



2024

Hengyi Petrochemical Co., Ltd

2024 Environmental, Social, and Governance (ESG) Report

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About this report

This is the sixth independent report released by Hengyi Petrochemical Co.,Ltd.. This report comprehensively discloses relevant information in detail of the Company in the environmental, social, and governance aspects in 2024 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, 2024 to December 31, 2024. 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 the *Guidelines No. 3 for Self-Regulation of Listed Companies-Standardized Operation of Preparation of Sustainable Development Report* 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 .

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 22, 2025. 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

The year 2024 marked the 75th anniversary of the People's Republic of China. It was also a crucial year for achieving the objectives and tasks laid down in the 6th Five-Year Plan of Hengyi. Amid a complex macroeconomic landscape and persistently challenging market conditions, the Company worked collaboratively with all stakeholders to overcome various difficulties. We consistently treated ESG implementation as an internal driver of high-quality development. By strengthening our foundation through core business focus, achieving breakthroughs via innovation, demonstrating leadership in green transformation, and fulfilling our social responsibilities, we have made substantial progress towards our vision of “becoming one of the world's top-tier petrochemical industry groups.”



In the past year, we consolidated the foundation for high-quality development by focusing on our primary responsibilities and core business operations. As a global leader in the integrated “refining-chemicals-fiber” value chain, we systematically expanded and reinforced our industry chain while ensuring the safe, stable, and efficient operation of existing production capacity. Major projects were prioritized as catalytic initiatives to optimize industrial structure, accelerate the transition from traditional to new growth drivers, and advance sustainable high-quality development. This strategic focus has further enhanced our integrated industry chain, characterized by balanced, pillar-like structural robustness. During the reporting period, Phase I of our Qinzhou project in Guangxi achieved vigorous progress, Phase II of Hengyi Industries Sdn Bhd’s refining and chemical project advanced as planned, and all ongoing projects maintained steady progress aligned with established targets.

In the past year, we focused on technological innovation to develop new drivers of industrial upgrading. With steadfast commitment to our “Ten-Year Ten-Billion” R&D investment initiative, we made substantial progress in propelling the transition from an industrial Hengyi to a technological Hengyi. We dramatically expanded our recruitment of top-tier talent and significantly strengthened our R&D capabilities in core technologies in key fields. Our research accomplishments earned multiple prestigious awards, including the second prize of Zhejiang Provincial Technology Invention Award, the China Chemical Fibers Association-Hengyi Foundation for 2024, the Excellence Award of the “2024 Petroleum and Chemical Industry Patent Awards”.

In the past year, we vigorously pursued green development and charted a new course for the circular economy. We actively implemented China's carbon peaking and carbon neutrality goals, driving green and low-carbon transformation across our industry chain with a focus on “green manufacturing” and “circular economy” principles. We comprehensively integrated energy conservation and environmental protection into all production and operational aspects while developing and promoting green technologies. With particular emphasis on adopting new energy solutions and waste heat recovery systems, we worked diligently to establish ourselves as an environmentally responsible enterprise committed to resource efficiency.

In the past year, we put the people-first principle into practice, and marked a new chapter in building a community with a shared future. We maintained consistently healthy, safe, and rewarding work environments for all employees while successfully organizing ten major events to celebrate our 50th anniversary. The sixth installment of our Employee Stock Ownership Plan (ESOP) progressed as scheduled, accompanied by the phased rollout of both our share repurchase program and the controlling shareholders’ share accumulation plan. Furthermore, we expanded our charitable and educational foundations to foster inclusive and caring community environments.

2025 marks the culmination of the Company's Sixth Five-Year Plan, the planning year of the Seventh Five-Year Plan and the commencement of our second half-century strategic goals. Driven by our corporate spirit of “Relentless Pursuit of Excellence,” we will vigorously execute all established projects while developing new quality productive forces at a faster pace. With the pioneering spirit of true innovators, we will confidently embark on our new journey to build a centennial Hengyi. With unwavering diligence, strategic wisdom, and dedicated effort, we stand ready to promote high-quality development in our next chapter.

About Hengyi

Business Layout

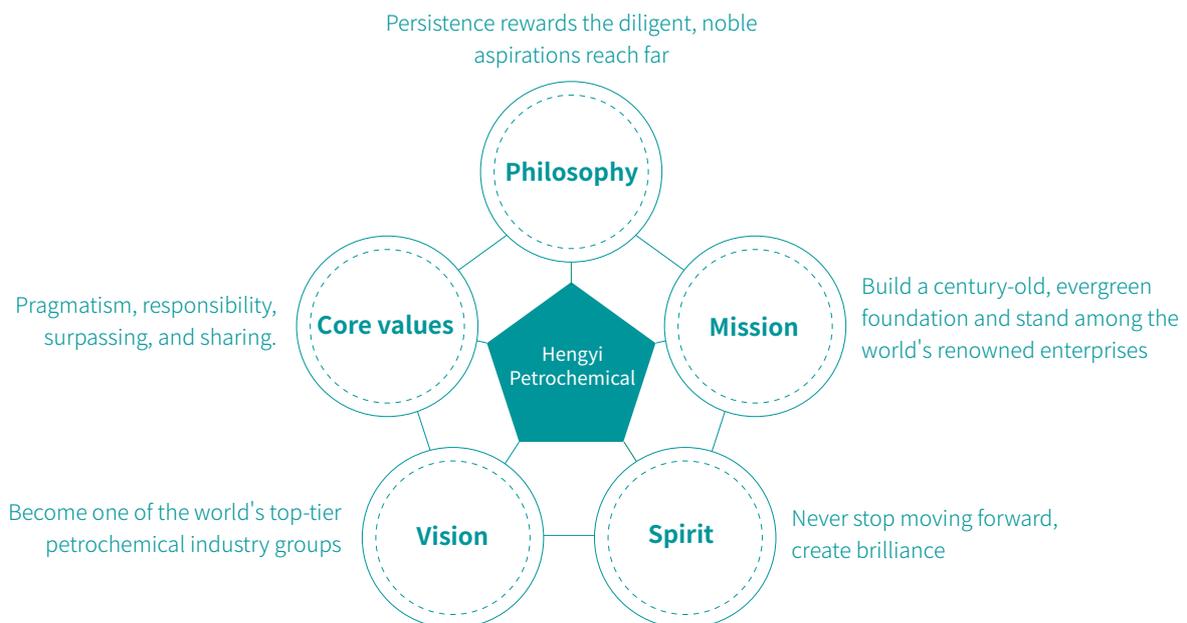
Hengyi Petrochemical (000703.SZ) aspires to become a world-class and domestic leading petrochemical industrial group. Through resource sharing and industrial coordination, the Company bolsters overall competitiveness. Currently, we have formed a multi-faceted “petrochemical+” industrial layout, with 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 refined oil products (gasoline, diesel, and jet fuel); basic petrochemical feedstocks (PX, benzene, PTA, PIA, CPL, and LPG); polyester new materials (POY, FDY, DTY, polyester staple fiber, PET chips, and PET bottle-grade chips). This integrated product system deeply serves fundamental sectors of the national economy and essential demand-driven industries, such as energy, textile and apparel, packaging, electronics, and construction materials.

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

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

Honors



Chairman and President Qiu Yibo was honored with the title of “Outstanding CEO in Advancing Smart Manufacturing in China.” and “2024 Digital Transformation Leader in the Industry” by the Judging Committee for Digital Transformation and Innovation



C&EN's Global Top 50



Listed among the “billion-dollar club rankings of global chemical companies” released by the US Chemical Weekly



Outstanding Corporate Social Responsibility Practices by Chinese Private Enterprises in 2024



Carbon Neutral Top 50 of the ESG Golden Bull Awards from the China Securities Journal



Outstanding Enterprises in Brand Building 2024 from the China Chemical Fibers Association



Outstanding Cases of Digital Economy Development in Zhejiang Province for 2024



Hengyi Petrochemical: Building an End-to-End Smart Factory received the China Industrial Internet Excellent Application Award



“Outstanding Sustainable Development Practice Cases of Listed Companies in 2024” “4A secretary in the evaluation of secretaries' performance 2024” “Outstanding Practice Cases of Annual Report Performance Briefing for 2023” and Top 100 Best Practices over the Past Decade of the Belt and Road Cooperation by Chinese Listed Companies from the China Association for Public Companies



The “Outstanding Collective” honorary title from the Manufacturing Industry Digital Transformation Standardization Working Group of the National Information Technology Standardization Technical Committee



Easy-Clean Nylon won the second prize of Zhejiang Provincial Technology Invention Award



Flame retardant polyester and TiO₂-Based Delustering Slurry for Nylon Fibers were listed in Zhejiang Province's first batch of new materials for 2024



Five technologies, including the atmospheric low-temperature dyeable polyester fiber with disperse dyes and PTT composite fiber, were included in the Green and Low-Carbon Technologies Compilation for the Textile Industry 2024



The patented preparation method for TiO₂ Matting Agent received the Excellence Award of the “2024 Petroleum and Chemical Industry Patent Awards” and five Paper Awards from the China Chemical Fibers Association-Hengyi Foundation for 2024

ESG Highlights in 2024

Governance Performance

<p>Shareholders meetings</p> <p>7 times</p> <p>Meetings of the Board of Supervisors held</p> <p>11 times</p>	<p>Meetings of the Board of Directors</p> <p>14 times</p> <p>Since its listing, the company's cumulative dividend payout amount has exceeded</p> <p>5.4 billion</p>	<p>Special meetings of independent directors</p> <p>8 times</p> <p>The company implemented the five phases of the share repurchase program and has repurchased shares worth</p> <p>3.2 billion</p>
<p>The company organized investor exchange activities, reaching a cumulative total of</p> <p>1,000 participants</p>		<p>Disclosed on the official websites of HengYi and SZSE</p> <p>211 announcements</p>

Environmental Performance

<p>Invested in environmental protection RMB</p> <p>399.89 million</p>	
<p>Total CO₂ emissions</p> <p>7.94 million tons</p>	<p>Year-on-year decrease</p> <p>0.15 million tons</p>
<p>The emission intensity of VOCs decreased by</p> <p>5 %</p>	<p>The emission intensity of particulate matter (PM), sulfur dioxide (SO₂), and nitrogen oxides (NO_x) each declined by</p> <p>10 %</p>
<p>As of 2024, the company's PV installed capacity has reached</p> <p>130 MW</p>	<p>With annual green power generation-including solar PV, waste heat recovery, and esterification-based power exceeding</p> <p>200 million kWh</p>

Social Performance

Invested in safety RMB

169.49 million

Pass rate of safety training

100 %

Accumulated purchase under the ESOP

480.93 million

Amounting to RMB

5.2 billion

Benefited employee

14,580 participants

As of 2024, the company boasts valid granted

502 patents

National and industry standards formulated or revised by the company

51

In 2024, the company's R&D investment reached approximately RMB

800 million

From 2019 to 2024, from Zhejiang University, Donghua University, and other leading institutions appointed as Hengyi Scholars

6 professors

As of 2024, the company has organized employees participants in voluntary blood drives without compensation

23 times

Mobilizing

5,882 donors

In 2024, the company and its controlling shareholder Hengyi Group collectively donated RMB

28.77 million

The company has created local jobs in Brunei nearly

1,000

Feature

Carrying Forward Fifty Years of Achievements, and Pioneering a New Era with Resolve

Starting from a knitting mill of the Yaqian Commune in Xiaoshan, Hengyi has ridden the winds of reform and opening-up. The Company has woven a remarkable chapter in China's private enterprise story with pioneering courage. The hum of looms in old workshops has transformed into a grand symphony of the Company's global petrochemical ambition. Driven by innovation, we sail steadfastly towards our vision of “becoming one of the world's top-tier petrochemical industry groups,” and strive to make new contributions to high-quality development and Chinese modernization.

The year 2024 marked the 75th anniversary of the People's Republic of China and the 50th anniversary of Hengyi's establishment. On this milestone occasion, guided by our corporate spirit of “Relentless Pursuit of Excellence” and anchored in the guidance of Party building, we launched ten signature initiatives to showcase our commitment to social responsibility and humanistic values.

