our products, while leveraging the experience and skills of our team to develop new products that meet market demand quickly at a low cost.
		Risk of increased financial burden due to surge in low carbon technology transition costs	Focus on our core polysilicon business without overextending ourselves, reduce financial costs and risks through healthy balance sheet management, and achieve efficiency through scale and effective management.
	Market	Impact of consumer preference for green and low-carbon products on the company's market planning and technology direction	Conduct market research, pay close attention to market trends and emerging technologies and products, identify changes in end-consumer demand for polysilicon products, and promptly adjust market planning and technology direction accordingly.
Higher procurement costs due to higher raw material prices		Consolidate raw material supply through procurement front-loading and supplier management to reduce the risk of price fluctuations and cost increases.	
Reputation	Increasing stakeholder concern about corporate performance on low carbon development; potential for poor performance to overshadow company's brand reputation	Closely monitor sustainability and climate change-related disclosure requirements to optimize the completeness, truthfulness, and timeliness of information disclosure. Open communication channels, strengthen communication with stakeholders, and cultivate Daqo's green and low-carbon brand image.	

Given the above climate change risks, Daqo is committed to reducing carbon emissions by implementing energy saving measures and reducing energy consumption across its entire production process.


3.1.2. Energy Management

Reducing energy consumption is not only essential to improving production efficiency, but also a critical component of efforts to mitigate climate change and practice sustainable development. Daqo strictly abides by the *Law of the People’s Republic of China on Energy Conservation* and other relevant laws and regulations and devotes significant effort to projects such as energy-saving designs, equipment upgrades, and technological transformation to continuously improve our energy efficiency.


Through implementing a series of energy-saving and consumption-reduction initiatives and technical improvement projects, Daqo saved an estimated 182.73 million kWh of purchased electricity consumption and 180,324 tons of steam consumption, equivalent to a 157,633.45 ton reduction in CO₂ emissions.

Recovering Waste Heat from Cold Hydrogenation Reactions

During the Reporting Period, Daqo continued to optimize processes and procedures related to heat exchanger operations in its cold hydrogenation plant to increase the recycling rate of waste heat, achieving a 0.06 kWh reduction per kilogram of electricity consumption for the entire production line.



Systematic Waste Heat Recycling Project




Steam Compressor Units

During the Reporting Period, Daqo used a flashing process to convert low-quality heat sources into high-quality steam for use in various installations, achieving significant energy savings and reducing energy consumption.


Daqo also set annual energy consumption targets during the Reporting Period. The Company beat its steam consumption targets and largely achieved its electricity targets through the above-mentioned energy efficiency projects, recording notable year-over-year reductions in both types of energy consumption. Over the past five years, Daqo's overall energy consumption and GHG emission intensity have both declined continuously, demonstrating the effectiveness of Daqo's efforts to address climate change and manage energy usage.






