

2024

Annual

Sustainability Report



Hengli Petrochemical Co., Ltd.

Address: 31F, Block B, Victory Plaza, No. 52 Xingang Road, Renmin Road Subdistrict,
Zhongshan District, Dalian, Liaoning Province, China
Tel: +86 411 3986 5111

Website: <https://www.hengli.com/invest/hlsh>



Hengli Petrochemical Co., Ltd.

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Report Preparation Statements

About the Report

This report is the Sustainability Report issued by Hengli Petrochemical Co., Ltd. to the public. Prepared in accordance with the principles of objectivity, standardization, transparency, and comprehensiveness, it provides a detailed disclosure of the Company's environmental, social, and governance (ESG) practices and performance in 2024. Through this report, Hengli Petrochemical aims to further strengthen engagement with all sectors of society, enhance public and investor understanding and support, and advance the Company's sustainability initiatives.

Scope of Report

This report focuses on "Hengli Petrochemical Co., Ltd." and includes its branches and subsidiaries. Unless otherwise specified, the scope of this report aligns with the scope of the Company's annual report.

Period of Time

This report covers the period from January 1, 2024 to December 31, 2024 (the "Reporting Period"). To improve comparability and forward-looking insights, certain sections include appropriate historical data or forward-looking statements. This report is released on an annual basis, consistent with the financial year.

Basis of Preparation

Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 14 - Sustainable Development Report (for Trial Implementation)

Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 4 - Preparation of Sustainable Development Reports

Corporate Sustainable Development Disclosure Standards—Basic Standards (for Trial Implementation)

Guide to Corporate Social Responsibility Reporting in China (CASS-ESG 6.0) published by the Chinese Academy of Social Sciences

Sustainable Development Goals (SDGs) of the United Nations

Sustainable Development Reporting Standards (GRI Standards) of the Global Sustainable Development Standards Board

Guidelines for Climate-related Financial Disclosures issued by Task Force on Climate-related Financial Disclosures (TCFD)



Data Description

Data sources used in this report include public data from government agencies, the actual operational data, annual financial data, as well as internal statistical reports of the Company. The financial data in this report is expressed in RMB. For any discrepancy between this report and the financial statements, the financial statements shall prevail. This report is prepared in both Chinese and English. In case of any discrepancy, the Chinese version should prevail.



Abbreviations

In this report, for the convenience of presentation and readability, the following terms have the meanings set forth below (unless the context otherwise requires):

Abbreviations	Reference
Hengli Petrochemical, the Company, we, or us	Hengli Petrochemical Co., Ltd.
Hengli Group	Hengli Petrochemical Co., Ltd.
Hengli Chemical Fiber	Jiangsu Hengli Chemical Fiber Co., Ltd.
Kanghui New Material	Kanghui New Material Technology Co., Ltd.
Hengke Advanced Materials	Jiangsu Hengke Advanced Materials Co., Ltd.
Hengli Petrochemical Chemical	Hengli Petrochemical (Dalian) Chemical Co., Ltd.
Hengli Petrochemical Refining	Hengli Petrochemical (Dalian) Refining Co., Ltd.
Hengli Petrochemical (Dalian)	Hengli Petrochemical (Dalian) Co., Ltd.
Deli Chemical Fiber	Jiangsu Deli Chemical Fiber Co., Ltd.
Susheng Thermal Power	Suzhou Susheng Thermal Power Co., Ltd.
Jiangsu Xuanda	Jiangsu Xuanda Polymer Materials Co., Ltd.
Hengli Petrochemical (Huizhou)	Hengli Petrochemical (Huizhou) Co., Ltd.
Hengli Petrochemical (Dalian) New Material	Hengli Petrochemical (Dalian) New Material Technology Co., Ltd.



Confirmation and Approval

The Board pledges to exercise oversight over the contents of this report, ensuring its absence of any false records or misleading representations, and assuming responsibility for its truthfulness, accuracy and completeness.



Access to the Report

This report is published in electronic format. You may access and download the digital version from the Sustainable Development section of the Company's official website (<https://www.hengli.com/invest/hlsh?index=4>) or the Shanghai Stock Exchange website (www.sse.com.cn).



Message from the Chairman



The year 2024 marks the 75th anniversary of the People's Republic of China and the 30th founding year of Hengli. Hengli Petrochemical has fully implemented the new development philosophy, steadfastly advanced industrial synergy to new heights, accelerated progress on the "green track", and taken multiple measures to steadily pursue the "carbon peaking and carbon neutrality" goals, injecting strong momentum into the stable operation of national industry and economy. These achievements would not have been possible without the support of every colleague who cares about and contributes to the Company's development. On behalf of Hengli Petrochemical, I extend our sincerest gratitude to all!

Adhering to Compliance as the Bottom Line and Deepening ESG Development. The Company continuously improves its governance mechanisms and internal control systems, strengthening the foundation of standardized governance. We enhance standardized operations and investor relations management to effectively communicate company value and increase market recognition. Committed to shareholder returns, we reinforce value management and maintain stable dividend distributions. By strictly adhering to business ethics, strengthening risk control and audit supervision, we strive to create a clean, efficient, and compliant operational environment, providing robust support for high-quality development.

Innovation as the Engine to Inject Vitality into Development. "We either don't do it, or we do it the best." In 2024, the Company achieved breakthroughs in multiple technologies and products across the entire industrial chain, addressing industry bottlenecks and filling market gaps. As of December 31, 2024, Hengli Petrochemical has obtained a total of 1,676 patent authorizations. Hengli Petrochemical Chemical's high-density polyethylene pipe material 23050 obtained PE100 grade certification, marking its domestic leading level. Hengli Chemical Fiber achieved mass production of ultra-fine fiber 27D/144f, with a single filament weight of only 0.18 g per 9,000 m. Hengke Advanced Materials' project on "Industrialization of New Disperse Dyeable Polyester and Its Fiber at Normal Pressure" passed the scientific and technological achievement appraisal by the China National Textile and Apparel Council, with overall technology reaching international advanced levels and its 10,000-ton continuous polymerization

production technology achieving international leadership. Focusing on core industrial chain technologies, the Company actively collaborates with the Dalian Institute of Chemical Physics, Chinese Academy of Sciences. The establishment of the "Hengli-DICP Research Institute" provides strong support for rapid commercialization of research outcomes and injects powerful momentum for future innovation.

Strengthening Safety Defenses to Consolidate the Foundation of Development. Safety is the cornerstone of company development and fundamental to high-quality growth. We consistently uphold the principle of "life first, safety foremost", strictly implement production safety responsibilities, and advance the HSE system to build a comprehensive, multi-layered safety management framework. By strengthening risk source control, continuously improving intrinsic safety standards, and implementing rigorous safety measures, we deepen hazard identification and rectification to prevent accidents. Regular fire drills and safety training enhance employee awareness and emergency response capabilities, fortify the production safety line, and safeguard the Company's high-quality development. This allows employees to work with peace of mind and society to trust us with confidence, laying a solid foundation for achieving long-term stability and sustainable development.

Upholding Green Principles to Promote Circular Development. Green is the eternal foundation of enterprise development and our responsibility in ecological civilization construction. We consistently implement the philosophy that "clear waters and lush mountains are invaluable assets", integrating green and low-carbon practices throughout company strategy and operations. Driven by technological innovation, we optimize industrial structure, develop circular economy, and build resource-efficient, environmentally friendly models. By creating green supply chains through process optimization, technological upgrades, smart energy management, and clean energy adoption, we establish efficient resource utilization systems, making green a distinctive feature of high-quality development. In 2024, three companies in Hengli (Dalian Changxing Island) Industrial Park were consecutively awarded the national energy efficiency

"Leader" title for four years, with outstanding water efficiency performance. Hengli Chemical Fiber was recognized as a "Green Development Leader in the Yangtze River Delta Ecological Green Integration Demonstration Zone". Following Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengke Advanced Materials, Hengli Chemical Fiber, and Hengli Petrochemical Chemical, Kanghui New Material was designated as a national "Green Factory". So far, six subsidiaries of the Company have been recognized as national-level "Green Factories".

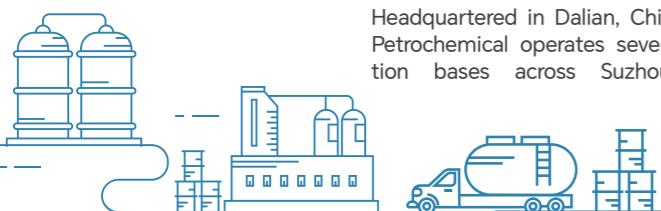
Putting People First and Embracing Social Responsibility. "Talents drive enterprise success; a strong workforce builds a strong company". Talent is the primary resource for an enterprise's development. We strengthen team building, unite employee efforts, optimize talent development, and stimulate innovation. By improving recruitment mechanisms, we attract outstanding talents to the Hengli family and enhance training incentives to build a high-quality workforce. Simultaneously, we actively contribute to communities, foster harmonious coexistence, and support local prosperity. We firmly believe that only by putting people first can we unite hearts and achieve shared progress between enterprise and society.

Advancing with a Sense of Mission and Reaping the Rewards of Perseverance. Looking ahead to 2025, Hengli Petrochemical will continue to steadfastly pursue the path of high-quality development, comprehensively enhance ESG management, consolidate the "Heng" spirit, and gather the "Li" strength, continuously writing new chapters for Hengli Petrochemical and contributing Hengli's wisdom and strength to building a beautiful China!



Fundamentals of Hengli Petrochemical

Company Profile

RMB **7.04** billionRMB **236.273** billionRMB **7.053** billion

Established in November 2002 with a registered capital of RMB 7.04 billion, Hengli Petrochemical Co., Ltd. operates in a wide range of fields including oil refining, petrochemicals, aromatics, olefins, PTA, ethylene glycol, civilian and industrial fibers, engineering plastics, polyester films, and biodegradable plastics, covering both production and consumer needs for high-end chemical raw materials and various new chemical materials. The Company is the first in the industry to achieve a fully integrated industrial chain from "crude oil-aromatics, olefins-PTA, ethylene glycol-polyster new materials" as a listed company.

The Company currently boasts four global benchmark-level production capacity clusters: a 20 million tons per annum (MTPA) integrated refining and chemical project, a 5 MTPA modern coal chemical plant, a 1.5 MTPA ethylene project, and seven industry-leading PTA plants with a combined capacity of 16.6 MTPA. These assets have successfully addressed upstream "chokepoint" operational challenges, breaking through raw material supply bottlenecks and establishing a modern industrial system integrating "world-class petrochemical refinery + modern coal chemical facilities". This system serves as a strategic platform supporting the "oil-coal-chemical integration" strategy, while the Company maintains comprehensive production capacity layouts in downstream advanced chemical materials sectors such as differentiated fibers, functional films, engineering plastics, and biodegradable materials. This dual-track structure creates a systematic industrial framework featuring both a "large-scale chemical platform" and "new material extension" capabilities. With over 30,000 employees and a "National Certified Enterprise Technology Center", the Company's competitiveness and product brand value rank among the top in the global industry.

Headquartered in Dalian, China, Hengli Petrochemical operates seven production bases across Suzhou, Dalian

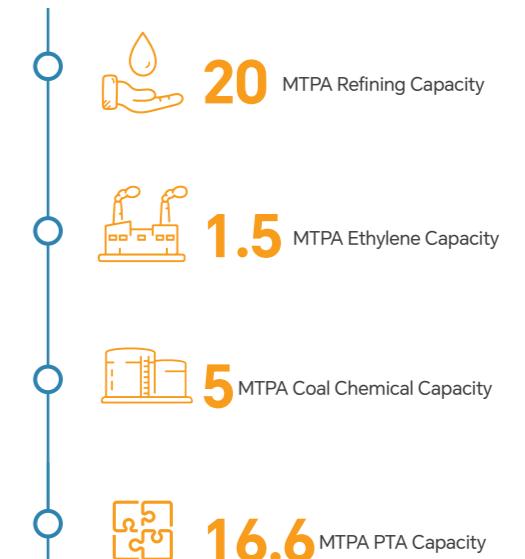
Changxing Island, Nantong, Suqian, Yingkou, Huizhou, and the Yangtze River Delta Integrated Demonstration Zone, aspiring to become a world-class full-industry-chain supplier of new chemical materials. Hengli Petrochemical has deployed high-quality, efficient production capacities and supporting utilities characterized by "large-scale installations, massive production capacity, integrated structure, advanced technology, environmental sustainable development, and comprehensive facilities" across the entire polyester and new chemical materials industrial chain. Whether in terms of single-unit scale, total capacity, or production processes, the Company leads the industry. Pursuing a development path that balances market differentiation, high-end technology, large-scale installations, and integrated operations, Hengli Petrochemical possesses a long-established market and technology innovation mechanism. Its R&D capabilities and new product innovation lead the industry, with four subsidiaries - Hengli Chemical Fiber, Deli Chemical Fiber, Hengke Advanced Materials, and Kanghui New Material - certified as "National High-Tech Enterprises".

"Building a world-class enterprise and creating an internationally renowned brand". Hengli Petrochemical continues to uphold the spirit of "craftsmen building the nation", driving innovation as its core engine. Focusing on its main business and leveraging upstream resources and downstream market experience, the Company vertically extends its industrial chain layout in new chemical materials, serving national advanced manufacturing and consumption upgrades. Through breakthroughs in core technology, manufacturing processes, and scale advantages, Hengli Petrochemical promotes high-quality development in the real economy, advancing new industrialization and steadfastly pursuing the "Hengli Dream" of industrial patriotism.



Business Layout

Headquartered in Dalian, China, Hengli Petrochemical operates upstream with 20 million tons of refining, 1.5 million tons of ethylene, and 5 million tons of coal chemical capacity. It is the world's largest PTA producer and is committed to building the world's largest production capacity for functional fibers, films, and plastic new materials, with seven major production bases across China.



Hengli (Yingkou) Industrial Park



Hengli (Dalian Changxing Island) Industrial Park



Hengli (Nantong) Industrial Park



Hengli (Suqian) Industrial Park



Hengli (Suzhou) Industrial Park

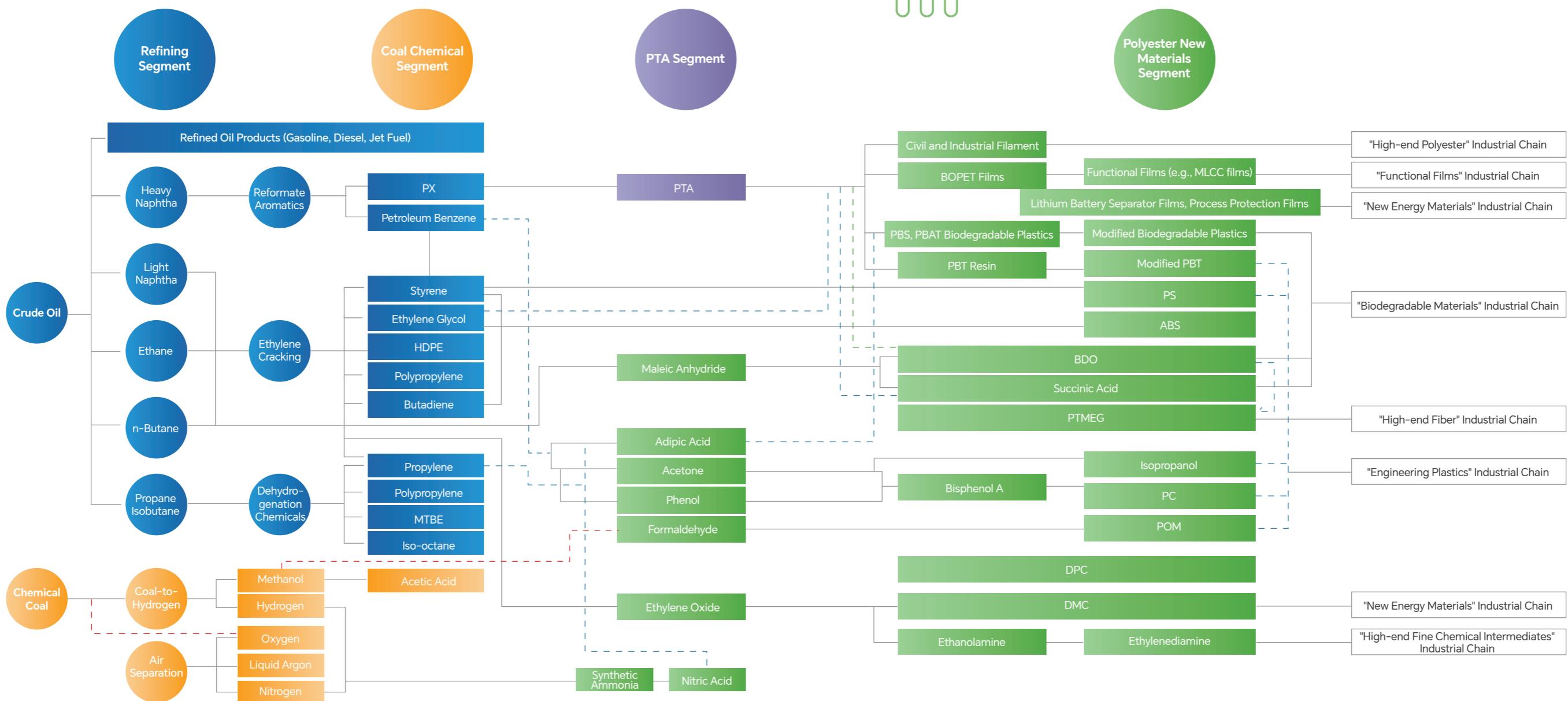
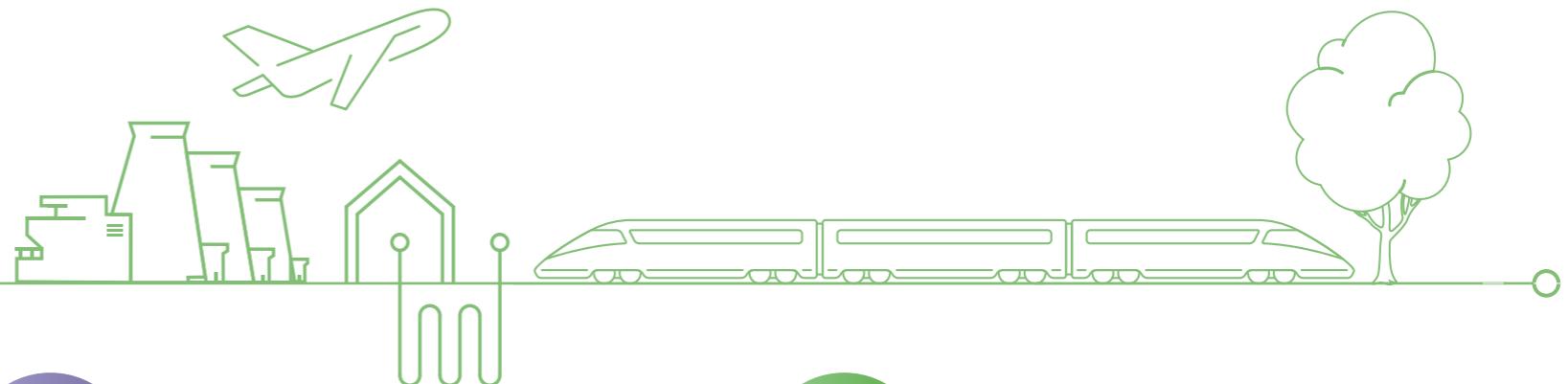


Hengli (Yangtze River Delta) Industrial Park



Industrial Layout

From "a drop of oil" to "a strand of fiber", we have achieved full industrial chain development with a "platform + new materials" approach. Remaining firmly rooted in our core business and committed to real economy development, we began in the polyester fiber industry and progressively addressed industry "chokepoint" challenges. We continue to expand in fiber, film, plastic, and other new chemical materials while advancing toward an integrated upstream petrochemical, refining, and coal-chemical platform. This has established our systematic industrial structure featuring a "large-scale chemical platform" and "new materials extension".