Cultural and art gala Bridging hearts with culture and art, mapping a blueprint with joint efforts

On October 18, 2024, Hengyi grandly held the “Fifty Years of Glory · Marching Toward the Future” cultural and art gala. The event, featuring songs, dances, skits, and traditional opera, fully displayed Hengyi's 50-year journey of hard work. The gala outlined the grand vision of building a century-old Hengyi, and showcased the deep integration of Party building and corporate growth through different arm forms. Tens of thousands of global viewers joined the gala via live stream, witnessing the brilliance of Hengyi's cultural influence.



▲ The 50th Anniversary Cultural Evening of Hengyi Group was successfully held

50 Years, 50 Legends Drawing wisdom from history and commending trailblazers of excellence

On October 18, 2024, at the 50th-anniversary celebration of Hengyi, we proudly honored 50 outstanding representatives who were dedicated contributors, loyal employees, R&D elites, production pioneers, and business trailblazers. The commendation embodied Hengyi's core spirit, which not only eulogized hardworking individuals of the Company, but was a call for all employees. It inspired them to strive relentlessly toward Hengyi's vision of building a century-old enterprise.



▲ The Award Ceremony for "Loyal Employees"



▲ The Award Ceremony for "R&D elites"

Hengyi Craftsmen Celebrating mastery and driving innovation

On September 26, 2024, the third "Hengyi Craftsmen" selection was successfully conducted to honor outstanding employees across all levels, from frontline workers to engineers and managers. The initiative recognizes exemplary individuals who demonstrate both meticulous craftsmanship and innovative thinking. It reinforces our commitment to the artisan spirit while strengthening the talent and technological foundation for building a centennial Hengyi. A total of 22 individuals were honored as "Hengyi Craftsmen" and received prestigious recognition during the Company's 50th anniversary celebration.



▲ The Award Ceremony for "Hengyi Craftsmen"

Group wedding ceremony Building a happy home together

On September 10, 2024, the 4th Employee Group Wedding Ceremony took place romantically by the shores of Hangzhou's Xianghu Lake. Twenty-five couples, dressed in early 20th-century traditional attire, exchanged vows before family, friends, and company leaders. The event reinforced employees' sense of belonging and happiness. It also showcased the Company's harmonious culture where the "corporate family" and "individual families" flourish together under the guidance of Party building.



▲ The 4th Employee Group Wedding Ceremony

Feature

Carrying Forward Fifty Years of Achievements, and Pioneering a New Era with Resolve

Voluntary blood drive Spreading compassion and demonstrating responsibility

On August 7, 2024, Hengyi successfully held the 23rd group blood drive, which showcased the Company's dedication to social contribution and setting a benchmark for corporate philanthropy in Zhejiang Province. A total of 197 employees participated, donating 68,550 milliliters of blood. Since 2002, Hengyi has organized 5,882 employee participants in voluntary blood drives, with a cumulative volume reaching 1,657,341 milliliters.



▲ The 23rd Group Blood Drive

Essay contest Celebrating Hengyi's spirit through storytelling

On June 18 - September 18, 2024, Hengyi organized an essay contest for all current and former employees, seeking to reveal the profound values embodied in "ordinary people and their untold stories." The competition generated hundreds of submissions, with 40 exceptional entries ultimately chosen as award-winning works.



Singing competition Uniting employee spirit and igniting youthful energy storytelling

On June 18, 2024, Hengyi hosted the 11th "Top Ten Singers" competition, which attracted nearly 100 employee participants. The event provided a dynamic platform for talent showcase and passion sharing, and fostered a "joyful work, healthy living" culture to promote corporate culture development.



▲ The Award Ceremony for the Singing Competition

Walking rally Action meets commitment for forging a determined spirit

On June 22, 2024, embracing the athletic ethos of “joy, health, low-carbon and eco-friendliness,” Hengyi employees gathered along the Qiantang River for the “Walking Rally.” The event combined knowledge quizzes and team challenges, integrating corporate culture with health awareness to inspire employees on Hengyi’s new developmental journey. With over 400 participants, the event offered two routes: a 6-km family walk and a 12-km advanced challenge.



▲ The Event Site of the "Walking Rally"

Basketball league Building team spirit together

On July 14, 2024, the 19th “Hengyi Cup” Men’s Basketball League brought together over 150 players from 14 teams. In a total of 23 intense matches, the athletes embodied the sporting spirit of “Faster, Higher, Stronger,” fueling the Company’s progress with unstoppable energy and teamwork.



▲ The 19th "Hengyi Cup" Men's Basketball League

Knowledge competition Gaining wisdom from history to unite for progress

On September 21, 2024, the knowledge competition engaged 14 teams in a spirited contest. This interactive event enhanced employees’ understanding of our corporate culture and history. By reflecting on the Company’s journey of perseverance and achievement, participants developed deeper respect for policies and procedures while renewing their commitment to workplace excellence.



▲ The Final Evaluation Site of the Knowledge Competition

To celebrate the 50th anniversary of Hengyi’s founding, we organized ten themed events, including an essay contest, a cultural and art gala, a voluntary blood drive, and a craftsmen commendation activity. The events not only showed the deep integration of Party building with corporate operations, but also highlighted our corporate culture and social responsibility. Standing at the new milestone, Hengyi will continue to uphold its red heritage and bravely shoulder the mission of our times. With firmer conviction, a more open mindset, and pragmatic initiatives, we aim to compose a new chapter of high-quality development in the process of building a century-old enterprise, and contribute Hengyi’s strength to the Chinese path to modernization!



Creating Mutual Trust and Value with Shareholders

Guided by modern governance principles, Hengyi strives to build a robust internal management system while adhering to compliant operations and ethical business practices. The Company actively promotes ESG governance and enhances management and internal control, thereby sustaining value creation for shareholders and driving high-quality development.

2024 Actions and Responses

- Shareholders meetings **7** times
- Meetings of the Board of Directors **14** times
- Meetings of the Board of Supervisors held **11** times
- Special meetings of independent directors **8** times

- The company organized 9 investor exchange activities, reaching a cumulative total of

1,000 participants

- Disclosed on the official websites of HengYi and SZSE

211 announcements

- Regular reports were issued

4 reports

To help achieve the United Nations 2030 Sustainable Development Goals (SDGs)

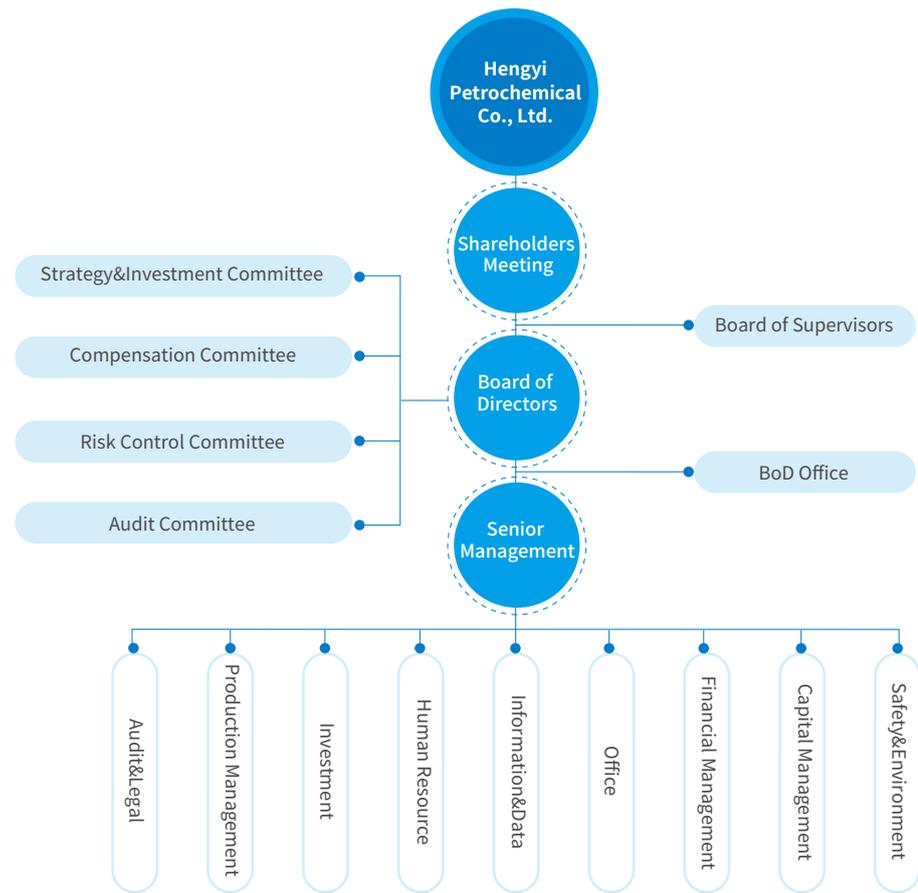
16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Corporate Governance

Governance structure

In strict compliance with laws and regulations, including the Company Law, Securities Law, Code of Corporate Governance for Listed Companies, and the Shenzhen Stock Exchange Listing Rules, we steadily improve our corporate governance structure and internal control system to standardize corporate operations. Our governance framework consists of the Shareholders' Meeting, the Board of Directors, the Board of Supervisors, and the senior management, all functioning with independent business and operational autonomy. We maintain independence across business activities, assets, personnel, organizational structure, and finance, supported by a clear division of responsibilities and an effective checks-and-balances mechanism. To further facilitate the “going global” initiative for Chinese enterprises, we have strengthened the governance of both the Board of Directors and the Board of Hengyi Brunei through a dual-board (“headquarters-region”) model. By retaining strategic decision-making authority at headquarters while granting autonomy to local operations, we continuously enhance our international management capabilities.



In 2024

Shareholders meetings

7 times

Shareholders' Meeting

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 Company conducts online voting and discloses minority shareholders' votes in announcements to actively safeguard all shareholders' legitimate rights, including their access to information, participation in decision-making, and oversight of the Company's major resolutions.

Directors, the Board and specialized committees

As the Company's standing decision-making body, the Board of Directors reports

to the Shareholders' Meeting, and is responsible for formulating strategic blueprints, setting long-term performance and management objectives, evaluating business results, overseeing executive management, and mitigating risks.

The Company emphasizes diversity of Board members in terms of age, gender, professional background, and expertise. All Directors possess extensive industry and risk management expertise across multiple disciplines, including finance, law, and economics. This enables them to bring comprehensive, integrated, and international perspectives to corporate decision-making. Notably, over half of the Board members are under 45 years of age. This can foster innovation in modern management practices and significantly enhance governance effectiveness.

The Company's independent directors diligently fulfill their duties of diligence, loyalty, and independence. In their daily work, they remain well-versed in the Company's operations, financial status, and major projects, while offering professional opinions and ensuring the objectivity and independence of their oversights. The Company has established a dedicated independent directors' meeting mechanism that requires each independent director to complete a minimum of 15 days of on-site work annually, maintain comprehensive performance records, and exercise pre-approval responsibilities for significant matters and compliance operations.



Board of Supervisors

As per the Company Law, the Articles of Association and other applicable regulations, the Board of Supervisors supervises the Company's business operations while protecting the legitimate rights and interests of the Company, its shareholders and creditors. The Board of Supervisors comprises three members, with two of them being female.



Senior Management

The Senior Management, as the executive body of the Company, is appointed by and reports to the Board. After a general election, the Management currently consists of 6 senior executives, involving experts in different fields such as research and innovation, petrochemicals, engineering, procurement, sales, finance, and capital operations. with professional capabilities and rich management experience.

Investor relations

We have always prioritized investor relations (IR) management, therefore engaging with investors proactively and in good faith. By establishing a multi-dimensional and differentiated investor engagement system, we continuously enhance our IR management capabilities. With improved information disclosure and a two-way constructive communication mechanism, we communicate the Company's value to capital markets efficiently. We remain committed to rewarding investors through active market capitalization management, and adopt multiple methods, such as cash dividends and share repurchases, to enhance investor returns. These initiatives strengthen long-term investor confidence and support the achievement of the Company's strategic objectives.

As of the end of 2024

<p>Since its listing, the company's cumulative dividend payout amount has exceeded</p> <p>5.4 billion</p>	<p>The company implemented the five phases of the share repurchase program and has repurchased shares worth</p> <p>3.2 billion</p>
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The Company has effectively communicated investment value and gained broad market recognition through various investor engagement activities, including one-on-one and group conference calls, on-site investor meetings, brokerage strategy sessions, and earnings briefings. These initiatives have reached over a hundred investment institutions (including sell-side and buy-side firms) and nearly a thousand investors.