Energy Consumption Target

Steam: **16** kg/kgSi
Electricity: **56.5** kg/kgSi



Actual Energy Consumption

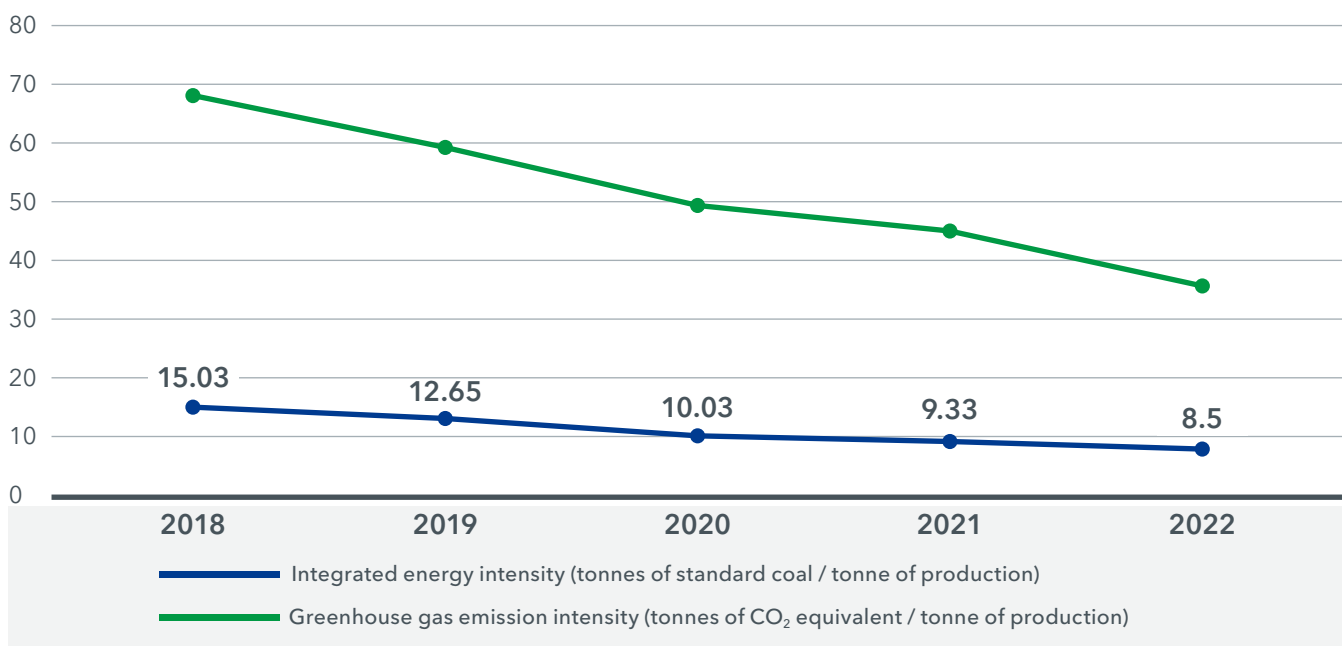
Steam: **15.8** kg/kgSi
Electricity: **56.8**kg/kgSi



Y-O-Y Reduction

Steam: **21%**
Electricity: **6%**

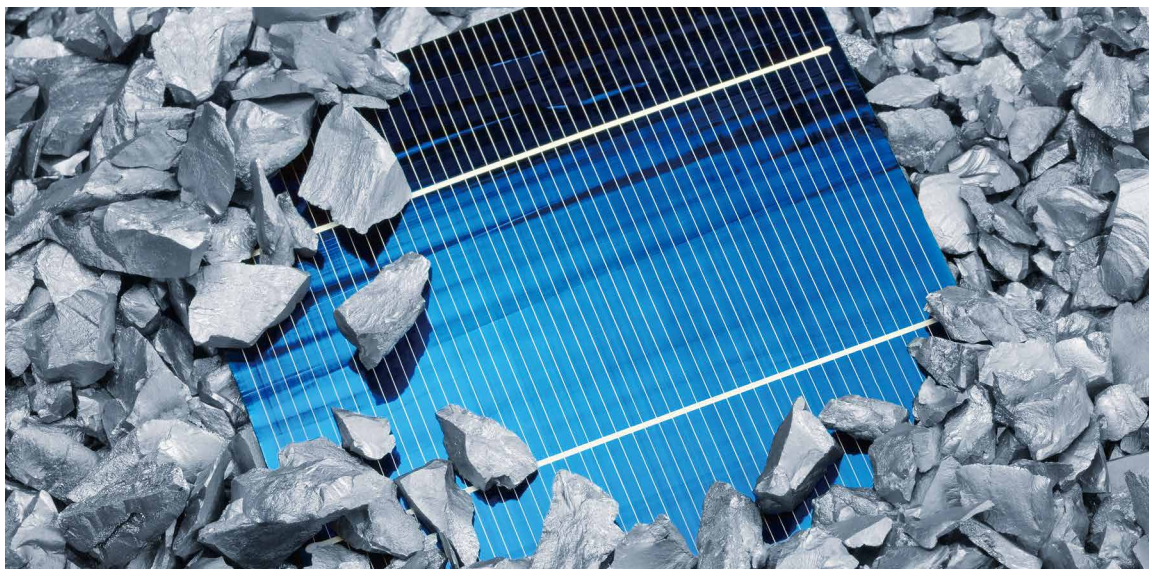
Daqo's Comprehensive Energy Consumption Intensity and GHG Emission Intensity, 2018-2022



During the Reporting Period, the Company's energy consumption and GHG emissions data were as follows:

