



2023

HENGYI PETROCHEMICAL CO., LTD.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) REPORT

About this report

This is the fifth independent report released by Hengyi Petrochemical Co.,Ltd.. In response to market changes and new regulatory requirements, the report name would be changed from Social Responsibility Report to Environmental, Social, and Governance Report since 2023. This report discloses relevant information of the Company in the environmental, social, and governance aspects in 2023 to respond to the concerns and expectations of stakeholders.

Organizational Scope

The main entity of this report is Hengyi Petrochemical Co., Ltd., including its branches, subsidiaries, and affiliates.

Reporting period

This report covers the period from January 1, 2023 to December 31, 2023. Some content may be appropriately extended beyond the stated period according to disclosure needs.

Preparation Basis

This report is prepared in accordance with the requirements of Chapter 8 "Social Responsibility" of the Guidelines No. 1 for Self-Regulation of Listed Companies-Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange and with reference to the GRI Sustainability Reporting Standards(GRI Standards) issued by Global Reporting Initiative (GRI), as well as the United Nations Global Compact, ISO 26000: Guidance on Social Responsibility (2010) issued by International Organization for Standardization and the Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR5.0) issued by the Chinese Academy of Social Sciences.

Abbreviations

For better presentation and readability, Hengyi Petrochemical Co.,Ltd. is also referred to as "Hengyi", the "Company" and "We" in this report.

Data Sources

The information and data cited in this report come from the official documents, statistical and financial reports of the Company. The reporting materials are provided by Hengyi employees and partners. It's only for disclosing Hengyi's sustainability management progress instead of commercial use. The financial data in this report is subject to the annual report data. Other data is from internal statistics. The currency used in this report is RMB unless otherwise noted.

Report Access

The Board of Directors of the Company approved this report on April 19, 2024. This report is available in both Simplified Chinese and English versions. For any inconsistency of the content, the simplified Chinese version shall prevail. You can visit our website to download this report.

Official Website: www.hengyishihua.com / CNInfo: www.cninfo.com.cn



CONTENTS

- 03 About this report
- 06 Chairman's Statement
- 07 About Hengyi
- 09 Honors
- 09 ESG Highlights in 2023

- 70 Prospects
- 72 Appendix
- 72 ESG Key Performance
- 74 Report Content Indexes
- 77 Feedback Sheet

01

Creating Mutual Trust and Value with Shareholders

- 12 Corporate Governance
- 20 ESG Governance

02

Striving for Harmony with the Environment by Green Development

- 26 Climate Change Response
- 31 Environmental Management
- 32 Water Resource Utilization
- 33 Pollutant Emission Reduction
- 35 Ecological Protection

03

Earning Customer Trust with Quality

- 38 Safety Responsibility
- 43 Product Quality
- 45 Superior Services

04

Fostering Stable and Win-win Relationships with Partners

- 48 Responsible Supplier Chain
- 49 R&D and Innovation
- 54 Industry Exchanges and Cooperation

05

Growing Together with Employees

- 58 Employees' Rights and Interests
- 60 Occupational Health and Safety
- 61 Unblocked Growth Channel
- 63 Warm care for employees

06

Building Harmonious Community With A Shared Future

- 66 Rural Vitalization
- 66 Community Charity
- 67 Contribution to the BRI

Chairman's Statement



2023 was the first year for kicking off our efforts to put the guiding principles of the 20th CPC National Congress into action. It was also pivotal to implement the 14th Five-Year Plan. Amid the complex international climate and domestic economic recovery pressures, 2023 was a mix of opportunities and challenges for Hengyi. Bolstered by the collective tenacity and unremitting endeavor of our workforce, Hengyi excelled despite external pressures.

| In 2023 | Deeply rooted in our primary business, Hengyi aligned with the national directives for high-quality development and carbon peaking and carbon neutrality goals, prioritizing the importance of environmental protection in our operations. Embedding carbon peaking across every link and facet of our development, we executed seven carbon peaking actions: green and low-carbon energy transition action, energy-saving, carbon reduction and efficiency increase action, green and low-carbon action in the production field, green and low-carbon action in the transport field, carbon footprint reduction action through the circular economy, green and low-carbon action through technological innovation, and green and low-carbon action for the public, contributing to the global action against climate change. By advancing green technological innovations, developing clean energy, saving energy, and improving energy efficiency, we explored our potential to reduce carbon emissions and contribute to building a more beautiful China.

| In 2023 | Hengyi further enhanced its technological innovation capacity. Committed to independent R&D, we expedited the commercialization and application of technological achievements and nurtured new quality productive forces, propelling the transition from an industrial Hengyi to a technological Hengyi. The production capacity of our eco-friendly polyester product, Eticont, reached 800,000 tons, heralding a new epoch in the green development of polyester fibers.

| In 2023 | Hengyi continued to perform social responsibilities and commitments. Championing the concept of "advancing development with joint efforts and shared joy", we hosted the fifth Corporate Culture Festival and launched the fifth round of our Employee Stock Ownership Plan (ESOP). The plan benefited over 10,000 participants in total. Actively involved in charitable activities, we donated RMB 30 million to the Red Cross Society of China Wuzhong Branch, Ningxia, earning us the inaugural "Hangzhou Charity Award".

Looking ahead, Hengyi will continue to practice the national strategic goals of carbon peaking and carbon neutrality. While pursuing green innovation guided by green manufacturing and circular economy, we will integrate into the new development paradigm of dual circulation more proactively, embarking on a new journey under Chinese modernization!

About Hengyi

Business Layout

Hengyi Petrochemical (000703.SZ) aspires to become a world-class and domestic leading petrochemical industrial group. Through resource sharing and industrial coordination, the Company bolsters overall competitiveness. Currently, we have formed a multi-faceted "petrochemical+" industrial layout, with the petrochemical industry chain driven by "polyester + nylon" serving as the core business, petrochemical finance and trade as the growth business, and big data of chemical fiber industry chain and intelligent manufacturing as the emerging business.

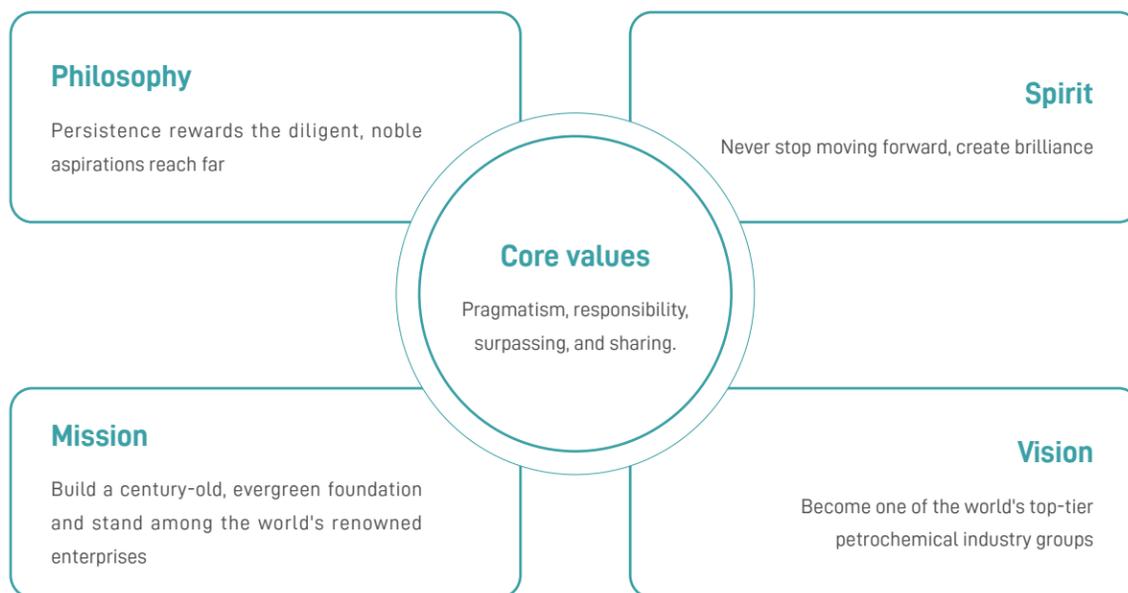
For years, our overall competitiveness has maintained a leading position in the industry. Our main products include purified terephthalic acid (PTA), caprolactam (CPL), polyethylene terephthalate (PET) chips, and bottle flakes, as well as a range of differentiated products like polyester pre-oriented yarn (POY), polyester fully drawn yarn (FDY), polyester drawn textured yarn (DTY) and short fiber. Polyester products, integral to both the economy and everyday life, are extensively used in textiles, clothing, home furnishings, and industrial applications. We lead the segment of differentiated and high value-added products with our antimony-free, eco-friendly Eticont polyester chips and fibers, cationic polyester chips and fibers, ultra-high elasticity fibers, rabbit fur-like fibers, special-shaped silk, color silk, masterbatch silk, Hengyi bamboo silk, Hengyi dragon silk, and Hengyi colored silk.



Hengyi Culture



Since its inception, Hengyi has endured storms without changing its original intention, forged through vicissitudes and flourished in its prime. Hengyi has developed a unique "54354" corporate culture mechanism, focusing on five sub-cultures: shared creation, dedication to excellence, pioneering spirit, stability and security, and mutual benefits. We adhere to four principles of "the realization of historical experience, the collectivization of individual knowledge, the humanization of rigid institutions, and the tactical transformation of strategic blueprints", aiming for harmony between culture and strategy, business growth and employee development, and cultural advantage and competitiveness. By building five driver systems of senior leadership, employee demand, full participation, social interaction, and institutional security, Hengyi aspires to be a century-old enterprise deeply respected, well received, trusted, and loved by society, customers, shareholders, and employees.



Honors

1. One of Hengyi's projects was selected in the Top 100 Best Practices over the Past Decade of the Belt and Road Cooperation by Chinese Listed Companies
2. Hengyi was awarded the "2023 Excellent Practice Case of the Board Office of Listed Companies" by China Association for Public Companies
3. Hengyi got Grade-A in information disclosure assessment by Shenzhen Stock Exchange for two consecutive years
4. Hengyi won the 2023 Product Development Contribution Award by China National Textile and Apparel Council (CNTAC)
5. Hengyi received the Carbon Neutral Top 50 of the ESG Golden Bull Awards
6. Hengyi was listed among the billion-dollar club rankings of global chemical companies
7. Our "Green Manufacturing of TiO2 Matting Agent for Nylon and Complete Set of Technologies for Industrialization of Fully Matte Nylon" were honored the First Prize of the 2023 CNTAC Science and Technology Progress Award .
8. Chairman Qiu Yibo was bestowed as "New Prominent Hangzhou Entrepreneur" at the World Hangzhou Entrepreneurs Convention

ESG Highlights in 2023

| | |
|---|---|
| <p>15 investor exchange activities in various forms, such as teleconferences, onsite investor surveys, brokerage strategy meetings, and performance briefings.</p> | <p>RMB 521.4955 million invested in environmental protection</p> |
| <p>RMB 139.8686 million invested in safety</p> | <p>Approximately RMB 4.437 billion for 366.84 million shares purchased in five rounds of employee stock ownership plan following this year's fifth round.</p> |

During the reporting period, the Company implemented the third and fourth phases of the share repurchase program. The third phase was completed, with a total of **150,813,800** shares repurchased, representing **4.11%** of the Company's total share capital, and the total amount paid has reached approximately RMB **1.112** billion. As of March 31, 2024, the cumulative number of shares repurchased under the fourth phase has amounted to **64,575,500** shares, accounting for **1.76%** of the Company's total share capital or around RMB **430** million paid to employees. The Company has repurchased shares worth approximately RMB **2.675** billion, demonstrating the Company's confidence in its value and future development.

Creating Mutual Trust and Value with Shareholders

Sound governance is an important guarantee for promoting efficient operation and sustainable and robust operation of an enterprise. Staying true to the modern corporate governance philosophy of honesty, trustworthiness and openness, Hengyi promotes the overall improvement of corporate governance and internal control management and continues to create value for shareholders and the whole society.

- Corporate Governance
- ESG Governance

2023 Actions and Responses

“A”

Grade- A in information disclosure assessment by Shenzhen Stock Exchange (SZSE) for two consecutive years

5

shareholders meetings

15

meetings of the Board of Directors

11

meetings of the Board of Supervisors held

15

investor communication activities conducted

221

announcements on the official websites of HengYi and SZSE disclosed, and

4

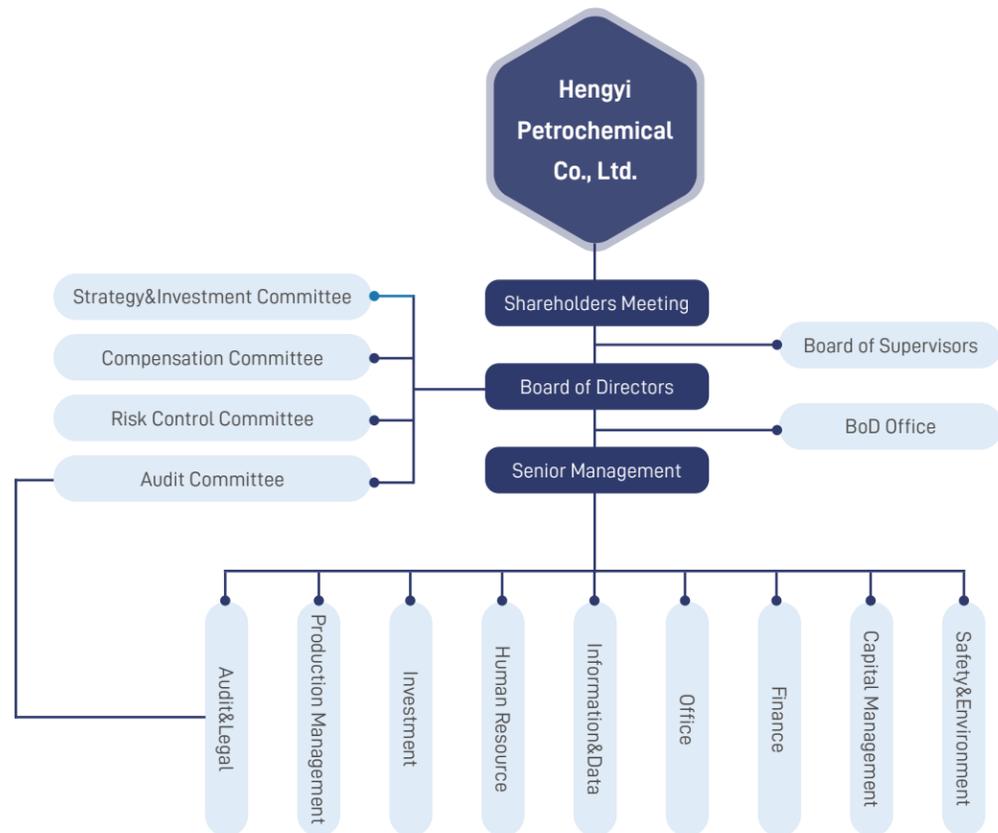
periodic reports issued

Corporate Governance

Governance structure

The Company is committed to building a high-quality corporate governance structure with transparent rights and responsibilities and clear division of labor. We strictly comply with the requirements of laws and regulations and relevant regulatory documents such as *the Company Law, the Securities Law and the Shenzhen Stock Exchange Listing Rules*, etc., and follow up on updates of laws and regulations in a timely manner. We have revised the Articles of Association, the Independent Directors Work System and other relevant corporate systems to continuously strengthen our governance standards as a listed company. For two consecutive years, the Company has been awarded Grade "A" in information disclosure assessment by the Shenzhen Stock Exchange, and the information disclosure quality, standardized operation and investor relations management have been highly recognized.