2024 at a Glance

Performance Highlights

Steady Operations & Sound Governance

Over **100** research visits received

3 earnings briefing sessions held

100% employee coverage in business ethics training

100% business ethics audits across all operational locations

Energy Conservation & Sustainable Green Development

Carbon emission targets set:
By 2026, energy-saving projects are expected to reduce emissions by no less than **1** million tons of CO₂ cumulatively

Carbon emission intensity
228.21 tons CO₂ equivalent/million RMB

Water consumption intensity
3,727.37 tons/million RMB

Annual water savings from reclaimed water reuse equipment

34.2737 million tons

Reclaimed water reuse rate
75.3%

General waste disposal rate
99.99%

Total environmental protection investment
375 million RMB

Renewable energy consumption
324,023.02 tons of standard coal

Safe Operations & Sustainable Growth

0 information security and privacy protection violation

RMB **530** million invested in workplace safety

3,776 chemical safety drills conducted

100% customer complaints resolved

Product qualification rate
99.63%

Insightful Innovation & Digital Intelligence Safeguard

3,779 R&D personnel

RMB **1.703** billion in R&D investment
(**24.20%** year-on-year growth)

2 postdoctoral research stations

1,676 cumulative patents held

People Orientation & Social Contribution

RMB **715** million spent on employee benefits

1,555 employee volunteers participating in community activities

Occupational health checkup rate
100%

Total employee training hours
424,600 hours

Honors and achievements in 2024

Honor Time	Honor Winner	Honor Name	Awarding Authority
January 2024	Hengke Advanced Materials	Jiangsu Provincial Labor Brand	Jiangsu Provincial Department of Human Resources and Social Security
April 2024	Kanghui New Material	Three products obtained carbon footprint certification, and obtained the Product Carbon Footprint Certificates	Green Product Service Voluntary Certification Center
June 2024	Hengli Chemical Fiber	Green Development Leader in the Yangtze River Delta Ecological Green Integration Demonstration Zone	Jointly issued by Jiangsu Ecology and Environment Department, Shanghai Ecology and Environment Bureau, Zhejiang Ecology and Environment Department, and Demonstration Zone Executive Committee
July 2024	Hengli Petrochemical Chemical, Hengli Petrochemical Refining, and Hengli Petrochemical (Dalian)	Listed in the <i>Energy Efficiency Leader Enterprises in Key Industries</i>	Ministry of Industry and Information Technology, National Development and Reform Commission, and State Administration for Market Regulation
August 2024	Jiangsu Xuanda	Obtained the "GRS (Global Recycled Standard)" Certification	Textile Exchange
August 2024	Jiangsu Kanghui, Jiangsu Xuanda	Jiangsu Provincial Intelligent Manufacturing Workshop	Jiangsu Provincial Department of Industry and Information Technology
September 2024	Hengke Advanced Materials, Jiangsu Kanghui New Material	Jiangsu Provincial Five-Star Cloud Enterprise	Jiangsu Provincial Department of Industry and Information Technology
September 2024	Hengli Petrochemical	Five-Star Gold Award for Social Responsibility of China's Manufacturing Listed Companies	Times Responsibility 40 Forum Think Tank
October 2024	Deli Chemical Fiber	"Contract-Honoring & Creditworthy" Enterprise	Suqian Enterprise Credit Management Association
October 2024	Kanghui New Material	Liaoning Provincial Single Champion Manufacturing Enterprise	Liaoning Provincial Department of Industry and Information Technology
November 2024	Hengli Chemical Fiber	Jiangsu High-Reputation Trademark	Jiangsu Trademark Association
November 2024	Jiangsu Kanghui	High-tech Enterprise	Office of the Leading Group for National High-Tech Enterprise Certification Management
November 2024	Jiangsu Kanghui, Nantong Kanghui	National AAA-Level Certification for Integrated Industrialization and Informatization Management System	Zhongguancun IT and Real Economy Integration Development Alliance
November 2024	Hengli Petrochemical	Best Practice Case for Listed Company Sustainable Development	China Association for Public Companies
November 2024	Hengli Petrochemical	Best Practice Case for Listed Company Board of Directors	China Association for Public Companies
December 2024	Kanghui New Material	National Green Factory	Ministry of Industry and Information Technology
December 2024	Deli Chemical Fiber	"Jiangsu Premium" Brand Certification	Jiangsu Quality Development Committee Office and other departments
December 2024	Hengke Advanced Materials	Jiangsu Provincial AAA-Level Quality Credit Enterprise	Jiangsu Provincial Market Supervision Administration and Development & Reform Commission
December 2024	Jiangsu Kanghui	Jiangsu Provincial Postdoctoral Innovation Practice Base	Jiangsu Provincial Department of Human Resources and Social Security
December 2024	Hengli Petrochemical Refining	Listed in the 2024 Key Water-Using Enterprises & Industrial Parks Water Efficiency Leader List	Ministry of Industry and Information Technology, Ministry of Water Resources, National Development and Reform Commission, and State Administration for Market Regulation



Sustainability Management

Hengli Petrochemical actively practices sustainability concepts, continuously improves sustainability governance frameworks and management systems, and is committed to deeply integrating sustainability into company strategy, decision-making, and daily operations. The Company consistently addresses and responds to stakeholder expectations, strengthens communication and collaboration with value chain partners and society, and jointly promotes the achievement of sustainability goals.

Sustainability Strategy

To realize Hengli Petrochemical's long-term development objectives, the Company deeply embeds sustainability across every segment of its value chain. By aligning its operations with the UN Sustainable Development Goals (SDGs), it actively drives coordinated economic, environmental, and social progress, making lasting contributions to a green, sustainable future. The Company focuses its sustainability efforts on five key areas: Steady Operations & Sound Governance; Energy Conservation & Sustainable Green Development; Safe Operations & Sustainable Growth; Insightful Innovation & Digital Intelligence Safeguard; People Orientation & Social Contribution



Sustainability Governance Framework

Hengli Petrochemical has established a three-tier ESG governance structure covering decision-making, management, and execution layers. The Board of Directors serves as the highest decision-making body, with the Strategy and Sustainability Committee implementing coordinated ESG management mechanisms. This framework develops sustainability plans, conducts regular evaluations, reviews progress, and ensures alignment with internal sustainability principles and objectives.



Hengli Petrochemical Sustainability Governance Framework

SDGs Initiatives of the Enterprise

The Company aligns its development philosophy with the UN 2030 Sustainable Development Goals (SDGs), establishing a comprehensive ESG management framework to advance its sustainability strategy and contribute to ESG progress through concrete actions.

Dimension	Chapters	Hengli Petrochemical's SDG-aligned measures	SDGs
Low-carbon Mission (E)	Energy Conservation & Sustainable Green Development	<ul style="list-style-type: none"> Analyze climate risks and opportunities, implementing mitigation and adaptation measures Enhance carbon emission management Standardize water resource management Strengthen pollution prevention and control Develop clean technologies Optimize energy management systems 	
Safety Management (S)	Safe Operations & Sustainable Growth	<ul style="list-style-type: none"> Strengthen chemical safety management Improve safety production management Building sustainable supply chains 	
S&T Innovation (S)	Insightful Innovation & Digital Intelligence Safeguard	<ul style="list-style-type: none"> Promote digital and intelligent transformation Contributing to industry development Strengthen industry-academia-research collaboration 	
Social Responsibility (S)	People Orientation & Social Contribution	<ul style="list-style-type: none"> Carry out public welfare volunteer activities Focus on developing industrial assistance programs Improve employee health and safety systems Conduct skills enhancement training Pay attention to female employee rights Enhance talent recruitment systems Establish open employee feedback channels 	
Corporate Governance (G)	Steady Operations & Sound Governance	<ul style="list-style-type: none"> Strengthen compliance risk management Adhere to standardized governance through the General Meeting of Shareholders, Board of Directors, and Board of Supervisors Improve ESG governance structure Conduct regular business ethics audits Enhance anti-corruption compliance management 	

Communication with Stakeholders

The Company places high importance on communication and engagement with stakeholders. We continuously expand and improve communication channels and frequency with stakeholders, refining internal sustainability management through feedback to gain their support and trust, thereby driving continuous improvement in social responsibility management.

Stakeholders	Topics of Concern	Communication Channels and Methods
Shareholders and Investors	Improvement of corporate governance Timely information disclosure Sustainable development capabilities Performance growth and returns	Company announcements Compliance information disclosure Company website disclosures Annual ESG report release Improve sustainable development
Employees	Diversity and anti-discrimination Upholding the rights and interests of employees Broaden career development pathways Comprehensive compensation and benefits Occupational health and safety	Employee feedback collection and response Employee welfare distribution Regular health checkups Emergency response drills
Customers	Innovation and R&D High-quality products After-sales support	Satisfaction surveys Customer complaint channels Supplying high-quality service Industry exchange meetings
Government and Regulatory Agencies	Compliant operation Pay taxes in accordance with the law Risk management Business ethics Anti-monopoly measures	Complying with laws and regulations Proactive tax payment Strengthen internal controls Government supervision Regular disclosures
Suppliers and Partners	Anti-bribery measures Anti-monopoly measures Integrity and cooperation Mutual benefit	Uphold business ethics Transparent procurement Jointly fulfill social responsibilities
Communities	Environmental compliance Support public welfare and charity Contributing to community development Energy conservation and emission reduction	Public benefit activities Provide employment opportunities Strengthen pollution prevention

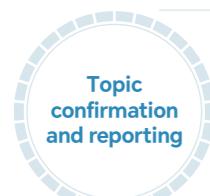
Materiality Assessment

Hengli Petrochemical continuously improves the process of identifying and assessing material sustainable development topics. By regularly aligning with the Company's development goals and business direction, we understand stakeholder demands through diversified channels, analyze and evaluate sustainable development topics, and respond promptly and effectively to stakeholder expectations and opinions, striving to meet their needs and achieve mutual benefits.

Management of Materiality

Material topics serve as focal points for the Company's sustainable development management, aiming to better and fully understand the concerns of internal and external stakeholders, thereby integrating the Company's sustainable development management practices with stakeholder demands and expectations.

In 2024, we followed the material topic assessment process of "stakeholder communication - identifying a list of sustainable development topics - stakeholders' engagement in evaluation - establishing a material topic matrix - topic confirmation and reporting" to conduct stakeholder research in an orderly manner. We systematically identified key ESG topics and future development directions for the Company, continuously using a "dual materiality" approach to assess topics from both "financial importance" and "impact importance" perspectives, and mapped an ESG material topic matrix:



Maintain regular communication with investors, customers, government agencies, and other stakeholders, recording their concerns and specific content, and responding to their demands.

Based on the Company's business development strategy and industry characteristics, and considering domestic and international regulatory policies, global and local ESG standards, mainstream ESG rating requirements, peer benchmarking, and stakeholder feedback, we identified 30 potential ESG topics with financial or impact importance through systematic evaluation and analysis, providing a scientific basis for formulating the Company's ESG strategy.

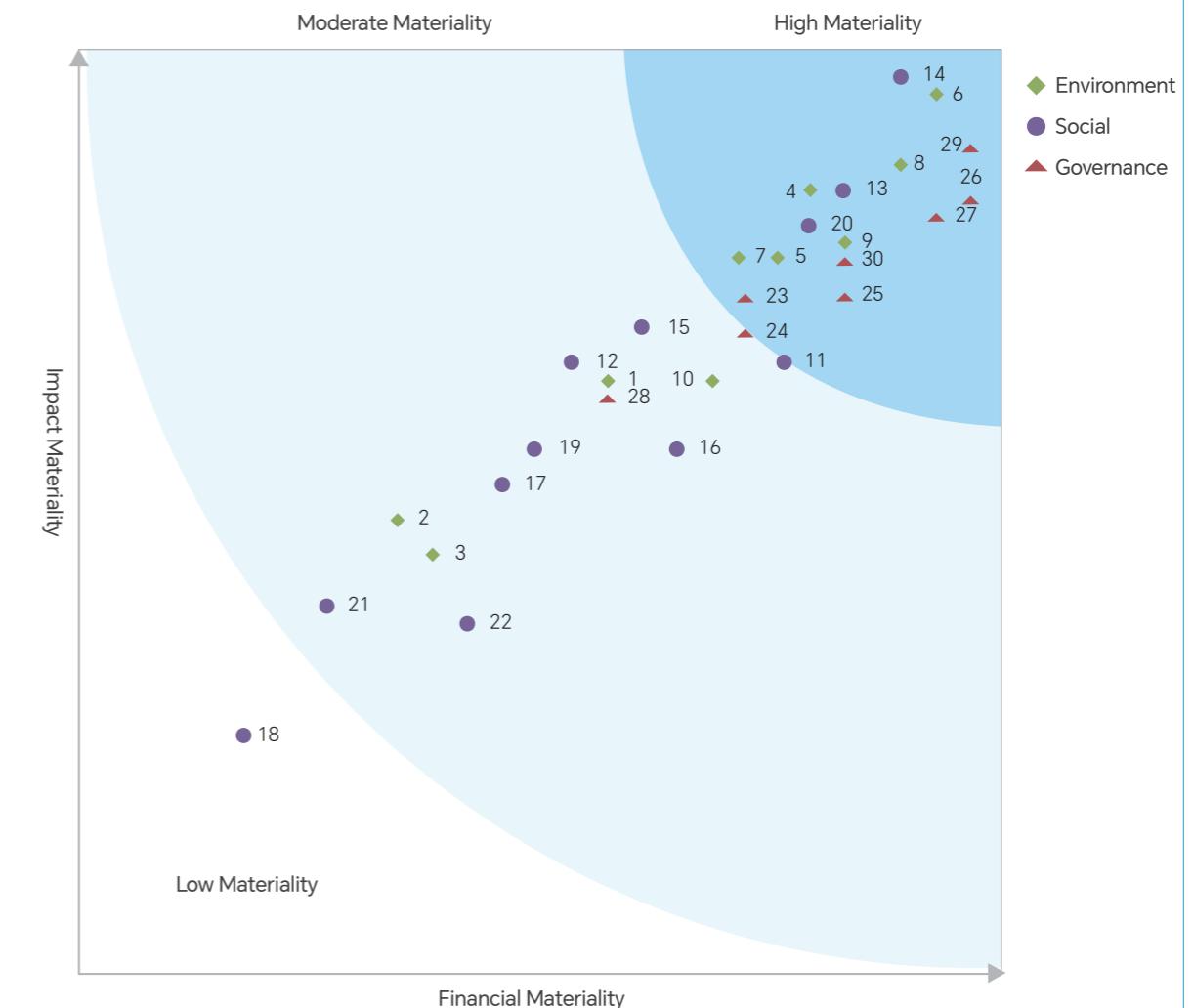
The Company prepared stakeholder questionnaires based on the list of potential material topics, targeting: Shareholders and investors, employees, customers, government and regulatory agencies, suppliers and partners, communities, etc. Through stakeholder surveys and expert scoring results, the Company assesses the impact significance and financial materiality of each issue. In 2024, the Company collected a total of 1,519 questionnaires.

Based on survey results, combined with regulatory disclosure requirements, sustainable development practices of the Company, industry characteristics, etc., the Company conducts quantitative analysis on the assessment results of impact significance and financial materiality, presenting the overall priority of each issue through a matrix format. We have identified a total of 21 topics with dual high significance and 8 topics with dual medium significance.

The Company's management level reviews the annual material topic assessment results, incorporates internal and external feedback to confirm the significance and impact of identified issues, and will truthfully reflect the Company's performance on relevant topics in reports.



Hengli Petrochemical ESG Material Topic Matrix



High-materiality Issues

6. Toxic Emissions and Waste	11. Supply Chain Security	29. Anti-Bribery and Anti-Corruption
8. Energy Utilization	14. Chemical Safety	26. Compensation
4. Pollutant Emissions	13. Safety and Quality of Products and Services	27. Tax Transparency
5. Water Resource Utilization	15. Data Security and Customer Privacy Protection	30. Anti-Unfair Competition
7. Environmental Compliance Management	20. Innovation-Driven Development	23. Ownership and Control Rights
9. Circular Economy	12. Employees	24. Board of Directors
1. Carbon Emission		25. Accounting
10. Clean Technological Opportunities		

Medium-materiality Issues

2. Product Carbon Footprint	16. Responsible Investment	28. Due Diligence
3. Environmentally Impactful Financing	17. Communications with Stakeholders	
	19. Contribution to Society	
	21. Equal Treatment of Small and Medium-Sized Enterprises	
	22. Financing Availability	



01

Steady Operations & Sound Governance

- ◇ Corporate Governance Structure 21
- ◇ Compliance Risk Management 23
- ◇ Adhering to Business Ethics 25
- ◇ Communication with Stakeholders 27

Corporate Governance Structure

Hengli Petrochemical actively practices the concept of sustainable development by continuously improving its sustainability governance framework and management system. The Company is committed to deeply integrating the principles of sustainability into its corporate strategy, business decision-making, and daily operations. Hengli Petrochemical remains attentive to the expectations and demands of all stakeholders, continuously strengthening communication and collaboration with value chain partners and broader society to jointly advance the achievement of sustainable development goals.