In 2024, we held two briefings on investment earnings to address nearly 100 investor questions. In addition, through channels such as the investor hotline, we actively addressed concerns, enhanced engagement with individual investors, and conveyed the Company's value.

In 2024

<p>The company organized 9 investor exchange activities, reaching a cumulative total of</p> <p>1,000 participants</p>	<p>Disclosed on the official websites of HengYi and SZSE</p> <p>211 announcements</p>	<p>Including regular reports</p> <p>4 reports</p>
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Compliant Operation

We steadfastly combine law-based corporate governance with compliance operations. Through continuous optimization of our compliance management system, tightened internal control and audit, and strict adherence to compliance requirements, we solidify the foundation of sustainable and steady development.

Compliance management

We strictly abide by national laws, regulations, and industry standards, and have established a comprehensive compliance management system centered on management responsibilities, encompassing risk prevention, monitoring, and response. Our compliance framework covers all business areas, departments, subsidiaries, and employees, and spans the entire process, from decision-making and implementation to supervision, reporting, and improvement. This ensures that all our business operations are legal while effectively mitigating legal risks. Furthermore, we actively conduct compliance training programs to communicate the importance of compliance to employees through various channels. These efforts help foster a compliance culture and strengthen employees' legal awareness and compliance mindset.

Strengthening internal audit

We rigorously conduct compliance management in accordance with laws and regulations, including the *Basic Standards for Enterprise Internal Control* and related guidelines. First, we maximize the effectiveness of internal audits to enhance the implementation of internal control policies and strengthen compliance risk identification and assessment. Second, we regularly engage external auditors to conduct specialized audits on the establishment and implementation of our internal control system. Furthermore, the Board's Audit Committee oversees and evaluates both internal and external audit activities, thereby safeguarding the legitimate rights and interests of the Company and all shareholders.

In 2024

We completed operational management and special audits

12

And finished engineering audits plus

127

External audit

1

Major fraud incidents occurred

0

Risk control

The Company conducts regular self-assessments of internal control. In accordance with relevant management policies, all departments identify key risks in business processes and jointly establish a risk control matrix. Supported by a scientific risk assessment mechanism, we promptly identify and flag potential risks, while implementing effective measures to mitigate and resolve them.

Risk assessment

With a robust risk assessment mechanism in place, we start with risk identification and conduct in-depth analyses of potential risks. Based on precise risk evaluation, we develop targeted response strategies while ensuring accuracy and comprehensiveness. Based on the evaluation results, we meticulously document risk details, assign risk levels, and prioritize critical risks, particularly those requiring immediate resolution or posing significant impacts.

Risk training

We organize regular risk prevention and compliance training sessions, and engage experienced external legal experts to deliver specialized courses for employees. Through case studies, regulatory breakdowns, and interactive methods, we strengthen employees' risk awareness and reinforce adherence to compliance requirements at all times.

Case A training session on business secret protection

On May 11, 2024, the Company held a seminar on the *Business Secret Risk Prevention Guidelines*, featuring professional police officers who helped employees enhance their business secret management skills and strengthen corporate confidentiality awareness. The session supported our ongoing efforts to standardize business secret protection measures while improving our ability to mitigate leakage risks and respond effectively to potential breaches.



▲ The seminar on business secret risk prevention

Building Integrity

Anti-corruption and anti-fraud

The Company has set up an 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.

We have implemented a comprehensive business ethics framework with robust oversight, including key policies such as the *Code of Business Conduct and Ethics*, *Anti-fraud Guidelines*, *Employee Integrity and Ethical Conduct Regulations*, and *Anti-Money Laundering Regulations*. These measures strengthen ethical awareness across our workforce and ensure alignment with our standards among partners. Through multi-channel communications (emails, WeChat, calls, etc.), we actively promote integrity principles and unequivocally reject commercial bribery, money laundering, monopolistic behavior, and unfair competition. To institutionalize these values, we have hosted an integrity and compliance conference featuring signed anti-corruption pledges, aiming to reinforce strict ethical discipline for all employees and leadership. Collectively, these efforts drive Hengyi's sustainable development as a corruption-free enterprise.



▲ Employees sign integrity pledges

○ Case Holding an integrity and compliance awareness lecture ○

On June 28, 2024, the Company invited senior officials from the Economic Investigation Police of Xiaoshan District Branch of Hangzhou Public Security Bureau to deliver a special lecture on integrity and compliance awareness for employees. The session featured an in-depth analysis of occupational crime characteristics and root causes through case studies, along with compliance recommendations for establishing a corruption-free enterprise. These focused on five key areas: strengthening accountability, implementing rotational supervision, establishing whistleblower rewards, managing the “key few,” and promoting an ethical corporate culture.



▲ Conducting a Special Lecture on Integrity and compliance awareness

Whistleblower protection

Hengyi attaches great importance to complaint and whistleblowing management, and has established a comprehensive, multi-tiered mechanism. Through policy announcements, the official website, WeChat official account, as well as various meetings and events, we offer multiple reporting channels to ensure timely handling of all complaints and reports.

The Company strictly protects whistleblowers' privacy and safety. All reported materials are treated as confidential, with the identities of whistleblowers and related details kept strictly secure. Retaliation in any form is strictly prohibited, and violations confirmed through investigation will face severe penalties in accordance with company regulations. In cases involving illegal or criminal conduct, we will refer the matter to judicial authorities without hesitation, steadfastly upholding our role as a “protective shield” for whistleblowers.

Anti-fraud Office reporting channels:

Tel: 0571-83581890 (ext: 1890)

E-mail: fwb@hengyi.com

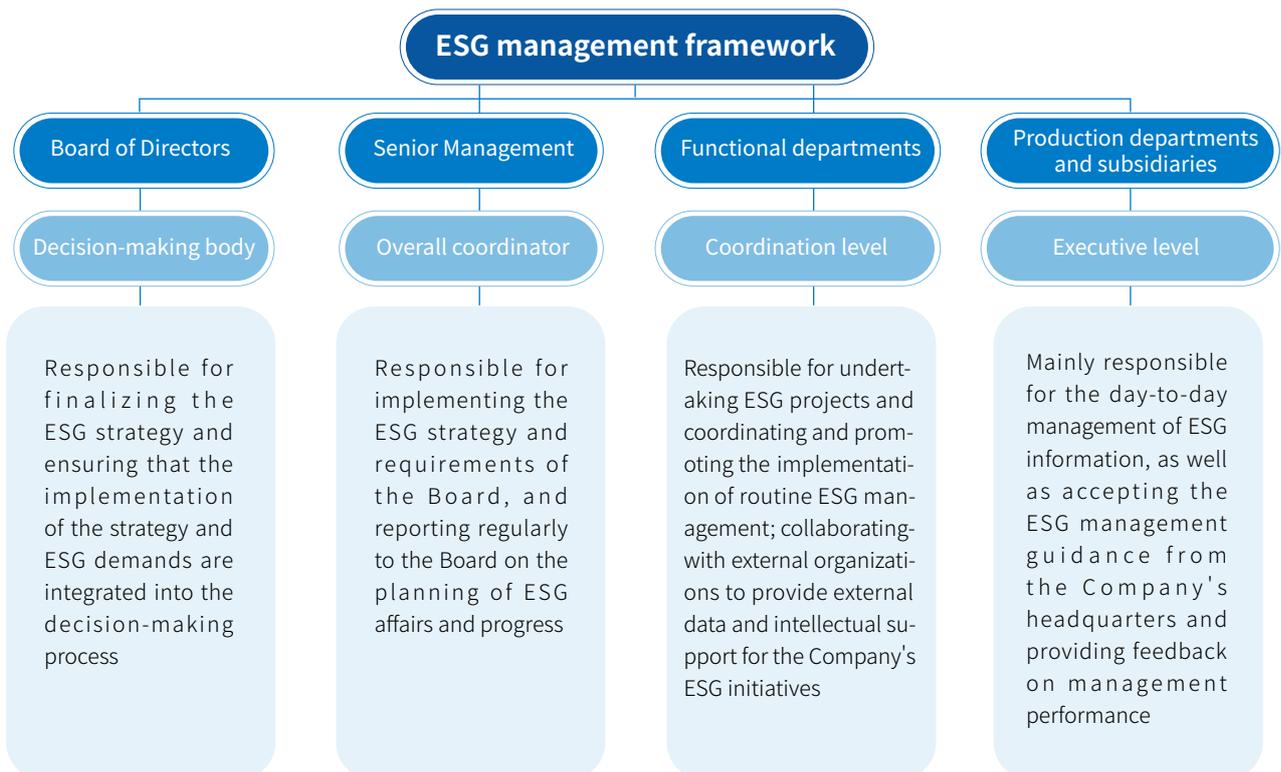


ESG Governance

We have fully embedded the core principles and standards of ESG into corporate governance and established a scientific, professionally structured ESG management system tailored to our operations. Meanwhile, we thoroughly identify the impacts of ESG-related factors on our operations and adopt a goal-driven approach to ensure effective management, thus fostering a virtuous cycle between corporate development and responsibility fulfillment.

ESG development management

We have established a top-down, multi-stakeholder collaborative ESG governance framework. The Board of Directors serves as the supreme governing body for ESG oversight, and is responsible for guiding the implementation of the Company's sustainability initiatives and providing strategic direction for ESG development.



Stakeholder Communication

The Company attaches great importance to the demands and expectations of stakeholders. We engage with stakeholders through diversified channels to understand their needs, actively take measures to provide reasonable responses, and strive to gain their support and trust, thereby driving continuous improvement in social responsibility management.

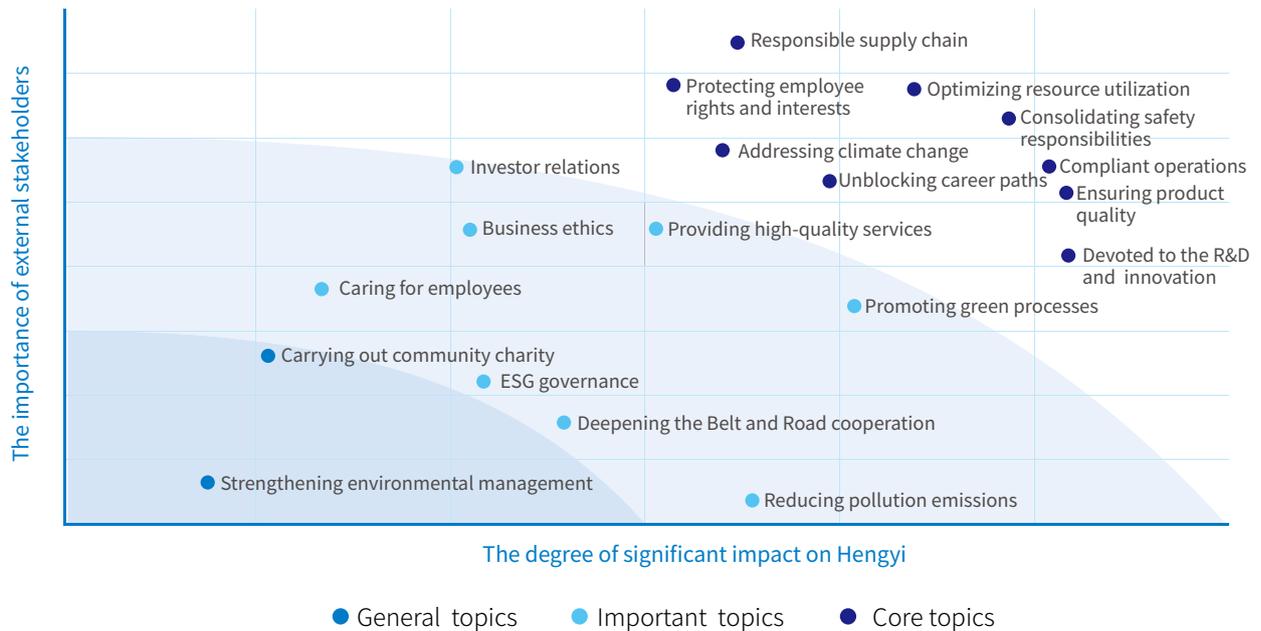
Stakeholder identification	Demands and expectations	Communication methods
 <p>Government and regulators</p>	<ul style="list-style-type: none"> • Compliant operations • Tax Compliance • Waste Emissions • Local Employment Promotion • Driving local economic development • Addressing climate change and carbon emissions 	<ul style="list-style-type: none"> • Government supervision • Participating in major events Such as symposiums and Seminars • Press Release / Announcement • Corporate Website • Information Disclosure
 <p>Shareholders and investors</p>	<ul style="list-style-type: none"> • Enhance Corporate Governance • Financial Growth and Shareholder Returns • Business Ethics • The authenticity, accuracy, timeliness, and Completeness of information disclosure 	<ul style="list-style-type: none"> • Information Disclosure • Results Briefing • Shareholders' Meeting • Corporate Website • Regular Reporting & Communication • Investor Roadshow • Investor Hotline / Email / WeChat Official Account
 <p>Employees</p>	<ul style="list-style-type: none"> • Equal Employment & Compensation & Benefits • Employee care • Occupational health and safety • Unblocked Career Development 	<ul style="list-style-type: none"> • Workers' congress • Suggestion Box / Email • Employee Activities • Website and WeChat official Account, ect.
 <p>Customers</p>	<ul style="list-style-type: none"> • Integrity and compliance • Good customer relationships • High quality products and service quality • Product innovation • Protecting Customer Rights and Interests 	<ul style="list-style-type: none"> • Customer Satisfaction Survey • Customer Service Hotline • Client Response Mechanism • Customer Visits • Corporate Website