The Company has established an internal governance structure comprising the Shareholders' Meeting, the Board of Directors, the Board of Supervisors and the senior management. The Board has four committees: Strategy and Investment Committee, Compensation Assessment and Nomination Committee, Risk Control Committee and Audit Committee. Each of these specialized committees conducts their duties and responsibilities to ensure efficient, scientific and standardized operation.



Shareholders' Meeting

shareholders' meetings held in 2023

5

The Shareholders' Meeting is the highest authority of the Company. The Company convenes and holds the meetings in strict accordance with the provisions and requirements of the *Rules for Shareholders' Meeting of Listed Companies, the Articles of Association and the Shareholders' Meeting Rules*, and treats all shareholders fairly. The Shareholders' Meeting conducts online voting and discloses the voting of minority shareholders in the announcement to actively safeguard the legitimate rights and interests of all shareholders, especially minority shareholders, in obtaining information, participating in decision-making, and supervising of major matters.

Directors, the Board and specialized committees

meetings of the Board of Directors held in 2023

15

The Board of Directors(the Board), as a permanent decision-making body, is responsible for formulating overall strategic plans, setting long-term performance and management objectives, evaluating business operation performance and monitoring management performance, and scrutinizing risks, etc. It is responsible to the Shareholders' Meeting. The directors are elected by the Shareholders' Meeting for a term of three years and are eligible for re-election. In 2023, the 11th Board of Directors completed its term, and the Company elected the 12th Board of Directors by the procedures, to further improve the corporate governance structure. After the deliberation of the 12th session of the Board of Directors, Qiu Yibo was elected as the Chairman of the Board, and the members of the specialized committees of the Board were appointed. The Board had a total of 9 directors, including 3 independent directors, accounting for 33.33%, and 1 female director, accounting for 11.11% of all Board members.

The members all come from different professional fields, with good cultural and educational backgrounds and rich professional experience. The Board gives full play to their business capabilities and financial experience, and constantly improves the system of specialized committees, so as to enhance the independence and professionalism of the Board, and to vigorously safeguard the legitimate rights and interests of the Company and minority shareholders.

Board of Supervisors

meetings of the Board of Supervisors held in 2023

11

The Board of Supervisors exercises its supervisory duties over the Company's business activities in accordance with the laws and regulations, and safeguards the legitimate rights and interests of the Company, shareholders and creditors according to the Company Law, the Articles of Association and other relevant regulations. In 2023, the term of office of the 11th Board of Supervisors expired, and the Company carried out the new round of election in accordance with the procedures. The 12th Board of Supervisors consists of three Supervisors, including one female Supervisor.

Senior Management

The Senior Management, as the executive body of the Company, is appointed by and reporting to the Board. After a general election, the Management currently consists of 6 senior executives, involving experts in different fields such as petrochemicals, material science, production, finance, legal affairs, marketing, capital operation, etc., with professional capabilities and rich management experience.

Compliant operation

The Company adheres to corporate governance in accordance with the law, establishes and improves corporate legal risk prevention mechanisms and integrates integrity and compliance guidelines into all areas and aspects of production and operation. While improving the internal control management system, we redouble efforts in auditing and continue to strengthen compliance management.

Risk and internal control management

The Company has established the management mechanism to support strategy implementation and risk control, and refined risk management capabilities. By formulating the *Development Strategic Planning Management System, Rules on Audit Committee Work and Rules on Risk Control Committee Work*, which guide the Board and the Audit Committee to fulfill their risk decision-making and supervision responsibilities and prevent risks in formulating and implementing the strategic plans for development. *The Internal Control System and the Internal Audit System* are adopted to strengthen the internal management and supervision, aiming to enhance our capacities on business management and risk prevention.

By identifying potential risks, evaluating risks, and formulating risk management strategies for major risks, the Company has implemented standardized risk prevention and control requirements across our corporate management and business processes, so as to ensure that risks are contained within the scope of risk tolerance, and to provide a strong guarantee for the sound operation.



Risk Assessment

The risk assessment process includes risk identification, risk analysis, risk assessment and risk response to ensure the accuracy and comprehensiveness of risk assessment.

All kinds of risks will be registered and evaluated based on results from risk assessment. The prioritized risks and those that may lead to significant impacts will be identified.



Internal Control

The Company regularly conducts internal control self-evaluation programs and identifies key risks of actual business processes in line with the *Guidelines for Corporate Internal Control* and the internal control manual, which covers all departments and forms a business process risk control matrix. Through the scientific risk assessment mechanism, potential risks are identified and forewarned in a timely manner, with effective measures to control and defuse.



Risk Training

The Company regularly carries out lectures on risk prevention and control, and hires external legal lecturers to conduct compliance training and education activities for employees to improve their risk prevention ability and ensure compliance in their daily work.

Audits in the Company:

Focusing on the Company's development, the audit activities aim to "prevent risks, control costs, strengthen management, and promote standardization." Targeting key business areas, such as finance, logistics, procurement, sales, production and raw material supply and trade, a diversified audit model of "routine, specialized and continuous supervision + spot checks" is implemented for audit oversight. Such mode ensures that the Company can fully fulfill our internal audit responsibilities, ensuring the effective improvement of our risk management level.

Business ethics

The Company strictly abides by the Anti-Monopoly Law of the PRC, the *Anti-Unfair Competition Law of the PRC* and the relevant laws and regulations of the countries where the overseas projects are located. We adhere to the code of business conduct and ethics, consciously maintain the fairness and equity of the market, and oppose any form of commercial bribery, money laundering, monopolization and unfair competition.

Anti-corruption

The Company has formulated the *Code of Business Conduct and Ethics, the Anti-fraud Guidelines, the Employee Integrity and Ethical Conduct Regulations* and other institutional documents, and set up the anti-fraud working group led by the Chairman, who is responsible for authorizing investigations of reported matters and making decisions on the handling of certain employees' fraudulent acts. In order to continuously improve the anti-corruption prevention and control system and reduce corruption incidents, the Company has set up an independent audit and legal department to carry out anti-corruption efforts guided by the Audit Committee.



Committed to the principle of "openness, fairness and impartiality", the Company requires our partners to strictly comply with relevant domestic and international laws and regulations, as well as our *Supplier Management System, Anti-commercial Bribery and Integrity Agreement*, etc. We have zero tolerance for any form of corruption and bribery, regularly publicize our integrity system through phone calls, WeChat and emails. Meanwhile, we fully respect and protect intellectual property rights and business secrets to establish fair, equitable and trustworthy cooperation.

Whistleblower Protection

The Company has established a sound management mechanism which clarifies the whistleblower protection and ensures timely and effective handling of reports and complaints. We have established a smooth channel for complaint reporting, and all reporting channels are open and accessible through system announcements, the Company's official website, our WeChat official account, customer meetings, bidding processes and the internal integrity education and disciplinary case notifications on a day-to-day basis.

We promise to protect the privacy and information security of every whistleblower, without disclosing their identity. The Company will treat the whistleblower materials as confidential, strictly safeguarding any information including their name, employer, home address, and their reporting content. Any form of retaliation against individuals who assist in whistleblower investigations is strictly prohibited. Once discovered, appropriate measures will be taken according to relevant regulations, and any criminal activities will be transferred to the judicial authorities.

Anti-fraud Office reporting channels:

Tel: 0571-83581890 (ext: 1890)
E-mail: fwb@hengyi.com
Fax: 0571-82797666



Investor Relations

Information disclosure is an important window for investors and the public to obtain information of listed companies, and is also a basic requirement for maintaining upright and transparent communication. The Company effectively protects investors' right to know and participate, establishes a multi-channel and all-round communication platform and a communication mechanism for major events, and regularly releases reports to guarantee the accurate and standardized disclosure of relevant information.



In 2023, 15 investor communication activities were carried out

15

announcements were disclosed on the official websites of HengYi and SZSE

221

and 4 regular reports were issued.

4



The Company carries out investor communication activities in various forms such as online teleconferences, on-site investor surveys, brokerage strategy meetings, and performance briefings, etc., and has designated personnel responsible for smooth mailboxes and telephones, and also actively responds to investor questions by utilizing the investor interactive platform of SZSE. In 2023, we held 2 performance briefings at which investors' nearly 200 questions were answered, and responded to 87 questions on the SZSE's investor interactive platform timely and effectively, while actively responding to investor concerns via investor hotlines and other forms to convey the Company's value to investors.

Case The Company held performance briefings

The Company held online performance briefing events through online platforms, boosting investors' trust and recognition by comprehensively and multi-dimensionally elaborating on our business operation, development highlights, strategic planning, and social responsibility etc.



Honors

- Excellent Case of Serving the Real Economy in the Bond Market, issued by Shenzhen Stock Exchange
- 2023 Excellent Practice Case of the Board Office of Listed Companies , Top 100 Best Practices over the Past Decade of the Belt and Road Cooperation by Chinese Listed Companies and 4A secretary in the evaluation of secretaries' performance issued by China Association for Public Companies



- Carbon Neutral Top 50 of the ESG Golden Bull Awards for by China Securities Journal.
- Among "billion-dollar club rankings of global chemical companies" released by the US Chemical Weekly

Party Building

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company actively establishes a working pattern for "Big Hengyi, Big Party Building, Big Development", fostering a Party building brand of "Staying True to our Founding Mission on the Journey of Development". This effort has led to a unique "13446" Party building work mechanism, which drives high-quality development through high-quality Party building.

"13446" Party building work mechanism:



Strengthening the construction of primary-level Party organizations

To improve the development of Party organizations, the Company has formulated the 2024-2026 Development Plan for Party Members, which defines Party building goals and mandates to create Party branches in apartments, communities, and workshops faster. We enhance team building for Party secretaries, staff responsible for Party affairs, and Party members. We also implement annual assessments for Party secretaries, quality enhancements for staff responsible for Party affairs, and thorough audits for Party members, with a focus on bolstering the management of migrant Party members.

Deepening the situation education campaign for Party members

The Company launches the all-staff situation education campaign for "Bolstering Confidence, Morale, Initiative, and Development" through Party organizations. Leveraging activities such as "Three Meetings and One Lecture" and thematic Party Day, we tap mechanisms like "Primary-level Political Commissar" and "Hengyi Seniors". In addition, we are keen on making our situation education more targeted, effective, penetrating, and affiliative.

Enriching corporate culture activities

The Company consistently refines its corporate culture system centered around the principle of "Relentless Pursuit of Excellence". With the support of Party organizations, we have formulated the Corporate Culture Manual, reshaped core values, designed the mascot "Blue Rabbit", and organized a corporate culture festival.

Valuing the guiding role of advanced models, the Company motivates Party members and organizations at all levels to stay true to the original aspiration for relentless efforts. The campaign on "Four Showcases and Four Competitions" and feature coverage such as "Contributing to Party Building", "Celebrating the Asian Games and Carrying Forward Hengyi Spirit", and "Promoting Culture to Forge Synergy for Progress" were carried out. Together with the Group, we have issued an implementing plan for selecting advanced collectives and outstanding individuals in Party and mass organizations, fully mobilizing the working enthusiasm of Party members.



ESG Governance

Taking into account the current development situation and the relevant ESG requirements of the places where the stocks are listed, Hengyi has continuously deepened its awareness of ESG governance and integrated it into the corporate development strategy and daily operation, so as to promote high-quality and sustainable development.

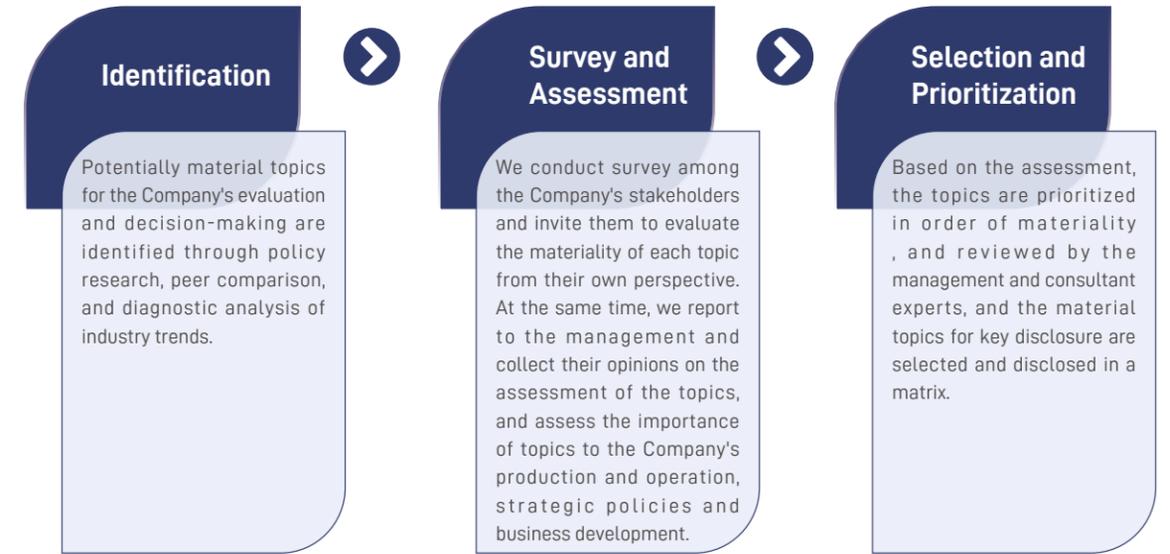
ESG organization system

The Company actively fulfills responsibilities in environmental, social, and governance aspects, gradually establishes and improves the ESG management framework and operation mechanism, and continuously promotes an interconnected ESG mechanism from top to down to enhance our ESG performance.