Governance Model

The Company has established a “Three-Meeting, One-Level” governance structure, strictly adhering to the Company *Law of the People’s Republic of China* (hereinafter referred to as the “Company Law”), the *Securities Law of the People’s Republic of China*, and the *Shanghai Stock Exchange Listing Rules* and other laws and regulations. It continuously improves management systems for the general meeting of shareholders, the Board of Directors, and the board of supervisors, forming a company governance mechanism with clear powers and responsibilities, effective checks and balances, scientific decision-making, and coordinated operations among power, decision-making, supervisory, and management bodies. Sound company governance provides a strong guarantee for the Company’s steady development and effectively protects the legitimate rights and interests of the Company and its shareholders.

During the reporting period, the Company’s governance status complied with relevant laws, regulations, and normative documents for listed companies.

Note: For detailed information on Hengli Petrochemical’s “Three-Meeting, One-Level” governance structure, please refer to the 2024 Annual Report.

Board Diversity

The Company fully recognizes the important role of board diversity in promoting sustainability and enhancing overall company strength. Adhering to the principle of diversity, the Company selects board members by comprehensively considering factors such as gender, age, professional knowledge, and industry experience, resulting in a professional structure that brings diversified experience and expertise to contribute positively to the Company’s comprehensive decision-making.

Risk Management Expert

At the level of the Board of Directors, Liu Jun serves as the Company’s Risk Management Expert. With deep expertise in risk management and extensive industry experience, the Expert supervises the Company’s comprehensive risk management system to ensure the establishment and operation of appropriate risk oversight, management, and internal control mechanisms, promoting the Company’s long-term strategic goals.

Key Performance

Board members: **8** directors, including **1** female director and **3** independent directors

(with rich professional experience and backgrounds in petrochemicals, financial auditing, law, and risk management)

Committee	Composition of Directors	Percentage of Independent Directors (%)
Audit Committee	Wu Yongdong (Chairperson), Liu Jun, Gong Tao	66.67%
Nomination Committee	Liu Jun (Chairperson), Xue Wenliang, Liu Dunlei	66.67%
Remuneration and Assessment Committee	Xue Wenliang (Chairperson), Wu Yongdong, Li Feng	66.67%
Strategy and Sustainable Development Committee	Fan Hongwei (Chairperson), Xue Wenliang, Li Xiaoming	33.33%

Note: For details on the operations of the board’s specialized committees, please refer to the 2024 Annual Report.

Case

Hengli Petrochemical Wins “Best Practice Case for Listed Company Board of Directors”

The Company’s Board of Directors and management level have always prioritized company governance and internal control, strictly complying with laws, regulations, and industry standards, continuously improving governance levels, and committing to standardized operations and ethical management. These efforts have laid a solid foundation for sustainable high-quality development and empowered the Company’s pursuit of excellence. With innovative measures and outstanding performance in board operations, Hengli Petrochemical was honored with the “2024 Best Practice Case for Listed Company Board of Directors”.



Honored with the “2024 Best Practice Case for Listed Company Board of Directors”

During the reporting period, the Company organized training sessions for all directors, supervisors, and senior management on topics such as financial fraud risk prevention, warning cases of illegal shareholding reductions, interpretation of M&A and restructuring policies, market value management, and public opinion management, organized by the Dalian Listed Companies Association. Simultaneously, independent directors participated in specialized training sessions organized by the Shanghai Stock Exchange, including “Follow-up Training for Independent Directors” and “Key Points and Suggestions for Anti-Fraud Duties of Independent Directors of Listed Companies”. These training sessions effectively enhanced the governance team’s understanding of the latest regulatory requirements in the capital market, improved their awareness of standardized operations and competency in performing their duties, and laid a governance foundation for the Company’s high-quality development.

Remuneration Management

The Remuneration and Appraisal Committee under the Board of Directors continuously improves the remuneration management for the Board of Directors, Board of Supervisors, and management team, establishing a scientific and effective incentive and restraint mechanism. The Remuneration and Appraisal Committee reviews the directors’ remuneration plan and senior management’s remuneration allocation scheme, which are then submitted to the Board of Directors for approval. Directors’ remuneration is subject to approval by the General Meeting of Shareholders. Information on relevant senior management remuneration is publicly disclosed.

To promote the implementation of sustainable development initiatives, the Company sets scientific performance indicators in key areas of focus, including but not limited to carbon emissions, water resource management, quality management, and business ethics, and links ESG performance indicators with the remuneration of relevant directors and senior management to facilitate normalized ESG management. The Company evaluates directors, supervisors, and senior management in accordance with the *Remuneration Management System of Hengli Petrochemical Co., Ltd.*, and determines remuneration allocation based on evaluation results.

2024 Remuneration of Hengli Petrochemical Senior Management Personnel:

Name	Position	Fixed Remuneration Before Tax (RMB 10,000)	Variable Remuneration Before Tax (RMB 10,000)	Total Remuneration Before Tax (RMB 10,000)
Wang Zhiqing	Director, General Manager	108.00	72.00	180.00
Li Feng	Director, Deputy General Manager, Secretary of Board of Directors	92.66	26.13	118.79
Liu Dunlei	Director, Deputy General Manager	104.15	44.64	148.79
Liu Xuefen	Director, Deputy General Manager	115.38	42.68	158.06
Liu Qianhan	Deputy General Manager	79.76	29.50	109.26
Zhang Wenyu	Deputy General Manager	52.29	19.34	71.63

Note: Variable remuneration is determined based on the completion of sustainable development assessment indicators, including but not limited to carbon emissions, water resource management, quality management, and business ethics.

Compliance Risk Management

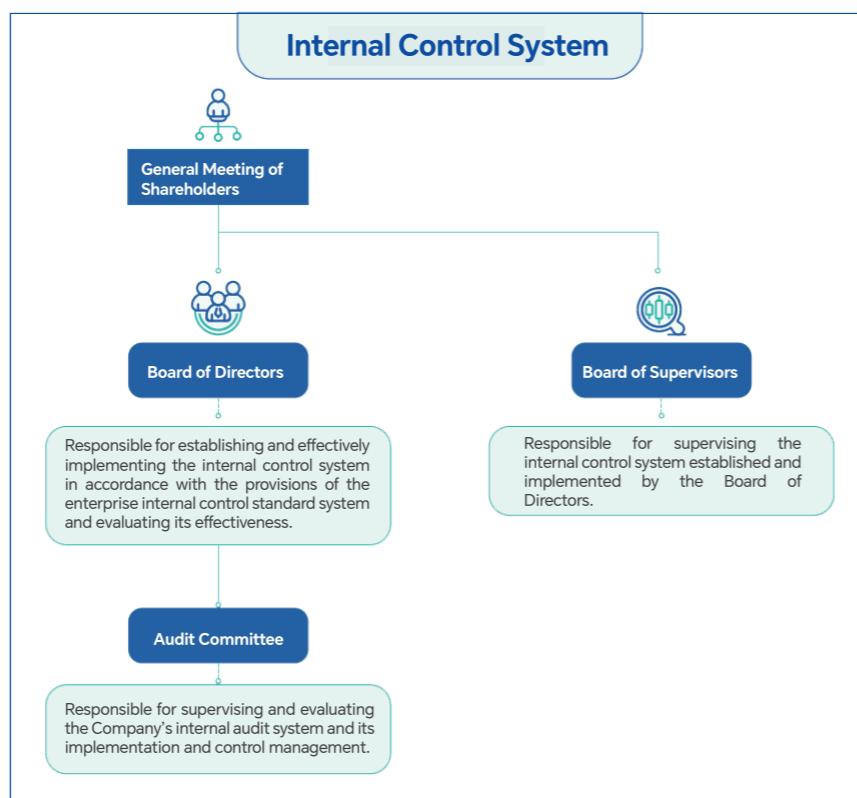
Deepening Risk Management

The Company continuously improves its institutional system, enhances internal control and risk management capabilities, strengthens standardized management, firmly adheres to institutional red lines and risk baselines, ensures alignment between business development and risk control capabilities, and guarantees sustained, stable, and healthy company development. The Company has established a relatively sound and comprehensive accounting system, financial management and risk control, and major decision-making internal control management systems, which are effectively implemented and meet the Company's current development needs. Simultaneously, the Company will continuously update and improve relevant systems based on development conditions to ensure healthy and stable operations.

Internal Control System Construction

During the reporting period, the Company strictly complied with various laws and regulations such as the *Company Law*, *Basic Norms for Enterprise Internal Control*, *Shanghai Stock Exchange Listing Rules*, and *Self-regulatory Guidelines of Shanghai Stock Exchange for the Companies Listed on the STAR Market of the Shanghai Stock Exchange No.1 – Standardized Operation*, as well as the Company's internal control systems, to regulate operations and manage risks.

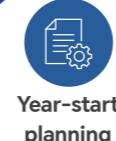
The Company has established a rigorous internal control management system, continuously optimizing and improving internal control systems based on industry characteristics and actual business operations. This provides reasonable assurance for the legality and compliance of the Company's operations, asset security, and the authenticity and completeness of financial reports and related information, promoting overall improvements in operational efficiency and effectiveness, and safeguarding the interests of the Company and all shareholders.



The Company regularly engages external auditors to conduct annual audits of internal controls, resulting in an *Internal Control Audit Report*. The Company's internal control system is sound, reasonable, and effectively implemented, without any material deficiencies. For more information on the Company's internal control and internal control audit, please refer to the 2024 Annual Report of Hengli Petrochemical Co., Ltd. or company announcements.

Strengthening Internal Audit Processes

Hengli Petrochemical continuously enhances internal control and risk management capabilities, regularly studying and deploying key oversight tasks to achieve full coverage of oversight over directors, supervisors, senior management, and all employees. The Company's internal audit is divided into three phases: "year-start planning - mid-year implementation and reporting - year-end feedback and review".



Year-start planning



Mid-year implementation and reporting



Year-end feedback and review

At the beginning of each year, the Internal Audit Department is responsible for formulating the annual audit work plan and submitting it to the Chairman for review. The scope of internal audit covers 100% of Hengli Petrochemical's operating sites, including procurement, sales, production, safety and environmental protection, and business ethics in various industrial parks, ensuring that each subsidiary of Hengli Petrochemical receives internal audit at least once a year.

The Internal Audit Department audits each industrial park according to the annual audit work plan and promptly issues audit reports and targeted management optimization suggestions based on the audit results. The work plan of the Internal Audit Department can be adjusted in a timely manner based on actual conditions. For key projects in the actual operations of Hengli Petrochemical, as well as in the event of reported issues, the Internal Audit Department organizes special audits and continuously follows up on rectification work.

The Internal Audit Department continuously follows up on the progress of implementing rectification measures by the audited work hours, and summarizes the annual audit results and reports them to the Chairman at the end of each year.

Management of Related Party Transactions

The audit evaluation results will be incorporated into the annual assessment of each subsidiary. In order to regulate related party transactions (RPTs) and avoid conflicts of interest, the Company has formulated the *Related Party Transaction Management System (Revised in 2022)*, which clearly stipulates that RPTs should not harm the legitimate interests of the Company and non-connected shareholders, and ensures that transaction behaviors follow the principles of fairness, impartiality, openness, and equal and paid, with fair and reasonable pricing. When the Board of Directors/General Meeting of Shareholders deliberates on RPT matters, the connected directors/connected shareholders must withdraw from voting and may not exercise voting rights on behalf of other directors/shareholders, reducing the impact of conflicts of interest on judgment or independence. At the same time, the Board of Supervisors, the Audit Committee of the Board of Directors, and independent directors strengthen supervision and review of RPTs to ensure their compliance and fairness.

During the reporting period, there were no instances of the Company's directors, supervisors, or senior management using RPTs to harm the interests of the Company or its shareholders.

Note: For details on related parties and RPTs, please refer to the 2024 Annual Report.

Tax Transparency

Pay Taxes in Accordance with the Law

The Company strictly abides by the *Law of the People's Republic of China on Enterprise Income Tax* and the *Law of the People's Republic of China on Tax Collection and Administration* and other relevant laws and regulations, as well as applicable laws in overseas operating locations, conscientiously fulfills its tax obligations, and establishes sound tax management systems and processes, clarifying the responsibilities and authorities of each department in tax management to ensure standardized and standardized tax management. The Board of Directors serves as the highest management level to review the Company's tax strategy.

Tax Risk Prevention

In daily tax-related matters, tax management personnel at all levels conduct reviews, and external tax and financial intermediary agencies are hired to provide consulting and guidance, effectively reducing tax-related risks. To ensure tax compliance, reduce tax risks, and optimize tax management, in 2024, the Company hired external tax and financial intermediary agencies to conduct tax health checks for the past three years.

Tax risk self-inspections are carried out on a regular basis to timely identify and correct potential tax risk issues. Tax supervision is embedded in daily management, making tax management an important part of the Company's daily operations. The director in charge of the finance and tax line and the person in charge of accounting will manage and supervise tax-related matters before, during, and after the events.

The Company continues to strengthen the construction of its tax team, including departmental tax-themed learning, organizing external on-site training, and online training, promoting a good learning atmosphere internally, enhancing the compliance awareness of relevant personnel in paying taxes in accordance with the law, and enhancing the compliance ability of tax management.

Key Performance

0 major tax-related litigation and arbitration matter.

Case

Hengli (Huizhou) Industrial Park Held “Talking about New Quality Productivity” Thematic Activity for Tax and Enterprise Youth

The event was jointly organized by the Daya Bay District Taxation Bureau and Hengli Petrochemical (Huizhou) and other companies. During the event, tax youth provided targeted guidance on tax incentives that encourage technological innovation and support enterprise development based on the actual situation of the enterprises, and answered tax-related questions raised by the youth representatives of the enterprises in detail. This event built a tax-enterprise youth exchange platform in the form of team building, proactively delivering precise services to enterprises, and contributing youth wisdom to fostering the development of new quality productivity.



Tax and Enterprise Youth Exchange Tax Incentives

Adherence to Business Ethics

Business Ethics System Construction

Hengli Petrochemical has always attached great importance to integrity building and anti-corruption, strictly abides by relevant laws and regulations, issued the *Business Ethics and Anti-Corruption System Statement*, and formulated the *Anti-Corruption and Anti-Commercial Bribery Management System* and other regulations, adhering to a “zero tolerance” policy towards corruption. As the highest management level for business ethics matters, the Audit Committee supervises and regularly reviews the Company's business ethics and anti-corruption related matters, and leads the Company to conduct a business ethics audit once a year.

The Internal Audit Department formulates a detailed annual internal audit plan every year, and carries out anti-corruption related audit activities for major business links such as procurement, sales, logistics, warehousing, quality inspection, and engineering construction. During the reporting period, we conducted audit projects related to business ethics such as audits of construction projects under construction, accounts receivable, and procurement activities in various industrial parks, with a rectification rate of 89% for identified issues, and will continue to promote rectification work. During the reporting period, the Company was not involved in any anti-corruption related litigation.

The Company requires all suppliers to sign the *Letter of Responsibility for Clean Business Practices* and sets relevant clauses in the contract, requiring suppliers to strictly adhere to the bottom line of anti-corruption and maintaining integrity.

Key Performance

100% business ethics audits across all operational locations

Key Performance

100% of suppliers have signed the *Letter of Responsibility for Clean Business Practices*.

Hengli Petrochemical attaches great importance to the creation of a clean culture and the building of compliance capabilities, and is committed to ensuring fair competition. Key positions and key links personnel sign the *Letter of Responsibility for Clean Business Management* with the Company to demonstrate their understanding and compliance with the Company's business ethics standards. All senior management personnel and all employees (including interns) are required to participate in business ethics and anti-corruption related training every year.

Company-wide Business Ethics Training

During the reporting period, Hengli Petrochemical conducted business ethics education and training for all senior management personnel and all employees (including interns) of its subsidiaries.

For the Company's directors, the Company conducts anti-corruption policy promotion and training through annual summaries; for management, key positions, and ordinary employees (including interns), the Company conducts targeted special training activities such as clean business practices themed training, financial training, and management training, and promotes anti-corruption policies on job-related corruption, bribery acceptance, and other behaviors.

Case

Hengli (Dalian Changxing Island) Industrial Park Carried out Clean Compliance Education

In December 2024, Hengli (Dalian Changxing Island) Industrial Park carried out a one-month clean compliance education. Enterprise leaders, finance, procurement, main production equipment, and ordinary employees (including interns) all received clean compliance education, watched the anti-corruption themed documentary *Continuous Efforts, In-depth Promotion*, and consciously accepted ideological education on party discipline and national laws, profoundly warning cadres and employees to be awe-inspiring, cautious, and abide by the bottom line. All employees of Hengli Petrochemical (including interns) participated in the training online throughout the process.



Clean Business Practices Thematic Education and Training

Case

Hengli (Huizhou) Industrial Park Carried out Internal Anti-Corruption

In October 2024, Hengli (Huizhou) Industrial Park held an important meeting on refined management and anti-corruption, which was attended by managers at the level of team leader and above. The lecture focused on the two themes of how to prevent duty crimes of enterprise employees and strengthen internal information security management, aiming to further consolidate the management foundation, accelerate the process of refined management, strengthen internal anti-corruption, and ensure the sustainable and healthy development of the Company.