Stakeholder identification	Demands and expectations	Communication methods
 Partners	<ul style="list-style-type: none"> • Fairness and Transparency • Responsible Sourcing • Intellectual Property Protection • Information Resource Sharing 	<ul style="list-style-type: none"> • Routine Visits • Vendor Summit • Dedicated Hotline / Email • Tender Briefing Session
 Communities	<ul style="list-style-type: none"> • Harmonious Community Development • Low-carbon Environmental Protection • Supporting Philanthropic Causes • Job Creation 	<ul style="list-style-type: none"> • Public Welfare Activities • On-site Investigations • Dedicated Helpline • Media Communication & Coverage

Materiality analysis

The company established a fundamental process for analyzing the significance of ESG topics. Through topic identification, research evaluation, and prioritization, we examined demands and key concerns across all industrial chain segments and stakeholders. Using a dual-dimensional framework assessing "importance to external stakeholders" and "degree of impact on Hengyi Petrochemical," we identified and prioritized 19 material topics. The Board of Directors validated the prioritization results in alignment with the company's latest development strategy and the petrochemical industry's characteristics. This process culminated in the creation of a materiality assessment matrix, which determines the key disclosure content of this report and focuses on addressing core ESG issues.

ESG Materiality Matrix in 2024






HENGYI
REFORESTATION PROJECT

Striving for Harmony with the Environment by Green Development

To achieving the goals of carbon peaking and carbon neutrality , Hengyi actively implements China's key strategic decisions in this aspect. The Company earnestly explores the path for both pollution and carbon reduction, and continuously improves the environmental management system. Efforts have been made to strictly implement energy-saving and emission reduction measures while employees are advocated to lead a low-carbon work-life style, in an effort to create a green culture.

2024 Actions and Responses

- Invested in environmental protection RMB **399.89** million
- In 2024, we expanded our PV installed capacity by **52** MW
- As of 2024, the company's PV installed capacity has reached **130** MW
- With annual green power generation-including solar PV, waste heat recovery, and esterification-based power exceeding **200** million kWh

To help achieve the United Nations 2030 Sustainable Development Goals (SDGs)

6 CLEAN WATER AND SANITATION 	7 AFFORDABLE AND CLEAN ENERGY 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 	15 LIFE ON LAND 

Climate Change Response

Hengyi actively responds to domestic and international policies to combat climate change and China's call for "carbon peaking and carbon neutrality". The Company strengthens carbon emission management and carries out energy conservation and carbon reduction. We take various measures to accelerate our green and low-carbon transition. Besides our endeavors on promoting the transformation of low-carbon technologies and energy efficient technologies, we attach importance to renewable energy utilization, and develop low-carbon products while facilitating green power trading.

General goal

The Company conducts carbon peaking and carbon neutrality work efficiently and methodically, with clear goals and tasks.

Short and medium-term targets

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.

Indicator	Target type	Baseline for 2025	2024	2030
Total Scope 1 & 2 carbon emissions (million tons)	Absolute	8.83	7.94	Below 25% increase in total Scope 1&2 carbon emissions

Carbon emission management

The Company's HSE Management Committee is tasked with overall layout and holistic promotion for carbon management. The carbon management system, which prioritizes control over carbon intensity and is supplemented by control over total amount of carbon emissions, has been further improved. An organizational framework for carbon management is in place to coordinate and supervise each department in carbon emission management. They serve as an organizational and institutional guarantee for the realization of "double carbon" goals.

Amount and intensity of carbon emissions	2024
Total CO ₂ emissions(million tons)	7.94
Year-on-year decrease in total CO ₂ emissions(million tons)	0.15
Total Scope 1 CO ₂ emissions(million tons)	6.13
Total Scope 2 CO ₂ emissions(million tons)	1.81
Intensity of CO ₂ emissions(million tons/RMB billion)	0.006

Energy conservation and consumption reduction

The Company's energy consumption and carbon emissions are mainly from its production and operations, the types of energy including raw coal, purchased power, and natural gas, etc. A holistic energy management system has been built to standardize and strengthen the energy management of each factories and workshops, realizing online monitoring of energy consumption data and centralized energy management. In order to better facilitate energy conservation and emission reduction, the Company has adopted methods such as energy structure optimization, technological transformation, and carbon asset management. We hope to increase the proportion of clean energy and energy efficiency while reducing direct and indirect energy consumption.

Energy structure optimization

We contribute to green production by implementing 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 2024, we expanded our PV installed capacity by 52 MW. As of 2024, the company's PV installed capacity has reached 130MW,with annual green power generation of 125.3 GWh,including solar PV, waste heat recovery, and esterification-based power exceeding 200 million kWh.

Case

The Brunei Natural and Renewable Energy Sustainable Integration Project launched on PMB

In October 2024, Hengyi's Brunei Natural and Renewable Energy Sustainable Integration Project was officially launched on PMB. Planning to reach an installed capacity of 476 MWp, the project is going to install solar PV panels in areas such as rooftops, open spaces, artificial lakes of plant areas, coastal land and open spaces of PMB. By the end of 2024, the design and equipment procurement of the 48 MWp PV project have been completed and various government licenses have been obtained. The 3.985 MWp PV system has been installed and put into operation on the rooftops and small open spaces of plant areas to maximize the solar power generation. The completion of the project will not only support the energy demand of Hengyi's brunei petroleum refinery, but also promote Brunei's transition to a cleaner energy structure. It will significantly reduce carbon emissions, contributing to a greener and sustainable future for Brunei.



Energy-saving renovations

The Company has introduced advanced equipment and processes while phasing out outdated capacity. Energy-saving renovations, such as acetaldehyde recovery from wastewater, esterified steam waste heat power generation, and supporting waste heat power generation, have been carried out to enhance energy conservation and consumption reduction. In 2024, approximately 100% of our polyester production capacity had incorporated the acetaldehyde recovery technology, with about 20,000 tons of acetaldehyde and 10,000 tons of glycol recycled.



▲ Acetaldehyde recovery installation



▲ Supporting waste heat power generation installation

Carbon asset management

The Company continues to participate in green power trading and increase the proportion of green power. In 2024, our trading volume of green power reached 481.42 GWh, including 406,459 green power certificates that were equivalent to about 406.46 GWh of green power.

Environmental Management

Environmental management system

The Company strictly abides by relevant laws and regulations such as the *Environmental Protection Law and the Environmental Impact Assessment Law*. We have formulated and refined the environmental management system and the Environmental Protection Management System, consolidating the *foundation for the Company's environmental management*. As of the reporting period, 9 of our subsidiaries were certified by the ISO 14001: Environmental management systems.

In 2024

Invested in environmental protection RMB

399.89 million



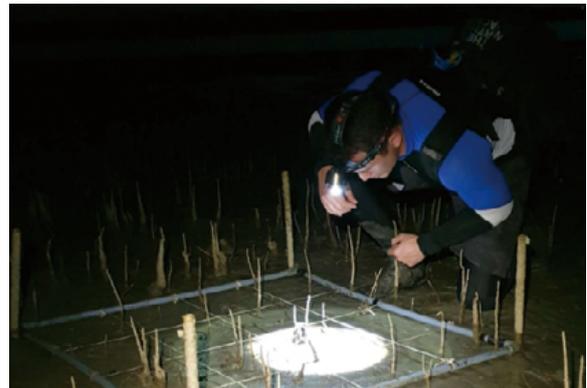
Our subsidiary Haining Hengyi won the title of municipal **"Green Factory"**

Identification of environmental hazards

The Company has formulated an *Environmental Self-monitoring Plan and an Environmental Protection Inspection System*. We organize monthly investigations on environmental hazards and push subsidiaries to conduct environmental protection inspection, particularly on abnormal operation of environmental protection facilities and behaviors that do not meet environmental protection requirements. Identified problems shall be rectified in a timely manner. The Company hires qualified third-party institutions to carry out environmental assessment and requires simultaneous design, construction and delivery for new construction, reconstruction and expansion projects. Projects can only progress after passing the environmental assessment and approval.



▲ 10 environmental volunteer supervisors are hired from neighboring communities every year for daily environmental protection supervision and inspection.



▲ Hengyi (Brunei) carries out seawater monitoring and realizes the all-round protection of targets sensitive to the surrounding environment, such as corals, fishing grounds, and underwater creatures, etc.

Environmental emergency management

The Company attaches great importance to intensifying environmental risk prevention and emergency response, ensuring that all subsidiaries prepare emergency response plans for environmental incidents. We improve environmental emergency plans and conduct environmental emergency drills to test and improve our capabilities of responding to environmental emergencies, so as to effectively prevent ecological risks.

Green Culture Cultivation

Adhering to green and low-carbon concepts, the Company advocates starting the implementation of energy-saving and environmental requirements from small things. We promote green office for all employees and organize them to participate in environmental public welfare activities and knowledge training, allowing the green culture to be rooted in their hearts.

Case Hengyi Brunei holds the 7th reforestation project

On May 16, 2024, Hengyi Brunei organized employees to come to the forest reserve of Brunei Biodiversity Park to plant a total of 500 trees. That was also the seventh consecutive year for the Company to organize the reforestation project in Brunei, which demonstrated the Company's contribution to Brunei's environmental protection and the flourishing friendly China-Brunei relations.



Water Resource Utilization

The Company strictly follows the national guidelines, policies, laws and regulations on water conservation. *The Water Conservation Management Regulations, the Water Conservation Assessment Regulations* and other systems are revised to standardize water resources management. A water conservation management team is in place to formulate water-saving plans based on the planned product output every month. The lean management of water resources is reinforced in an all-round way through technical transformation of water-saving facilities, water-saving supervision and inspection of public appliances, and employee engagement in water-saving management.



On June 2024,our subsidiary Zhejiang Yisheng won the title of provincial water-saving enterprise in 2023



Water-saving technology



- ▲ To reduce raw water consumption, we collect the condensate discharged into the trench during the production process of the installation. It is then sent to the circulating pool for water replenishment and recycling.

Pollutant Emission Reduction

The Company strictly complies with laws and regulations including the *the Atmospheric Pollution Prevention and Control Law, the Water Pollution Prevention and Control Law and the Law on Prevention and Control of Environmental Pollution by Solid Waste*. In-depth pollution discharge control is carried out to reduce discharge of wastewater, exhaust gases, and solid waste. In 2024, we experienced no significant environmental pollution incidents, maintaining a 100% compliance rate with emission standards.

The Company has established a digital platform for safety and environmental protection information. Modules such as online monitoring management, video surveillance management, hazardous waste management, resource and energy management, and environmental protection facilities management enable us to access to the real-time pollutant discharge data of each outlet and the operation of environmental protection facilities, so that we can ensure up-to-standard discharge of all pollutants. In addition, the Company strictly monitors the application, processing and extension of sewage discharge permits for plants of each subsidiary, making sure that all plants obtain valid sewage discharge permits.