Indicator	Unit	2021	2022
Diesel	Tons	47.48	66.98
Purchased electricity	kWh	5,195,724,430.00	7,553,270,489.00
Steam	Tons	1,707,807.4	2,117,690.60
Direct energy consumption	Tons of standard coal	69.18	97.60
Indirect energy consumption	Tons of standard coal	807,546.29	1,137,847.66
Comprehensive energy consumption	Tons of standard coal	807,615.47	1,137,945.26
Comprehensive energy consumption density	Tons of standard coal / ton of polysilicon output	9.33	8.50
Direct (Scope 1) GHG emissions	Tons of CO ₂ equivalent	149.33	210.67
Indirect (Scope 2) GHG emissions	Tons of CO ₂ equivalent	3,972,020.40	4,935,014.21
Total GHG emissions	Tons of CO ₂ equivalent	3,972,169.73	4,935,224.88
Greenhouse gas emission density	Tons of CO ₂ equivalent / ton polysilicon production	45.88	36.88

3.2 ENVIRONMENTAL MANAGEMENT



Daqo continues to revise and improve its internal Environmental Management System in strict compliance with national laws and policies such as the Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Induced by Solid Waste, and the Law of the People's Republic of China on Water Pollution Prevention and Control. The Company has also prepared Special Plans for Natural Disaster Emergencies (Earthquakes, Extreme Weather) and other regulations to provide standardized reference guidelines for comprehensive emergency response. During the Reporting Period, Daqo conducted internal audits on its facilities and was audited by third-party certification bodies with national registration qualifications. The Company's polysilicon production and related management activities have been certified under the ISO 14001 Environmental Management Systems standard. In terms of contributing to environmental

protection, Daqo invested a total of RMB 31,593,800 during the Reporting Period and identified no violations of environmental laws or regulations.

Daqo has set clear pollution reduction targets covering wastewater emissions and other metrics to measure the progress of its environmental protection strategy. These metrics related to environmental protection and clean production are integrated into the Company's long-term strategy and performance assessment system. In accordance with emission permit management requirements, Daqo regularly commissions qualified third-party experts to conduct pollutant emission monitoring covering wastewater, air emissions, and waste to ensure that emissions requirements are met and negative environmental impacts are minimized during production operations. During the reporting period, the Company's environmental management focused on water and soil conservation, as detailed in the figure below:





Water and Soil Conservation

- We have contracted a third-party company to design and implement water and soil conservation measures around our construction sites. In addition, a professional landscape maintenance team is responsible for cultivating, trimming, and ensuring the healthy growth of the greenery around our plant areas.

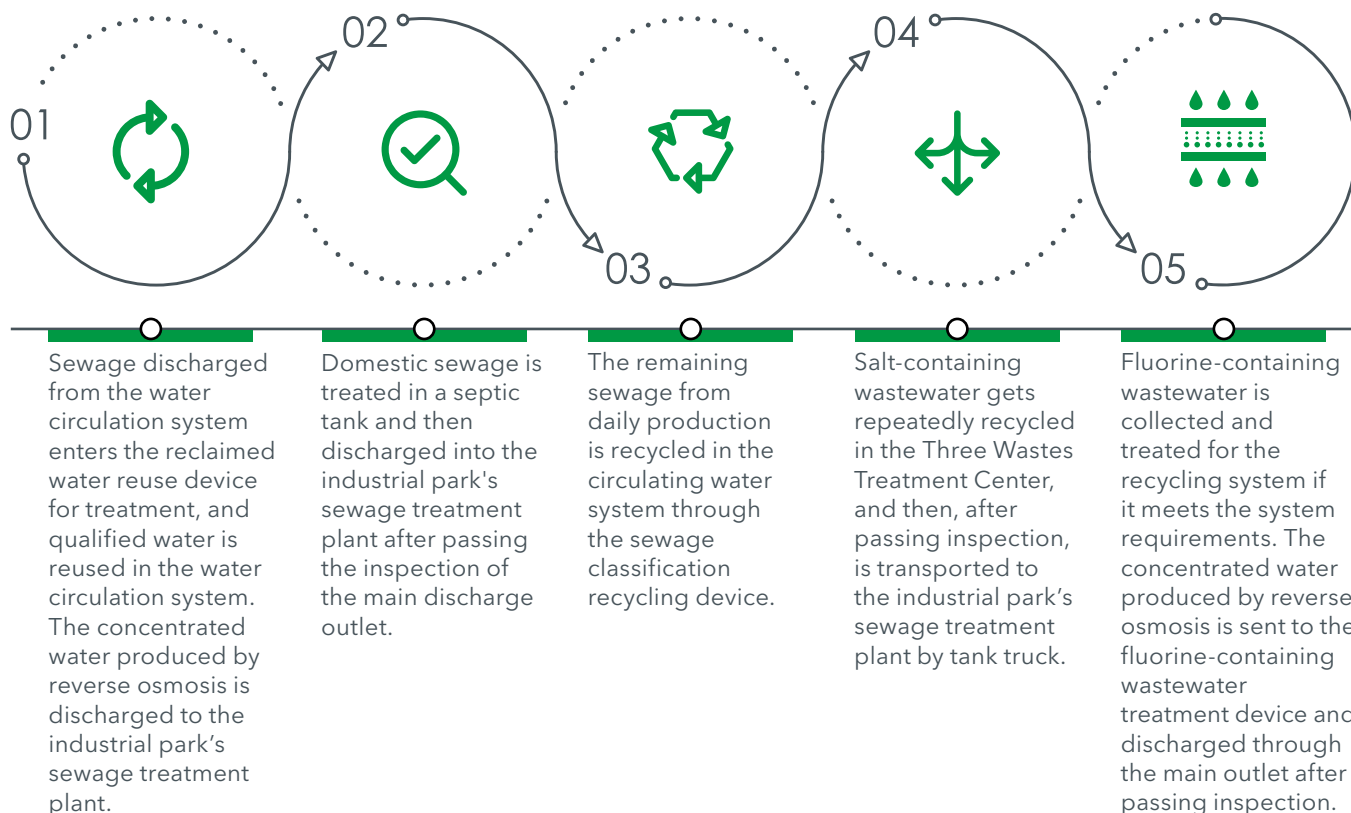
In addition, to further enhance staff awareness of environmental protection, Daqo has strengthened its corporate environmental protection culture by conducting regular environmental emergency drills and training.