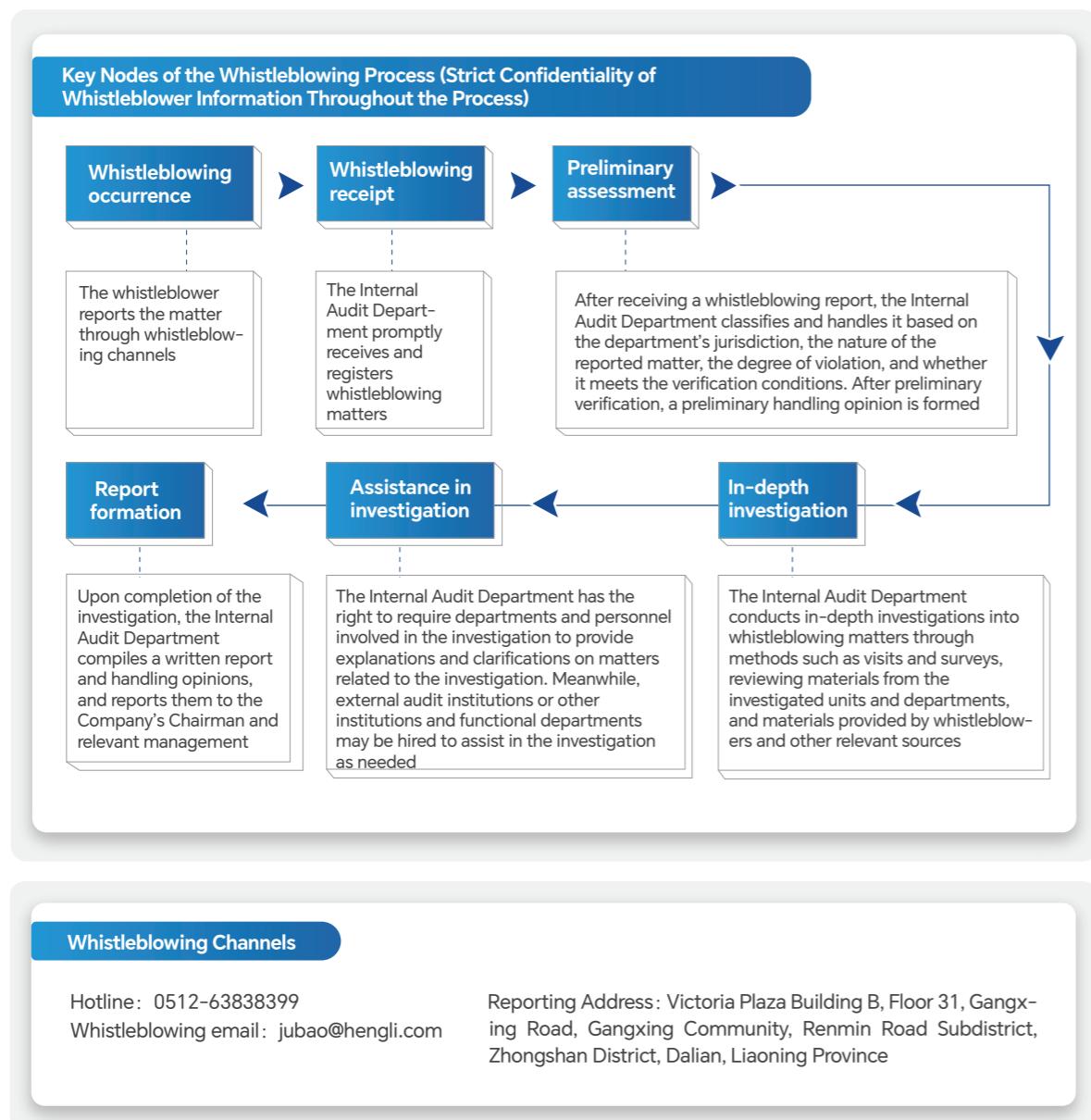


Internal Anti-Corruption Meeting

Note: For more information on business ethics, please refer to the “Sustainable Development Column” at <https://www.hengli.com/invest/hlsh?index=4>

Whistleblower Protection Mechanism

The Company's Internal Audit Department is responsible for the overall work of clean reporting. After receiving a report, the Internal Audit Department conducts a preliminary assessment and classifies and handles it according to the department's jurisdiction, the nature of the reported matter, the degree of violation, and whether it meets the verification conditions. After preliminary verification by the investigation team, a handling opinion is formed. Meanwhile, the Company ensures that the relevant handling results are promptly communicated to the whistleblower and continuously followed up.



The Company encourages employees at all levels and companies with business dealings to report various corrupt behaviors to the Company through telephone, email, letters, and other channels. During the process of accepting and investigating various whistleblowing reports, the Company strictly keeps confidential the whistleblower's name, department, company name, and other information, and strictly prohibits disclosing it to the reported person or their unit. In cases of illegal disclosure of whistleblower information or retaliation against whistleblowers, serious handling of any retaliatory behavior in accordance with relevant regulations is implemented to provide maximum protection to whistleblowers.

Communication with Stakeholders

Information Disclosure Channels

The Company has formulated the *Information Disclosure Management System*, the *Accountability System of Major Errors in Annual Report Information Disclosure*, and other systems. In accordance with the information disclosure process, it carries out various information disclosure with high quality, follows the principles of truthfulness, accuracy, completeness, timeliness, and fairness, guarantees the timeliness and effectiveness of announcement disclosure, and safeguards the legitimate rights and interests of all shareholders. During the reporting period, the Company achieved zero errors in information disclosure.

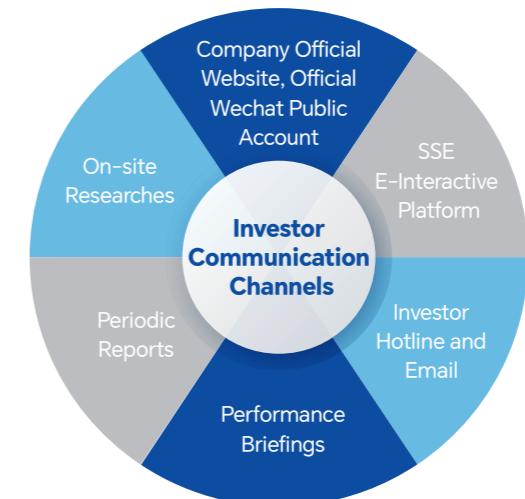
Key Performance

During the reporting period, the Company disclosed **68** interim announcements and **4** periodic reports.

The Company's information disclosure for 2023-2024 received the highest rating of **A** from the Shanghai Stock Exchange.

Communication with Investors

The Company attaches great importance to investor relations management, revises and improves the *Investor Relations Management System (Revised in 2023)*, continuously carries out investor relations management, strengthens continuous, positive, and effective communication mechanisms with investors, institutions, analysts, news media, and other market forces, actively responds to reasonable demands of shareholders, continuously promotes the establishment of a long-term, stable, and mutually trusting relationship between the Company and investors, builds an efficient and transparent communication platform, enhances investors' understanding and recognition of the Company, and builds consensus.



Key Performance

In 2024, the Company held **6** investor open exchange meetings and

interacted **87** times on the SSE e-interaction platform.

During the reporting period, Hengli Petrochemical received a total of more than 100 visits for research, participated in 56 brokerage firm strategy meeting roadshows, and held 3 performance briefings, comprehensively strengthening shareholder confidence and ensuring that the Company's market capitalization remained at the forefront of the industry in 2024.

**Case****Onsite Performance Briefing**

Shanghai Stock Exchange Main Board High Dividend and Heavy Return Collective Performance Briefing

Case**Live Broadcast Event Let's Investigate Together**

In June 2024, Hengli Petrochemical participated in the live broadcast event Let's Investigate Together jointly organized by the Shanghai Stock Exchange and CCTV Finance. Through on-site visits, investors experienced up close a world-class petrochemical park that is "excellent internally and beautiful externally". In the investor exchange session, the Company's general manager, secretary of Board of Directors, chief financial officer, and deputy general manager in charge of production engaged in face-to-face and frank communication with investors on operating conditions, financial indicators, project progress, ESG, dividend plans, and other aspects, providing sufficient answers and achieving good communication effects.



Investor Investigation Activities



The event Let's Investigate Together

Protection of Shareholders' Rights and Interests

The Company attaches great importance to providing reasonable investment returns to investors, strictly implements shareholder dividend return plans and profit distribution policies in accordance with relevant laws and regulations and other requirements, actively rewards investors, and continuously improves investor satisfaction and sense of gain. While taking into account sustainable development, the Company has always maintained a relatively high proportion of cash dividends, and profit distribution has always been continuous and stable. Since its reorganization and listing in 2016, the Company has distributed a total of RMB 25.539 billion in dividends (including planned dividend amounts for 2024), accounting for 41.52% of cumulative net profits attributable to shareholders, significantly exceeding the supporting funds raised by the Company from the capital market.

In addition, to enhance the transparency of the Company's cash dividends and form a stable shareholder return mechanism, its Board of Directors has actively introduced the *Five-Year Shareholder Return Plan (2020-2024)*, which provides a detailed plan for its cash dividend policy over the next five years based on factors such as the profitability and business development plans, sharing the Company's growth dividends with investors.

Company Cash Dividend Situation

Key Performance	2022	2023	2024
Cash Dividend Per Share (RMB)	/	0.55	0.45
Total Cash Dividends Distributed (Tax Included) (RMB 10,000)	200,023.95	387,150.49	316,759.49
Proportion to Net Profit Attributable to Shareholders of the Listed Company in Consolidated Financial Statements (%)	86.27	56.07	44.97

Note: The amount of cash dividends distributed in 2022 includes the amount of cash used to repurchase shares, which is included in cash dividends.

In the future, as projects under construction are successively completed and put into operation, the Company will combine actual operating conditions and development plans, coordinate the dynamic balance between business development, performance growth, and shareholder returns, continuously improve the "long-term, stable, and sustainable" shareholder value return mechanism, allow shareholders to truly experience the Company's development achievements, and enhance the sense of gain of investors.

02

Energy Conservation & Sustainable Green Development

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Climate Change Response

As a benchmark enterprise in the petrochemical industry, Hengli Petrochemical is fully aware of the vital significance of responding to climate change for protecting the global environment, promoting economic stability, and achieving social equity, and actively responds to the global call to address climate change. Adhering to the concept of green development, the Company is committed to reducing greenhouse gas emissions, improving energy efficiency, and promoting the application of clean energy through technological innovation. We have adopted a series of emission reduction measures to actively respond to the challenges brought by climate change and contribute to the global low-carbon economic transformation.

Climate Risk Management

Governance

In terms of governance, Hengli Petrochemical has always adhered to high-end, intelligent, and green development, and continuously carried out climate change governance, regarding climate change-related governance as one of the core issues of sustainable development strategies. During the reporting period, we have established a scientific governance structure and clarified the division of responsibilities at all levels.

The Company has established a climate change governance system led by the Board of Directors. The Board members have deep industry experience, are able to accurately identify and manage risks, ensure the effectiveness of climate risk management, and formulate climate action strategies suitable for its long-term development.



Strategy

Hengli Petrochemical actively responds to the national "dual carbon strategy" and integrates the green and low-carbon development concept into its development strategy. When formulating overall development strategies and making major decisions, the Company attaches great importance to the goals of the *Paris Agreement*, the 2030 Agenda for Sustainable Development, and other international conventions and relevant dual carbon policies of the Chinese government, conducts research and analysis on the impact of relevant policies, and helps the Company better grasp development opportunities and avoid risks.

In the industrial production process, the Company strictly adheres to laws and regulations such as the Measures for the Management of Carbon Emission Trading (Trial) and the Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions from China's Petrochemical Enterprises (Trial), and has formulated the Carbon Emission Management System, the Greenhouse Gas Management Procedures, and other systems to standardize greenhouse gas emission management, actively explore alternative paths for fossil energy sources such as coal, oil, and natural gas, and is committed to reducing greenhouse gas emissions.

CCUS/CCU Strategy and Implementation Plan

Based on the characteristics of the petrochemical industry, Hengli Petrochemical is mainly committed to the chemical utilization of CO₂. It plans to achieve the recycling and utilization of 480,000 tons of CO₂ by 2030 through a series of new projects. The specific implementation plan is as follows:



Adoption of CO₂ to Produce Raw Materials for New Energy Battery Electrolytes

A CO₂ flash evaporation system was added to the coal-to-hydrogen low-temperature methanol washing process, delivering high-purity CO₂ gas with over 98% concentration to the DMC production unit as feedstock for manufacturing electronic-grade DMC, PC and other chemical products. The system was put into operation in April 2024 and has cumulatively achieved resource utilization of over 80,000 tons of CO₂ for chemical production.

Risk Management

Hengli Petrochemical attaches great importance to the risks posed by climate change and has established a comprehensive climate change risk assessment and management system. We regularly conduct climate change scenario analysis and stress tests to identify and evaluate potential impacts of climate change on our operations, financial conditions, supply chain and other aspects, while formulating corresponding response measures.

Climate Change Risk Identification

Risk Category	Risk Description	Countermeasures
Physical Risks	Acute Risks: Extreme weather events such as typhoons, heavy rainfall and floods may significantly impact our production operations, including risks like equipment damage, transportation disruptions and supply chain interruptions that could reduce output and increase operational costs, thereby compressing profit margins. Moreover, extreme weather may trigger secondary disasters or production accidents, threatening personnel safety and ecological environment while causing economic losses that further increase operational expenditures.	The Company closely monitors extreme weather warnings, develops scientific and effective emergency plans, enhances emergency drills, regularly inspects production facilities, promptly upgrades equipment to eliminate potential hazards, and maintains adequate disaster prevention supplies.
	Chronic Risks: Chronic risks from global warming such as rising average temperatures, sea level increases and precipitation pattern changes may lead to higher operational costs, increased equipment maintenance expenses, and additional investments required for energy structure adjustments.	The Company encourages subsidiaries to identify regional climate risks and vulnerabilities while incorporating climate response measures into infrastructure development. Furthermore, we intensify R&D and application of green low-carbon technologies, improve resource utilization efficiency, gradually reduce dependence on natural resources, and regularly conduct climate change awareness education for stakeholders to promote low-carbon environmental concepts.
	Policy and Legal Risks: Under the "Carbon Peaking and Carbon Neutrality" policy background, increasingly stringent government carbon emission requirements for the petrochemical industry are leading to higher corporate investments in energy-saving technological upgrades and compliance management costs.	We vigorously implement various energy-saving measures and have developed a CCU strategy and implementation plan, proposing a series of new projects to reduce greenhouse gas emissions and promote green low-carbon development.
	Market Risks: With global heightened focus on climate change and sustainability, consumer preferences are gradually shifting toward green low-carbon products and services. This trend may impact enterprise operational costs and revenues.	We persistently drive R&D and production of low-carbon products while continuously enhancing clean energy product and service capabilities.
	Technology Risks: To meet technological requirements for low-carbon economic transition, the Company needs to continuously strengthen energy conservation and renewable energy utilization, implying higher R&D costs.	We actively develop carbon management training programs, focusing on cultivating internal carbon management professionals to establish talent foundations for green low-carbon development.
	Reputation Risks: As stakeholders increasingly focus on corporate climate actions, companies must take relevant measures to avoid reputational impacts.	We emphasize cooperation and communication with stakeholders, actively addressing their concerns through multiple channels.

Indicator and Objective

Hengli Petrochemical proactively fulfills climate change responsibilities, commits to promoting low-carbon transition, and supports national carbon peaking and carbon neutrality targets. In 2024, referencing international climate action target-setting methods and climate-related initiatives, Hengli Petrochemical established climate-related indicators and targets based on operational conditions. Moving forward, we will continue to take green development as our foundation and responsibility as our duty, working with all parties toward a harmonious future between humanity and nature.

Hengli Petrochemical Climate Targets

Target Type	Carbon management objectives
Carbon Peaking	2030
Carbon Neutrality	2060
Considering 2024 as baseline year	By 2026, energy-saving projects are expected to reduce emissions by no less than 1 million tons of CO ₂ cumulatively.
	Projected 1 percentage point decrease in carbon emission intensity per unit output value by 2026.
	Cumulative additional CO ₂ recovery and utilization of 160,000 tons by end-2026, projected 480,000 tons by 2030.
	Projected cumulative additional green electricity usage of 2 million MWh annually (wind power) by 2028.
	Projected achievement of 100% renewable energy coverage across all major production and operational units by 2030.

Actions in Climate Risk

Energy Management System

In compliance with national energy laws and regulations including the *Energy Conservation Law of the People's Republic of China*, the *Electric Power Law of the People's Republic of China* and the *Energy Standardization Management Measures*, the Company has established internal management systems such as the *Energy Management System and Energy Targets, Indicators and Management Plan System* to strengthen energy management and continuously improve energy conservation.

We have established a scientific energy management system where subsidiaries form energy management committees (energy conservation leadership groups) led by general managers/management representatives, with technical optimization departments (management offices) serving as energy conservation authorities, and all departments carrying out relevant work according to energy management system requirements.

An annual energy conservation target management system was built, decomposing and setting annual energy consumption quota targets for production units/facilities, evaluating monthly energy consumption target completion, supervising implementation of energy optimization improvements to ensure efficient system operation, and conducting regular energy performance assessments to ensure departmental accountability and continuous improvement of energy performance goals.

During the reporting period, Hengli Petrochemical's ISO50001 energy management system certification and GB/T23331 energy management system certification had covered six major subsidiaries including Hengke Advanced Materials and Kanghui New Material.

In July 2024, the Ministry of Industry and Information Technology, National Development and Reform Commission and State Administration for Market Regulation announced the *2023 List of Energy Efficiency "Frontrunner" Enterprises in Key Industries*, with Hengli Petrochemical Chemical, Hengli Petrochemical Refining and Hengli Petrochemical (Dalian) consecutively making the list for four years, winning energy efficiency championships in ethylene, paraxylene and purified terephthalic acid industries, while ethylene glycol also led industry energy efficiency.



Hengli Petrochemical (Dalian) Energy Efficiency Frontrunner

No. 1 in purified terephthalic acid industry

Unit product energy consumption

25.99 kgce/t

Hengli Petrochemical Refining Energy Efficiency Frontrunner

No. 1 in paraxylene industry

Unit product energy consumption

200.14 kgce/t

Hengli Petrochemical Chemical Energy Efficiency Frontrunner

No. 1 in ethylene industry (using naphtha as feedstock)

Unit product energy consumption

544.27 kgce/t

No. 2 in ethylene glycol industry (using ethylene as feedstock)

Unit product energy consumption

321.40 kgce/t



Hengke Advanced Materials

Hengli Petrochemical (Huizhou)

Kanghui New Material

Hengli Petrochemical

Hengli Petrochemical Chemical

GHG Emissions	2023	2024
Greenhouse Gas Emissions Scope 1 (tCO2e)	31,167,270.46	47,201,832.47
Greenhouse Gas Emissions Scope 2 (tCO2e)	1,677,849.77	6,718,552.07
Greenhouse Gas Emission Intensity (tCO2e/RMB million)	139.89	228.21

Note 1: Based on operational characteristics, the Company's greenhouse gas emissions mainly come from direct emissions (Scope 1) including fossil fuel combustion and industrial processes, and indirect emissions (Scope 2) from net purchased electricity and heat.

Note 2: The above statistical data covers Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengli Chemical, Hengli Petrochemical (Dalian) New Material, Kanghui New Material, Susheng Thermal Power, Hengke Advanced Materials, Jiangsu Xuanda, Deli Chemical Fiber, and Hengli Petrochemical (Huizhou).