Exhaust gas emission reduction

In 2024

Lower VOCs emission intensity

5%

Lower PM, SO₂, and NO_x emission intensity

10%

The Company strictly complies with the *Atmospheric Pollution Prevention and Control Law*, the *Emission Standard of Pollutants for Synthetic Resin Industry*, the *Emission Standard of Air Pollutants for Boiler*, and relevant local emission standards. To ensure the safety, compliance and reduction of exhaust gas emissions, we control emissions from the source and improve processes, while strictly controlling and reducing the emissions of dust, non-methane total hydrocarbons, acetaldehyde, smoke and other exhaust gases.

Treatment and emission methods for different exhaust gases

Flue gas from boilers

Discharge through chimneys after the combined process of “bag dedusting + SNCR and SCR denitration + limestone gypsum desulfurization”

Spinning exhaust gas

Discharge through exhaust funnels after treatment by oil smoke purifiers

PTA dust

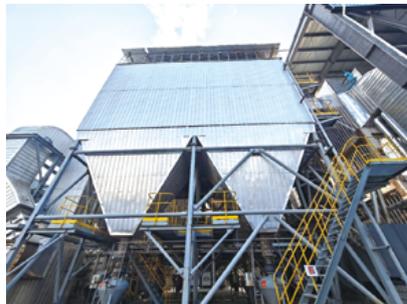
Discharge through exhaust funnels after treatment by pulse dust collectors

Organic exhaust gas

Use RTO (Regenerative Thermal Oxidation) installations to improve the incineration efficiency to over 95%



▲ Oil smoke purifiers



▲ Bag filters



▲ RTO installations

Wastewater emission reduction

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. We utilize the natural rainwater resources and implement the project of separating rainwater from sewage. The initial rainwater is collected and stored in the emergency pool while the later rainwater is discharged into the nearby rivers. The wastewater generated in production is subjected to biological treatment, ultrafiltration and reverse osmosis treatment, before being reclaimed and reused. We achieve an 87~93% reuse rate of reclaimed water.



▲ Reclaimed water treatment equipment

Case Biogas power generation recycles resources

In 2024, the Company collected biogas from the anaerobic process of sewage treatment in some polyester factories for power generation. As a replacement of torch combustion, the method realizes the recycling of resources and the sustainable use of energy.

Waste reduction

Under the principles of recycling, reduction, and harmlessness, the Company reduces the amount of waste gas produced from the source while maximizing recycling. We establish a ledger system for solid waste generated in our production process and set up temporary waste storage facilities. Coupled with classified collection, storage, and quality-based disposal of hazardous waste and general solid waste, we ensure safe and efficient treatment of waste.



General waste

In accordance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, 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 compliance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, we entrust the disposal of hazardous wastes (including waste oils, polymer residues, spent activated carbon, waste mineral oils, etc.) exclusively to licensed treatment facilities with corresponding hazardous waste treatment qualifications and operational capabilities. All hazardous waste transfers are conducted in accordance with relevant regulations, including obtaining proper transfer approvals and strictly implementing the hazardous waste manifest system.



▲ Hazardous waste transported to qualified companies for disposal

Noise pollution control

We pay high attention to strengthening noise pollution prevention and management, steadily improving the environment around our projects and the places where our projects are located.



In the stage of design and equipment procurement, choose advanced low-noise equipment, such as low-noise fans, air compressors and pumps, etc. to reduce equipment noise from the source.



Take sound insulation measures to cut off the noise propagation and set up soundproof rooms for high-noise equipment such as fans, pumps and compressors.



Strengthen the management of large vehicles entering and leaving plant areas. No sirens limited speed in plant areas and near the entrances and exits.



Take anti-vibration and vibration damping measures to reduce the strength of noise sources. Use damping pads for the installation of high-noise equipment or dig anti-vibration trenches around it for better buffering effect.

▲ Measures to control noise pollution



▲ Damping pads



Leading Innovation-Driven Development with Science and Technology

Hengyi positions scientific and technological innovation as the core driver of transformation and upgrading. We are committed to advancing from a traditional petrochemical enterprise toward a high-tech, green, and intelligent future. By consistently increasing R&D investment and integrating multi-stakeholder resources, the company focuses on developing innovative green chemicals and advanced materials, and works with stakeholders to become a globally competitive innovator.

2024 Actions and Responses

- In 2024, **4** new industry standards were released, **7** additional standards submitted for approval, **5** reviewed, **9** nominated.
- During the reporting period, **226** invention patent applications filed by the Company; **13** patent-dense products registered, including “Spin Finish” and “Stain-Resistant Nylon”
- As of 2024, **502** valid granted patents in total, including: **453** R&D patents, **49** patents in smart manufacturing, **51** national and industry standards formulated or revised by the company, including : **13** national standards, **30** industry standards, **8** association standards.
- In 2024, the Company will invest about RMB **800** million in R&D.
- From 2019 to 2024, **6** distinguished professors from institutions, including Zhejiang University and Donghua University, have been appointed as “Hengyi Scholars” .

To help achieve the United Nations 2030 Sustainable Development Goals (SDGs)

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



<p>Eticont</p>	<p>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.</p>
<p>Petale</p>	<p>Petale biodegradable polyester naturally decomposes into harmless byproducts (water and carbon dioxide) through microbial action in the environment. With its high degradation rate, it achieves complete biodegradation throughout the textile lifecycle from fibers to yarns and fabrics, thus delivering a new sustainable solution for the textile industry.</p>
<p>PTT composite fiber</p>	<p>PTT composite elastic fiber is produced through bicomponent spinning of PET and PTT polymers using bio-based PDO, resulting in an eco-friendly fiber. The differential shrinkage between PET and PTT creates permanent helical crimps that provide inherent elasticity, and PTT's three-dimensional molecular spring structure ensures exceptional recovery properties.</p>
<p>Spin finish solutions for polyester fibers</p>	<p>Hengyi Research Institute has successfully developed a series of proprietary spin finishes for FDY and POY applications through independent R&D. These formulations, with enhanced lubricity and fiber flexibility, optimize performance in key production stages from spinning to drawing and improve both product quality and manufacturing efficiency.</p>
<p>TiO2 Matting Agent for Nylon</p>	<p>We focuses on the technical bottleneck of the matting agent in the application of Nylon 6, and we has partnered with Donghua University to create innovative production processes. We have successfully developed the green manufacturing of TiO2 matting agent for Nylon and complete set of technologies for industrialization of Fully Matte Nylon. Our product outperforms imported alternatives in key metrics, breaking long-standing foreign technology monopolies and reducing raw material costs for domestic nylon producers. This advancement accelerates the sustainable, high-quality development of China's synthetic fiber industry.</p>
<p>Flame retardant polyester</p>	<p>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%. The product is widely applicable to public space furnishings, such as curtains, wall coverings/draperies, bedspreads, etc.</p>
<p>Cooling fiber</p>	<p>We use composite spinning technology to produce fibers with high thermal conductivity and a lower contact temperature, which meets the demand for comfort and coolness. With stable cooling performance, the product effectively reduces energy consumption and the greenhouse effect, and contributes to a low-carbon lifestyle.</p>
<p>Stain-resistant PA6</p>	<p>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 stainresistant nylon fabrics, Hengyi embarked on the “key technology and industrialization project for stain-resistant PA6” . This project has led to an independently developed novel stainresistant agent through formula design, optimized polymerization processes, and upgraded polymerization equipment. Consequently, we manage to produce in-situ polymerized stainresistant PA6 slices. Fabrics crafted from these slices offer permanent resistance to acidic dyes, eliminating the need for additional surface treatments.</p>

Respect Patent Achievements

Patent is the umbrella of enterprise innovation achievements, and also an important embodiment of enterprise core competitiveness. The company attaches great importance to intellectual property protection, through optimizing management mechanism, strengthening the awareness of all staff, and effectively preventing risks. In 2024, there was no intellectual property dispute or lawsuit.

Patent portfolio strategy optimization

Through sustained R&D investment and innovation, we have systematically developed patent-dense products to generate continuous technological breakthroughs. The Company's multiple core technologies have achieved industry-leading status, winning us recognition from both technical experts and regulatory bodies. This has translated into strong market acceptance of our product offerings.

In 2024

Invention patent applications
filed by the company

226

Patent-dense products registered, including “Spin
Finish” and “Stain-Resistant Nylon”

13

As of 2024

Valid granted patents in
total, including

502

R&D patents

453

Patents in smart
manufacturing

49



- The patented preparation method for TiO₂ Matting Agent technology received the Excellence Award of the “**2024 Petroleum and Chemical Industry Patent Awards**” and the five Paper Awards from **the China Chemical Fibers Association-Hengyi Foundation for 2024**.
- Easy-Clean Nylon won the second prize of **Zhejiang Provincial Technology Invention Award**.
- Five technologies, including the atmospheric low-temperature dyeable polyester fiber with disperse dyes and PTT composite fiber, were included in the Green and Low-Carbon Technologies Compilation for the **Textile Industry 2024**.
- Flame retardant polyester and nylon titanium dioxide matte slurry were listed in **Zhejiang Province's first batch of new materials for 2024**.

IPR protection

In strict compliance with the *Intellectual Property Right Management System*, we have enhanced protection through the revised *Provisional Measures for Trade Secret Protection*. Besides, a dual-track system that safeguards both patents and trade secrets has been created to ensure comprehensive protection of core technologies and business confidentiality.

In 2024, we strengthened end-to-end IPR management by conducting thorough prior-art searches and Freedom-to-Operate (FTO) analyses for all new projects, which effectively mitigated infringement risks and guaranteed regulatory compliance for product launches. Moreover, we organized multiple specialized training sessions on “IPR Protection and Risk Prevention” for over 300 participants. The sessions have significantly enhanced R&D teams' awareness and proactive risk management capabilities.

Digital Transformation

The Company has fully implemented its digital transformation strategy, with a focus on “Smart Upgrade Driven by Digital Technologies” as the core philosophy. By focusing on key areas such as smart manufacturing, full-process sales control, supply chain optimization, marketing innovation, and HR management, we have deepened data integration and intelligent scenario deployment, established a highly efficient, collaborative industrial internet ecosystem, and promoted the Company as a digital benchmarks in the industry.

Hengyi Brain

Functioning as our “smart brain”, “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 and improvement.

Intelligent sales supply chain system

The sales data full-process system centers on customer service. By integrating systems like micro mall, closed-loop marketing, shipment commissioning, and shipment applications, the system has enabled fully automated and collaborative operations from order placement to shipment. It enhances sales efficiency, accuracy, and customer satisfaction, and provides robust support for business growth.



Smart factory development

We have consistently driven the digital and intelligent transformation of our factories. The entire product lifecycle, encompassing all processes from raw material procurement and transportation, automatic drop-off production, automatic intelligent external inspection, automatic packaging and automatic warehousing is realized through digitalization.



IT-based logistics management

The system focuses on park logistics management, and its core functions including vehicle management, dispatch control, warehouse operations, financial management, and statistical reporting, are all integrated with comprehensive safety management throughout. In addition, large-screen dashboards, voice alerts, and real-time notifications also help optimize driver activity, improve cross-system coordination, and enable efficient factory-wide management through data integration.



Industry Exchanges and Cooperation

Industry standard establishment

The Company actively responds to national strategic requirements on technological innovation and standardization. As an industry leader, we play an exemplary role by participating in the development of both international and industry standards. By promoting the widespread adoption of advanced technologies and sharing our innovations, we aim to drive the elevation of the industry's overall technical capabilities.

In 2024

New industry standards were released	Additional standards submitted for approval	Reviewed	Nominated
4	7	5	9

As of 2024

National and industry standards formulated or revised by the company

51

Including national standards

13

Industry standards

30

Association standards

8

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, and the National Postdoctoral Research Station, Hengyi actively strengthens collaboration with universities and research institutions. Relying on strong partnerships with leading academic institutions such as Zhejiang University, Donghua University, and Zhejiang Sci-Tech University, we have established an integrated industry-academia-research-application mechanism. This mechanism accelerates the translation of research into practical applications while developing talent, and delivers both technological innovation and resource support to the industry.

Hengyi Scholars Laboratory

The Hengyi Scholars Laboratory focuses on multiple research areas, including catalytic materials and projects addressing China's key national strategic needs. The laboratory brings together top-tier domestic and international scientists, outstanding young researchers, and substantial research resources. From 2019 to 2024, six distinguished professors from institutions, including Zhejiang University and Donghua University, have been appointed as "Hengyi Scholars," providing ongoing first-class academic guidance and technical support. In 2024, Donghua University's Professor Wang Huaping became the sixth appointee to this prestigious position.