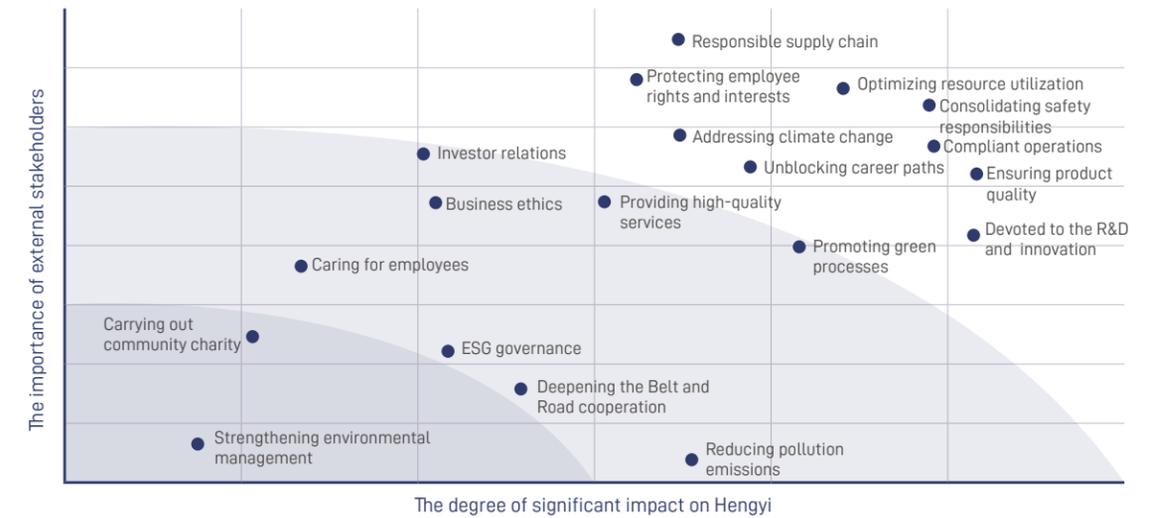


Materiality analysis

Based on the industry development and business performance, the Company conducts internal and external stakeholder surveys, identifies the core ESG topics, and determines the report boundary in a science-based manner, so as to effectively respond to the concerns of the stakeholders. The Company has established a basic process for analyzing sustainability topics, including identification, assessment, and selection. The process is as follows:



ESG Materiality Matrix in 2023



| Core topics | Important topics | General topics |
|--|--|---|
| 1 Ensuring product quality | 10 Promoting green processes | 18 Carrying out community charity |
| 2 Consolidating safety responsibilities | 11 Reducing pollution emissions | 19 Strengthening environmental management |
| 3 Compliant operations | 12 Providing high-quality services | |
| 4 Optimizing resource utilization | 13 Investor relations | |
| 5 Devoted to the R&D and innovation | 14 Business ethics | |
| 6 Responsible supply chain | 15 Caring for employees | |
| 7 Protecting employee rights and interests | 16 ESG governance | |
| 8 Addressing climate change | 17 Deepening the Belt and Road cooperation | |
| 9 Unlocking career paths | | |

Stakeholder Communication

The Company attaches great importance to the demands and expectations of stakeholders. We have identified stakeholders including government and regulators, shareholders and investors, employees, customers, partners, communities, etc. A variety of channels, such as, the Company's official website and WeChat official account, consultation and exchange, general meetings of shareholders, industry participation, are adopted to enhance the two-way communication with stakeholders and listen to reasonable opinions and suggestions from internal and external stakeholders, which serve as a crucial reference for the Company to improve its ESG governance.

| Stakeholder identification | Demands and expectations | Communication methods |
|--|---|---|
|  Government and regulators | <ul style="list-style-type: none"> Strengthening corporate governance Compliant operations Ensuring supply Providing employment opportunities Driving local economic development Addressing climate change | <ul style="list-style-type: none"> Government supervision and inspection Participating in major events such as symposiums and seminars Project approval Questionnaire survey |
|  Shareholders and investors | <ul style="list-style-type: none"> Improving company performance Protecting the interests of shareholders and investors The authenticity, accuracy, timeliness, and completeness of information disclosure Sustainable development of the Company | <ul style="list-style-type: none"> Statutory information disclosure Performance release and meetings Teleconferences and online interactions Investor hotline Investor visits Shareholders' Meeting |
|  Employees | <ul style="list-style-type: none"> Strengthening corporate governance Employee rights protection Unblocking career development Occupational health and safety Democratic management Employee care | <ul style="list-style-type: none"> Workers' congress Employee recognition Regular training Normal communication Corporate culture activities Website and WeChat official account, ect. |

| Stakeholder identification | Demands and expectations | Communication methods |
|---|--|---|
|  Customers | <ul style="list-style-type: none"> Integrity and compliance Good customer relationships High quality products and service quality Product innovation Product Safety | <ul style="list-style-type: none"> Market survey Daily service communication Customer feedback mechanism Telephone service Product packaging information |
|  Partners | <ul style="list-style-type: none"> Price and timely payment Long-term partnership Information resource sharing Integrity and mutual benefits Supplier management Risk prevention | <ul style="list-style-type: none"> Contract negotiation Bidding meetings Document and correspondence Supplier communication and training Supplier assistance |
|  Communities | <ul style="list-style-type: none"> Addressing climate change Pollutant discharge management Harmonious community development Resource utilization | <ul style="list-style-type: none"> Environment performance data collection and disclosure Daily communication External survey, feedback and communication Media communication Press releases and announcements |

Striving for Harmony with the Environment by Green Development

A sound ecological environment is the cornerstone for sustainable human and social progress. Hengyi constantly refines its environmental management system, embedding energy-saving and environmental protection into every facet of our production and operations. By innovating in and promoting green processes, and minimizing emissions and pollution in multiple measures, we aspire to establish a resource-efficient, eco-friendly enterprise that contributes to harmony between human and nature and a beautiful world.

- Climate Change Response
- Environmental Management
- Water Resource Utilization
- Pollutant Emission Reduction
- Ecological Protection

Actions and Responses in 2023

521.4955 million
invested in environmental protection

9.3745 million tons
fresh water saved



Climate Change Response

The burning, production, and processing activities of fossil fuels by petrochemical companies constitute their primary source of greenhouse gas (GHG) emissions. Attaching great importance to China's commitment of achieving carbon peaking and carbon neutrality, Hengyi keeps improving its climate change response system. We proactively engage in reducing carbon emissions and have formulated specific targets and actions according to our conditions.

Systems

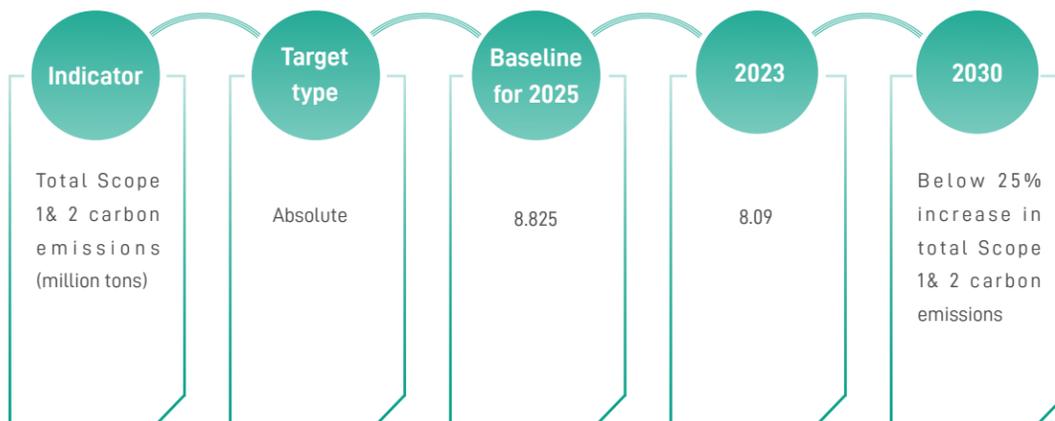
The Company establishes the HSE Management Committee. In line with national and local mandates for carbon peaking, this committee is tasked with overall layout and holistic promotion for carbon peaking, including research in significant affairs and formulation of major policies. The leading group forms a carbon management system prioritizing control over carbon intensity and supplemented by control over total amount of carbon emissions. Furthermore, an organizational framework for carbon management is in place to regularly schedule work progress and urge the detailed execution of tasks. Comprehensive carbon inventory is conducted, with emissions data reported periodically. By assessing carbon emissions data, we formulate scientifically sound and effective plans for reducing carbon emissions. Additionally, by synchronizing the management and assessment of energy consumption and carbon emission indicators, the Company gradually builds a sound carbon peaking assessment system, providing both organizational and institutional guarantees towards achieving the carbon peaking and carbon neutrality goals.

Metrics and targets

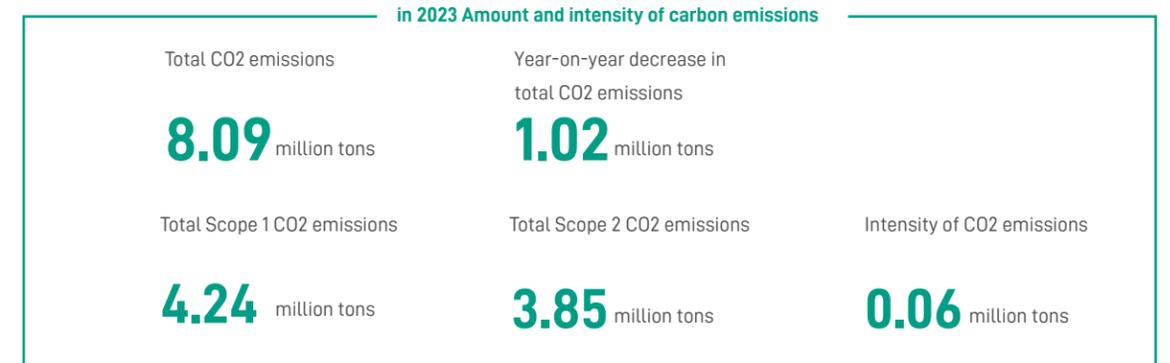
General goal

The Company conducts carbon peaking and carbon neutrality work efficiently and methodically, with clear goals and tasks. Expediting green transformation in modes of production and ways of life, we advocate for an economy and society built on efficient use of resources and green and low-carbon development, ensuring carbon peaking by 2030 and carbon neutrality by 2060.

▶ Short and medium-term targets



In 2023, the Company measured its carbon emissions from boilers, gas turbines, and power generation equipment using purchased electricity in accordance with reporting standards and technical specifications such as the Guidelines on the GHG Emission Accounting and Reporting for Chinese Enterprises: Power Generation Facilities released by the Ministry of Ecology and Environment.



Note: Scope 1 CO2 emissions refer to total CO2 emissions in 2023 from the combustion of fuels and the use of raw materials, auxiliary materials, steam, etc., in the production process by Hengyi and its subsidiaries, minus the amount of CO2 recycled.
Scope 2 CO2 emissions refer to total CO2 emissions in 2023 from purchased electricity by Hengyi and its subsidiaries.

Actions

In response to the challenges posed by climate change, the Company proactively seeks out carbon reduction pathways. We focus "seven carbon peaking actions": green and low-carbon energy transition action, energy-saving, carbon reduction and efficiency increase action, green and low-carbon action in the production field, green and low-carbon action in the transport field, carbon footprint reduction action through the circular economy, green and low-carbon action through technological innovation, and green and low-carbon action for the public.

Green and low-carbon energy transition action

Aligning with the national strategy for green production, the Company actively engages in the development and utilization of clean energy and values the application of new energy and waste heat recovery technology. Through measures such as photovoltaic (PV) power generation and peak-valley energy storage, we advance greener production. In recent years, we have been advancing green production through projects such as 100% rooftop PV coverage in factories, construction of PV power generation experimental bases, and the application of peak-valley energy storage.

In 2023, we expanded our PV installed capacity by **41** MW to total **104** MW, generating **65.14** GWh of electricity, which is expected to reach **106** GWh by 2024.

As of 2023, approximately **40%** of our capacity had been supported by waste heat power generation, a figure we expect to exceed **70%** by 2024.



Rooftop PV power generation

Energy-saving, carbon reduction and efficiency increase action

In active response to the national mandate to "phase out outdated capacity for industrial upgrading", the Company strengthens energy management and staggers electricity use during peak hours. Through energy-saving renovations for equipment and processes, including motors, fans, pumps, compressors, transformers, heat exchangers, and industrial boilers, we manage to reduce energy consumption while enhancing quality and competitiveness.

In 2023, we completed **34** energy-saving renovations.

The Company adopts the treatment process of "bag dedusting + SCR de-nitration + limestone gypsum desulfurization + wet electric dedusting" for coal-fired boilers. This approach raises coal quality, makes chemical raw materials lighter, and reduces Scope 1 GHG emissions.



Boilers at Shuangtu New Materials

In 2023, around **7** boilers were upgraded, installed, renovated, and decommissioned, resulting in a substantial **9.05%** reduction in overall energy consumption.

The Company reduces electricity consumption through installing energy-saving lamps, combined use of air compressors, equipment upgrades, among others.

In 2023, we spent RMB **8** million on two advanced air compressors. Alongside this, we revamped our existing pipeline network to operate at reduced and differential pressures, achieving a reduction in motor power consumption by **1,790** kW and saving electricity of **14.8** GWh/year. Additionally, we undertook **12** upgrades to our compressed air conditioning systems, leading to electricity savings of **5.762** GWh and annual savings projected at **21.4** GWh.

In our polyester plants, the eco-friendly acetaldehyde recovery technology is employed to extract industrial acetaldehyde and glycol from wastewater. This not only lowers COD emissions, but also consumes less raw materials, save resources, and meets the expanding production demand.

By 2023, approximately **67%** of our polyester production capacity had incorporated this technology, recovering about **15,000** tons of acetaldehyde and **6,000** tons of glycol in 2023 alone.



Acetaldehyde recovery installation

Green and low-carbon action in the production field

Our polyester plants are engaged in carbon footprint accounting and carbon trading. Comprehensive carbon footprints are accounted across raw materials such as PTA and ethylene glycol, auxiliary materials, and steam used in production processes, polyester fiber products, and purchased coal and electricity. Moreover, we ensure measurements of electricity and heat consumption in production processes, with timely statistical and ledger updates. Relevant measuring devices like electric meters and steam flow meters are also calibrated and maintained promptly.

In 2023, green power trading was gradually conducted in our polyester plants, with a volume of **3** GWh.

Green and low-carbon action in the transport field

The Company promotes the use of new energy vehicles among its staff and has introduced non-road mobile machineries in areas of our new energy operations.