3.2.1. Wastewater Management

Daqo observes strict compliance with laws and regulations including the *Law of the People's Republic of China on Water Pollution Prevention and Control* and the *General Standards for Wastewater Discharge (GB8978-1996)*. Daqo collects and classifies all wastewater discharge generated during production operations and separates wastewater from sewage to enhance the efficient use of water resources and reduce wastewater generation and discharge.



Wastewater Disposal Process



During the Reporting Period, Daqo carried out a series of equipment upgrades and technical modifications to reduce the production, discharge, and environmental impact of wastewater. These measures achieved the expected results and contributed to the steady advancement of the Company's environmental management capabilities.

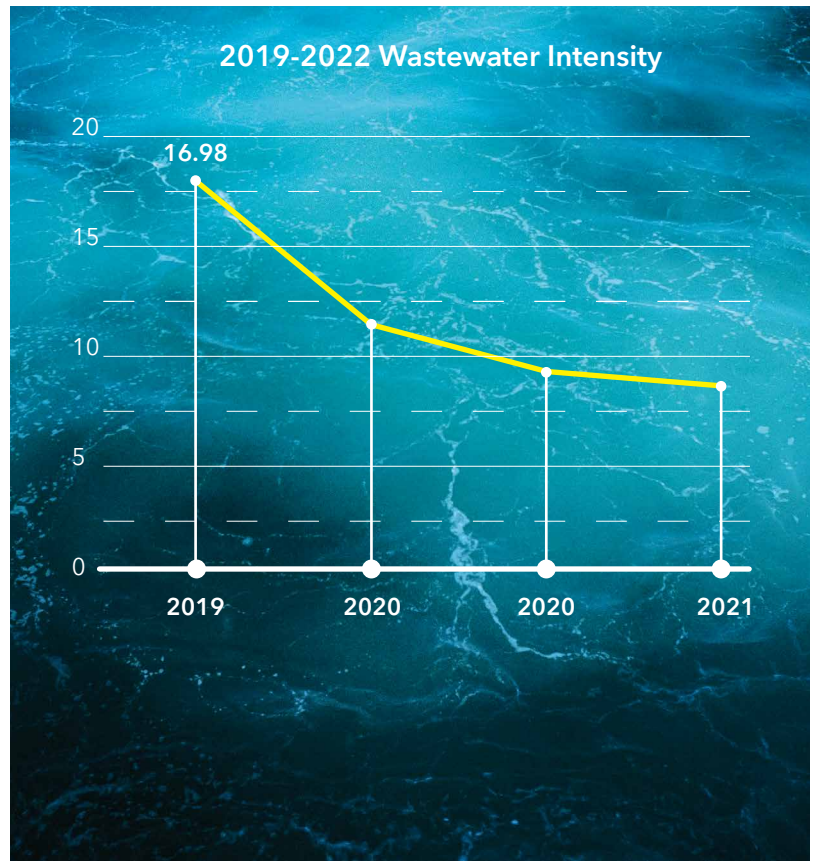
Optimizing the Product Pickling Process to Reduce Wastewater Discharge

During the Reporting Period, Daqo achieved a significant reduction in wastewater discharge by optimizing the product pickling process to reduce the amount of acid used.