▲ Engagement ceremony of "Hengyi Scholars"



Earning Customer Trust with Quality

Guided by the “customer-first” philosophy, Hengyi prioritizes quality excellence, customer rights protection, and strengthened safety responsibility. At the same time, we adhere to sunshine and transparent procurement, and build a mutually beneficial and win-win supply chain system.

2024 Actions and Responses

- Invested in production safety RMB

169.49 million

- Qualification rate of safety training

100 %

To help achieve the United Nations 2030 Sustainable Development Goals (SDGs)

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



17 PARTNERSHIPS FOR THE GOALS



Safety Responsibility

Work safety management

The Company strictly complies with national and local regulations, including the *Work Safety Law* and the *Regulations on the Safety Administration of Hazardous Chemicals*, and consistently updates internal safety policies and operating procedures, such as the *Environmental and Safety Assessment Measures*, *Special Operations Management Regulations*, and *Provisions on the Administration of Fire Work Safety*. Concurrently, we promote work safety standardization initiatives across all subsidiaries. By the end of the reporting period, five 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.



▲ Hengyi Logistics's Level 1 certificate for work safety standardization

Case Zhejiang Yisheng conducts fourth-round PSM continuous improvement program

Zhejiang Yisheng, a subsidiary of the Company, has implemented a comprehensive Process Safety Management (PSM) system. Through its fourth-round continuous improvement program, the subsidiary has strengthened PSM competencies in safety information management, risk control, and change management. These ongoing enhancements to safety procedures have significantly advanced its safety standardization capabilities.



▲ PSM change management training

Construct a safety production organisation system

The company has established an HSE safety committee, chaired by the chairman of the committee, and set up HSE leading groups in each subsidiary to continuously establish and improve the HSE responsibility system. Through the convening of the annual HSE meeting, we will comprehensively promote the signing of safety and environmental protection target responsibility letters at all levels, implement the "one-vote veto system" for major accidents, and execute them at all levels, thereby achieving full-level coverage of the responsibility system "horizontally to the edge and vertically to the end", and promote the orderly development of safety production work.



▲ 2024 HSE target agreement signing ceremony

Safety risk management

The Company has fully implemented digital transformation of its dual-prevention mechanism that combines hierarchical risk control with hazard identification and management. The “Four-Color Risk Mapping” system has boosted our risk identification and tiered control measures, and helped us update our risk database. Concurrently, we have adopted a dynamic risk assessment protocol to effectively prevent potential safety incidents.

Safety emergency management

The Company attaches great importance to emergency management, and strengthens response capabilities through initiatives, such as team development, procedure and process optimization, implementation of the “1+N” emergency plan framework, emergency drills, and the provision of adequate equipment and supplies. Constant improvement in our preparedness and crisis response has driven the modernization of our emergency management system and capabilities.



Emergency team development

- The emergency command center has been established. It comprises specialized teams including the emergency coordination team, rescue & recovery team, medical support team, and logistics support team.



Emergency procedures and processes

- We have developed the Emergency Incident Response Procedures, which outlines operational standards for the four phases of early warning, response, containment, and recovery.
- A “1-hour reporting mandate” has been implemented to ensure that all emergencies are reported to the emergency command center within one hour of occurrence.



Emergency plan development

- One comprehensive emergency response plan.
- Specialized contingency plans covering natural disasters, industrial accidents, public health emergencies, and social security incidents.
- Role-specific emergency response cards with supporting on-site incident management protocols.



Emergency drills

- Tabletop simulations and live-field exercises.

In 2024

Safety emergency drills

203 times

14,341 Participants



▲ Zhejiang Yisheng conducts an emergency response drill for an oxidation-induced leak and fire scenario in its quadruple pipeline system



▲ Hengyi Logistics carries out a traffic accident emergency response drill

Hazard identification and treatment

Hazard identification and treatment is a critical component of work safety. We have updated the Provisions on the Administration of Identification and Treatment of Hazards to enhance our routine hazard inspection system, with a focus on fire protection systems and machinery hazards. Once risks are identified, we keep detailed records and enforce a “closed-loop tracking system” (assigning clear accountability and remediation timelines). Supported by rigorous follow-up audits, we verify full corrective action implementation.

Safety culture development

In 2024

Safety inspections	Identified	Rectification completion rate
4,514 times	13,705 hazards	100 %

In 2024

Safety training per trainee

12 hours (non-hazardous chemicals)

48 hours (hazardous chemicals)

Safety training

961 sessions

Pass rate of safety training

100 %

New employees engaging in three levels of safety training

13,383 participants

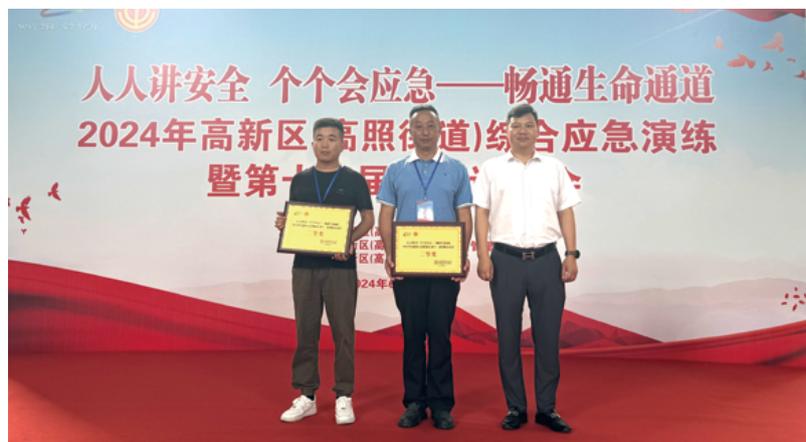
During key safety campaigns such as the “Work Safety Month” and “11.9 National Fire Prevention Month,” we conduct comprehensive, multi-level safety education programs. To reinforce our safety culture, we leverage safety culture walls, work safety management manuals, “Daily Safety Tips” posted on the Company’s WeChat official account, and safety alert videos displayed on workshop digital screens. These efforts enhance organization-wide safety awareness, and foster a robust safety culture.



▲ Conducting a training session themed on “Safety Awareness and Emergency Responses across the Workforce”



▲ Conducting specialized HSE training to strengthen management’s understanding of regulatory compliance obligations and safety/environmental principles



▲ Jiaxing Yipeng wins the second prize at Xiuzhou District’s 13th Fire Safety Competition.

Chemicals safety management

In 2024

Major chemical leaks or other safety incidents occurred

0 times

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 continuously improve our internal safety management systems and processes, including the *Chemical Management Procedures*, *Chemical-Specific Risk Assessment Checklists*, and *Hazardous Chemical Safety Data Sheets*. Concurrently, we have established clear protocols and methods for chemical procurement, storage, and transportation management to ensure strict control throughout the entire chemical lifecycle.

Chemical safety management measures

Chemical procurement management

- Chemical suppliers must possess the *Hazardous Chemical Operation License* and provide compliant MSDS (Material Safety Data Sheets) and standardized product safety labels.
- For new suppliers, on-site assessments of their warehousing conditions and transportation capabilities are required.
- Chemical procurement requests shall be submitted through the ERP system for the EHS departments' countersignature.
- Procurement of unassessed chemicals which are not listed in the *Chemical Inventory Registry* is prohibited.

Chemical storage management

- Segregated storage:
 - ▼ Chemicals must be stored according to their physicochemical properties (e.g., flammables in explosion-proof cabinets and corrosives in isolated areas). Incompatible materials must be strictly separated (e.g., acids and bases, oxidizers and reducers must not be stored together).
- Storage conditions:
 - ▼ Storage areas must be equipped with temperature/humidity monitoring, ventilation systems, and leak containment measures (e.g., spill berms, absorbent sand). The maximum storage volume must not exceed 80% of the designed capacity.
- Inventory control:
 - ▼ A “two-person, two-lock” system governs chemical inventory access. Logs must include timestamps, quantities, and the name of the person handling the materials. Regular audits ensure physical stock matches records, with MSDS and usage logs strictly maintained.

Chemical usage and disposal

- Operators must receive specialized training and wear personal protective equipment (PPE), including chemical goggles and chemical-resistant gloves.
- Permit-to-work authorization is required for high-risk operations (e.g., chemical dispensing, heating), under dedicated supervision by competent personnel.
- Chemical waste shall be segregated (waste liquids and containers separately collected). Hazardous waste labels must display composition, hazard class, and hazard information. Disposal must be conducted by licensed contractors. Waste manifests shall be retained for a minimum of 5 years.
- Direct discharge into drainage systems and mixed storage of incompatible wastes are prohibited.
- Spill response kits (containing appropriate absorbents and neutralizing agents) shall be available in work areas.

Chemical transportation management

- Internal transfer:
 - ▼ Chemicals shall be transported using explosion-proof forklifts or dedicated carts, with routes avoiding high-occupancy areas. Container integrity shall be inspected, verified, and properly secured prior to movement. “Fragile - Handle with Care” labels shall be prominently displayed.
- External transport:
 - ▼ Carriers shall possess valid hazardous materials transportation certification. Vehicles must be equipped with GPS tracking systems and emergency response equipment. All shipments must be accompanied by MSDS, safety labels, and transport emergency cards.

Contractor safety management

In compliance with national laws and regulations, including the *Work Safety Law* and the *Contractor Safety Supervision and Management Measures*, we have established our *Contractor Safety Management Measures*. We rigorously assess contractor qualifications, sign safety agreements with each contractor, and hold monthly safety meetings. Furthermore, we conduct regular specialized safety inspections. Safety evaluations based on internal regulations are conducted targeting violations, and we ensure contractors comply with operational safety standards.

Contractor safety management process

Safety qualification review

Contractors must submit business licenses, work safety permits, and special operation personnel qualifications.

For high-risk operations (e.g., working at heights, or confined spaces), additional documents such as specialized construction plans and emergency response plans are required.

Safety agreement signing

The Company signs the *Work Safety Management Agreement* with each contractor, clearly outlining safety responsibilities and risk deposit obligations.

Blacklist policy

Contractors involved in accidents or found concealing safety hazards will be blacklisted and barred from cooperation for three years.

Product Quality

In 2024

Pass rate of outgoing inspection

100 %

Adhering to applicable laws, regulations, and industry standards, we have updated the *Internal Quality Control Standard for Chemical Fiber Products* and implemented a comprehensive quality management system to standardize end-to-end quality control and mitigate risks. All 9 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 products that meet global environmental standards.

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. We track, spot check, and manage product quality metrics to ensure that our product quality is under control and meets customer expectations for high-quality products.

According to the product quality standards, the products are divided into three grades: excellent products (AA), first-class products (A) and qualified products (B), and those that are lower than the qualified products are foreign products (C).

- **Quality control of raw materials:** We formulate acceptance standards for raw and auxiliary materials, and conduct on-site testing and strict acceptance of all raw and auxiliary materials. At the same time, we has established an exclusive OA process of "D1014-Quality Feedback Process for Purchased Materials" to address abnormal feedback of raw materials in a timely manner.
- **Process control of product production:** We builds a big data platform, the factory establishes a data ledger, and monitors the product process control through effective means such as kanban on site. At the same time, we has established an exclusive D1310- Change Process for Inspection Index Central Value of Chemical Fiber Products to oversee the entire product process.
- **Output control of unqualified products:** 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.

Quality culture building

We has fostered a conducive environment for high-quality products. To make relevant personnel put more emphasis on product quality, we conduct regular audits of our quality management system. Through specialized technical training, operational workshops, QC group activities, and internal skill competitions, we engage all employees in our quality improvement initiatives, reinforcing their quality awareness.



▲ Specialized technical training and internal skill competition



▲ An employee skill training and competition session of Zhejiang Yisheng

Superior Services

Equipped with a sound after-sales service guarantee system, we proactively gather customer needs and feedback through after-sales visits, follow-up calls, and satisfaction surveys. We have built up customer complaint channels, such as Hengyi Micro Mall and the 400 hotline, to ensure efficient reception and resolution of customer complaints, and promptly offer technical services and respond to complaints. In 2024, the Company distributed the 2024 Customer Satisfaction Survey via Hengyi Micro Mall, which showed a 99% customer satisfaction rate according to the 1,859 completed questionnaires.