Carbon footprint reduction action through the circular economy

The Company remains committed to "green manufacturing" and "circular economy," taking concrete actions in promoting the green and low-carbon transformation across the industrial chain. With a focus on the utilization of polyester throughout its lifecycle, we achieve high-quality polyester recycling through technological breakthroughs. Additionally, through independent initiatives and R&D, the Company has developed safe and quality green polyester products, such as the introduction of innovative product Eticont. What's more, we take the lead in the flame-retardant fiber products in China, with both production and sales on a steady upward trajectory. We achieve breakthroughs in the key technology of in-situ polymerization for antibacterial polyester that features promising prospects. Furthermore, we have introduced high-performance polyester materials prepared from bio-based raw materials, with significant sustainability, degradability, and environmental benefits.

Green and low-carbon action through technological innovation

The production process of caprolactam uses nitrogen and generates CO₂, rendering the entire process less cost-effective and environmentally friendly. Through the adoption of the CCUS technology and the cooperation with Hangzhou Oxygen Plant Group CO., Ltd. (Hangyang), the Company has invested in a set of the ultra-high purity nitrogen air separation equipment with the capacity of 3,000m³/h and a set of CO₂ recycling equipment with an annual capacity of 200,000 tons. This initiative involves recycling a portion of the high-purity CO₂ for dry ice production at Hangyang, utilizing another portion as raw gas for transporting gasified coal, and emptying excess tail gas, an effort that achieves CO₂ capture.



CO₂ recovery and utilization facilities

Green and low-carbon action for all staff

The Company encourages green consumption and the use of green, low-carbon products. By continuously strengthening ecological education among employees, we integrate green and low-carbon principles into production and life. Through publicity, advertising, and activities such as Environment Day and Low-Carbon Day for all staff, we enhance their green and low-carbon awareness.

In November 2023, the ASEAN and APEC Business Advisory Councils of Brunei in collaboration with the Ministry of Finance and Economy organized the Brunei Sustainable Economy Forum 2023 themed "Sustainable Goals: Balancing Growth and Climate Commitments". The Forum aims to highlight Brunei's commitments to a sustainable future and explore the role of business in achieving these national goals. Under the support of Brunei's Ministry of Finance and Economy, ARUP, a company based in the UK, and Hengyi were invited to discuss on green economic development and seek carbon reduction solutions.



Environmental Management

The Company strictly complies with laws and regulations such as the *Environmental Protection Law and the Environmental Impact Assessment Law*. We have formulated the *Environmental Protection Management System*, and also advance environmental certifications across subsidiaries. During the reporting period, 7 of our subsidiaries were certified by the *ISO 14001: Environmental management systems*.

7 of our subsidiaries were certified by the ISO 14001: Environmental management systems

The Company abides strictly by the requirement for national pollutant discharge permits and develops an environmental self-monitoring plan. Further, we engage a qualified third-party agency for regular monitoring, ensuring all pollutants are discharged in compliance with legal and regulatory standards.

Data

invested in environmental protection in 2023

521.4955 million



Identification of environmental hazards

The Company institutes an environmental protection inspection system, conducting daily inspections on the operation of environmental facilities and odors within and near our factories. Moreover, we identify environmental hazards across the Company on a monthly basis, followed by prompt rectifications, ensuring zero environmental pollution incidents.

Case Hengyi engages environmental volunteer supervisors from neighboring communities

Zhejiang Yisheng, a subsidiary of Hengyi, has hired ten environmental volunteer supervisors from neighboring communities to oversee and guide our environmental protection endeavors. Through their prompt information about surrounding odors, we could take countermeasures more effectively to boost our environmental governance capabilities.



Spring Festival Tea Party for Environmental Volunteer Supervisors

Environmental emergency management

The Company intensifies risk management in environmental protection. We have established a leading group for environmental pollution emergency response and an emergency response office. We draft emergency response procedures and plans, and have revised the *Response Plan for Environmental Emergencies*. We provide institutional provisions for emergency training, drills, emergency preparedness and responses, accident evaluations, among others, coupled with accident drills. These endeavors ensure we rapidly manage accidents and minimize harms and losses.

Before the commencement of project operation, the Company enhances environmental emergency measures, ensures adequate reserves of emergency supplies, and conduct training on pollution prevention and control measures for employees. We organize regular emergency training and drills for environmental emergencies, and keep records with the local environmental authority.

Digital environmental management

The Company has established a digital platform for safety and environmental protection information, where the environmental protection sector encompasses online monitoring management, video surveillance management, hazardous waste management, resource and energy management, and environmental facilities management. Through online monitoring analysis and environmental facilities management, we can access to pollutant emission data at all outlets and the operation of environmental facilities. Moreover, the platform includes a feature of pollutant emission data warning, pushing data to relevant personnel when emission concentrations reach threshold levels.

| 序号 | 名称 | 位置 | 单位 | 标准 | 当前值 | 报警值 | 报警类型 | 报警时间 | 报警人员 | 报警处理 |
|----|----|-----|-------------------|------|-----|-----|------|---------------------|------|------|
| 1 | 废气 | 生产部 | mg/m ³ | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 2 | 废水 | 生产部 | mg/L | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 3 | 废气 | 生产部 | mg/m ³ | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 4 | 废水 | 生产部 | mg/L | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 5 | 废气 | 生产部 | mg/m ³ | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 6 | 废水 | 生产部 | mg/L | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 7 | 废气 | 生产部 | mg/m ³ | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 8 | 废水 | 生产部 | mg/L | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 9 | 废气 | 生产部 | mg/m ³ | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 10 | 废水 | 生产部 | mg/L | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |
| 11 | 废气 | 生产部 | mg/m ³ | ≤100 | 100 | 100 | 超标报警 | 2023-10-27 10:00:00 | 张三 | 已处理 |

Water Resource Utilization

In 2023,
9.3745 million tons
fresh water saved

The Company places a high priority on the conservation and comprehensive utilization of water resources. By promoting measures such as high-efficiency water production technology, efficient reuse of reclaimed water, and conservation of water in cooling towers, we support the conservation and circular use of water, boost utilization efficiency, and reduce consumption. In 2023, we saved fresh water by 9.3745 million tons.

The Company has developed policies such as *the Water Conservation Management Regulations and the Water Conservation Assessment Regulations*. A water conservation management team is in place to continually standardize and refine our water consumption and conservation systems. While encouraging employee participation in water conservation, we intensify water conservation inspections on public facilities and offer rewards for reports of non-compliance with our water conservation policy.

| Efficient reuse of reclaimed water | Water production process improvement |
|---|--|
| <p>Through biological treatment, ultrafiltration, and reverse osmosis of wastewater produced in our production processes, we achieve an 87-93% reuse rate of reclaimed water.</p>  <p>Reclaimed Water Treatment Equipment</p> | <p>The Company replaces original desalted water preparation processes, such as disc filters, ultrafiltration, reverse osmosis with RO membranes, and mixed bed ion exchange, with the EFDI process, addressing challenges such as high requirements for input water quality, low yield of output water, and high energy consumption.</p>  <p>Desalted Water Preparation Equipment</p> |

Pollutant Emission Reduction

The Company strictly complies with laws and regulations including the *Law on Prevention and Control of Environmental Pollution by Solid Waste* and the *Water Pollution Prevention and Control Law* to improve our pollution prevention and control mechanism. Through strict control over the discharge of wastewater, exhaust gases, and solid waste, we enhance our prevention and control and minimize environmental impact, building ourselves into a resource-saving and eco-friendly enterprise. In 2023, we experienced no significant environmental pollution incidents, maintaining a 100% compliance rate with emission standards.

Wastewater management

The Company complies with the *Water Pollution Prevention and Control Law* and local discharge standards. Under the principle of "separating by pollution type, rainwater and sewage, and industrial/domestic wastewater", we establish a sound in-factory wastewater collection system, employing measures against corrosion, leakage, and seepage to control discharge of wastewater.

Wastewater from polyester production, after pre-treatment by steam stripping installations, is processed using "pre-treatment + anaerobic digestion + aerobiotic secondary biochemistry" techniques at sewage treatment stations together with wastewater from spinning workshops and domestic sewage. The treated portion is recycled through the reclaimed water reuse system, while the remainder is discharged into the sewage pipe network after meeting relevant standards in the *Technical Requirements for Methyl Bromide Quarantine Fumigation Chamber (GB 31752-2015)*. In 2023, the amount of ammonia nitrogen discharged from wastewater was 12.45 tons, a year-on-year decrease of 67.55 tons.

Exhaust gas management

Exhaust gases emitted from our production activities mainly include dust, non-methane total hydrocarbons, acetaldehyde, and smoke. As per relevant laws and regulations concerning air pollution control, the *Emission Standard of Pollutants for Synthetic Resin Industry*, the *Emission Standard of Air Pollutants for Boiler*, and local emission standards, the Company adopts the principle of categorized treatment to control at the source. By implementing treatment measures from environmental assessments, we reduce the generation of exhaust gases, strictly controlling and minimizing the emissions of unorganized exhaust gases. In 2023, the amount of smoke and dust emissions was 111.86 tons.



- Discharge of PTA Feeding Dust after Treatment by Bag Filters
- The deodorization and cover treatment system of PTA aeration tanks enables discharge after high-energy ion purification treatment, with a design capacity of 101,000m³/h and a deodorization efficiency of up to 90%



- Discharge of polyester waste gas after being introduced into the hot coal furnace for incineration
- Discharge of spinning exhaust gas after treatment by oil smoke purifiers
- Discharge of flue gas from coal water slurry-fired boilers via the chimney after denitrification, dust removal, and desulfurization treatment



Case Hengyi uses RTO installations to improve incineration efficiency

Zhejiang Yisheng, a subsidiary of the Company, has introduced five sets of Regenerative Thermal Oxidation (RTO) environmental equipment, featuring regenerative ceramics with 95% heat recovery efficiency. They treat organic exhaust gases across a 0-8% concentration range with over 95% incineration efficiency and a 98% Br ion removal efficiency in scrubbing towers, reducing fuel consumption significantly. This ensures effective heat recovery and consistent, reliable exhaust gas treatment.



Waste management

The Company strictly abides by laws and regulations such as the *Law on Prevention and Control of Environmental Pollution by Solid Waste*. Under the principles of recycling, reduction, and harmlessness in treating solid waste generated in our production process, we establish a ledger system and set up temporary waste storage facilities, coupled with classified collection, storage, and quality-based disposal of hazardous waste and general solid waste to ensure safe and efficient treatment.



General waste

In accordance with the *Standard for Pollution Control on the Non-Hazardous Industrial Solid Waste Storage and Landfill*, we sell waste blocks/slices, used filter cartridges, textile waste and scrap silk, and discarded packaging materials to recycling companies, and entrust the environmental sanitation department to dispose domestic waste.



Hazardous waste

In strict accordance with the *Standard for Pollution Control on Hazardous Waste Storage*, we entrust the disposal of hazardous waste such as waste oil to qualified and capable agencies. We handle transfer and approval procedures according to regulations and strictly implement the hazardous waste transfer form system.

Ecological Protection

The Company steps up efforts to promote eco-friendly principles. We cultivate ecological protection awareness among our employees and advocate for a low-carbon lifestyle. Employees are organized to participate in relevant public welfare activities and knowledge training, allowing green, low-carbon concepts to be rooted in their hearts.



Electricity-Saving Tips

Case Hengyi conducts a beach cleaning campaign in celebration of the World Cleanup Day

On September 20, 2023, Hengyi Industries, in collaboration with Green Brunei, held a beach cleanup campaign, engaging 45 Hengyi employees and 10 Green Brunei volunteers. The event is part of Hengyi Industries' "One Planet Initiative" and is kept in line with the theme of the World Cleanup Day. Through picking up trash on the beaches and promoting ideas along the beaches, the company aims to preserve the natural beauty of Brunei Darussalam's beaches.



Earning Customer

Trust with Quality

Committed to a "safety first" policy, the Company strictly adheres to laws and regulations concerning work safety, including the *Work Safety Law* and the *Regulations on the Safety Administration of Hazardous Chemicals*, holding onto the red line of safety. We continually enhance the quality of our products and services towards excellence, winning trust and respect from customers.

- Safety Responsibility
- Product Quality
- Superior Services



Actions and responses in 2023

No major work safety accidents

139.8686 million
invested in safety

100 %
pass rate of safety training

Safety Responsibility

The Company establishes and refines internal policies and operational procedures for work safety. By promoting work safety standardization and the dual prevention system across the board, we keep improving our work safety management system. This includes bolstering safety training and achieving closed-loop management of work safety to build a solid defense in work safety.

Work safety management

Work safety standardization

The Company establishes and refines internal policies for work safety, such as the *Responsibility System for Work Safety and Environmental Protection*, the *Provisions on the Administration of Identification and Treatment of Hazards*, the *Provisions on the Administration of Fire Safety*, and the *Provisions on the Administration of Fire Work Safety*. We develop a work safety management system, which has been certified, and advance work safety standardization, ensuring work safety in production and operational activities. By the end of the reporting period, nine of our subsidiaries had achieved Level 3 certification in work safety standardization, one had achieved Level 2 certification, and another one had achieved Level 1 certification. There were no major work-related injuries and casualties in 2023.



Holistic safety responsibility performance

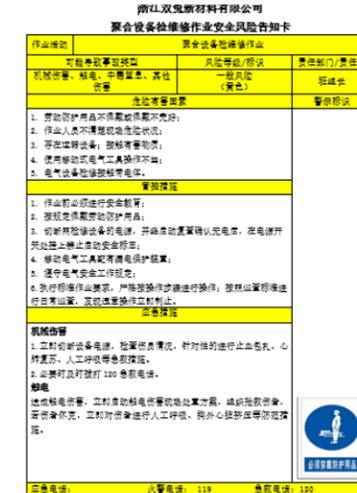
The Company promotes the signing of target responsibility letters for safety and environmental protection across the board to make clear the reasonability targets for safety and environmental protection in positions at all levels. Aiming at the full coverage of responsibility both vertically and horizontally, we ensure regular and effective functioning through the all-staff work safety incentive and constraint mechanism.

Work safety mechanism

The Company establishes an HSE Committee, with each branch and subsidiary setting up an HSE leading group to implement work safety policy, study, coordinate, make decisions on, and guide the Company's major work safety issues, urge reports on work safety inspections, listen to advice from all levels, and propose practical solutions.

Closed-loop management of work safety

Adhering to "risk control before hazards are formed and hazard elimination before accidents occur", the Company establishes a dual prevention system featuring "participation by all, control throughout the process, and coverage in all areas". Through response in advance, accurate monitoring, source treatment, and scientific prevention, we achieve closed-loop management of work safety through risk control and a hazard identification and treatment system.