Note 3: Carbon emission intensity = Greenhouse gas emissions/Operating revenue

Energy Management Initiatives



Energy Conservation and Emission Reduction

Case

Esterification Steam Waste Heat Recovery

Kanghui New Material installed new electric chillers to replace some of the original lithium bromide chillers, reducing energy costs. After implementation, the project saves approximately RMB 11 million annually in steam and electricity costs, with an estimated reduction of 3,500 tons of standard coal equivalent in comprehensive energy consumption per year.

Case

M-921 Efficiency Optimization

Hengli Petrochemical (Huizhou) modified its tail gas drying system by discontinuing E1/2-920B and switching to low-pressure steam for heating, reducing medium- and high-pressure steam usage. This adjustment allows one heat exchanger to be shut down while maintaining original performance, cutting CO₂ emissions by 3,435.72 tons annually.

Case

Compressor Waste Heat Heating Retrofit



To maximize energy utilization and lower operational costs, Hengli (Nantong) Industrial Park upgraded its residential boiler heating system, replacing biomass pellet combustion with waste heat from industrial compressors. Upon measurement, the project saves 2,970 tons of biomass pellets annually, equivalent to 1,871 tons of standard coal.

Case

Tail Gas Scrubbing System Optimization



Hengli Petrochemical (Huizhou) optimized two tail gas scrubbing systems by introducing a chemical agent to absorb CO₂ from emissions, converting it into sodium carbonate for reuse in production. This reduces annual CO₂ emissions by about 1,600 tons while lowering costs.

Case

Novel Ethylene Cracker Furnace Tube Upgrade



The NH1949 high-temperature alloy furnace tubes with anti-coking properties were put into operation in the No. 10 cracker of Hengli Petrochemical Chemical's 1.5 million-ton/year ethylene unit, marking its ethylene cracker furnace tubes as globally leading. This domestically produced furnace tube will significantly reduce carbon emissions and operational costs. Applied to the 64 W furnace type, Hengli Petrochemical Chemical was selected by the National Development and Reform Commission as one of China's first pilot units for this technology, with expected annual benefits exceeding RMB 7.437 million and annual CO₂ reduction of 869 tons.

Case

Energy Conservation Awareness Enhancement Campaign



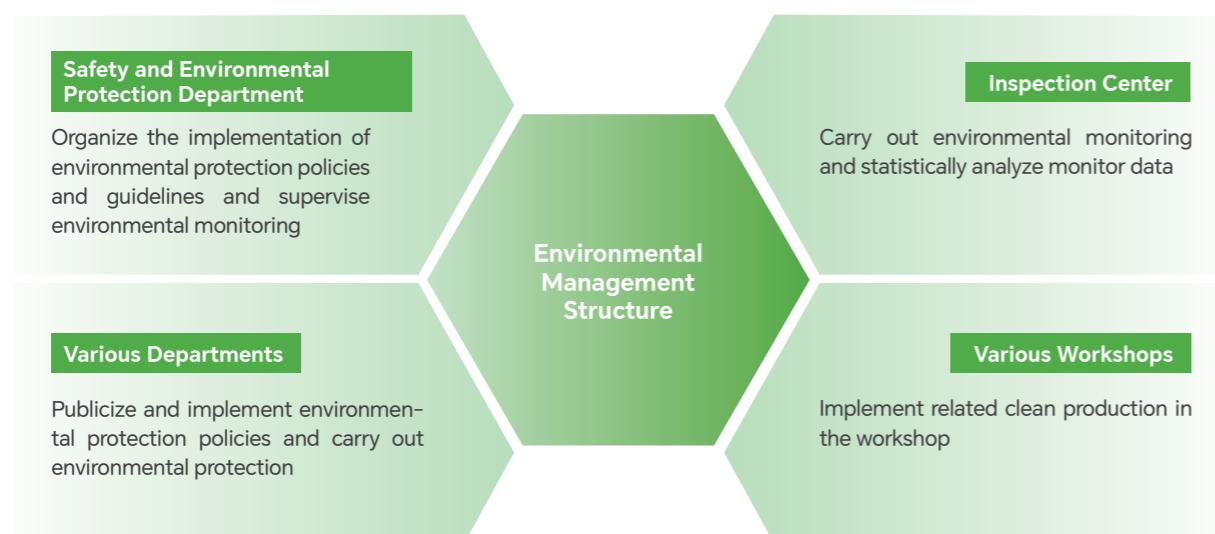
Energy Conservation and Emission Reduction Education

Environmental Compliance Management

Environmental Management System

Hengli Petrochemical recognizes that environmental management is not only a reflection of enterprise social responsibility but also a core pillar of sustainability. We understand that every effort to protect the environment is a commitment to the future, and every act of ecological respect is a gift to future generations. Adhering to the development philosophy of "Green Hengli, Ecological Hengli, Harmonious Hengli", we drive innovation-led green growth to fulfill our environmental mission, contributing to clear skies and a beautiful homeland.

We strictly comply with laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, *Water Pollution Prevention and Control Law of the People's Republic of China*, *Air Pollution Prevention and Control Law of the People's Republic of China*, and *Environmental Impact Assessment Law of the People's Republic of China*. Subsidiaries formulate HSE systems like the *Environmental Protection Management System*, *Environmental Protection Management Assessment System*, and *Environmental Monitoring Management System* tailored to their operations, ensuring rigorous environmental management. Meanwhile, the Company has established an environmental protection organizational structure, promoted environmental protection management, further enhanced the construction of the environmental management system, and is committed to building a modern enterprise that saves resources and is environmentally friendly.



Case

Emergency Plan Training for Sudden Environmental Incidents

Hengli Petrochemical prioritizes the prevention and response to environmental emergencies, establishing a comprehensive contingency system with regular specialized training. Through simulations and case studies, we enhance employees' risk identification and emergency response capabilities, ensuring swift and effective control during incidents. The Company is also equipped with advanced monitoring equipment and emergency supplies, and cooperates with external professional institutions to optimize the scientificity and operability of emergency response plans.



Site of Emergency Drill for Sudden Environmental Incidents

Environmental Management System Certification

During the reporting period, the Company and its manufacturing subsidiaries involved have 6 companies that have passed the ISO 14001 Environmental Management System Certification.



Environmental Certification of Some Subsidiaries

Honors

Six factories under the Company have been awarded the national "Green Factory" title, including Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengli Chemical Fiber, Hengke Advanced Materials, Hengli Petrochemical Chemical, and Kanghui New Material; Deli Chemical Fiber was awarded the "Jiangsu Green Factory" title.





Pollutant Emissions Control

The Company has established a comprehensive and efficient pollution prevention and control management system. Through regular monitoring and supervision mechanisms, it ensures that pollutants such as waste gas, wastewater, and waste generated during production and operation meet the requirements of national laws and regulations and local laws and regulations where the factories are located.

To promote green transformation and sustainable development of the enterprise and meet the expectations of investors and stakeholders, the Company has formulated environmental protection goals and action measures for 2030 based on pollutant emissions and environmental management in 2024, combined with industry standards and policy requirements.

Environmental Targets

Annual reduction in chemical oxygen demand (COD) emissions by no less than 1%	Annual reduction in ammonia nitrogen emissions by no less than 1%	Annual reduction in sulfur dioxide emissions by no less than 1%	Annual reduction in nitrogen oxide emissions by no less than 1%	Annual reduction in emissions of toxic and harmful air pollutants such as mercury, arsenic, and lead by no less than 1%	Zero environmental negative incidents maintained
1	2	3	4	5	6

Environmental Impact Assessment and Audit

The Company has always regarded environmental protection as one of the core strategies for sustainability. To ensure compliance with environmental protection laws and regulations during production and operation and continuously improve environmental management, the Company regularly conducts comprehensive environmental audits on all operational sites.

During the reporting period, we conducted multiple environmental audits, covering 100% of operational sites, cooperating with professional auditors to conduct investigations in terms of environmental regulations and compliance, pollutant emissions, and resource utilization, and implemented rectifications for all identified issues, with a rectification rate of 100%.

In addition, the Company attaches importance to environmental management system certification, hiring external third-party certification bodies to conduct annual surveillance audits of the Company's ISO 14001 Environmental Management System, and also conducted expansion audits during the reporting period. At present, the Company and its manufacturing subsidiaries involved have 6 companies that have obtained ISO 14001 Environmental Management System Certification, covering 100% of operational sites.

Indicator	Unit	2024
Total Environmental Investment	RMB 100 million	3.75
Environmental Incidents	Case	0
Incidents of Violation of Laws and Regulations in the Environmental Field	Case	0
Compliance Rate Observed in Pollutant Monitoring	%	100
Operation Rate of Environmental Protection Facilities	%	100
Compliance Rate of "Three Simultaneities" in Environmental Protection for Construction Projects	%	100

Actions in Pollutant Reduction



For COD

Optimize wastewater treatment processes to improve treatment efficiency; strengthen wastewater reuse to reduce discharge.



For ammonia nitrogen

Enhance wastewater pretreatment to remove pollutants such as ammonia nitrogen; improve ammonia nitrogen removal efficiency of wastewater treatment facilities.



For sulfur dioxide and nitrogen oxides

Optimize combustion processes to reduce generation of sulfur dioxide and nitrogen oxides; strengthen operation management of flue gas desulfurization and denitrification facilities.



For toxic and hazardous air pollutants

Strengthen raw material management to reduce use of toxic and hazardous substances; enhance waste gas purification treatment.



For water emissions

Optimize production processes to reduce water consumption; strengthen wastewater reuse and recycling.

Management of Wastewater

Hengli Petrochemical places high importance on whole-process control of wastewater management. Through advanced wastewater treatment technologies and refined management methods, we ensure full compliance of wastewater discharge standards. The Company strictly complies with laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*. All subsidiaries have formulated the *Wastewater Pollutant Management Measures (Implementation Rules)* to strengthen wastewater management.

Indicator	Unit	2024
Wastewater Emissions	Ton	26,303,994.81
Wastewater Emissions Intensity	Ton/RMB 1 million	111.33
COD Emissions	Ton	663.33
Ammonia Nitrogen Emissions	Ton	3.29
Total Phosphorus Emissions	Ton	3.54
Total Nitrogen Emissions	Ton	152.96

Note: For discharge status of subsidiaries listed as key environmental supervision units by environmental protection authorities, please refer to Hengli Petrochemical's 2024 Annual Report.

Relying on intelligent monitoring platforms and high-standard treatment processes, we optimize resource utilization from production sources and achieve wastewater reduction through closed-loop water circulation systems. For treatment, we adopt internationally leading pretreatment, biological treatment and advanced purification technologies to ensure wastewater discharge fully exceeds national standards. The Company has established a dynamic monitoring mechanism, conducting regular internal water quality testing and third-party compliance audits. Through data transparency and problem traceability management, we continuously improve governance efficiency.

During the reporting period, wastewater discharge from the Company and its subsidiaries all met national treatment standards. We have further increased our wastewater reuse rate to industry-leading levels, demonstrating our commitment to "cherishing every drop of water" through concrete actions.

Case

Ecological Monitoring



The sewage treatment plant in Hengli (Dalian Changxing Island) Industrial Park applies embedded integrated sewage treatment technology. The COD of the treated sewage is below 15mg/L, which is far better than the national standard. The reclaimed water reuse rate exceeds 80%. The industrial production water in the plant undergoes multiple purification processes and is tested for water quality treatment effects through aquatic plants and ornamental fish bioindicators to achieve safe wastewater discharge.

Case

Heat Medium Regeneration Wastewater Treatment



Hengli Chemical Fiber has completed the liquid phase heat medium regeneration treatment of the EFG zone heat medium system. This heat medium regeneration adopts a new process, using vacuum distillation methods to simultaneously separate and remove light and heavy components. A simple cooling and collection device is added to the wastewater generated by the regeneration equipment to enable wastewater recycling and significantly reduce wastewater generation.

Management of Waste Gas

In terms of waste gas management, we strictly follow laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, formulate relevant management systems such as the *Waste Gas Emission Management System* and the *Pollutant Emission Management System*, and build efficient waste gas collection and treatment devices. Advanced technologies such as low-nitrogen combustion, catalytic oxidation, and adsorption purification are adopted to ensure that pollutants are discharged up to standard. Meanwhile, we continue to optimize the technological process, promote the replacement of clean energy, and improve the green level of the production process. In addition, the Company has established a real-time online monitoring system to dynamically analyze emission data and relies on an intelligent management platform to achieve continuous improvement in environmental performance.

The waste gas emissions during the production and operation of the Company mainly come from organized emissions in the factory production process. The main pollutants include volatile organic compounds (VOCs) in process waste gas, as well as sulfur dioxide (SO₂) and nitrogen oxides (NO_x) in flue gas from gas-fired boilers. During the reporting period, the waste gas generated by the Company was discharged up to standard after treatment by environmental protection facilities.

Indicator	Unit	2024
Sulfur Dioxide (SO ₂) Emissions	Ton	1,877.62
Nitrogen Oxides (NO _x) Emissions	Ton	4,466.01
Particulate Matter Emissions	Ton	440.46
Volatile Organic Compounds (VOCs) Emissions	Ton	695.34

Note: For discharge status of subsidiaries listed as key environmental supervision units by environmental protection authorities, please refer to Hengli Petrochemical's 2024 Annual Report.

Case

Activated Carbon Tail Gas Purification Equipment Renovation



Kanghui New Material upgraded the spray tower tail gas technology in the PET-X and PET-Y workshops, adding a set of activated carbon tail gas purification equipment. The original single washing tower treatment process was upgraded to advanced technology with three-stage demisting and two-stage activated carbon adsorption devices, effectively adsorbing and removing harmful gases, volatile organic compounds (VOCs), and other pollutants in the tail gas, and converting them into harmless substances before discharge.

Case

RTO Waste Gas Treatment Device in Sewage Treatment Plant



The RTO waste gas treatment device in the Sewage Treatment Plant of Hengli Petrochemical Refining has completed optimization and transformation work and was successfully put into operation. As a part of energy conservation, environmental protection, and green development of the Sewage Treatment Plant, this device plays an important role in the treatment of low-concentration and high-volume organic waste gas. With a purification efficiency exceeding 99%, it can treat 18,000 m³/h of waste gas. Over the past two years of operation, it has reduced VOCs emissions by nearly 500 tons.



Sewage Treatment Plant of Hengli Petrochemical Refining

Management of Solid Waste

Hengli Petrochemical consistently attaches great importance to the management of solid waste and has formulated the *Solid Waste Management System* to continuously optimize its management processes. Adhering to the principles of “reduction, resource utilization, and harmless treatment,” we have established rigorous procedures for classified collection, standardized storage, and scientific disposal of solid waste. We actively introduce advanced resource recycling technologies to promote the circular utilization of waste.

We have successfully built and operated multiple efficient and intelligent systems for energy and waste recycling. These systems have significantly advanced the reduction, recycling, and harmless treatment of solid waste, thereby enhancing resource utilization efficiency and substantially reducing environmental pollution. In addition, we regularly conduct training sessions on waste reduction and emergency drills to ensure full compliance with waste management regulations and to strengthen employees' environmental awareness and sense of responsibility.

Key Performance

General solid waste generated
3,343,982.76 tons

general solid waste disposed
3,343,923.46 tons

hazardous waste generated
148,360.38 tons

hazardous waste disposed
147,167.31 tons

Case

Hazardous Waste Safety Training



To enhance employees' awareness and skills in hazardous waste management and ensure the safe disposal of hazardous waste, Hengli (Dalian Changxing Island) Industrial Park organized a hazardous waste safety training session. The training focused on the fundamentals of solid waste and hazardous waste management, with several internal and external experts invited to deliver lectures. The training covered key aspects such as the classification, labeling, collection, storage, transportation, and disposal of hazardous waste. It also incorporated real-world case studies to explain relevant laws, regulations, and standards pertaining to hazardous waste management.



Hazardous Waste Safety Training Session in Progress

Circular Economy

Hengli Petrochemical upholds the core philosophy of green recycling and sustainable development, continuously exploring and putting into practice innovative approaches. By adopting industry-leading green product design technologies, we strive to reduce environmental impact at the source and promote the transformation of our products toward greener and more circular models.

Case

Innovative R2R Process Leading the Green Circular Economy for PTA Residue



Hengli Petrochemical successfully launched the world's first residue recovery system in the PTA industry—known as the R2R unit—which enables in-depth recovery and treatment of oxidation residues. Since the implementation of this project, the amount of solid waste generated during the PTA production process has been significantly reduced. The R2R unit can recover approximately 14,000 tons of benzoic acid and around 3,000 tons of CMB (catalyst) annually, effectively minimizing solid waste generation while maximizing resource utilization.



PTA Residue Recovery and Recycling Project

Case

Waste Liquid Incinerator Accelerating the Harmless Disposal of Solid Waste



The waste liquid incinerator at Hengli Petrochemical Chemical Factory adopts a high-temperature thermal oxidation process that effectively decomposes organic compounds in waste gas and liquid, while minimizing the formation of NOx. NOx is further converted into nitrogen through SNCR and SCR reactions. The heat generated from incineration is recovered by a waste heat boiler, which produces high-pressure superheated steam at 440°C and 3.6 MPa for use in the high-pressure steam pipeline network.



Waste Liquid Incinerator Unit

Case

Overhead Off-Gas Waste Heat Cooling Project



Hengli Chemical Fiber's waste heat cooling project efficiently utilizes waste heat from the overhead vapor of the esterification column in the polyester unit. Through heat exchangers, the waste vapor is converted into hot water, which serves as the heat source for chillers. This project makes effective and rational use of existing energy resources and achieves significant energy savings. Currently, 6 sets of waste heat cooling systems have been put into operation in the polyester department.

Water Resource Management

We strictly comply with the *Water Law of the People's Republic of China* and other relevant laws and regulations, and have formulated water resource management systems such as the *Water Conservation Management System*, the *Water Usage Statistics Management System*, and the *Water Metering Management System* based on applicable legal and regulatory requirements. These measures aim to continuously strengthen water management, optimize water usage structure, and minimize water consumption at the source, thereby reducing operational risks associated with water scarcity.

Management Structure of Water Resource

To ensure the orderly and standardized implementation of water conservation efforts, the Company has actively established and continuously improved its water resource management structure. The Chairman oversees the overall management of water resources, while the General Manager and Deputy General Manager are responsible for the strategic direction and performance supervision of water resource management.

Water usage indicators are also incorporated into the performance evaluations of the heads of each subsidiary, reinforcing the implementation of water resource management across all aspects of production and daily operations.

At the beginning of each year, subsidiaries formulate corresponding annual water intake plans and monthly allocation schedules. A dedicated water conservation management department monitors water usage, conducts regular benchmarking and analysis, and reports the analysis results to the Company's senior management.