Responsible Supply Chain

Supplier management

By establishing comprehensive supplier management systems and protocols, such as *Measures for the Quality Management of External Suppliers*, *Supplier Admission Requirements*, *Measures for Supplier Inspection*, *Measures for Supplier Flight Inspection Management*, and *Regulation on Supplier Admission Management*, along with the support of the Supplier Relationship Management (SRM) system, we regulate supplier access, assessment, etc. throughout the lifecycle of supplier management to reduce supply chain risks.

Supplier admission

We have created a comprehensive supplier admission process. For suppliers undergoing admission inspections, we mainly review their business qualifications, purchased parts and raw materials, production equipment and capacity, product quality, environmental compliance, etc. At the same time, the supplier's ESG performance is taken into consideration. Specifically, we include the supplier's quality management system, environmental management system, occupational health and safety management system, environmental impact assessment pass rate, and acquisition of the pollutant discharge permit into bidding and procurement qualification processes, and an inspection report is issued for the on-site inspection of the supplier, ensuring compliance and transparency of the admission process. In 2024, the Company admitted 3,001 suppliers and inspected 308 suppliers.



Supplier assessment

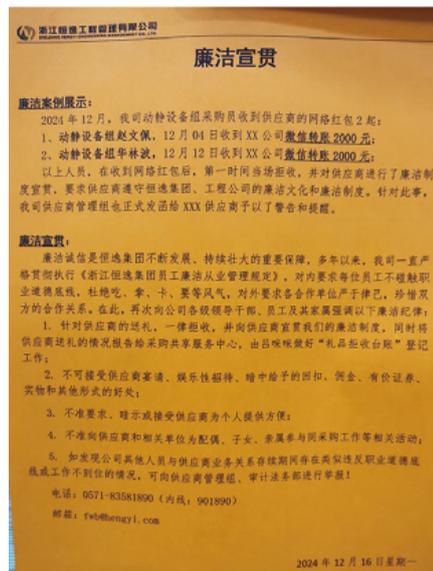
We regularly conducts supplier performance assessments, and divides them into different levels and provides incentives based on the assessment results. In 2024, we punished 65 suppliers with negative incentives, suspending the qualification of 33 and issuing warnings to 32 of them. Through these negative incentives, we ensure strict management of suppliers according to the law.

Responsible procurement

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. In addition, as great importance is attached to anti-fraud work, the Company signs the *Anti-Commercial Bribery and Integrity Agreement* with procurement staff to prohibit any form of corruption, bribery, etc.

We sets a complaint feedback platform and discloses the complaint reporting hotline of the audit and legal department on desks where our *Sunshine Procurement Agreement* and bidding documents are signed and on desks of the procurement department. These efforts help us respond to complaints and feedback as soon as possible.

Complaint hotline: 0571-83581890; complaint email: fwb@hengyi.com



▲ Integrity promotion targeting procurement staff and suppliers

Supplier communication

The Company is committed to fostering a stable and enduring supplier network with an open, cooperative, and mutually beneficial approach. By implementing a system of recognition and rewards, we aim to instill a sense of honor among our suppliers and enhance their loyalty, and realize shared growth.



▲ In the hydrocracking maintenance project of Zhejiang Yisheng and Hengyi Brunei, 26 suppliers were awarded the Outstanding Contribution Award and received letters of appreciation in recognition of their efforts.



Growing Together with Employees

Hengyi is deepening its "Talent-Driven Enterprise" strategy, focusing on cultivating a high-quality talent team. Simultaneously, the company prioritizes employees' occupational health and safety, creating a work environment that fosters physical and mental well-being through health training initiatives. This approach enhances team cohesion and cultural identity, fosters a harmonious atmosphere, and ensures shared developmental achievements with employees.

2024 Actions and Responses

- Accumulated purchase under the ESOP

480.93 million

- Amounting to RMB

5.2 billion

- Pass rate of safety training

100 %

To help achieve the United Nations 2030 Sustainable Development Goals (SDGs)

3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



Employees' Rights and Interests

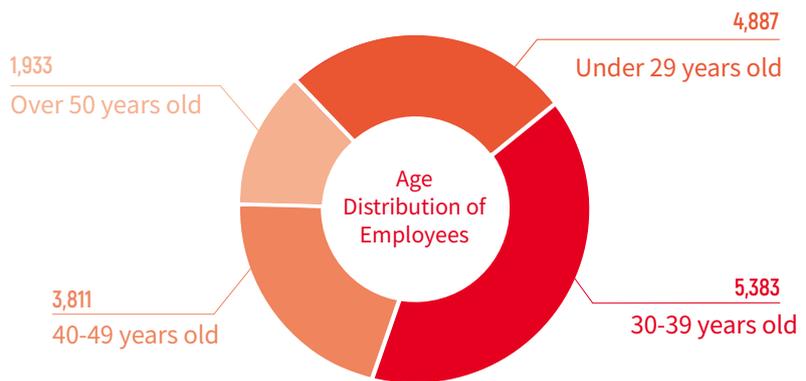
Recruitment and employment

The Company strictly complies with the *Labor Law*, the *Labor Contract Law*, and other relevant regulations, as well as internal employment management measures such as the *Recruitment and Employment Management Measures* and the *Labor Contract Management Measures*. Accordingly, we have established detailed standards for employee recruitment and promotion, compensation and benefits, and equal employment. We also firmly oppose all forms of employment discrimination to ensure that every employee enjoys equal opportunities for development.

In 2024

Labor contract signing rate

100 %



In 2024

Employees in total	Proportion of female employees	Females in senior management	Females in middle management
16,014	26 %	3	180

Employee benefits

The Company has established the *Compensation and Benefits System* while continuously improving employees' working conditions and welfare safeguards.

Remuneration and benefits	We implement a wage negotiation mechanism, execute scientific planning for salary growth, and consistently enforce total compensation controls, ensuring a steady pay raise for front-line employees.
Social insurance	We ensure all social insurance are made on time and in full, and provide employees with multiple insurance plans, such as employer's liability insurance, group accident insurance, employees' medical mutual aid, and supplemental medical insurance. The social insurance coverage rate for our employees has reached 100%.
Labor security	We standardize operating procedures and enhance smart manufacturing 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.

<p>Holiday benefits</p>	<p>Beyond offering various benefits for holidays, birthdays, and work anniversaries, we create special initiatives—from International Women’s Day celebrations to children’s summer camps, educational programs, and Children’s Day family activities—all designed to enhance female employees’ sense of belonging, fulfillment, and happiness.</p>
<p>Life support</p>	<p>We offer housing allowance, canteen and meal subsidies, workwear, free shuttle buses, and other life support for our employees, and help non-locals settle down to facilitate school enrollment for their children.</p>
<p>Equity incentives</p>	<p>In 2024, the company implemented the sixth-phase Employee Stock Ownership Plan (ESOP), acquiring a total of 114,090,297 shares , representing 3% of its total equity. This initiative benefited 2,500 employees, enabling them to share in the corporate development achievements.</p>

Case **Employee total compensation package mechanism**

In 2024, Hengyi’s production subsidiaries, while advancing workforce efficiency enhancement initiatives, are piloting a "shared contracting" mechanism. This approach energized employees through work sections or production lines contracting while driving labor efficiency via waste reduction and workforce optimization. The resulting cost savings are then rewarded to employees as contracting allowances, enabling performance-based earnings for front-line workers—with top performers achieving over RMB 1,000 in additional monthly income. Additionally, we continuously conduct employee skill assessments to fully explore and enhance employees’ professional competencies. Through these efforts, we not only elevate employees’ skill-based pay and overall pay satisfaction, but also solidify the foundation for sustainable corporate growth.

Democratic management

We actively optimize democratic management through institutionalized, standardized, and legally-compliant efforts, with continuous improvements to our workers’ congress system. Our diverse channels for democratic communication—incorporating workers’ congress, symposiums, questionnaire surveys, mailboxes, and our WeChat official account and videos—ensure timely responses to employee concerns. In addition, we continuously improve the “Hengyi Seniors” grass-roots political committee mechanism to engage directly with front-line employees, gather constructive suggestions, and effectively safeguard employees’ rights to information, participation, expression, and oversight.



Occupational Health and Safety

In accordance with the Law on the *Prevention and Control of Occupational Diseases* and other relevant regulations, the Company has formulated and improved the *Regulations on the Occupational Health Management*. We strictly implement the national standards for occupational health and carry out the whole-process management from occupational disease protection during the project construction period to detection of occupational hazards, occupational health checkups, issuance of labor protective equipment, training and education, etc. During the reporting period, our 9 subsidiaries have passed ISO 45001 Occupational Health and Safety Management System Certification, ensuring the protection of employees' occupational health and safety.



The company focuses on occupational health initiatives

- 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.
- Regularly conducts pre-employment, in-service, and post-employment occupational health check-ups; organizes health lectures and free medical consultation activities.
- According to the needs of different positions, the company issues targeted protective equipment, and supervises the wearing situation every day.
- Regular testing is conducted for noise, dust, toxic substances, etc., with dynamic risk assessments, and the results are recorded in occupational health records to ensure comprehensive implementation of employee health management.



▲ Taicang Yifeng, a subsidiary of Hengyi, participated in and won awards at both the Work Injury Prevention & Labor Protection Skills Competition as well as the Occupational Health Expertise Skills Competition.

Unblocked Growth Channel

The Company prioritizes talent training as a core strategy and offers diverse career paths. Our commitment lies in creating a comprehensive talent pool and providing an optimal environment for professional growth, where every employee can realize their full potential.

In 2024

Annual training hours per employee

120 hours

Training coverage rate

100 %

Building a strong talent pool

The Company actively implements “Blue Series” training programs—including New Blue, Deep Blue, and Sky Blue—to intensify structured training for new hires, key talents, and newly promoted managers. Through Hengyi University’s online platform, we deliver flexible training solutions that adapt to individual needs. Focusing on developing a skilled workforce, we comprehensively enhance employees’ professional competencies and management capabilities by offering vocational aptitude tests and grass-roots industrial management training. Through these efforts, we ensure strong talent support for the Company’s high-quality development.

➤ “New Blue-Deep Blue-Sky Blue” Programs

In 2024, our New Blue Program onboarded and developed over 300 new hires, while the Deep Blue Program trained 40 high-potential managers from various business units.

➤ Industrial grass-roots management training

The company leverages its industrial academy as a talent hub, integrating internal and external resources to deliver branded training programs such as “Industry Lecture Hall”, “Lean Classroom” and other flagship courses. These initiatives comprehensively enhance frontline supervisors’ capabilities, thereby driving the overall competency upgrade of the technical workforce across the industrial chain.

➤ Hengyi University's Online Platform

Hengyi University’s online platform has been operating for 7 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.

➤ Multinational Talent Joint Development Program

The company cultivates multinational skilled talents through joint talent development programs such as “UBD-ZJU-Hengyi” “IBTE-LPUVT-Hengyi” “Hengyi - Politeknik Brunei”. To date, over 1,000 professionals have been trained through these collaborative programs.

➤ Vocational Aptitude Test

The company has introduced the *Polyester Sector Skill Grading Management Regulations*, establishing standards and procedures for skilled personnel certification, and systematically conducting internal employee skill assessments. As of now, the company has certified a total of 1,585 advanced workers, 279 technicians, and 10 senior technicians.



▲ New Blue Program



▲ Sky Blue Program



▲ Vocational Aptitude Test



▲ Skill Competitions



Opening up career development channels

The Company provides employees with a diversified career development platform through three parallel advancement tracks—managerial, professional, and operational—supported by a structured job grade system, offering clear growth trajectories tailored to different positions. We develop fair and transparent evaluation mechanisms to ensure equitable career progression for all, which empowers employees to achieve professional breakthroughs in step with the Company's growth.

Warm Care for Employees

The Company creates a warm workplace based on a “family-oriented culture” covering team building, seniority, workers' family and dormitory. Our year-round engagement program—spanning holiday care activities, events for employees' children, and anniversary celebrations—fosters a cohesive cultural ecosystem and transforms the workplace into a nurturing harbor where professional aspirations and personal fulfillment thrive together.

Case Organizing diversified activities



▲ Employee induction commemoration activity



▲ International Women's Day craft activity



▲ Polymer Company, a subsidiary of Hengyi, organized the “Riding the Wave of the Future · Growing Together” summer camp for employees' children.