Safety Risk Notifications Posted in Positions on the Site

Safety emergency management



The Company establishes an emergency management system and formulates emergency response plans for critical links. Through full-scale, tabletop, and other various forms of emergency drills, we examine the compliance of emergency plans with reality, the effectiveness of emergency responses, and the proficiency of emergency response teams in skills. We also organize emergency drills in collaboration with relevant departments to consistently enhance the safety emergency skills and comprehensive emergency response level of our employees.

| In 2023 | |
|-------------------------|--------------|
| safety emergency drills | participants |
| 201 | 9,336 |

Case Hengyi conducts emergency drills

In June, the Company promoted all levels to conduct emergency drills. In our branches and subsidiaries, team leaders organized emergency equipment training in batches. Through full-scale, tabletop, and other forms of emergency drills, we significantly bolstered our emergency response and rescue capabilities, providing guarantee for work safety.



Emergency Rescue Drills at Zhejiang Yisheng



Emergency Drills for Thermal Medium Leaks, Fire Escape, Hazardous Waste Leaks, and Confined Spaces at Fujian Yijin

Case The firefighting skills challenge

June 2023 marked the 22nd National Work Safety Month, during which Suqian Yida, Jiaying Yipeng, Haining New Material, and Taicang Yifeng collaborated to host a firefighting skills challenge. Featuring events such as a water hose relay throw and catch race, this activity sets both honor-based and material rewards, aiming to elevate the safety knowledge and skills of all employees.



Joint Firefighting Skills Challenge

Safety hazard identification



The Company scientifically sets cycles for identifying hazards at all levels, refines the list of items to be identified, and finalizes criteria for classification and grading of hazards. We also make clear responsible personnel for treatment, and strengthen the implementation of rectifications and acceptance of treatment. Moreover, we carry out special inspections on "identifying hazards and directions against regulations, illegal operations and violations of labor discipline" at repair and maintenance sites, guaranteeing more targeted identification of hazards.

In 2023

safety inspections

3,327

hazards identified

13,297

rectification completion rate

99.86 %

Case Hengyi organizes safety hazard identification

By extensively mobilizing all staff for autonomous safety management, the Company identified work safety hazards in a holistic manner. By learning from past accidents to close gaps, shore up weaknesses, strengthen measures, and eliminate hazards, we further advance the long-term mechanism for identifying and addressing hazards, with the aim to curb such accidents.



Cross-checks on Significant Hazards at Hengyi Caprolactam in Collaboration with the Bureau of Emergency Management of Shaoxing and Experts from China Chemical Safety Association



Comprehensive Safety and Environmental Protection Inspection at Jiaying Yipeng



Chemicals safety management

In 2023, major chemical leaks or other safety incidents occurred

0

The Company abides strictly by national regulations such as the *Regulations on the Safety Administration of Hazardous Chemicals* and the *Regulations on the Administration of Precursor Chemicals*. We keep improving our management systems for chemicals safety and exercise stringent oversight throughout the process of chemicals. Following national and local requirements, we conduct regular chemical audits, and thoroughly streamline and establish records and ledgers to propel chemicals towards holistic and fine management.

Case Hengyi sets up signs for major hazard sources and hazards

The Company ensures no chemicals that are banned, phased out, or designated for substitution by national regulations are used in our production and operational activities. We set up chemicals safety signs in workplace that alert employees to be cautious of hazardous areas and strengthen preventive measures, heightening their awareness to prevent risks associated with hazardous chemicals.



Safety Signs for Hazardous Chemicals

Case Hengyi develops a safety management information system for chemicals

Committed to the digitalization of work safety, the Company keeps improving its safety management information system. By introducing the Zhejiang Provincial Hazardous Chemical Risk Prevention and Control Big Data Platform: Work Safety Subsystem, we enable digital management of personnel qualifications, operational processes, work environments, and equipment, significantly elevating our capabilities in chemical safety management.



Zhejiang Provincial Hazardous Chemical Risk Prevention and Control Big Data Platform (Work Safety Subsystem)

Safety training

The Company attaches great attrition to safety education and training for employees to enhance their safety awareness and strengthens our safety training system. We conduct diverse work safety training sessions and knowledge promotions via multiple channels, platforms and forms, including Work Safety Month, specialized lectures, practical drills, live streamlining, video conferences, and WeChat work groups, all aimed at boosting our soft power in work safety.

In 2023

| | | | |
|-----------------------------|--------------------------|------------------------------|---|
| safety training per trainee | safety training sessions | pass rate of safety training | new employees engaging in three levels of safety training |
| 15 hours | 916 | 100 % | 11,079 |

Case Hengyi conducts safety activities

On June 28, the Company organized a training session themed on "Safety Awareness and Emergency Responses across the Workforce", leading to a series of safety activities at both company and team levels. By carrying forward safety culture and consolidating responsibilities level by level, we strive for safe development and a conducive work safety environment.



Watching of Cases for Work Safety Accidents by Employees

On October 30, the Company's management members participated in the training sessions on *Learning Cases for Internal Accidents, Factory Fire Management Training, and Environmental Protection Management Knowledge*, aiming to enhance employees' awareness in accident prevention, fire safety, and environmental protection.



Training on Learning Cases for Internal Work Safety Accidents

Product Quality

The Company rigorously adheres to relevant national and industry product standards and further improves our quality management system. All 7 of our subsidiaries have been certified by the ISO 9001 Quality management system and the EU OEKO-TEX. Embracing strict guarantee that our products do not contain hazardous substances and heavy metals above standards, we are committed to delivering high-quality products.

In 2023

| | | | |
|----------------------------------|--------------------------|--|-------------------------------|
| pass rate of outgoing inspection | recall rate for products | issues identified in product inspections | rectification completion rate |
| 100 % | 0.05 % | 48 | 100 % |



Improving quality management standards

The Company continually formulates and refines our quality management standards. By revising quality management policies such as the *Management Specifications for Production Statistics, the Production Process Management Inspection System, the Measures for the Management of Product Central Value, and the Post Operation Specifications*, we standardize our production processes and standards, ensuring employee compliance with procedures. Additionally, we enhance equipment management, improve the basic ledger for equipment management, and conduct specialized management inspections on equipment to maintain stable product quality.

Case

Hengyi conducts QC group activities and production operation skills contests

The Company routinely audits our quality management system and hosts internal technical and operational training sessions. These include QC group activities and production operation skills contest.



QC Group Activity



Skills Contest

Exercising strict control over product quality

The Company has formulated the *Internal Quality Control Standard for Chemical Fiber Products*, proposing clear requirements for strict control over physical properties of chemical fiber products. According to our quality standards, products are categorized into three grades: excellent (AA), first-class (A), and qualified (B), with any products below this standard classified as substandard (C). We track, spot check, and manage product quality metrics to ensure the delivery of high-quality products that meet customer expectations.

Quality control over raw materials

We establish an exclusive D1014 – Quality Feedback Process for Procured Materials to handle feedback on abnormalities in raw materials

Process control over production

We establish an exclusive D1310 – Change Process for Inspection Index Central Value of Chemical Fiber Products to oversee the entire product process

Control over product output

We establish a Non-Conforming Product Feedback Process and a D0941 – Product Quality Evaluation Process to promptly evaluate products of abnormal quality and control the output of unqualified products

Superior Services

In line with customer-centric philosophy, the Company continually improves the service management system. We respond actively to diverse customer demands and listen to employee evaluations feedback on product quality, thus enhancing the quality of our products. We elevate both the quality and efficiency of our services across multiple dimensions, ultimately boosting customer satisfaction.

After-sales services

Our after-sales service team upholds the principles of professionalism, speed, and efficiency. By equipping with a sound after-sales service guarantee system, we promptly offer technical services and respond to complaints, delivering superior after-sales services for customers.

In 2023

| customer satisfaction with after-sales services | customer complaints received | handled | completion rate |
|---|------------------------------|---------|-----------------|
| 99% | 644 | 652 | 98.2% |

Complaint handling

The Company places a high value on customer complaints and feedback. Aiming to satisfy customer use demands, we smoothen complaint channels, optimize the compliant mechanism, and enhance compliant analysis. Through multi-layered customer complaint channels, such as onsite visits, micro-malls, and a 400 service hotline, we promptly address customer issues with various methods, including technical guidance, product improvements, exchanges and returns, and financial compensation, to consistently enhance the quality of customer services.

In 2023

score for customer satisfaction, marking an improvement from 2022

94



Fostering Stable and Win-win Relationships with Partners

Hengyi upholds that a sound partnership with all sides is an integral part of the Company's robust and sustainable growth. We pool the strengths of various stakeholders to enhance supplier management and foster a coordinated development across the upstream and downstream industrial chain. Meanwhile, we expedite the development of innovative products, cultivate a top-notch R&D team and facilitate industry-wide exchanges and development, aiming to shape a brighter future with partners.

- Responsible Supplier Chain
- R&D and Innovation
- Industry Exchanges and Cooperation

2023 Actions and Responses

1,005

new suppliers admitted, with

926

domestic suppliers and

79

overseas suppliers

60

patent applications obtained

58

invention patents

Responsible Supplier Chain

Hengyi is committed to supplier management throughout the entire life cycle. In this regard, the Company continually refines its supplier management, pursues environmentally friendly and responsible procurement, and establishes enduring and effective communication channels with suppliers. Our aim is to elevate both the quality of supplied goods and the level of service provided.

Supplier Management

As of the end of the reporting period, the Company had a total of

8,111 suppliers

The Company conducts supplier management across the entire life cycle by establishing and implementing management protocols like the *Measures for the Quality Management of External Suppliers, Supplier Admission Requirements, and Measures for Supplier Inspection and Management*. Meanwhile, the Company introduces standardized and scientific mechanisms for supplier admission, inspection, trial, and evaluation and establishes a digitalized supplier management system, facilitating efficient management of procurement suppliers.

As of the end of the reporting period, the Company had a total of 8,111 suppliers, including 2,107 active engineering suppliers. In 2023, we admitted 1,005 new suppliers, including 926 domestic suppliers and 79 foreign ones.

Supplier admission and screening

With a rigorous mechanism for supplier admission management in place, Hengyi conducts on-site inspections and delivers inspection reports. In 2023, a total of 295 suppliers underwent on-site inspections, reflecting our ambitions on admitting new suppliers and fortifying our supplier network.

Supplier admission process



Digital procurement system

The Company has developed and continuously refined the Supplier Relationship Management (SRM) procurement information system, bolstering its functionality and fortifying against vulnerabilities. In addition, the Company comes to implement the three-way matching system and the electronic seal project. These initiatives encompass a range of high-risk business processes, including supplier selection, bid invitation and bid tendering, tender opening, tender evaluation, and determining bid winner, all integrated into the system. Stringent controls are in place to manage business processes and approvals.

The SRM system helps users and suppliers establish an information exchange platform, facilitating supplier registration, admission and assessment, sourcing identification, inquiry comparison, bidding and other business coordination, and also allowing for supplier performance assessment.

Responsible Procurement

In addition to mandating a supplier quality management system, Hengyi's bidding and procurement qualifications encompass criteria such as compliance with environmental management and the occupational health and safety management systems, along with possessing environmental impact assessment status and wastewater discharge permit acquisition status. We advocate that suppliers use clean fuels and production equipment, aiming to minimize environmental pollution. Moreover, we encourage our suppliers to consider environmental and social impacts when delivering products and services, thereby fostering secure, stable, and responsible supplier relationships.

Supplier Communication

In 2023, Hengyi personally interviewed or contacted via telephone with

67 suppliers

The Company is committed to building a stable and enduring supplier network. By implementing a system of recognition and rewards, we aim to instill a sense of honor among our suppliers and enhance their loyalty. In 2023, a total of 67 suppliers were personally interviewed or contacted via telephone. During these interactions, opinions and suggestions were gathered on procurement services, the SRM system, fairness and justice, honest practices, and other relevant areas. Our aim is to continually refine supplier management.

Case Conducting excellent supplier award ceremony

Hengyi's affiliated engineering firms has hosted 3 excellent supplier award ceremonies and appreciation dinners, where 33 excellent suppliers were invited. Among these, 92 suppliers were honored as excellent suppliers while 144 were acknowledged as vital suppliers. The initiative, characterized by the presentation and sending of medals, letters of gratitude, Hengyi calendars, and souvenirs adorned with the Hangzhou Asian Games mascot, underscores the Company's proactive endeavors in nurturing strong supplier relationships.



R&D and Innovation

Hengyi actively embraces the new philosophy of innovative, coordinated, green, open, and shared development and regards innovation as the primary driving force. As we advance the transformation from "an industrial Hengyi" to "a technological Hengyi," we remain committed to the R&D and application of green chemicals and advanced materials, striving to emerge as the technical leader in the industry.

Scientific and Technological Innovation System

Over **1,027** Currently R&D personnel

30% holding master's or doctoral degrees and senior titles

The Company keeps enhancing its sci-tech innovation system and increasing its investment in technology. In addition, we actively cultivate the spirit of craftsmanship and foster an atmosphere of innovation among all staff members, striving to build a team of pioneering technical talents and develop an "ecosystem" for talent cultivation. With the ongoing unleashing of innovation potential, we boost our core competitiveness in industrial development.

Currently, there are more than 1027 R&D personnel, including 79 R&D talents with doctoral degrees. Approximately 30% of them hold master's or doctoral degrees and senior titles. They hail from universities such as Zhejiang University, Fudan University, Dalian University of Technology, Donghua University, Sichuan University, Soochow University, Tianjin University, University of Chinese Academy of Sciences, East China University of Science and Technology, and Beijing University of Chemical Technology, alongside renowned overseas universities. This diverse assembly comprises numerous technical and engineering experts, post-doctoral researchers and senior R&D engineers in fields of polyester chemical fiber and other chemical products.

Since 2019, the Company initiated the "Hundred Hengyi craftsmen" and has since identified 39 individuals as "Hengyi craftsmen." Annual activities such as the "Rationalization Contest," "QC Achievement Presentation," and "Invention Named After Employee" have been organized to spur innovation across the entire workforce. By finding and establishing exemplary innovators in posts and launching employee innovation workshops and leading professional program, the Company works to inspire a spirit of enterprise into its workforce. Over the course of the initiative, hundreds of young exemplary staff, technical experts, leading professionals, Outstanding Employees of Silver Gear and Outstanding Employees of Gold Gear have been identified, and multiple innovation workshops have been established. Additionally, six work methods have been recognized as advanced practices within the Xiaoshan District.

The Company launches green and environmentally friendly polyester product "Eticont", laying out medium to long-term projects such as biodegradable polyester, biobased polyester, and expanded polyester.