Recycling of Concentrated Water

During the Reporting Period, Daqo recycled 125 tons per hour of concentrated water.

Due to the Company's continued wastewater reduction efforts, Daqo's wastewater intensity declined for the fourth consecutive year, and has decreased by 47.9% since 2019.



Indicator	Unit	2021	2022
Total wastewater discharge	10,000 tons	79.59	118.38



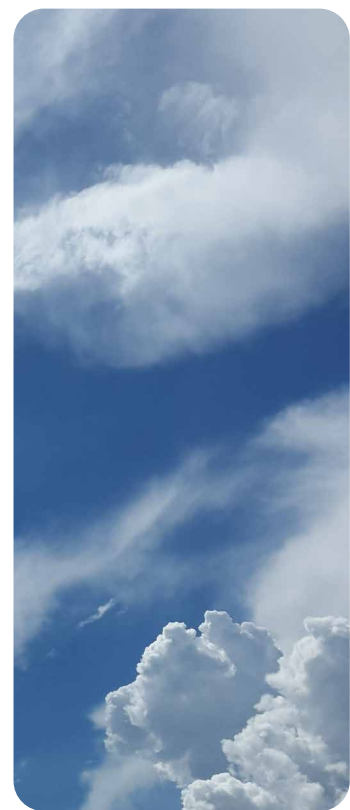
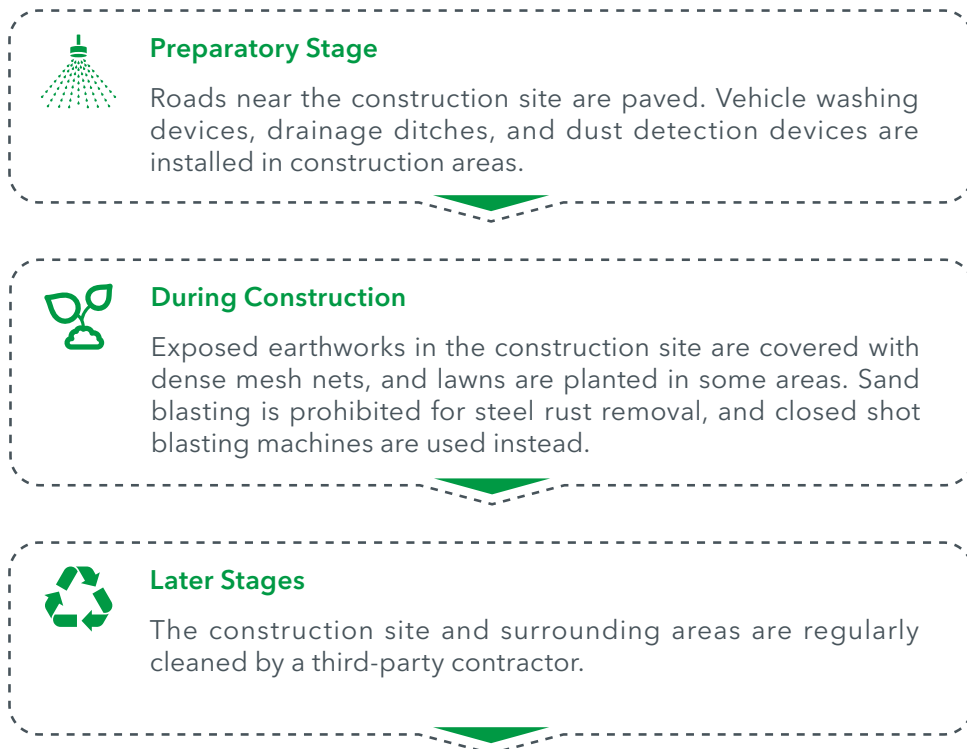
3.2.2. Waste Gas Management

Daqo strictly complies with the requirements of the *Law of the People's Republic of China on Air Pollution Prevention and Control* and other laws and regulations, implements the requirements of the *General Emission Standards of Air Pollutants* (GB16297-1996) and other standards, and has installed air emissions treatment devices such as dust collectors and drenching towers to ensure that air emissions are treated according to pollutant prevention standards before

being emitted. During the Reporting Period, Daqo standardized key process parameters related to exhaust recovery while revising the *Daqo Quality Control and Monitoring Management Regulations* to strengthen control and monitoring of air emissions.