Actions in Water Conservation

Technological Water-Saving Measures

The Company actively implements water-saving initiatives, with technological efforts focused on process and equipment optimization, water recycling, water balance testing, and intelligent management.



Process and Equipment Optimization

Through a series of technological innovations, optimizations, and equipment upgrades, the Company achieves water savings at the source.

- Seawater Closed-Circuit Cooling System: Replacing traditional open cooling towers, the system in Hengli (Dalian Changxing Island) Industrial Park saves 9,900 tons of industrial water per hour.
- Low-Temperature Waste Heat Seawater Desalination Technology: Hengli (Dalian Changxing Island) Industrial Park produces 35 million tons of freshwater annually using this technology.
- Optimized Heat Exchange Network: Recovering low-grade heat for use in by-product steam production or desalinated water heating, thereby reducing the demand for cooling water.



Water Recycling

- Reclaimed Water Treatment Unit in the Water Treatment System: The sewage treatment plant is equipped with a specialized RO concentrate treatment line composed of "ozone + denitrification biofilter + aerated biofilter + post-ozone + V-shaped filter + activated carbon filter," ensuring that all treated wastewater can be directed into the reclaimed water unit.
- Reclaimed Water Reuse: Wastewater from cooling systems, air conditioning systems, and desalination units is collected, categorized, and treated for reuse. The overall reuse rate exceeds 75%, significantly reducing the consumption of fresh water.



Water Balance Testing

- Regular Water Balance Assessments: The Company regularly conducts water balance testing, including inspections for leaks in the water supply network, to promptly detect and control anomalies.
- Optimization Plans: Based on the results of water balance testing, targeted water-saving rectification and optimization plans are developed.



Intelligent Management

- Installation of Flow Meters and Online Analyzers: Real-time monitoring of water flow and quality helps quickly identify and resolve issues, ensuring the efficient use of water resources.
- Extensive Use of Data Analysis Tools: Water usage data is analyzed to identify potential areas for water savings, providing a scientific basis for decision-making and further optimizing water resource recycling and utilization.

Water Conservation and Management

The Company places great emphasis on enhancing water-saving awareness and standardizing water management, integrating it as a key component of its sustainability management system. To raise awareness among all employees, the Company regularly conducts water-saving awareness campaigns and training sessions. These efforts include the use of internal publications, promotional posters, and themed activities to disseminate water conservation knowledge, promote the concept of green water usage, and foster a culture of active participation in water-saving initiatives. Furthermore, the Company incorporates water conservation targets into departmental performance evaluations. A clear incentive and accountability system for water management has been established, linking performance assessments to water-saving responsibilities to ensure effective implementation.

Case

Water Conservation Awareness Training



In response to the national call for water conservation, Hengli Chemical Fiber launched the "Water Saving Starts with Me" employee awareness program. A series of training and educational activities—including water conservation lectures and micro-education initiatives—were organized. More than 6,000 employees participated, covering over 80% of the workforce.

Indicator	Unit	2024
Total Freshwater Consumption	10,000 tons	13,331.88
Quantity of Municipal Water Purchased	10,000 tons	298.63
Surface Water Withdrawal	10,000 tons	12,969.43
Ground Water Withdrawal	10,000 tons	63.81
Total Water Consumption	10,000 tons	88,067.75
Water Consumption Intensity	tons/RMB 1 million	3,727.37
Recycled Water Consumption	10,000 tons	125,468.64
Annual Water Saved via Reclaimed Water Facilities	10,000 tons	3,427.37
Reclaimed Water Reuse Rate	%	75.30

Note 1: Reclaimed Water Reuse Rate = (Wastewater Treated – Wastewater Discharged) / Wastewater Treated × 100%.

Note 2: Data covers Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengli Petrochemical Chemical, Hengli Petrochemical (Dalian) New Material, Kanghui New Material, Susheng Thermal Power, Henge Advanced Materials, Jiangsu Xunda, Deli Chemical Fiber, and Hengli Petrochemical (Huizhou).

Hengli Petrochemical Refining – Industry Leader in Water Efficiency

Ranked No. 1 in modern coal chemical industry

Unit water withdrawal per product
1.12 m³/t (primarily seawater)

Water recycling rate **99.96%**

Ranked No. 1 in petroleum refining industry

Unit water withdrawal per product
0.174 m³/t

Water recycling rate **98.69%**

Clean Technological Opportunities

Amid the sweeping transformation of industrial structures driven by China's "dual carbon" goals, Hengli Petrochemical has proactively embraced the clean energy transition with a forward-looking perspective. The Company regards green technological innovation as a core engine for driving high-quality development.

Indicator	Unit	2024
PV Generation	kWh	167,314,264.28
Wind Power	kWh	49,555,000.00
Biogas Power Generation	kWh	149,663.00
Biomass Fuel	tce	297,351.85
Total Renewable Energy Consumption	tce	324,023.02

Case

PV Power Generation



Kanghui New Material has utilized the existing plant rooftops and parking areas to collaborate with State Power Investment Corporation in constructing the largest PV power generation project in Liaoning Province. In 2024, the project generated a total of 45.4554 million kWh of electricity, equivalent to 5,586.47 tons of standard coal, and reduced CO₂ emissions by approximately 15,363 tons.



PV Power Generation System Installed on the Rooftop of Kanghui New Material Plant

Case

Integrated PV-Storage-Charging Facility



At the Hengli (Nantong) Industrial Park, the total installed PV capacity has reached 106.5 MW, with over 100 million kWh of green electricity generated annually, resulting in a reduction of 60,000 tons of carbon emissions. To efficiently absorb green power and ensure grid stability during peak periods, Hengke Advanced Materials has commissioned the second phase of its 20 MW/40 MWh energy storage project. The total storage capacity now stands at 40 MW/80 MWh. The system can discharge up to 40,000 kW of load during two peak periods per day, and charge once during off-peak and flat-rate periods. During summer peak electricity pricing, it can achieve up to three charge-discharge cycles daily, effectively meeting part of the production power demand, alleviating peak load pressure, and reducing electricity costs.



PV Power Generation Project at Hengli (Nantong) Industrial Park

Case

Energy Structure Improvement



Hengli Chemical Fiber has actively implemented coal-to-gas conversion and biomass boiler construction projects to replace coal-based fuels. As of August 2024, the use of coal fuels has been fully discontinued, replaced by biomass and natural gas, resulting in a reduction of fossil energy consumption by over 80,000 tce.

Ecosystem and Biodiversity Protection

Ecosystem Protection

The Company strictly adheres to national laws and industry regulations related to land management, such as the *Law of the People's Republic of China on the Prevention and Control of Soil Pollution*. An annual environmental monitoring plan is developed, and qualified third-party environmental monitoring agencies are commissioned to conduct groundwater sampling and testing every six months, and soil sampling and testing annually. In addition, to strengthen the identification and assessment of potential soil and groundwater risks, the Company has internally established the *Soil Risk Identification and Remediation Responsibility System* and formed an Environmental Hazard Identification and Remediation Task Force to regularly carry out internal risk assessments. During the reporting period, the compliance rate of characteristic pollutant monitoring in soil and groundwater at all Hengli Petrochemical operating sites reached 100%.

Case

Ecological Buffer Zone for Treated Effluent in the Hengli (Nantong) Industrial Park Environmental Protection Project Officially Commissioned



The ecological buffer zone project for treated effluent in the Hengli (Nantong) Industrial Park Environmental Protection Project was designed with full consideration of ecological balance and environmental protection principles, focusing on the preservation and restoration of natural ecosystems. The system adopts the "three lows and two highs" approach: utilizing the height differences among five pools to create flowing water that increases dissolved oxygen levels; using an automatic irrigation system to spray treated effluent onto terrestrial plants; and improving water quality through plant root filtration, as well as the decomposition of ammonia, nitrogen, and other substances by aquatic plants and microbial communities. Additionally, aquatic plants and ornamental fish serve as bioindicators to evaluate the effectiveness of water treatment. The commissioning of this project marks a solid step forward in the ecological development of the Nantong Industrial Park.



Ecological Buffer Zone for Treated Effluent in the Environmental Protection Project

Biodiversity Conservation

Hengli Petrochemical places great importance on biodiversity conservation by adopting green production processes and efficient resource utilization to minimize damage to natural habitats. The Company regularly conducts ecological assessments to identify and protect biodiversity hotspots, and actively participates in ecological restoration projects, such as wetland conservation and vegetation restoration, to promote ecological balance. Hengli Petrochemical remains committed to fulfilling its environmental responsibilities and contributing to the protection of global biodiversity and the health of ecosystems.

Case

"Protecting Marine Resources and Creating a Better Environment"—Marine Stock Enhancement and Ecological Compensation Release Program



On June 19, 2024, in an effort to further protect marine biological resources, improve the marine ecological environment, and promote biodiversity, Hengli Petrochemical (Huizhou) organized a joint party-labor-youth ecological compensation and stock enhancement release activity under the theme "Protecting Marine Resources and Creating a Better Environment." This initiative also aimed to raise employees' awareness of aquatic ecological protection.



Marine Stock Enhancement and Ecological Compensation Release



03

Safe Operations & Sustainable Growth

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Product Quality and Safety

Quality Management System

Hengli Petrochemical adheres to the quality management philosophy of "Pursuing Excellent Quality, Continuously Improving Management." By implementing a total quality management strategy, the Company is committed to delivering outstanding products and services. We strictly comply with the *Law of the People's Republic of China on Product Quality* and other relevant laws and regulations, and have established a sound quality management system. This includes the formulation of various product quality management policies, such as the *Product Standardization Management Policy*, to ensure that every stage—from R&D and production to after-sales service—meets the highest standards.

Upholding a spirit of craftsmanship and a pursuit of excellence, the Company has developed a comprehensive quality management system that covers the entire product lifecycle. We have formulated control procedures such as the *Advanced Product Quality Planning and Control Procedure*, *Production Operation Control Procedure*, *Nonconforming Product Control Procedure*, *Customer Satisfaction Management Procedure*, and *Continuous Improvement Management Procedure*, ensuring the effectiveness of quality management. In addition, we actively adopt external product quality management systems and maintain high standards to drive high-quality development. During the reporting period, 7 subsidiaries including Kanghui New Material and Hengli Petrochemical Chemical passed the ISO 9001 Quality Management System certification.



Quality Management System Certificates of Selected Subsidiaries

Whole-Life-Cycle Quality Management

We focus on the core principles of "Prioritizing Quality and Promoting Continuous Improvement" and have established a comprehensive lifecycle quality management system covering product R&D, production, sales, and after-sales services. This system ensures that every stage meets high-quality standards. In production quality risk management, we follow a rigorous risk management process that includes risk identification, risk assessment, risk control, risk communication, and risk auditing, ensuring that each step is effectively executed. In the sales and after-sales service stages, we continuously optimize product performance and service quality through customer feedback mechanisms and regular quality follow-ups.

Product Recall Management

The Company strictly follows internal policies such as the *Nonconforming Product Control Management Policy* to identify and handle nonconforming products. We also conduct regular product recall simulations to evaluate and verify the effectiveness of our recall procedures, ensuring product quality is protected. During the reporting period, no large-scale product recall events occurred.

Case

Hengke Advanced Materials Awarded "Jiangsu Province Quality Credit AAA Enterprise"



Hengke Advanced Materials places great emphasis on the leading role of quality credit and has developed a "Three Comprehensive, Three Focused" dual-direction quality control model throughout the entire process. This model ensures comprehensive coverage of quality across all stages, involving all employees, and enabling full traceability. Hengke Advanced Materials has obtained certifications for nine related systems, including ISO 9001 for quality management, ISO 14001 for environmental management, OEKO-TEX for eco-friendly textiles, and the integration of information technology with manufacturing management (two-in-one AAA management system), among others. In 2024, Hengke Advanced Materials was recognized as a "Jiangsu Province Quality Credit AAA Enterprise."

Digitalization of Product Quality Control

The Company continues to explore digital quality management to more accurately and efficiently identify and resolve product quality issues, thereby enhancing both product quality and production efficiency.

Case

Kanghui New Material Establishes a Digital Quality Management System for Polyester Film



Kanghui New Material has implemented a fully digital MES system throughout the workshop production process. From production to the final packaging of polyester film rolls, all stages are traceable, and relevant production information is accessible. The system provides a visual display of key data such as inspection results, length, width, thickness, and weight of finished and semi-finished products. In the event of a quality issue with a film roll, relevant data from each production stage can be retrieved for root cause analysis, enabling traceable management and timely identification of problem points to take appropriate corrective measures.



Polyester Film Digital Quality Management System

Empowering Employees Through Quality Training

Hengli Petrochemical places great importance on quality training and has established a three-tier training system at the Company, department, and team levels. Through a variety of formats—such as online courses, on-site workshops, and hands-on drills—the Company effectively enhances employees' quality awareness and professional skills. Additionally, Hengli Petrochemical organizes quality-focused initiatives such as Quality Month and quality competitions to encourage employee innovation and the sharing of quality management ideas. These activities have engaged nearly 500 employees, fostering collective efforts to elevate the Company's product quality standards.

Case

Hengli Chemical Fiber Product Quality Training



In 2024, Hengli Chemical Fiber organized specialized training sessions focused on quality tools such as QC and FMEA. These targeted trainings significantly enhanced employees' quality awareness and professional capabilities. As a result of the initiative, the product nonconformity rate saw a marked decline, while customer satisfaction continued to rise.

Product Quality Training Session in Progress

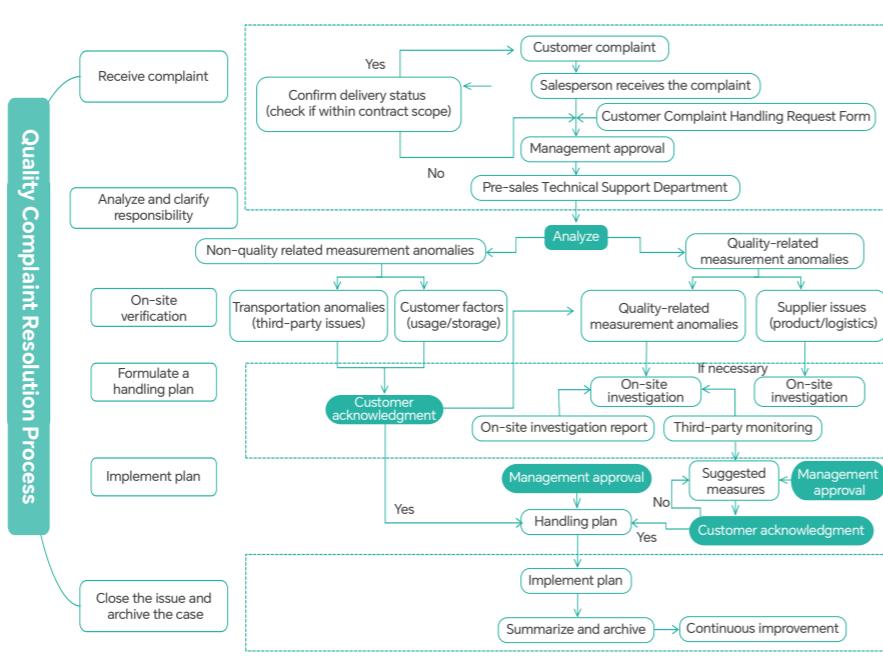
Customer Service Management

Upholding the management philosophy of "market-oriented and customer-centered," the Company continuously optimizes its customer service system. It has established a comprehensive sales process and after-sales service mechanism guided by the *Customer Service Control Procedure*, enabling prompt response to and resolution of customer complaints and feedback. At the same time, the Company strictly protects consumer information security, strives to enhance customer satisfaction, and reasonably meets consumer needs.



Customer Complaints Resolution Mechanism

The Company continuously improves its customer complaint handling mechanism by establishing a quality complaint resolution process to ensure that customer concerns are addressed in an organized and efficient manner, thereby better safeguarding customer rights and interests.



Customer Complaint Handling Process Diagram

Customer Satisfaction Management

The Company attaches great importance to customer satisfaction and actively promotes its management. It has developed the *Customer Satisfaction Management Procedure* and conducts satisfaction evaluations by distributing *Customer Satisfaction Survey*. The collected feedback is analyzed and assessed, followed by the preparation of satisfaction reports to guide systematic improvements. Additionally, the Company regularly organizes training for the Sales Department, covering sales procedures and business etiquette, in order to enhance employees' professional competence and service quality from multiple dimensions, continuously boosting customer satisfaction.

Key Performance

During the reporting period, the overall customer satisfaction score was approximately

96.71%

Sustainable Supply Chains

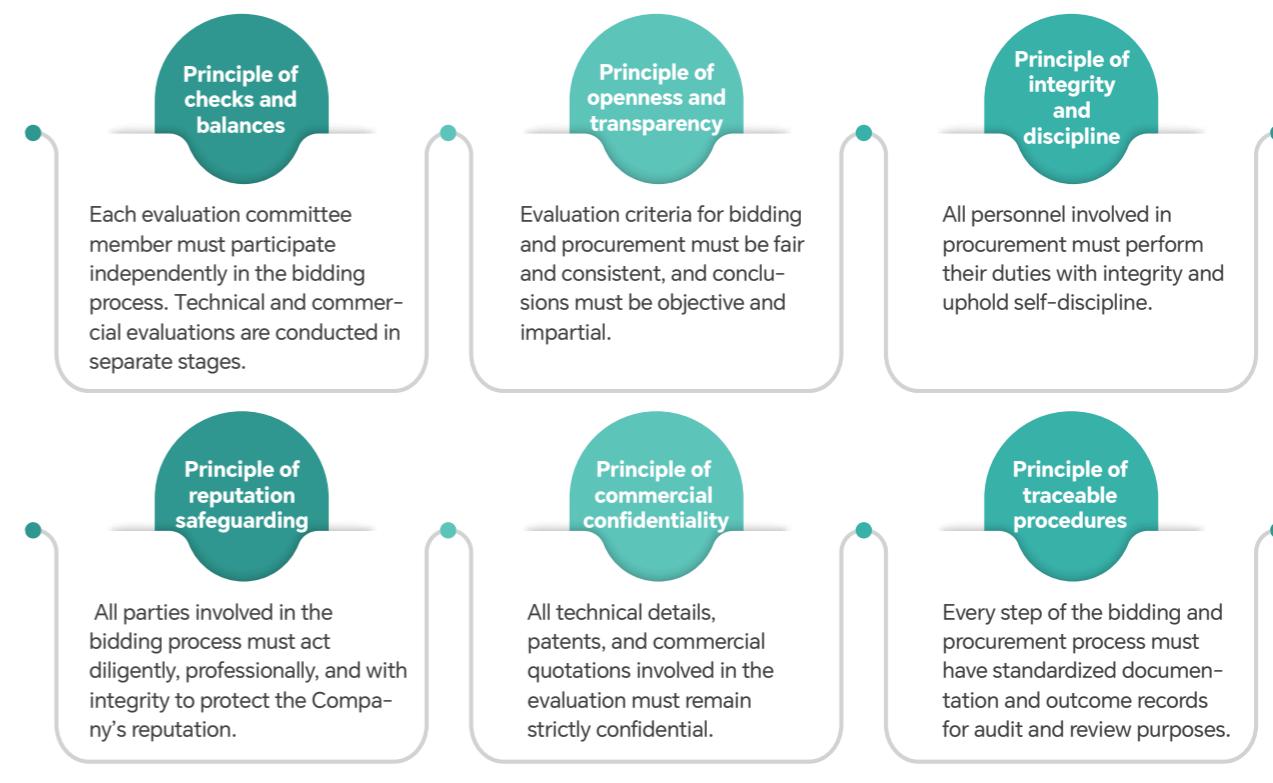
Supply Chain Management System

Hengli Petrochemical places great importance on supply chain security. We continuously optimize our supply chain management system and enhance supplier management by establishing internal policies such as the *Supplier Management System* and *Bidding and Procurement Management System*. These efforts strengthen risk control throughout the procurement process and provide strong support for the Company's stable operations.