Green and Innovative Products



Eticont

Eticont, developed by Hengyi Research Institute under the Company, stands as a polyester product with full proprietary rights. Eticont uses a full titanium composite catalyst system to replace heavy metal antimony catalysts, addressing the long-standing issue of water and soil pollution associated with antimony catalysts in traditional polyester production. This eco-friendly, green, and health-conscious product achieves green circulation throughout the textile product lifecycle. Moreover, Eticont meets all benchmarks of antimony polyester products, making it a seamless replacement across various applications.

Applications baby clothes, underwear, home textiles, and clothing



The first prize of the CNTAC Science Technology Progress Award for the key technology and industrialization of antimony-free environmentally friendly polyester melt direct spinning



The second prize of Technological Invention Award of IESC Science and Technology Award for antimony free polyester fiber



The certificate of Excellent Industrial Products of Zhejiang Province by Excellent Industrial Product Selection Committee for Eticont



The third prize of the Patent Award of Zhejiang Provincial Intellectual Property Award



The CNTAC Patent Award for preparation method of titanium-silicon composite homogeneous catalysis

Antibacterial Polyester

This new health protection product with antimicrobial function, independently developed by Hengyi Research Institute, takes nano-zinc oxide as antibacterial agents and adopts a new preparation method of in situ polymerization instead of the traditional master batch blending. The fiber has excellent antimicrobial and mechanical properties. Moreover, it allows for the preparation of antimicrobial color silk or multifunctional antimicrobial fibers by incorporating color or functional masterbatches. Additionally, it facilitates the production of profiled fibers through profiled spinning, such as moisture-wicking cross-sectional profiles.



Applications Socks, underwear, towels, dishcloths and military uniforms

Flame Retardant Polyester

The product serves as a copolymer flame retardant, with stable, long-lasting and effective flame-retardant performance. Boasting a good texture and appearance, it is water-resistant eco-friendly and non-toxic. Notably, the fabric achieves B1 level flame retardancy standard of GB8624-2012, with a limiting oxygen index over 32%.

Applications Curtains, wall coverings, draperies, and bedspreads in public places

Stain-resistant PA6

Stain-resistant PA6 stands out as a unique product developed with full proprietary rights by Hengyi Research Institute. Addressing the pressing market demand for domestic stain-resistant nylon fabrics, Hengyi embarked on the "key technology and industrialization project for stain-resistant PA6". This project has led to an independently developed novel stain-resistant agent through formula design, optimized polymerization processes, and upgraded polymerization equipment. Consequently, we manage to produce in-situ polymerized stain-resistant PA6 slices. Fabrics crafted from these slices offer permanent resistance to acidic dyes, eliminating the need for additional surface treatments. Moreover, we've pioneered key technologies for stain-resistant BCF process, covering spinning, hot drafting, hot air expansion, and high-speed one-step winding. By incorporating color masterbatches, we've manufactured BCF fiber products with exceptional stain resistance and color retention. Additionally, we work to establish a rapid assessment method for grading the stain resistance level of fibers and fabrics, aiming to support the optimization of stain-resistant products.



Applications High-end carpets such as square carpets, household carpets, and car carpets

Bio-based Polyester

Hengyi supports research on multiple bio-based materials, which use agricultural and forestry waste as raw materials to maximize resource utilization and reduce oil consumption and carbon emissions. These materials are safer and more recyclable.

Through collaboration with Zhejiang University, Hengyi has developed high-quality PEF and a series of copolyesters using an efficient polymerization catalytic system. Hengyi Research Institute plans to promote the development of the emerging bio-based materials industry, realize a closed-loop cycle of carbon dioxide, and contribute to global energy structure adjustments by reducing carbon emissions in the polyester industry.

Applications High-barrier packaging materials

Intellectual Property Protection



We attach importance to the protection of intellectual property rights. In this regard, we abide by the Chinese laws and regulations including the *Patent Law*, the *Trademark Law* and the *Copyright Law*, and formulate *Intellectual Property Management Measures*, continuously improving the management of the way we create and utilize intellectual property rights. In 2023, there were no contentious cases or legal proceedings regarding intellectual property rights.

Data

- As of the end of the reporting period, the Company boasts **422** valid authorized patents and **262** valid invention patents
- In 2023, the Company had a total of **60** patent applications, including **58** invention patents

Honors

The first prize of the 2023 CNTAC Science Technology Progress Award for the Green Manufacturing of TiO2 Matting Agent for Nylon and Complete Set of Technologies for Industrialization of Fully Matte Nylon



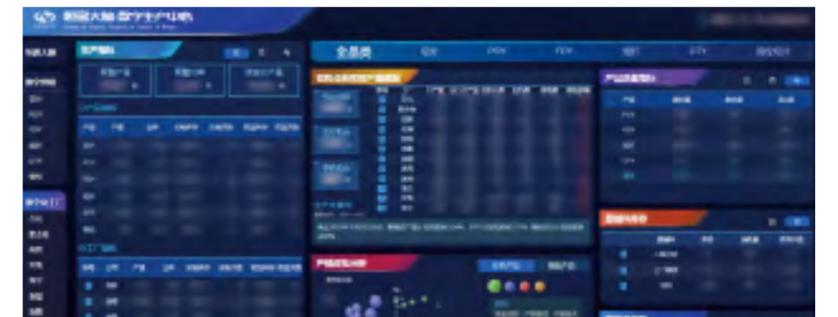
- The third prize of the Patent Award of Zhejiang Provincial Intellectual Property Award by the People's Government of Zhejiang Province for preparation method of titanium-silicon composite homogeneous catalysis
- The second prize of Technological Invention Award of IESC Science and Technology Award for the development of green Titanium-based catalyst and its relevant application in the production of antimony free polyester fiber

Digitalization

The Company works to advance the "Digital Hengyi" initiative, with a focus on implementing scenario-based applications in production, marketing, supply chain, procurement, and human resource management. In addition, we conduct in-depth data mining and analysis, and has built an open and shared industrial online platform. By utilizing digital intelligence, our aim is to establish smart factories that empower the Company to achieve efficient operations and high-quality development.

Hengyi Brain

The Company shatters information silos across its business with a big data platform. Leveraging big data technology, we've implemented the "Hengyi Brain" production and operation decision-making system that consists of over 100 business models. "Hengyi Brain" fosters an integrated visualization platform of "online trading, online finance, warehousing and logistics." The platform offers diverse digital solutions, including digital management, smart manufacturing, online trading, logistics services, market analysis, coordinated production, supply and sales, as well as supply chain finance. Our aim is to enhance the management efficiency of production and operation, and achieve digital transformation.



Smart Factory

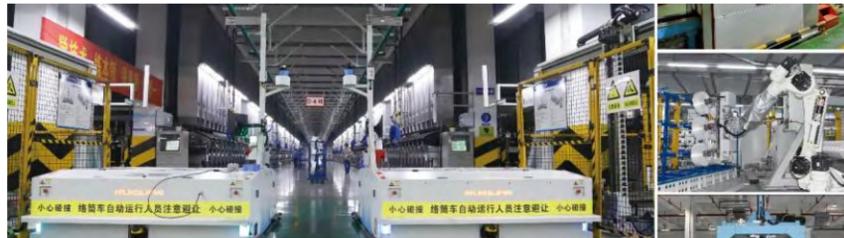
With cutting-edge technology and processes, we utilize a range of intelligent manufacturing equipment such as three-dimensional warehouses, automatic winding, automatic packaging, intelligent appearance inspection, AGV cars, and robots. In addition, we adopt a customer-centric approach, focusing on optimizing the entire supply chain experience from order placement and production scheduling to logistics and services. Moreover, we optimize product lifecycle management, substantially reducing labor intensity while greatly boosting productivity. These combined efforts empower Hengyi to achieve smart factory management and deliver flexible production capabilities.

Production end

Through a smart manufacturing execution system, we connect various automated and intelligent devices, achieving intelligent production, management and decision-making, and enabling a full-process product traceability system. Additionally, we have independently developed a single-spindle data flow system that facilitates efficient logistics within the workshop warehouse and enables automatic quality control, contributing to process optimization, information sharing, and efficiency improvement among various production processes.

Marketing end

With an integrated supply chain system, we have realized the integrated management of the entire supply chain process, from customers placing orders on the online store and marketing order management to smart warehousing picking and assembly, intelligent park logistics, and logistics distribution.



Sales Data Full-process System

The sales data full-process system prioritizes long-term customer value. By integrating systems like micro mall, closed-loop marketing, shipment commissioning, and shipment applications, the system embeds customer marketing services throughout the Company's operations. This automation and optimization of the sales process have translated into enhanced sales efficiency and accuracy, ultimately improving customer satisfaction and offering steadfast support for the Company's growth.

Labor Force Management System

The Company officially implements a labor force management system to standardize the human resource management in a scientific, refined, and convenient way. Through modules like the attendance, employee experience, and analysis statement (BI), the system addresses issues such as inefficient personnel management, sluggish and poorly correlated personal data collection, and low employee engagement. Finally, the system leads to standardized management of crucial elements such as organization structure, job positions, and processes. It also enables regulated business processes including onboarding, offboarding, and transfers, and automated operation rules such as scheduling, leave-taking, and performance-tracking. With the integration of data from different business systems, the efficiency of HR management is greatly enhanced.

Logistics Transportation Management Platform

The system encompasses various functional modules including contract management, raw material transportation management, finished product distribution management, bulk cargo transportation management, repair and maintenance management, driver mini-program, billing management, driver's vehicle management, statements dashboard, and monitoring and alarm center. The application of this logistics system has comprehensively enhanced the efficiency of every link, facilitating real-time business data sharing and relevant statistical analysis. It effectively boosts logistics carriage capacity, leading to comprehensive improvement of overall performance for the logistics enterprise.

Industry Exchanges and Cooperation

Valuing industry exchanges and cooperation, the Company actively forges partnerships with industry associations, universities, research institutions. By pooling various resources, we create a robust synergy among industry, academia, and research institutes. In addition, we actively engage in industry seminars and standard preparation, develop platforms for emerging technologies and promote talent cultivation, aiming to collaborate with peers to drive industry advancement.

Industry Standard Establishment

The Company earnestly implements the national policy decisions regarding scientific and technological innovation and standardization. We actively engage in the formulation of international and industry standards, promote the dissemination and application of cutting-edge technologies, and share the achievements of innovation.

Data

As of the end of the reporting period,

40 national and industry standards formulated or revised by the Company, including **10** national standards, **24** industry standards and **6** association standards

Case

Hengyi Research Institute holds the annual meeting of national key R&D programs



On May 30th, the annual academic exchange conference for the "Efficient Green Production and Industrial Demonstration of Bio-based Polyamide Monomer and Materials", the key project under "Green Bio-manufacturing" in the national key research and development plan, was successfully convened at Hengyi Research Institute. Scholars and experts from various institutions including the Institute of Microbiology of the Chinese Academy of Sciences, the Institute of Process Engineering of the Chinese Academy of Sciences, Zhejiang University, Donghua University, Hengyi Research Institute, Ningxia Eppen Biotech Co., Ltd, and Tianjin University of Science and Technology, came together to discuss the latest advancements in academic research and industrial application progress related to polyamide monomers and materials. The exchange helped with the exploration of ways to develop and apply bio-based materials in more new fields.

In-depth University-Enterprise Integration

Relying on various scientific and technological innovation platforms, including the ZJU-Hengyi Global Innovation Research Center, the Joint Laboratory of Donghua University and Hengyi, China Chemical Fibers Association-Hengyi Foundation, the National Postdoctoral Research Station, the National Enterprise Technology Center and the Key Laboratory of Textile Industry, Hengyi actively expands academic exchanges and cooperation with university scientific research institutes. The Company has forged deep partnerships with prestigious universities such as Zhejiang University, Donghua University, Nanjing Tech University and Zhejiang Sci-Tech University. Together, we've established a "government-enterprise-university" synergy, fostering a talent development mechanism across the entire lifecycle based on the integration of "industry, academia, research, and application." This cooperation provides universities with technical and financial support for the application of their research findings.

Hengyi Scholars Laboratory

The Hengyi Scholars Laboratory covers an area of **500** square meters, boasting top-notch facilities and cutting-edge equipment. It encompasses various research domains from catalyst materials to national strategic needs. Drawing in leading scientists and promising young talents at home and abroad, the laboratory has appointed **5** experts and professors as Hengyi Scholars including Xiao Fengshou, Hou Zhaoyin and Cheng Youwei from Zhejiang University, as well as Li Guang and Zhang Qinghong from Donghua University.



Launch ceremony of Hengyi Scholars Laboratory



Engagement ceremony of Hengyi Scholars

Growing Together with Employees

Hengyi continues to promote the strategy of "Strengthening Enterprises with Talents", and is committed to strengthening talent cultivation and creating Accumulated stock purchases under the fifth phase of the ESPP. Meanwhile, the Company focuses on the employees' occupational health and safety and provides health training and consulting activities to create a workplace conducive to both the physical and mental health to enhance team cohesion and cultural identity. We are committed to creating a harmonious and cozy atmosphere and sharing development achievements with employees.

- Employees' Rights and Interests
- Occupational Health and Safety
- Unblocked Growth Channel
- Warm care for employees



2023 Actions and Responses

366.84 million

shares purchased under the fifth phase of the ESPP

4.437 billion

amounting to RMB

100 %

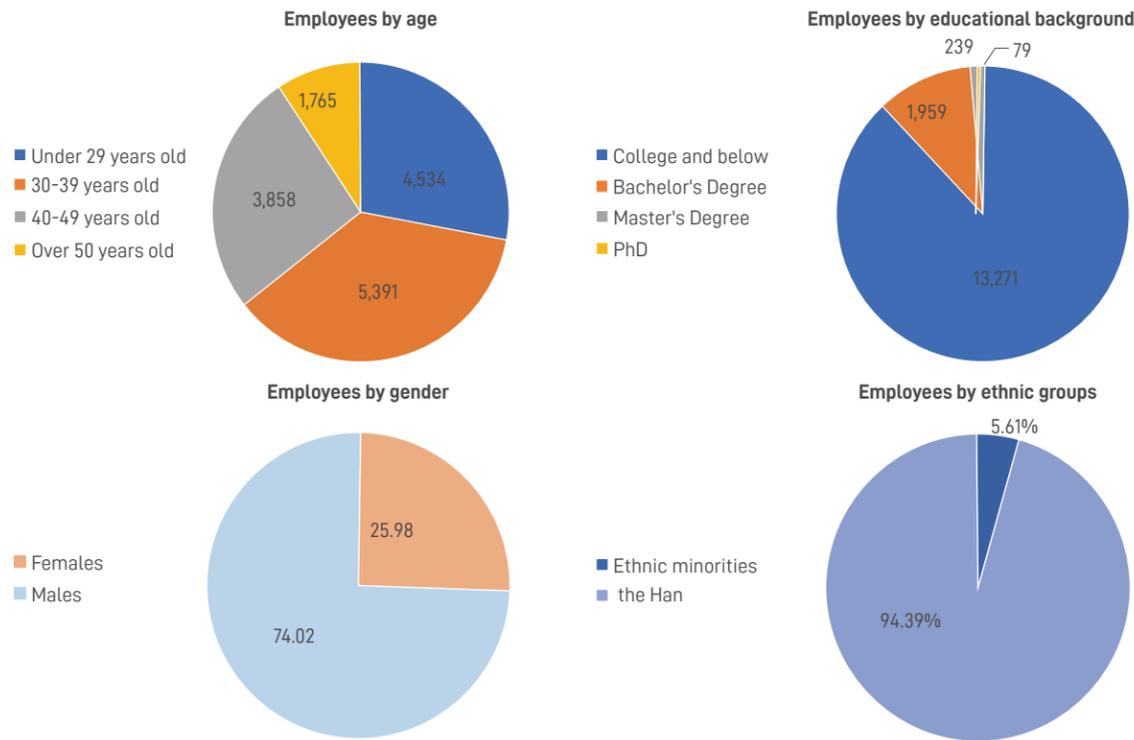
employee training coverage rate

Employees' Rights and Interests

The Company attaches great importance to employees' rights and interests protection, strictly abides by relevant laws and regulations and adheres to the principles of lawful, equal and diversified employment. While gradually improving the remuneration and benefits system, we continuously improve the Company's democratic management system, establish channels for employees' communication, and actively build a harmonious and stable labor relationship.