In addition, the Company is focused on controlling dust pollution and implements dust management measures throughout the entire lifecycle of every construction project.

Dust Pollution Management Measures



Data on the Company's waste gas emissions during the Reporting Period is shown below:

Indicator	Unit	2021	2022
Nitrogen oxides	Tons	4.23	1.63
Dust	Tons	6.67	11.50



3.2.3. Waste Management

Daqo carries out waste management in an orderly fashion and strictly complies with the *Law of the People's Republic of China on Solid Waste Pollution Prevention and Control*. The Company transports general solid wastes to landfills for disposal according to local government requirements; for hazardous wastes, the Company sets up temporary storage facilities and contracts qualified professional suppliers and third-party institutions to carry out subsequent treatment. In addition, the Company has leveraged technical research and development to improve its solid waste recycling and reuse capacity.



Waste Salt Recycling Technology Project

In response to the challenge of dealing with waste salt generated in the production process, Daqo launched an experimental study to develop the technology to remove impurities from recycled salt so that it can be used as raw material for the chloralkali plant. This project achieved significant milestones during the Reporting Period, enabling the successful recycling of 10 tons of recycled salt per day. This new method of utilizing a waste product which previously could not be reused demonstrates the importance of technological innovation to the Company's environmental protection efforts.

Data on the Company's solid waste during the Reporting Period is shown below:


Indicator	Unit	2021	2022
Hazardous waste	Tons	213.75	445.38
General waste	Tons	25,740.50	39,269.90
> <i>Integrated use</i>	Tons	772.65	1,239.25
> <i>Landfill</i>	Tons	24,967.85	38,030.65
Total solid waste volume	Tons	25,954.25	39,715.28

3.3 RESOURCE MANAGEMENT


Daqo recognizes that practicing resource conservation and sustainable resource management is not only essential for reducing costs and boosting corporate efficiency, but also a fundamental part of our social and environmental responsibilities. We have implemented a multi-pronged approach to optimizing our water and material management performance, focusing on equipment and plants, process technology, and target management. We are pleased to report that these efforts have yielded positive results.

3.3.1. Water Resources Management

Daqo attaches great importance to sustainable water use and conservation, and the Company is committed to improving the efficiency of water consumption in our production processes. During the Reporting Period, we consumed water from municipal sources while also promoting the recycling of wastewater, grey water, and salt-concentration wastewater to achieve our water consumption target of 50 kg/kg of silicon, effectively enhancing our water utilization efficiency and reducing overall consumption. We outperformed our annual water consumption target, reducing consumption by 26% compared to the previous year.

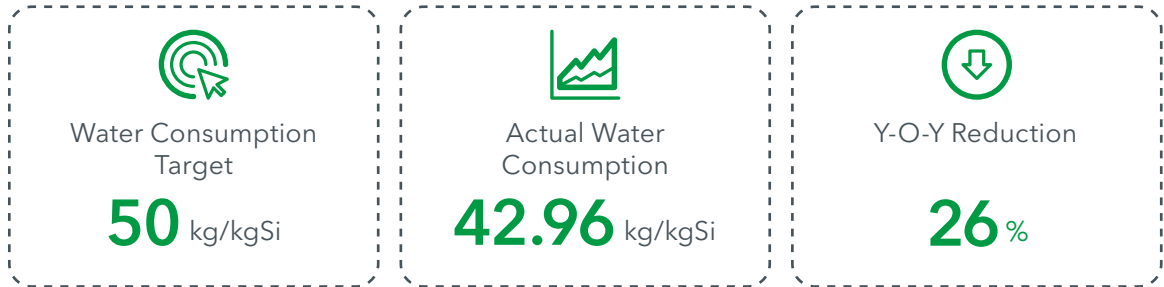


Reducing Water Consumption through Recycling



MVR device

During the Reporting Period, Daqo employed technical means to achieve greater recycling of wastewater through the waste salt recycling process project. The project’s operational efficiency has reached 90 cubic meters of recycled water per hour, making a substantial contribution to our water conservation efforts.