The Company has also issued policies such as the *Supplier Management Measures* and *Supply Chain Risk Management Measures*, clearly defining supply chain management procedures and risk control measures. In addition, we have developed a supply chain management platform to enable real-time information sharing and dynamic monitoring of supplier data, procurement plans, and logistics, thereby improving supply chain management efficiency.

Implementing Transparent Procurement

To prevent integrity risks at the source, the Company signs *Anti-Bribery Agreements* with suppliers and conducts integrity training for internal procurement personnel. Together, these measures foster a clean and transparent procurement environment. During the Reporting Period, the signing rate of supplier integrity agreements was 100%.



Equal Treatment of Small and Medium-Sized Enterprises

Hengli Petrochemical is committed to building a mutually beneficial and win-win supply chain ecosystem that supports the growth of small and medium-sized enterprises (SMEs) and jointly promotes high-quality industry development. We consistently uphold the principles of equality and fairness in cooperation and place great importance on collaborative development with SMEs. We have established transparent procurement and cooperation mechanisms to ensure that SMEs enjoy equal opportunities in bidding, contract signing, and performance execution. In addition, we provide technical support and training to help SMEs enhance their competitiveness. Regular supplier evaluations are carried out to promote their sustainable development. We have also optimized payment processes to ease financial pressure on SMEs.

Full-Life-Cycle Management

The Company places great importance on full lifecycle management of the supply chain and has developed the *Supplier Management Control Procedure*, aiming to build a green and sustainable supply chain system. Through a stringent supplier admission mechanism, we ensure that our partners meet company standards in areas such as production management, quality control, product performance, and HSE management capabilities. We also conduct regular ESG evaluations of the supply chain to drive continuous improvement among suppliers, enhance efficiency, and ensure transparency and accountability throughout the supply chain.



Admission of Suppliers

Suppliers are scored and assessed based on production management, quality control, product performance, and HSE capabilities. Certification in quality, environmental, and safety management systems is a key criterion for admission.



Supplier audit

Relevant credit materials submitted by different types of suppliers are reviewed, and on-site inspections are conducted when necessary, followed by the issuance of the *Supplier Investigation Report and Supplier Score Sheet*.



Supplier evaluation

Ongoing and periodic evaluations are carried out, and results are recorded in the supplier information database.



Supplier categorization

Suppliers are assessed on aspects such as strength, quality, and delivery performance. Based on the scores, suppliers are graded as follows: Grade A: Increased procurement volume encouraged; Grade B: Regular procurement; Grade C: Requires coaching, reduced procurement or temporary suspension; Grade D: Nonconforming supplier, to be eliminated.



Supplier Exit

A supplier exit mechanism is in place. Suppliers with serious issues in contract performance or legal disputes are removed from the conforming supplier list and disqualified from further cooperation.

Supporting Supplier Development

Hengli Petrochemical places great emphasis on the sustainable development of its supply chain and integrates ESG principles into every aspect of supplier management. By regularly organizing ESG training and awareness programs, the Company supports suppliers in strengthening their capabilities in environmental, social, and governance performance. Tailored training sessions are designed based on the specific needs of suppliers, covering key areas such as green production, energy conservation and emission reduction, compliant operations, and social responsibility. These efforts help suppliers enhance their ESG awareness and practical competencies. In addition, the Company promotes collaborative progress among suppliers through case studies, experience sharing, and other interactive formats, working together to build a sustainable and resilient supply chain ecosystem.

Case

Regular ESG Training for Suppliers



Sharing the Vision of "Innovation, Sustainability, Efficiency, and Energy Conservation" with Suppliers

Digitalized Supply Chain

Hengli Petrochemical leverages intelligent technologies to empower supplier management, enhancing the overall efficiency of the supply chain while further strengthening collaboration with suppliers. This digitalization supports the creation of a green, sustainable supply chain ecosystem, laying a solid foundation for future growth.

Case

Intelligent Empowerment of Supplier Management



The Company's AWMS (Advanced Warehouse Management System) utilizes IoT technology to build a real-time platform for the status tracking and timely sharing of material circulation at every stage. By integrating various modules within the system, Hengli Petrochemical has achieved control and tracking of the procurement process, enabling visual and systematic management of materials.

Work Safety Management

Work Safety Management System

Hengli Petrochemical adheres to the principle of "safety first, prevention foremost, and comprehensive governance" and strictly complies with laws and regulations such as the *Law of the People's Republic of China on Work Safety* and the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*. The Company has established a comprehensive safety management system by implementing internal safety regulations, such as the *Work Safety Reward and Punishment System*, *Fire Safety Management System*, *Construction Project "Three Simultaneities" Management System*, and *HSE Evaluation Management System*. These measures have driven the standardization of work safety across all industrial parks and established an effective work safety management system. During the reporting period, the Company and its subsidiaries did not experience any fatal workplace accidents.

The Company has set up a Work Safety Committee and work safety management organization, clearly defining occupational health and safety production goals. It has also signed Safety Responsibility Agreement with employees to strengthen the work safety accountability system and awareness across all levels. Furthermore, safety performance evaluations are tied to the compensation of senior executives, ensuring comprehensive protection of employee health and safety.

Each year, the Company holds a senior management work conference, during which the heads of subsidiaries sign and submit the *General Manager's Work Safety and Environmental Protection Responsibility Statement*.

During the reporting period, all subsidiaries successfully achieved their work safety targets. Subsidiaries such as Hengli Petrochemical Chemical, Hengli Petrochemical Refining, Hengli Petrochemical (Dalian), and Kanghui New Material have obtained ISO 45001 Occupational Health and Safety Management System certification.

Work Safety Management in 2024

Indicator	Unit	Value
Investment in Work Safety	RMB 100 million	5.30
Major Hazard Rectification Rate	%	100
Coverage Rate of Safety Education and Training	%	100
Coverage Rate of Safety Risk Protection Training	%	100
The Number of Security Emergency Drills	Times	1920
Number of Fatal Accidents Concerning Work Safety	Times	0
Inspection Rate of Special Equipment	%	100
Certification Rate for Special Operations and Equipment Operators	%	100

Establishment of Work Safety Culture

In accordance with the *Law of the People's Republic of China on Work Safety*, the *Emergency Response Law of the People's Republic of China*, and the *Management Measures for Work Safety Accident and Emergency Plan*, the Company has formulated a comprehensive *Work Safety Accident and Emergency Plan*. Through this, the Company continues to improve its emergency drill system, regularly organizing drills and training sessions to enhance emergency management capabilities and strengthen the foundation for work safety.

Work Safety Month Campaign

June 2024 marked the 23rd National "Work Safety Month," themed "Everyone Talks Safety, Everyone Knows Emergency Response — Keeping Life Channels Clear." Hengli Petrochemical's industrial parks responded actively by organizing a wide range of educational campaigns, drills, and safety rectification activities. These initiatives aimed to comprehensively improve employees' safety awareness and their ability to respond to emergencies.

Case

Active Participation of Industrial Parks in Work Safety Month



Hengli (Suzhou) Industrial Park conducted theoretical training, practical drills, and safety hazard inspections, effectively improving employees' fire safety awareness and self-rescue skills during emergencies.

Hengli (Dalian Changxing Island) Industrial Park conducted a comprehensive emergency drill for major hazard sources, aiming to test the scientific design and practical operability of its emergency response plans and to continuously enhance emergency handling capabilities for major hazards.

Hengli (Yangtze River Delta) Industrial Park organized safety education sessions and knowledge competitions to spark employees' interest in learning about work safety.

Hengli (Nantong) Industrial Park carried out an integrated emergency drill simulating a radiant coil leak in the furnace chamber of the thermal oil heater, testing firefighters' emergency response speed and improving early-stage incident handling capabilities.

Hengli (Huizhou) Industrial Park kicked off the 2024 "Work Safety Month" by anchoring key activities to designated theme weeks. The entire month featured safety campaigns, hazard inspections, emergency drills, and training programs to ensure the concept of safety takes root across the enterprise.

Hengli (Suqian) Industrial Park organized "Work Safety Month" activities through various formats, including summer safety training, fire evacuation drills, firefighting skills competitions, special safety rectification actions, and safety awareness video check-ins during pre-shift meetings.

Hengli (Yingkou) Industrial Park invited senior safety experts to train over 240 mid- and senior-level managers and safety personnel. It also held evacuation drills in office buildings, and conducted emergency response exercises for tetrahydrofuran and biogas leaks, further reinforcing the Company's work safety management system.



Hengli (Suzhou) Industrial Park: Work Safety Skills Competition



Hengli (Dalian Changxing Island) Industrial Park: Safety Drill in Progress



Hengli (Suqian) Industrial Park

Active Participation in Emergency Drills

Work safety is of paramount importance. Adhering to the principle of "safety first, prevention foremost, and comprehensive governance," the Company has strengthened its safety management system, deepened safety oversight, enhanced safety training, and actively responded to emergency drills, establishing a safety-oriented team characterized by zero violations, zero hazards, and zero accidents.

Case

Hengli New Material Successfully Conducts Its First Company-Level Emergency Drill

Hengli New Material organized a "Major Hazard Source Production Safety Accident Emergency Drill" to comprehensively evaluate the emergency response capabilities of its various teams. This marked Hengli New Material's first-ever company-level emergency drill, conducted in a "script-free" simulation format. The exercise simulated a combustible gas leak at the base of propylene storage tank TK108-01 in the tank farm area.



Emergency Drill in Progress

Key Performance

During the reporting period, the Company conducted a total of **1,920** emergency drills

Hazard Identification and Management

The Company continuously improves its safety and health management system by formulating the *Management System for Accident Hazard Identification and Rectification and the Dual Prevention Mechanism Management System for Safety Risk Grading and Control and Hazard Identification and Rectification*. Risk identification is conducted regularly at the workshop level each year, with risk sources categorized by significance and corresponding tiered control measures developed, thereby effectively enhancing risk prevention and control capabilities.

Case

Electrical Safety Hazard Inspection in the Polyester G Zone of Hengli Chemical Fiber



The electrical and instrumentation team in the Polyester G Zone of Hengli Chemical Fiber carried out a comprehensive inspection of electrical equipment throughout the workshop in accordance with industry standards and the Company's work safety management system, ensuring safe, stable, and efficient production. During the inspection, the team focused on key aspects such as the operational status of equipment, insulation performance of wiring, sensitivity of switches, and reliability of grounding systems—ensuring all indicators met work safety standards. Upon identifying problems or potential hazards, the team immediately formulated corrective actions, designated responsible personnel, and set rectification deadlines to ensure that all hazards were addressed promptly and effectively.

Key Performance

The Company conducted **529** company-level hazard inspections, identifying **4,477** company-level hazards; and **46,850** workshop-level inspections, identifying **30,599** workshop-level hazards. The hazard rectification rate reached **100%**.

Digital Safety Management

The Company actively promotes the deep integration of information technology with work safety management. Centered around key elements of enterprise safety, it has built a digital safety management platform aimed at enhancing the efficiency and effectiveness of safety management through digital means.

Case

Integrated Work Safety Supervision Through Information Systems to Drive Safety Enhancement



Hengli (Dalian Changxing Island) Industrial Park is vigorously advancing the integration of information technology with hazardous chemical work safety management by developing a digital safety management platform. This platform features extensive applications, comprising 109 functional modules and over 360 specific functions, seamlessly embedded into all stages of production. It provides real-time monitoring of more than 60 sets of equipment, 124 major hazard sources, and 1,964 control points. Additionally, it enables real-time tracking of 6 fire stations and 40 fire trucks, while connecting 6,842 surveillance cameras to ensure comprehensive plant-wide safety coverage. By adopting an intelligent management model, the park achieves rapid on-site sensing, precise monitoring, and efficient emergency response, thereby establishing an integrated work safety information supervision system that empowers enterprise-level work safety management.



Central Control Room

Fire Safety Management

The Company places great emphasis on fire safety and the management of special equipment. It has established several internal regulations, including the *Fire Safety Management System*, *Special Equipment Safety Management Measures*, and *Safety Management System for Special Equipment and Operators*, to ensure compliance with legal responsibilities for the safe use of special equipment. These systems effectively prevent safety incidents and ensure rigorous control of work safety management processes. During the reporting period, the Company had a team of 569 safety management personnel in place.



Fire Safety Management

- Formation of a dedicated fire brigade
- Establishment of a comprehensive fire equipment ledger, with each piece of firefighting equipment assigned to a designated manager
- Implementation of fire safety education, including annual fire drills for all employees



Special Equipment Management

- All special equipment operators are required to be certified and must strictly adhere to operating procedures
- Regular inspections are strictly enforced, including annual, monthly, and daily checks, supported by a complete and detailed equipment ledger

Case

Fire Extinguisher Training Drill



November 9, 2024, marked National Fire Safety Day. In response to the theme "Fire Safety for All, Life First," Deli Chemical Fiber conducted a fire extinguisher training drill. During the activity, the fire brigade provided a special briefing on the proper use of fire extinguishers and related precautions. The entire group of participating employees then engaged in hands-on fire extinguisher operations, effectively enhancing their fire safety skills.



National Fire Safety Day Fire Extinguisher Drill in Progress

Key Performance

In 2024, the Company's fire safety team was equipped with **57** fire trucks and staffed by **336** professional firefighters.



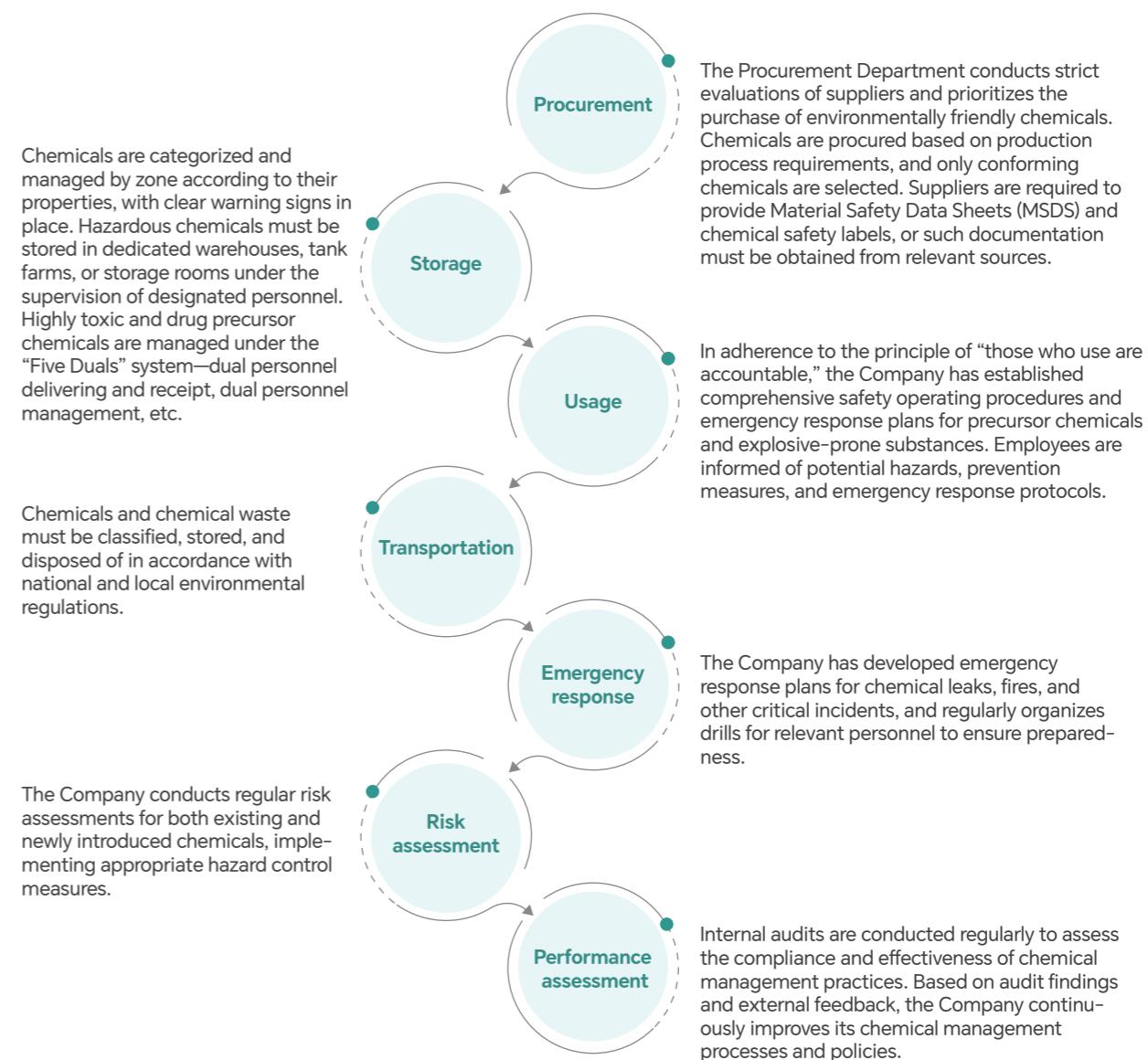
Chemical Safety

Chemical Management Policies

The Company strictly complies with the Regulations on the Safe Management of Dangerous Chemicals and other relevant regulations. It promotes the development of internal systems at its subsidiaries, including the Hazardous Chemicals Safety Management System and the Hazardous Chemicals Loading and Unloading Safety Management System. These systems set clear management requirements for the procurement, storage, use, and disposal of chemicals. Additionally, each workshop maintains a hazardous chemicals management ledger, implements hazard communication measures, and conducts emergency drills related to hazardous chemicals, thereby safeguarding the safety and well-being of all employees.