▲ Partnering with CITIC Bank, we organized the “Little Bankers” educational program. During the activity, children explored various banking service zones and participated in hands-on financial literacy simulations along with a cash-counting contest, creating valuable bonding experiences for employees and their children.



▲ Hengyi Research Institute, a subsidiary of the Company, participated in the “Technology Soars, Badminton Unites” 2024 First Xiaoshan District Badminton Competition for Science and Technology Workers and achieved fourth place in the team event



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Building a Harmonious Community with a Shared Future

With a long-term commitment to social well-being, the Company actively supports community development through concrete public welfare initiatives and diverse philanthropic programs.

2024 Actions and Responses

- In 2024, the company and its controlling shareholder Hengyi Group collectively donated RMB

28.77 million

The company has created local jobs in Brunei nearly

1,000

- By year-end 2024, the Company had conducted blood donation drives

23 times

Blood

1,657,341 milliliters

Mobilizing

5,882 donors

To help achieve the United Nations 2030 Sustainable Development Goals (SDGs)

4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



Rural Vitalization

The company actively responds to the call of the national strategy, and consciously engages in the cause of rural vitalisation, and conducts long-term educational donation activities, thus practising social responsibility and corporate responsibility with practical actions.

Case Educational Donations Give Wings to Underprivileged Students' Dreams

The " Dream Class " is a " Education Targeted Poverty Alleviation " project strongly supported by the Education Department of Guangxi Zhuang Autonomous Region. It selects the best classes in the demonstration ordinary high schools in the whole region to subsidize the poor high school students with both excellent quality and learning. In 2024, all 50 students from the 2021 " Dream Class " of Qinzhou No.2 Middle School, funded by Hengyi, were admitted to the undergraduate college, of which 29 were admitted to the " 985 " and " 211 " colleges and universities, which lit up the dream of learning for the poor students.



Serve community development

The Company fully utilises its own resources and professional advantages, and actively integrates into the construction and development of local communities by participating in various public welfare activities such as volunteer service, community co-construction, and environmental protection.

Case Co-building the "Heng Employee Hub"

The "Heng Employee Hub," developed by the Party Committee of Hengyi's Linjiang Base, serves as a multifunctional cultural and recreational center for young employees. Combining cultural activities, fitness facilities, entertainment spaces, social areas, and childcare services, this community Party-mass service station has evolved into a welcoming gathering place for both Party members and company staff.



▲ Various activities organized at the "Heng Employee Hub"

Philanthropy

The development of the company is inseparable from the support of the society. Through the establishment of special funds such as the charity fund for civilized practice in the new era and the charity fund for "Common Prosperity, Happiness Home," the company gathers the power to give back to the society wholeheartedly.

In 2024

The company and its controlling shareholder Hengyi Group collectively donated RMB

28.77 million



▲ Zhejiang Yisheng organizes a charity donation ceremony



▲ Zhejiang Yisheng hosts a skills demonstration event and donation ceremony for the local safety workshop in the Industrial Community of Qijiashan Sub-district.



▲ Fujian Yijin, one of the Company's subsidiaries, contributes donations to support education and elderly care initiatives to improve teaching facilities and enhance welfare for senior citizens



Contribution to the BRI

We actively advance the Belt and Road Initiative. By establishing a Corporate Social Responsibility (CSR) Committee and a special-purpose fund in Brunei, we maintain sustained commitments to three flagship initiatives—"Hengyi Future-Focused," "Hengyi Compassion in Action," and "Hengyi One Earth"—driving progress in local economic development, talent empowerment, and quality-of-life enhancements for Brunei's communities.

Promoting local market development

Hengyi strategically cultivates spin-off business opportunities by actively diversifying into sectors including logistics, catering, and operational services. This economic ripple effect generates amplified local commercial prospects, stimulating enterprise growth across communities. Through leveraging its professional expertise, we concentrate on Brunei and neighboring regions' strategic development footprint, intensifying local procurement while prioritizing contractor training programs. Our deepened commitment to localized operations reinforces supply chain integration, entrenching our presence through community-anchored development practices.



▲ The Company's operations in Brunei

Overseas Philanthropic Initiatives

The company actively carries out various forms of public welfare activities in Brunei, such as fun running, loving blood donation, student donation and so on. From educational support to life assistance, we continues to contribute to the well-being and sustainable development of the local community.

Case Organizing a donation campaign during Ramadan

On March 29, 2024, the Company organized a donation campaign during Ramadan, through which we donated funds and essential goods to underprivileged families and the Dana Pengiran Muda Mahkota Al-Muhtadee Billah for Orphans (DANA). The campaign promoted community co-building while fostering solidarity, care, and inclusivity across local communities. In total, we donated BND 7,800 in cash and food supplies to 13 disadvantaged families, along with a BND 5,000 charitable contribution to DANA.



Case

Hengyi Industries Sdn Bhd's project included in joint statement again, outlining the blueprint for bilateral cooperation

As a flagship project under the BRI in Brunei, the PMB refinery and petrochemical project has been hailed as “the key to unlocking Brunei’s industrialization.” It stands as Brunei’s largest industrial investment to date and the biggest overseas investment by a Chinese private enterprise. Notably, it is also the first overseas refinery project built entirely to Chinese standards. Its successful technological upgrades have ensured sustained profitability, contributing significantly to Brunei’s “Wawasan 2035” as well as bilateral economic and trade cooperation. To date, the Phase 1 project has achieved full-capacity production with seamless operations, while Phase 2 is progressing steadily in all aspects.



▲ Hengyi Industries Sdn Bhd's PMB Phase 1 project

Local talents cultivation

In addition to providing numerous job opportunities in Brunei, the Company prioritizes the organization of local talent cultivation programs. We have specifically promoted the establishment of three specialized talent development programs, and offered talent development and incentive programs for local Bruneian students, such as full scholarships, student awards, and Bookworm prizes. We actively connect with communities through career fairs, vocational exhibitions, and school outreach programs, showcasing Hengyi’s support for local education and job opportunities while nurturing the next generation of talents for Brunei’s growing chemical industry.

In 2024

The company has created local jobs in Brunei nearly

1,000



▲ Hengyi Industries Sdn Bhd Host The 2nd Annual Employee Appreciation Ceremony

Scholarships and joint training programs

UBD-ZJU- Hengyi
Scholarship Program

The UBD-ZJU Joint Academic Program, designed for freshmen enrolled in the Faculty of Chemical Engineering at UBD, has admitted 11 cohorts with a cumulative enrollment of 196 students as of the reporting period. Notably, 137 graduates have secured employment through this initiative, demonstrating its robust industry alignment.

IBTE-LPUVT-Hengyi
Scholarship Program

The IBTE-LPUVT Joint Academic Program has admitted 5 cohorts with a cumulative enrollment of 145 students as of the reporting period. Notably, 124 graduates have secured employment through this initiative, demonstrating its robust industry alignment.

PB-LPUVT Scholarship
Program

Hengyi, in strategic academia-industry collaboration with IBTE and PB, has developed 8 specialized programs targeting petrochemical and refining disciplines. These industry-aligned curricula have attracted 589 enrolled students to date, with 269 graduates successfully transitioning into professional roles.

Case Scholarship awards and employment contract signing ceremony

On February 15, 2024, Hengyi held a scholarship and employment signing ceremony with Universiti Brunei Darussalam (UBD), Politeknik Brunei (PB), and Institute of Brunei Technical Education (IBTE). During the event, 20 UBD students signed scholarship agreements, while 145 PB and 35 IBTE students entered into employment contracts with the Company.



Prospects

At this pivotal juncture where Hengyi Petrochemical stands at the mid-century mark of its "Centennial Hengyi" journey, the company will steadfastly implement its "One Drop of Oil, Two Strands of Filament" development strategy. We will accelerate the strategic transition from "Industrial Hengyi" to "Technological Hengyi", consolidate our sustainable development foundations, demonstrate leadership in environmental stewardship, social responsibility, and corporate governance (ESG), thereby driving transformative progress in the petrochemical industry and contributing substantively to global sustainable development.

We will work to enhance our modern governance system on an ongoing basis, and continuously strengthen compliance management and risk resilience. By closely integrating information disclosure with investor relations, brand development, and related initiatives, we will further improve corporate governance efficiency, thereby delivering long-term, stable, and sustainable performance and maximizing value for shareholders and all stakeholders.

Aligned with China's carbon peaking and carbon neutrality goals, we will systematically chart our low-carbon development pathway. Through technological innovation, equipment upgrades, process optimization, and low-carbon product development, we will unlock our carbon reduction potential to support industry and supply chain decarbonization, and strive to lead the petrochemical sector in achieving carbon neutrality.

We will persist in driving corporate development through innovation, continuously increasing investment in scientific and technological research and development guided by "green manufacturing" and "circular economy," while enhancing the conversion efficiency of new materials and technologies. Concurrently, we will deepen the digital transformation strategy to meet the growing demand for intelligent logistics technologies, accumulating momentum for sustainable development.

We will steadfastly adhere to the safety baseline, rigorously enforce safety management, strictly control product quality, optimize customer service, and earn consumer trust and market recognition through high-quality products and superior services.

We will remain committed to caring for the work and life of every employee, striving to become their most reliable support and caring partner. Additionally, we will provide abundant learning resources for employees at all levels, empowering them to fully utilize their expertise in their roles, thereby continuously achieving the positive and sustainable development of corporate talent.

We will continue to fulfill our social responsibilities by expanding community volunteer programs and increasing philanthropic investments and community engagement. At the same time, we will actively participate in the Belt and Road Initiative, supporting Brunei's "Wawasan 2035" and fostering international economic and trade cooperation.

Appendix

ESG Key Performance

Economic

Indicator	Unit	2023	2024
Operating income	billion	136.1	125.5
Total assets	billion	108	107.5
Production capacity	10,000 tons/ year	4,162	4,335
- Chemicals	10,000 tons/ year	265	265
- Refined oil products	10,000 tons/ year	565	565
-PTA	10,000 tons/ year	2,150	2,150
-PIA	10,000 tons/ year	30	30
- Polyester fiber	10,000 tons/ year	752	755
- PET (including RPET)	10,000 tons/ year	360	530
- Caprolactam	10,000 tons/ year	40	40
Quality inspection pass rate	%	100	100
Customer satisfaction after sales	%	99	99

Social

Indicator	Unit	2023	2024
Total number of employees	headcount	15,548	16,014
Percentage of female employees	%	26	26
Labor contract signing rate	%	100	100
Social insurance coverage	%	100	100
Percentage of ethnic minorities employees	%	6	7
Female in senior management	headcount	2	3

Indicator	Unit	2023	2024
Female in middle management	headcount	148	180
Total amount of employee stock ownership plan	billion	4.4	5.2
Total shares purchased	share	366,840,000	480,932,484
Benefited employees	headcount	12,080	14,580
Training hours per employee per year	hour	116	120
Training coverage rate	%	100	100
Occupational health examination coverage	%	100	100
Invested in safety	million	139.87	169.49
Fatalities from safety accidents	headcount	0	0
Safety training hours per employee	hour	12(Non-hazardous) 48(hazardous)	12(Non-hazardous) 48(hazardous)
Security training	session	916	961

Environmental

Indicator	Unit	2023	2024
Invested in environmental protection	million	521.50	399.89
Carbon dioxide emissions	10,000 tons	809	794
Carbon dioxide emissions intensity	million tons/RMB billion	0.006	0.006
SO ₂ in Exhaust gas	tons	1,867	1,373
NO _x in Exhaust gas	tons	3,646	1,936
COD in Wastewater	tons	814	589

Indicator	Unit	2023	2024
Ammonia Nitrogen in Wastewater	tons	12	4
Amount of Hazardous Waste	tons	558	437
Consumption of crude oil	10,000 tons	819	848
Consumption of coal	10,000 tons	187	193
PV power generation	10,000 kWh	6,514	12,530
Emission intensity of mercury and its compounds	mg/m ³	0.000070	0.000067
Industrial Freshwater Consumption	10,000 tons	5,161	4,086
Industrial Freshwater Consumption Intensity	million tons/RMB billion	0.038	0.033

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Feedback Sheet

Dear readers,

Thank you for taking the time to read the 2024 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. Please leave your contact or send feedback to : hysh@hengyi.com, thank you very much for your suggestions and comments.

Tel.:

E-mail:

Address:

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 ()

Your 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"/>
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Overall evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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



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