Recruitment and Employment

The Company strictly abides by the *Labor Law*, *Labor Contract Law* and other laws and regulations, adopts a zero-tolerance attitude towards child labor and forced labor, and always adheres to the principles of lawful, equal and diversified employment. In addition, the Company actively builds a diversified workforce and strives to create a healthy and equal working environment for all employees.



| Data | Value |
|------------------------------|---------------|
| employees in total, | 15,548 |
| employees with disabilities, | 571 |
| overseas employees | 737 |
| females in middle management | 148 |

Employee benefits

The Company continuously improves the working conditions and benefits for employees, and effectively protects the rights and interests of every employee in various aspects, such as remuneration and benefits, social insurance, vacation and leave, labor protection, medical care and life support, etc. In 2023, the coverage rate of social insurance for employees was 100%.

Remuneration and Benefits

We have developed an advanced and flexible incentive mechanism and competitive remuneration and benefits for our employees, and have implemented a wage negotiation mechanism, targeting scientific planning for salary growth, and innovation in salary control mechanism, to promote a steady increase in the salaries of front-line employees.

Social Insurance

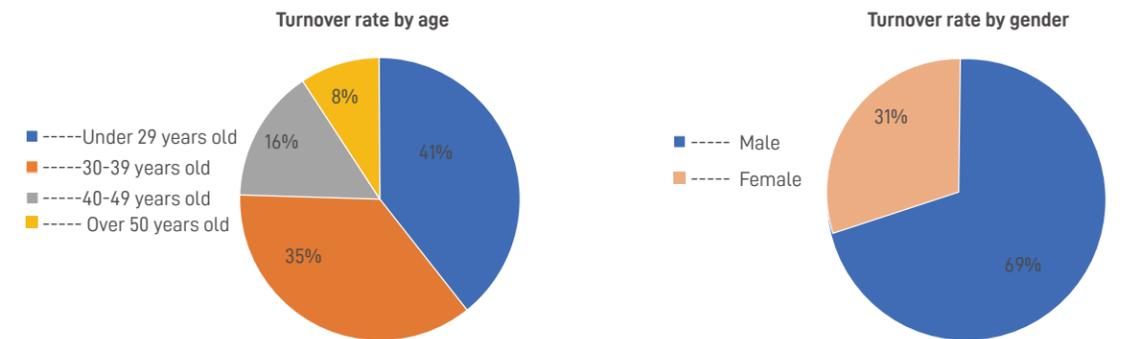
We ensure all social insurance are made on time and in full, and formulate several insurance plans for our employees, such as employer's liability insurance, group accident insurance, employees' medical mutual aid, supplemental medical insurance, etc. to improve the risk protection of our employees, and to safeguard their economic rights and interests.

Labor Security

We enhance smart manufacturing and standardize operating procedures to reduce the labor intensity of production front-line employees while effectively protecting employees' rights to take rests and ask for leave, especially front-line employees.

Life Support

We provide employees with housing allowance, canteen and meal subsidies, workwear, free shuttle buses, etc., so that employees can live and work happily.



Case Employee incentives

Staying true to the principle of win-win for both the Company and the employees, the Company adheres to the concept of "advancing development with joint efforts and shared joy", and endeavors to pool everyone's energies to seek benefits for employees, and create common prosperity.

Based on the confidence in the Company's sustainable and stable development in the future and recognition of the long-term value, the Company implemented the fifth phase of the Employee Stock Ownership Plan (ESOP) in 2023, which further mobilized the enthusiasm and creativity of the employees through the employee stock ownership, and at the same time improved the cohesion of the employees and the competitiveness.

In accordance with the principle of voluntary participation, the fifth phase of the Employee Stock Ownership Plan covered a total of approximately 3,600 employees of Hengyi and its subsidiaries, wholly-owned or holding companies. The total number of shares purchased under the fifth phase of ESOP was 366.84 million, amounting to RMB 4.437 billion.

Democratic management

Labor Union Participation

100 %

Collective Contract Signing Rate

100 %

The Company has established and improved the workers' congress system, encouraged employees to make suggestions and built diversified communication channels, such as workers' congress, symposiums, questionnaire surveys, mailboxes, WeChat official account and videos and other channels to respond to their demands in a timely and effective manner. We have also established the "Hengyi Seniors" grass-roots political committee mechanism and deepened the mechanism of sound suggestions to promote the management level. The elected "Hengyi Seniors" go deep into the frontlines, listen to and collect their opinions, participate in grassroots governance, and continue to provide advice and suggestions for enterprise management.



Workers' Congress



Grassroots political committees visit the site

Occupational Health and Safety

Cases of Occupational Disease

0

OHS Participation

100 %

Physical Examination Coverage

100 %

Health & Safety Training Coverage

100 %

With a high priority given to the physical and mental health of employees, the Company has formulated the Regulations on the Occupational Health Management and continuously improved the internal system related to occupational health and safety (OHS), and implemented all aspects in accordance with the national standards from occupational disease protection during the project construction period to detection of occupational hazards, occupational health checkups, notification of occupational hazards, issuance of labor protective equipment, training and education, removal of hidden dangers, establishment of occupational health files, etc. during the operation period. During the reporting period, our 7 subsidiaries have passed ISO 45001 Occupational Health and Safety Management System Certification.



We set up a drugstore in the office area where all common medicines are prescribed and all kinds of health monitoring instruments such as blood pressure meters for the production workshop are distributed.

We organize health checkups for new and old employees and employees of special work types, and conduct various kinds of health lectures and free clinics from time to time.

We provide different protective gears for employees according to different job types and labor environments, and supervise the use of labor protection gears on site every day.

We regularly carry out education and training activities on the prevention and control of occupational diseases to effectively improve employees' skills of protection.

We formulate an annual plan for monitoring occupational disease hazards in the workplace, set up monitoring points for such hazards, and file the evaluation results.



Unblocked Growth Channel

Highly valuing talent cultivation and development, the Company is dedicated to broadening career development channels, providing employees with diversified and customized development paths, and guaranteeing that employees acquire knowledge and skills in their careers and grow with the Company.

Annual training hours per employee

116 hours

Training coverage rate

100 %

Building a strong talent pool

The Company leverages rich internal and external learning resources to promote talent training and business team growth, and flexibly adopts a combination of online and offline training programs to build a strong talent pool.

"Talent Reserve Project" — New Blue Program

In 2023, we systematically recruited and trained more than 100 new college graduates. The training covers topics such as onboarding training, factory internship, mentoring, business trials, and periodic review.

Lectures on Industrial Technology

External experts were invited to carry out a series of lectures, "Industry Lecture Hall", "Lean Classroom" and other flagship courses were organized, covering process technology, technological frontiers, industry dynamics and so on. Front-line employees are allowed to work with certifications, injecting momentum into the industry advancement.

Hengyi University's Online Platform

Hengyi University's online platform has been operating for 6 years, with more than 5,000 learners and 370 courses covering various dimensions such as professional competence, leadership and management, general ability, and professional knowledge. Our employees' online learning hours have exceeded 40,000 hours.

Cultivation of Professional Sales Force

Through training on product knowledge, sales case development, and sales case competitions, we have produced sales product courses, typical cases and courses, cultivated the sales force into internal lecturers to increase their competence, and improved the talent cultivation system.

Continuing Education of frontline staff

The Company has partnered with Zhejiang University of Technology, Zhejiang Radio and Television University (Xiaoshan College), technical schools and other colleges to set up academic upgrading classes, providing employees in various positions with the opportunity to further their education, and cultivating a group of "Hengyi Craftsmen".

Vocational Aptitude Test

Relying on the first batch of pilot units of national vocational skill level certification in Xiaoshan District, the Company systematically carries out internal certification for employees, promotes training through competitions, and organizes technical competitions. Up to now, more than 4,000 people have been certificated, and 715 employees have obtained vocational skills certification in 2023.



New Blue Program



Vocational Aptitude Test



Skill Competitions

Opening up career development channels

The Company has established a three-channel career development path, and formulated the *Job Title Management System* to continuously broaden channels for management, professional, and operational talents. We have adopted a differentiated evaluation mechanism. On the premise of ensuring fair promotion opportunities and improving scientific and rational evaluation, we aim to achieve scientific recruitment practices and empower employees to realize their life values and dreams.

Case

Standardizing job level management and unblocking talent development channels

The Company has established three talent series: management, professional, and operational, encouraging cross-appointment among talents. Specifically, the management includes 11 job levels, 10 for the professional, and 4 for the operational staff. Each year, the Company formulates an annual employee promotion plan based on the development plans, staffing, job situations, and needs of each functional department/subsidiary, as well as the development of the employees. Additionally, on the basis of the plan, we organize the evaluation for promotions and job appointments through organizational recommendations, open competitions, and self-nominations of employees etc. This process involves the determination and adjustment of job levels.

Warm care for employees



The Company is committed to building the "Hengyi Family" culture and creating different cultures covering team building, seniority, workers' family and dormitory. We establish more than 10 associations, such as calligraphy, painting and photography clubs, and regularly organize the "Hengyi Cup" Basketball League and athletic games, as well as a series of events such as the Apartment Neighborhood Festival, and the "Love Each Other" Youth Dating, to boost employee happiness index, enhance the cohesion and centripetal force of the enterprise. This helps the Company not only become a career platform for employees to grow, but also a spiritual home that carries happiness and dreams.

Case

Organizing diversified activities



Apartment Neighborhood Festival



"Hengyi Cup" Basketball League

Case

Setting up the "Mommy" Hut

In 2023, Zhejiang Yisheng, a subsidiary of Hengyi, set up a "Mommy Hut" to provide a safe, comfortable and resting place for pregnant and breastfeeding female employees, and was awarded the "Four-star Mommy Hut" in Beilun District.



Case

Caring for employees with disabilities

The Company declares mutual medical care and free medical checkups for all disabled employees, and signs a contract with Yaqian Township Health Center for the "Family Doctor" program, so that disabled employees can benefit from medical treatment. Besides, the Company declares charitable aid for disabled employees in difficulty and visits them to secure their normal work and life.

The Company continues to hold quarterly general meetings for employees with disabilities, and conducts seminars for team leaders to be informed of their working status and difficulties. According to their different physical conditions, we arrange suitable jobs for disabled employees and opens green channels for them in their work and life. On China Lodine Help the Disabled Day, the Company carries out a series of cultural, sports, training and other activities to enrich the spare time life of employees, and selects 10 "Self-improvement Stars" and awarded them material and spiritual honors.

Building Harmonious Community With A Shared Future

Committed to the charity cause, the Company actively participates in volunteer services, education donations, community building and other types of public activities and provides assistance for groups in need of help. To promote the healthy development of the community, we willingly shoulder our responsibilities, and contribute our efforts to a harmonious and better society.

- Rural Vitalization
- Community Charity
- Contribution to the BRI



2023 Actions and Responses

6 million
donated to the Red Cross Society of China
Wuzhong Branch, Ningxia in 2023

30 million
cumulative donations

700,000
donated to Beilun District Charity
Federation in 2023

5,628
participants in the blood donation since 2002

1,556,400 ml
blood donated in total

Rural Vitalization

To support rural revitalization and common prosperity, the Company leverages its service expertise to assist people in underdeveloped areas and the surrounding regions by continuously investing in education assistance and industrial vitalization. Thanks to these efforts, those underdeveloped areas can act on their own, stimulating the development potential of the countryside.

Case Supporting education vitalization

The Company has increased its support to drive the educational development. RMB 6 million was donated to the Red Cross Society of China Wuzhong Branch, Ningxia in 2023 for the construction of Hongde Hope School in Hongsibao District, Wuzhong City, Ningxia, and the cumulative donation has reached RMB 30 million. All the donations for the project have been completed, pushing forward the consolidation of the results of poverty alleviation and rural vitalization.

Community Charity

The Company focuses on shaping friendly, mutual help, civilized and harmonious neighborly relations to create a harmonious and stable social and humanistic environment. We have carried out a series of charitable projects for many years by sponsoring street cultural activities, and activities in the surrounding communities and schools. Employees are encouraged to participate in a wide range of public activities, contributing their efforts to a harmonious society.

Case Diverse funds established to support charity

Since 2016, the Company has established funds for environmental protection, new era civilization practice, "common wealth and happy home" specially used for assistance of the people in need, student aid, medical care and environmental protection programs, volunteer services and village-enterprise pairing assistance, etc. The total amount of donations to the Beilun Charity Federation in 2023 reached RMB 700,000.

Case Voluntary Blood Donation

On August 2, 2023, Hengyi held the 22nd collective blood donation activity. 265 employees donated 88,010 ml of blood on that day, interpreting responsibility and love with action. Over the 22 years since 2002, when Hengyi first organized the collective blood donation activity for its employees, the Company has actively called for and carried out blood donation activities in an orderly manner, and a total of 5,628 employees have contributed their efforts to blood donation.



Contribution to the BRI

The Company embraces the national "Belt and Road" Initiative (BRI) by delving into the development needs of countries along the route. Leveraging our resources, we actively contribute to the development of the "Belt and Road Initiative", helping Chinese enterprises establish their global presence.