Data on the Company's water consumption during the Reporting Period is as follows:

Indicator	Unit	2021	2022
Total water consumption (all coming from municipal water)	1,000 tons	5,622.3	6,250.8
Water consumption intensity	1,000 tons/ton of polysilicon output	0.06	0.05
Total recycled water	10,000 tons	66,782.9	105,186.69

3.3.2. Management of Materials

Daqo considers the control and management of materials to be crucial components of environmental protection, and incorporates sustainability factors into its material selection process. During the Reporting Period, the Company revised the *Daqo Management System for the Quality Control of Finished Products*, the *Quality Control Management System*

for Raw and Auxiliary Materials, and the *Quality Standard Management System* to clarify the assessment criteria for raw and auxiliary materials. We have reduced silicon consumption, resource waste, and environmental impact in the production process through material recycling, with no negative impact on production capacity



Data on the Company's material consumption during the Reporting Period is as follows:

Indicator	Unit	2021	2022
Silicon powder	Tons	95,883.20	144,591.65
Hydrogen	10,000 m ³	2,178.19	3,070.51
Hydrochloric acid	Tons	7,986.0	9,100.8

4 APPENDIX

4.1 GRI STANDARDS CONTENT INDEX

Instructions for use	The information referenced in this GRI Content Index is reported by Daqo New Energy Corp. from January 1, 2022, to December 31, 2022, about the GRI standard.
GRI 1 used	GRI 1: Foundation 2021

GRI Standards	Disclosure items	Location	Pages
GRI 2: General Disclosure 2021	2-1 Organizational details	About Daqo New Energy - Company Profile	P11
	2-6 Activities, value chain, and other business relationships	About Daqo New Energy - Business Overview	P14
	2-7 Employees	Talent Development - Employee Profile	P47
	2-9 Governance structure and composition	Lean Governance - Risk Management	P18
	2-10 Nomination and selection of the highest governance body	Lean Governance - Risk Management	P18
	2-11 Chair of the highest governance body	Lean Governance	P16
	2-12 Role of the highest governance body in overseeing the management of impacts	Lean Governance - Risk Management	P18
	2-13 Delegation of responsibility for managing impacts	Lean Governance	P18
	2-14 Role of the highest governance body in sustainability reporting	ESG Governance - ESG Governance	P23

	2-16 Communication of critical concerns	ESG Governance - Stakeholder Engagement	P24
	2-17 Collective knowledge of the highest governance body	Lean Governance	P18
	2-19 Remuneration policies	Talent Development - Employee Profile	P47
	2-20 Process to determine the remuneration	Talent Development - Employee Profile	P47
	2-22 Statement on sustainable development strategy	ESG Governance - ESG Governance	P23
	2-25 Processes to remediate negative impacts	Lean Governance - Risk Management	P18
	2-26 Mechanisms for seeking advice and raising concerns	Lean Governance - Business Ethics and Anti-Corruption	P20
	2-27 Compliance with laws and regulations	Lean Governance - Risk Management Lean Governance - Business Ethics and Anti-Corruption	P18-20
	2-28 Membership associations	Lean Governance	P16
	2-29 Approach to stakeholder engagement	ESG Governance - Stakeholder Engagement	P24
	2-30 Collective bargaining agreements	Talent Development - Employee Profile	P47
GRI 3: Substantive topics 2021	3-1 Process to determine material topics	ESG Governance - ESG Materiality Issues	P26
	3-2 List of material topics	ESG Governance - ESG Materiality Issues	P26
	3-3 Management of material topics	ESG Governance - ESG Materiality Issues	P26

GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	Responding to Climate Change - Risks and Opportunities	P67
GRI 202: Market Performance 2016	202-1 Ratios of standard entry-level wage by gender compared to local minimum wage	Talent Development - Employee Profile	P47
	202-2 Proportion of senior management hired from the local community	Talent Development - Employee Profile	P47
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Commitment to Innovation and Quality - Technological Innovation	P29
	203-2 Significant indirect economic impacts	Commitment to Innovation and Quality - Technological Innovation	P29
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Commitment to Innovation and Quality - Supply Assurance	P41
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Lean Governance - Business Ethics and Anti-Corruption	P20
	205-2 Communication and training about anti-corruption policies and procedures	Lean Governance - Business Ethics and Anti-Corruption	P20
	205-3 Confirmed incidents of corruption and actions taken	Lean Governance - Business Ethics and Anti-Corruption	P20
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Lean Governance - Business Ethics and Anti-Corruption	P20
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Resource Management - Materials Management	P79
	301-2 Recycled input materials used	Resource Management - Material Management	P79