Case Building the Hengyi (Brunei) PMB Petrochemical Project as an example of the BRI

The Hengyi (Brunei) PMB Petrochemical Project, a collaborative effort of Hengyi, the Brunei government and its people, stands as the pioneering private refinery and chemical project for Hengyi as we strive for international production capacity and the implementation of China's "Belt and Road" Initiative. This project is among the first group of key development projects under the BRI. In 2023, the project was selected into the list of Top 100 Best Practices over the Past Decade of the Belt and Road Cooperation by Chinese Listed Companies by the China Association for Public Companies in 2023.



Hengyi (Brunei) PMB Petrochemical Project

Local Market Development

The Company leverages its industrial, managerial, and construction strengths to continuously explore pathways for local production and operations. We focus on implementing strategies and planning in Brunei and its neighboring regions, with Malaysia and Singapore serving as core procurement markets. Emphasizing localized procurement, we actively conduct training for contractor visitors to deepen operational localization and firmly establish our presence in the local market.

Case Supporting the Local Product Expo 2023

As one of the sponsors of the Brunei's Local Product Expo, the Company supports the Local Product Expo 2023 by sponsoring booths for 10 local micro and small enterprises to promote the development of local industries.



Data

A total of **2,699** overseas contractors invited to complete **77** visits, exchanges and safety training based on the needs of the Company's overseas contractors

Local Talents Cultivation

The Company carries out a "university-college-enterprise" model to train local petrochemical talents in Brunei. We have specifically promoted the establishment of three specialized talent development programs: the "Zhejiang University- Universiti Brunei Darussalam Joint Training Program", the "Institute of Brunei Technical Education (IBTE) and Lanzhou Petrochemical University of Vocational Technology (LPP) Joint Training Program", and the "Institute of Brunei Technical Education (IBTE) and Hengyi Industries Joint Training Program". These initiatives offer full scholarships and aim to nurture petrochemical talents at various levels within Brunei.

UBD-ZJU Scholarship Program

The ZJU-UBD Joint Training Program for first-year chemical engineering students at UBD has enrolled a total of 187 students in 11 sessions as of the end of the reporting period, of which 117 were employed.

IBTE-LPP Scholarship Program

The IBTE-LPP Joint Training Program has enrolled a total of 142 students in 5 sessions as of the end of the reporting period, of which 47 were employed.

Local Education Programs in Brunei

Hengyi Industries Sdn Bhd cooperated with Politeknik Brunei (PB) and IBTE to offer 8 petrochemical-related majors, with 576 students enrolled as of the end of the reporting period, of which 41 were employed.

Public Welfare Overseas

Hengyi is actively fulfilling its corporate social responsibility by setting up the CSR Committee and CSR Fund. Operating in a standardized and transparent manner, the Company focuses on key areas such as poverty alleviation, education development, and social welfare. We engage in overseas philanthropic endeavors, contributing to the friendship between China and Brunei.

Case Charity in Ramadan

Ramadan donation is a part of Hengyi Cares Initiative, a corporate social responsibility endeavor that is designed to give back to society and alleviate the burdens of those in need, including families and orphans. Throughout the Ramadan period, the Company mobilized employees to visit local communities with paired assistance, providing comfort goods to impoverished families. Specifically, donations were made to 8 struggling households and 10 orphans in Serasa village.



Case Supporting YASKA Hope in Motion charity obstacle run

As the title sponsor of Yaska Brunei's charity events, the Company has participated in many social initiatives such as raising funds for Brunei's cancer-stricken children, which is an important part of the Hengyi Cares Initiative.





Prospects

We focus on our ongoing dedication to steer a bright future. 2024 marks the 75th anniversary of the People's Republic of China. It is also a crucial year for implementing the 14th Five-Year Plan. Hence, the significance of performing all our tasks cannot be overstated. Moving forward, Hengyi will steadfastly advance the Group's mission of "building a century-old, evergreen foundation and stand among the world's renowned enterprises". Upholding the principle of "Relentless Pursuit of Excellence", we will enhance our high-quality development level and overall strength. Focused on cultivating high-tech, high-efficiency, and superior-quality new quality productive forces, we aim to propel Chinese modernization with innovative concepts for a new era.

We promise to offer superior services and trustworthy quality. Upholding artisanal excellence and customer-centric principle, we will further boost comprehensive quality management and maintain strict safety standards. By increasing our investment in technological innovation, we will deepen our strategic focus on growing into a technological Hengyi. We will improve our customer service system and elevate our service quality and efficiency to satisfy diverse customer needs. Through high-quality and high-value products, we aspire to invigorate the high-quality development of both Hengyi and the industry with fresh energy and momentum.

We champion green and low-carbon philosophy in harmony with nature. We will remain dedicated to green, low-carbon, and sustainable development that prioritizes environmental protection as fundamental to our sustainability, continually aligning our production with the surrounding natural ecology to create green factories. While ensuring our operational and environmental performance, we will improve environmental conditions around our factories and explore strategies for carbon reduction and resource management. While actively addressing climate change, through ecological compensation and restoration projects, we will protect biodiversity and green ecology, consistently fulfilling our environmental protection responsibility.

We aspire for a better society via win-win endeavors. Embracing mutual benefit, we respect the value of every employee, ensure equal employment, care for employees, and unblock their growth channels. We are dedicated to building a responsible supply chain, enhancing supplier compliance management, and fostering a transparent, responsible supply chain ecosystem with our suppliers. We will promote and organize diverse public welfare activities, pay attention to and boost local employment and industry development, contributing to rural vitalization and a harmonious society.

Appendix

ESG Key Performance

Economic Performance

| Indicator | Unit | 2021 | 2022 | 2023 |
|-----------------------------------|-------------|-------|-------|---------|
| Operating income | billion | 129 | 152.1 | 136.1 |
| Total assets | billion | 105.5 | 112 | 108 |
| Production capacity | 10,000 tons | 3,847 | 3,877 | 4,161.5 |
| - Chemicals | 10,000 tons | 265 | 265 | 265 |
| - Refined oil | 10,000 tons | 565 | 565 | 565 |
| - PTA | 10,000 tons | 1,900 | 1,900 | 2,150 |
| - PIA | 10,000 tons | 30 | 30 | 30 |
| - Polyester fiber | 10,000 tons | 777 | 807 | 751.5 |
| - PET (including RPET) | 10,000 tons | 270 | 270 | 360 |
| - Caprolactam | 10,000 tons | 40 | 40 | 40 |
| Quality inspection pass rate | % | 100 | 100 | 100 |
| Customer satisfaction after sales | % | 95 | 97 | 99 |

Social Performance

| Indicator | Unit | 2021 | 2022 | 2023 |
|---|-----------|---------------------|---------------------|---------------------|
| Total number of employees | headcount | 16,820 | 15,637 | 15,548 |
| Percentage of female employees | % | 26.17 | 26.37 | 25.98 |
| Labor contract signing rate | % | 100 | 100 | 100 |
| Social insurance coverage | % | 100 | 100 | 100 |
| Percentage of ethnic minorities employees | % | 6.45 | 7.15 | 5.61 |
| Female in senior management | headcount | 3 | 3 | 2 |
| Female in middle management | headcount | 165 | 162 | 148 |
| Total amount of employee stock ownership plan | billion | 13.93 | 13.93 | 44.37 |
| Total shares purchased | share | 113,754,600 | 113,754,600 | 366,840,000 |
| Benefited employees | headcount | Approximately 4,000 | Approximately 4,000 | Approximately 8,000 |
| Training hours per employee per year | hour | 104 | 98 | 116 |
| Occupational health examination coverage | % | 80 | 80 | 100 |
| Reported accidents | case | 0 | 0 | 0 |
| Fatalities from safety accidents | headcount | 0 | 0 | 0 |
| Safety training hours per employee | hour | 12 | 12 | 15 |

Environmental Performance

| Indicator | Unit | 2021 | 2022 | 2023 |
|---|--------------------------|-----------|----------|----------|
| Carbon dioxide emissions | 10,000 tons | 909 | 911 | 809 |
| Carbon dioxide emissions intensity | million tons/RMB billion | 0.07 | 0.06 | 0.06 |
| Consumption of crude oil | 10,000 tons | 828 | 864 | 819 |
| Consumption of natural gas | 10,000 cubic meters | 4,601 | 4,443 | 4,120 |
| Consumption of electricity | 10,000 kWh | 763,655 | 649,377 | 355,412 |
| Consumption of coal | 10,000 tons | 205 | 210 | 280 |
| Consumption of coal water slurry | 10,000 tons | 69 | 41 | 26 |
| Photovoltaic power generation | 10,000 kWh | 2,580 | 4,420 | 6,514 |
| Emission intensity of mercury and its compounds | mg/m ³ | 0.0000076 | 0.000043 | 0.000070 |

Notes:

Carbon dioxide emissions intensity = Carbon dioxide emissions / Operating revenue

The data for 2021 and 2022 do not include Zhejiang Yisheng and Hengyi Brunei. Starting from 2023, the company will include these companies in the scope of disclosure.

Report Content Indexes

GRI Content Index

| GRI Standards | | Page |
|-----------------------------------|---|---------|
| GRI2 General Disclosures | | |
| 2-1 | Organization details | P7-P9 |
| 2-2 | Entities included in the organization's sustainability reporting | P3 |
| 2-3 | Reporting period, frequency and contact point | P3 |
| 2-4 | Restatements of information | P9 |
| 2-6 | Activities, value chain and other business relationships | P7-8 |
| 2-7 | Employees | P56-P63 |
| 2-9 | Governance structure and composition | P12-P13 |
| 2-10 | Nomination and selection of the highest governance body | P13 |
| 2-11 | Chair of the highest governance body | P13 |
| 2-12 | Role of the highest governance body in overseeing the management of impacts | P13 |
| 2-16 | Communication of critical concerns | P13 |
| 2-26 | Mechanisms for seeking advice and raising concerns | P15-16 |
| 2-27 | Compliance with laws and regulations | P14 |
| 2-29 | Approach to stakeholder engagement | P22-23 |
| GRI3 Material Topics | | |
| 3-1 | Process to determine material topics | P20-P21 |
| 3-2 | List of material topics | P21 |
| 3-3 | Management of material topics | P21 |
| GRI 201 Economic Performance | | |
| 201-1 | Direct economic value generated and distributed | / |
| 201-3 | Defined benefit plan obligations and other retirement plans | P9 |
| GRI 203 Indirect Economic Impacts | | |
| 203-1 | Infrastructure investments and services supported | / |
| 203-2 | Significant indirect economic impacts | / |
| GRI 205 Anti-corruption | | |
| 205-1 | Operations assessed for risks related to corruption | P15 |
| 205-2 | Communication and training about anti-corruption policies and procedures | P15 |
| 205-3 | Confirmed incidents of corruption and actions taken | P15 |
| GRI 302 Energy | | |
| 302-1 | Energy consumption within the organization | P27-28 |
| 302-3 | Energy intensity | P27-28 |

| | | |
|---|---|-----------------|
| GRI 303 Water and Effluents | | |
| 303-2 | Management of water discharge- related impacts | P32,P33 |
| 303-3 | Water withdrawal | P32 |
| 303-4 | Water discharge | P33 |
| 303-5 | Water consumption | P32 |
| GRI 305 Emissions | | |
| 305-4 | GHG emissions intensity | P27 |
| 305-7 | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | P33 |
| GRI 306 Waste | | |
| 306-1 | Waste generation and significant waste-related impacts | P34-P35 |
| 306-2 | Management of significant waste-related impacts | P34 |
| 306-3 | Waste generated | P35 |
| 306-4 | Waste diverted from disposal | P35 |
| 306-5 | Waste directed to disposal | P35 |
| GRI 401 Employment | | |
| 401-1 | New employee hires and employee turnover | P59 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees. | P58-P59 |
| GRI 403 Occupational Health and Safety | | |
| 403-1 | Occupational health and safety management system | P60 |
| 403-2 | Hazard identification, risk assessment and incident investigation | P60-P61 |
| 403-3 | Occupational health services | P60-P61 |
| 403-5 | Worker training on occupational health and safety | P42-P43 |
| 403-6 | Promotion of worker health | P38-P43,P60-P61 |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | P38-P43 |
| 403-8 | Workers covered by an occupational health and safety management system | P60 |
| 403-9 | Work-related injuries | P38 |
| 403-10 | Work-related ill health | P60-P61 |
| GRI 404 Training and Education | | |
| 404-1 | Average hours of training per year per employee | P61 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | P61-P62 |
| GRI 405 Diversity and Equal Opportunity | | |
| 405-1 | Diversity of governance bodies and employees | P13,P58 |



| GRI 409 Forced or Compulsory Labor | | |
|------------------------------------|--|---------|
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | / |
| GRI 413 Local Communities | | |
| 413-1 | Operations with local community engagement, impact assessment, and development plans | P66-P69 |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | / |
| GRI 414 Supplier Social Assessment | | |
| 414-1 | New suppliers that were screened using social criteria | P48 |
| GRI 416 Customer Health and Safety | | |
| 416-1 | Assessment of the health and safety impacts of product and service categories | P43-P45 |

SASB Index

| Code | Indicator | Page |
|--------------|--|---------|
| RT-CH-110a.1 | Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations | P27 |
| RT-CH-120a.1 | Air emissions of the following pollutants: (1) NOX (excluding N2O), (2) SOX, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs) | P33 |
| RT-CH-130a.1 | (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy 2 | P27-28 |
| RT-CH-140a.1 | (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress | P32 |
| RT-CH-140a.3 | Description of water management risks and discussion of strategies and practices to mitigate those risks | P32 |
| RT-CH-150a.1 | Amount of hazardous waste generated, percentage recycled | - |
| RT-CH-210a.1 | Discussion of engagement processes to manage risks and opportunities associated with community interests | P66 |
| RT-CH-320a.1 | (1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees | P60 |
| RT-CH-320a.2 | Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks | P60-P61 |
| RT-CH-410b.2 | Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact | P50-P52 |
| RT-CH-530a.1 | Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry | P31 |
| RT-CH-540a.1 | Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR) | P38 |

Feedback Sheet

Dear readers,

Thank you for taking the time to read the 2023 ESG Report of Hengyi Petrochemical Co., Ltd. amidst your busy schedule. To provide more valuable content to stakeholders and keep improving our report preparation and ESG performance, we sincerely invite you to leave your opinions and suggestions by the following ways

Tel.: _____

E-mail: _____

Address: _____

1.For Hengyi, what category of stakeholders do you belong to:

- Government
- Shareholder/Investor
- Employee
- Customer
- Supplier
- The public
- Academic/research institutions
- Social organization/non-governmental organization
- Industry association/partner
- Media
- Other ()

2.You evaluation of this report:

| | Very good | Good | Average | Poor |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Report structure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Wording | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Information disclosure | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Layout design | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Overall evaluation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

3.What other opinions or suggestions do you have regarding this report or our CSR practices?