	301-3 Reclaimed products and their packaging materials	Resource Management - Material Management	P79
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Responding to Climate Change - Energy Management	P70
	302-2 Energy consumption outside of the organization	Responding to Climate Change - Energy Management	P70
	302-3 Energy intensity	Responding to Climate Change - Energy Management	P70
	302-4 Reduction of energy consumption	Responding to Climate Change - Energy Management	P70
	302-5 Reductions in energy requirements of products and services	Responding to Climate Change - Energy Management	P70
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Environmental Management - Wastewater Management Resource Management - Water Resources Management	P74 P78
	303-2 Management of water discharge-related impacts	Environmental Management - Waste Water Management Resource Management - Water Resources Management	P74 P78
	303-3 Water withdrawal	Resource Management - Water Resources Management	P78
	303-4 Water discharge	Environmental Management - Wastewater Management	P74
	303-5 Water consumption	Resource Management - Water Resources Management	P78
GRI 304: Biodiversity 2016	304-3 Habitats protected or restored	Environmental Management	P72

GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Responding to Climate Change - Energy Management	P70
	305-2 Energy indirect (Scope 2) GHG emissions	Responding to Climate Change - Energy Management	P70
	305-3 Other indirect (Scope 3) GHG emissions	Responding to Climate Change - Energy Management	P70
	305-4 GHG emissions intensity	Responding to Climate Change - Energy Management	P70
	305-5 Reduction of GHG emissions	Responding to Climate Change - Energy Management	P70
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Management - Waste Gas Management	P76
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Environmental Management - Waste Management	P77
	306-3 Waste generated	Environmental Management - Waste Management	P77
	306-4 Waste diverted from disposal	Environmental Management - Waste Management	P77
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Commitment to Innovation and Quality - Supply Assurance	P41
	308-2 Negative environmental impacts in the supply chain and actions taken	Commitment to Innovation and Quality - Supply Assurance	P41
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Talent Development - Employee Profile	P47
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Talent Development - Employee Profile, Employee Care	P47 P54

	401-3 Parental leave	Talent Development - Employee Profile	P47
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Talent Development - Health and Safety	P56
	403-2 Hazard identification, risk assessment, and incident investigation	Talent Development - Health and Safety	P56
	403-5 Worker training on occupational health and safety	Talent Development - Health and Safety	P56
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Talent Development - Health and Safety	P56
	403-8 Workers covered by an occupational health and safety management system	Talent Development - Health and Safety	P56
	403-9 Work-related injuries	Talent Development - Health and Safety	P56
	403-10 Work-related ill health	Talent Development - Health and Safety	P56
	GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Talent Development - Talent Cultivation
404-2 Programs for upgrading employee skills and transition assistance programs		Talent Development - Talent Cultivation	P52
404-3 Percentage of employees receiving regular performance and career development reviews		Talent Development - Talent Cultivation	P52
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Talent Development - Employee Profile	P47
	405-2 Ratio of basic salary and remuneration of women to men	Talent Development - Employee Profile	P47

GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Talent Development - Employee Profile	P47
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	Talent Development - Employee Profile	P47
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Talent Development - Employee Profile	P47
GRI 409: Forced or Compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Talent Development - Employee Profile	P47
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Talent Development - Employee Profile	P47
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Giving back to Society - Voluntary Activities, Public Charity	P63
	413-2 Operations with significant actual and potential negative impacts on local communities	Environmental Management - Waste Management	P77
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Commitment to Innovation and Quality - Supply Assurance	P41
	414-2 Negative social impacts in the supply chain and actions taken	Commitment to Innovation and Quality - Supply Assurance	P41

GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Commitment to Innovation and Quality - Quality Management	P35
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Commitment to Innovation and Quality - Quality Management	P35
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Commitment to Innovation and Quality - Quality Management	P35
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Commitment to Innovation and Quality - Technological Innovation	P29