We focus on the core principles of "Prioritizing Quality and Promoting Continuous Improvement" and have established a comprehensive lifecycle quality management system covering product R&D, production, sales, and after-sales services. This system ensures that every stage meets high-quality standards. In production quality risk management, we follow a rigorous risk management process that includes risk identification, risk assessment, risk control, risk communication, and risk auditing, ensuring that each step is effectively executed. In the sales and after-sales service stages, we continuously optimize product performance and service quality through customer feedback mechanisms and regular quality follow-ups.

Hazardous Chemicals Management System



Case**Installation of Hazard Warning Boards and “One MSDS, One Label” System**

Hazardous Chemical Warning Boards

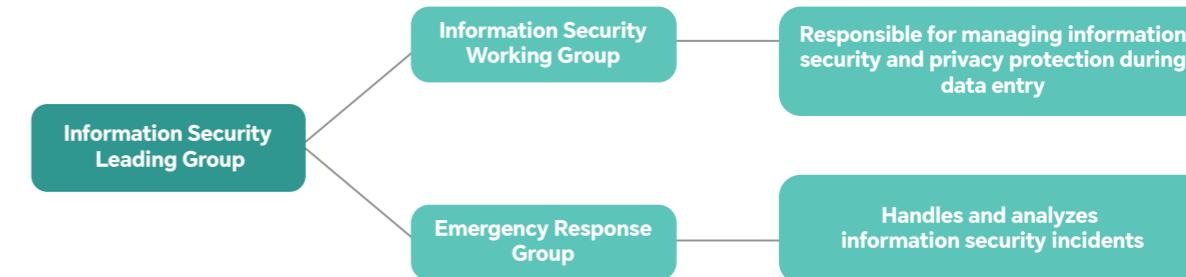


“One MSDS, One Label” System for Hazardous Chemicals

Data Security and Protection

Establishment of Information Security Management System

The Company has established an *Information Security Management System* and related protocols to ensure strict control over the devices, facilities, and software systems connected to the Company's information systems. This system is designed to guarantee the protection of corporate data security. Additionally, each subsidiary of the Company has set up an information security management department that is fully responsible for overseeing and managing information security, ensuring that information security is reliable, controllable, and manageable.



Chemical Spill Incident Response and Prevention

Hengli Petrochemical has established a comprehensive chemical spill prevention and emergency response system. Through stringent risk assessments and hazard identification protocols, the Company ensures safety across all stages—production, storage, and transportation. Regular employee training sessions and emergency drills are conducted to strengthen overall safety awareness and enhance incident response capabilities among all staff members. In addition, Hengli Petrochemical has implemented a structured accident reporting and review mechanism, allowing for continual refinement of its safety management practices. With a firm commitment to achieving a “zero leakage” target, Hengli Petrochemical works diligently to protect its employees, the surrounding community, and the environment, upholding its corporate social responsibility.

Case**Chemical Spill Emergency Drill at Hengli (Nantong) Industrial Park**

In March 2024, Hengli (Nantong) Industrial Park organized a chemical spill emergency drill to enhance employees' awareness of risk prevention and their ability to perform self-rescue and mutual aid. All employees actively participated in the drill. The exercise further reinforced the Company's work safety baseline and significantly improved its emergency response capabilities.



Chemical Spill Emergency Drill in Progress

Key Performance

During the reporting period, the Company conducted

3,776 chemical safety drills.

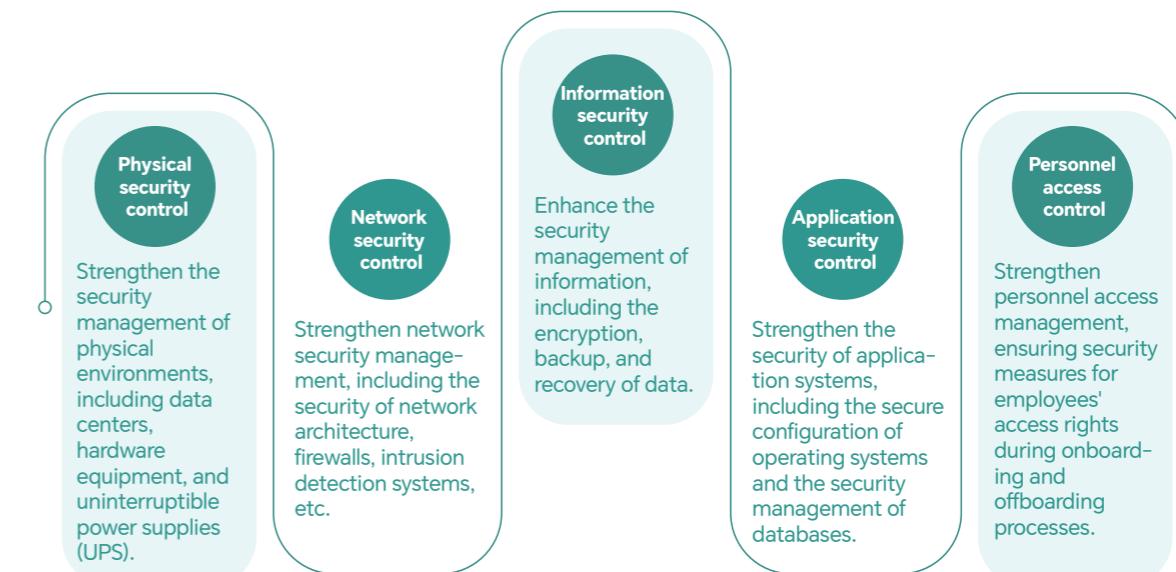
Information Security Risk Identification and Assessment

We have established a comprehensive information security risk assessment system. Through regular scanning and vulnerability detection, potential threats are identified, and targeted protective measures are implemented. The Company strictly enforces a data classification management system, encrypting sensitive information during both storage and transmission. Advanced technologies such as firewalls and intrusion detection systems are deployed to create a multi-layered security protection network.

Additionally, the Company has developed protocols such as the *Cybersecurity Emergency Response Plan* to standardize the procedures for handling security incidents within the Company's information systems. Regular drills and employee information security training are conducted to enhance our ability to prevent and control information security emergencies.

Information Security Management Strategies

The Company has developed a series of management measures focusing on physical security, network security, and other aspects to continuously enhance the level of network and data security protection.





04

Insightful Innovation & Digital Intelligence Safeguard

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Optimizing R&D Systems

R&D System Guarantee

Hengli Petrochemical adheres to the “innovation-driven development” strategy and places great emphasis on innovation. The Company continues to strengthen the management of the R&D system and has formulated relevant management policies such as the *New Product Development Management Procedures*, *New Material R&D Center Laboratory Management System*, and *Independent Innovation Reward Management Measures*. These ensure the standardization of new product development processes and the scientific management of laboratories, enhancing the work efficiency and innovative capabilities of the R&D team, and providing a solid institutional guarantee for the development, testing, and promotion of new products.

To encourage R&D and innovation, Hengli Petrochemical has implemented a series of incentive measures that have motivated all employees, accelerating the pace of new product launches. In 2024, several of the Company's technologies reached industry-leading levels.

Incentive system:

Establish a comprehensive innovation reward mechanism to recognize and reward individuals who have made outstanding contributions in technological innovation, standard publication, and professional title evaluation.

New product (technology) development project rewards:

Encourage relevant personnel to participate in provincial-level (and below) new product development projects, as well as national-level new product identification, with rewards given.

Government funded project rewards:

Encourage related personnel in the Company to participate in government-funded projects and contribute to regional economic development.

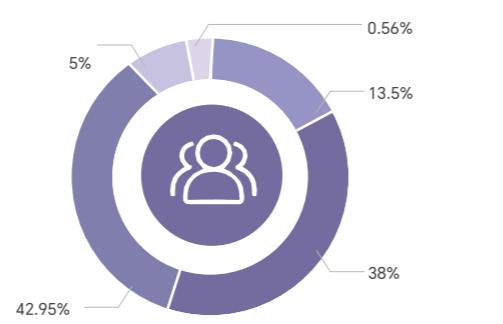
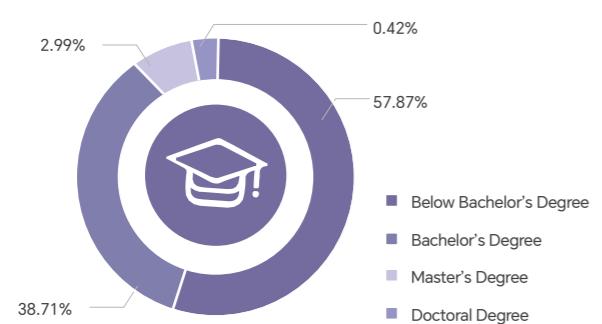
Patent and copyright rewards:

Provide one-time rewards to personnel who apply for and obtain patents, motivating their contributions to technological innovation.

Participation in standard formulation and revision:

Reward and encourage relevant personnel who participate in the formulation and revision of national, industry, group, local, and enterprise standards, as well as those who take the lead in these activities.

R&D Team Building



Key Performance

1.703
RMB billion in total in R&D investment
(24.20%) year-on-year growth

Empowering Innovative Achievements

Highlight Products Overview

During the reporting period, Hengli Petrochemical continued to overcome technological challenges, leading to the emergence of many outstanding products.

Case

Hengli Chemical Fiber Develops Ultra-Fine Fiber



Hengli Chemical Fiber developed a new member of ultra-fine fiber with a single filament density of only 0.18 denier for the 27D/144f yarn. The weight of a 9,000-meter-long filament is only 0.18 g. This ultra-fine polyester filament is a benchmark variety that represents the international standard of fiber technology and competitiveness.

Case

Hengli Chemical Fiber Optimizes Polyester Filament Geotextile Materials



Hengli Chemical Fiber optimized the spinning and fiber stretching stages, successfully increasing the 5% elongation strength by more than 30% compared to the original variety. This has allowed Hengli to surpass its competitors in physical performance indicators within the geotextile field.

Case

Hengli Chemical Fiber Produces High-Strength Flame-Retardant Black Industrial Yarn Series



Hengli Chemical Fiber produced a stable-performing high-strength flame-retardant black industrial yarn. Using the new FZ/T50016-2023 twist rope method, the flame-retardant oxygen index is greater than 28% (measured by ASTM D2863-2017 fabric method, the oxygen index exceeds 32%). This yarn offers excellent flame-retardant properties, high strength, and resistance to abrasion.

Case

Hengli Research Institute Launches Phosphorus-Based Copolymer Flame-Retardant Polyester Fiber



Hengli Research Institute successfully independently developed phosphorus-based copolymer flame-retardant polyester chips. Using environmentally friendly and non-toxic flame retardants, terephthalic acid, and ethylene glycol as the main raw materials, the copolymerization technique was used to produce the polyester. The flame-retardant fiber made from these chips achieves permanent flame resistance, while also featuring low fuzz, high strength, ease of dyeing, and excellent dye stability. This innovation delivers both production efficiency and product quality.

Case

Deli Chemical Fiber's Three Products Recognized as Patent-Intensive Products



Deli Chemical Fiber's *High Uniformity Ultra-Fine Denier Polyester Fiber*, *Micro-Fine Polyester Fiber*, and *Hydrophilic Quick-Drying Polyester Fiber* were recognized as patent-intensive products. The Deli Chemical Fiber technical team has overcome multiple technological bottlenecks in the fine denier filament production field, achieving stable mass production of fine denier filaments. The team has developed several new ultra-low denier and ultra-fine denier products, including 20D/72f, 15D/12f, and 5D/6f, filling the domestic gap in ultra-fine denier production.

Case**Hengke Advanced Materials Project Selected for “Nantong Major Scientific and Technological Achievements Transformation Program”**

Hengke Advanced Materials' project, titled “R&D and Industrialization of Functional Ultra-Warm Fibers for -35°C Extreme Cold Protection”, was successfully selected for the “Nantong Major Scientific and Technological Achievements Transformation Program”. The project addresses the issues of low hollowness and poor mechanical performance in conventional thermal insulation fibers, and has made breakthroughs in key technologies such as low-swelling high-bulk fiber spinning, stable continuous forming, and drawing.

**Case****Hengke Advanced Materials Project Certified by the China National Textile and Apparel Council**

The project “Industrialization of New Disperse Dye Normal-Pressure Dyeable Polyester and Its Fiber” developed by Hengke Advanced Materials has passed the scientific and technological achievement appraisal by the China National Textile and Apparel Council. The project has established a production capacity of 35,000 tons per year for continuous esterification and polymerization. Covering the full industrial chain from NEDDP chips production to spinning, texturing, and dyeing/finishing, the project demonstrates significant energy-saving and emission-reduction effects. Compared with high-temperature dyeing, normal-pressure dyeing saves 45–50% steam, 14% water, and 25% electricity, while improving labor productivity by 22–23%. The project yields notable economic, social, and environmental benefits, possesses independent intellectual property rights, and has led to the development of four group standards.



Industry-Academia-Research Collaboration

Hengli Petrochemical places strong emphasis on university-industry collaborative research, striving to drive technological innovation and sustainability through the deep integration of industry, academia, and research. The Company has established long-term partnerships with several renowned universities and research institutions to conduct joint research in areas such as green chemistry, energy conservation and emission reduction, and new material development.

Kanghui New Material, in collaboration with Dalian University of Technology, Shenyang University of Chemical Technology, Dalian University, the Liaoning Academy of Agricultural Sciences, and a total of 10 enterprises, jointly established the Liaoning Kanghui Petrochemical New Material Industry-Academia-Research Alliance. In 2022, the alliance was recognized by the Department of Science & Technology of Liaoning province as one of the “First Batch of Exemplary and Substantive Industry-Academia-Research Alliances in 2022”. In addition, Jiangsu Kanghui New Material Technology Co., Ltd. was successfully shortlisted for the “2024 Jiangsu Province Postdoctoral Innovation Practice Base” program, marking a significant step forward in the Company's efforts in advanced materials R&D and talent development.

Case**Biodegradable Mulch Film**

In 2024, Kanghui New Material collaborated with Shenyang Agricultural University on a joint research project titled *Application Effect and Ecological Impact Assessment of Biodegradable Mulch Film*. The study focused on evaluating the application performance and ecological impact of biodegradable mulch films, including assessments of their effectiveness in cultivating typical crops and the ecological impact of film residues on soil biological systems.

Driving Industry Development

The Company actively participates in the formulation of national, industry, and group standards, working closely with industry peers to promote technological advancement across the sector. At the same time, the Company engages in various exhibitions, industry forums, and technical seminars to exchange ideas with industry leaders, share best practices, and continuously absorb new knowledge and technologies, thereby maintaining its innovative vitality.

Case**Hengli Chemical Fiber Injects New Momentum into High-Quality Industry Development**

Hengli Chemical Fiber plays an active role in driving industry progress, having participated in the formulation of 41 standards to date, including 19 national standards, 21 industry standards, and 1 group standard. During the reporting period, the General Manager of Hengli Chemical Fiber was selected as a member of the first National Technical Committee for Standardization of Industrial Textiles. Additionally, the Hengli Chemical Fiber was honored to serve as the chairing unit of the Polyester Filament Yarn Branch of the China Chemical Fibers Association.

Case**Active Participation in Industry Seminars**

Advanced Functional Materials & Equipment Industry Conference



Thematic Forum on the Explosive Development of Composite Current Collectors for Lithium Batteries

Case**High-Strength, High-Rigidity Biodegradable Polyester**

Also in 2024, Kanghui New Material and Shenyang University of Chemical Technology jointly undertook a project under Yingkou's Dual-Innovation Program for PhD Talent, titled *Development of High-Strength, High-Rigidity Biodegradable Polyester for Injection Molding and Film Blowing*. The research targeted the copolymer modification of PBAT (poly(butylene adipate-co-terephthalate)) to impart higher rigidity and strength, aiming to meet industrial application needs for dual-use in injection molding and film blowing.

Case**Low Precipitation, Refrigerant-Resistant Modified PBT**

In another 2024 initiative, Kanghui New Material cooperated with Dalian University of Technology to undertake a key project under Yingkou's “Reveal the List” R&D program. The project, titled *Study on Low Precipitation, Refrigerant-Resistant Modified PBT*, explored how different viscosities and terminal carboxyl group contents of PBT—produced by SSP process—affect precipitation behavior. By optimizing extrusion process parameters to reduce the content of small molecules in modified PBT materials, the project successfully developed an optimal formula and processing technique for refrigerant-resistant PBT.

Key Performance

The Company currently holds **6** national high-tech enterprises, **1** nationally accredited enterprise technology center, and **2** postdoctoral workstations

Advancing Digital and Intelligent Development

Hengli Petrochemical remains committed to the deep integration of industrialization and informatization, striving to build a fully integrated intelligent ecosystem across the entire industry chain. By positioning “intelligent connectivity” as a key entry point for industrial upgrading and transformation, the Company independently develops smart systems to continuously enhance intelligent manufacturing throughout all stages of its operations. During the reporting period, multiple subsidiaries of the Company received various intelligent manufacturing awards, highlighting Hengli’s outstanding capabilities in this field and providing strong momentum for future development.

Case

Intelligent Production Project for 400,000 Tons of High-Performance Special Industrial Yarn Achieves Full-Scale Production

In 2024, Hengli Chemical Fiber’s “intelligent production project for an annual output of 400,000 tons of high-performance special industrial yarn” reached full production. The project features internationally advanced equipment, including solid-state polymerization units, multi-position spinning equipment for industrial yarn, intelligent surface inspection systems, automated packaging, and smart warehousing systems. These elements together form a fully integrated intelligent factory.



Hengli Chemical Fiber Intelligent Workshop for Industrial Yarn

Case

BOPET Intelligent Workshop Selected as a “2024 Jiangsu Provincial Intelligent Manufacturing Workshop”

The BOPET intelligent workshop of Jiangsu Kanghui New Material was selected for the “2024 Jiangsu Provincial Intelligent Manufacturing Workshop” list. With its advanced intelligent production equipment and highly efficient information management system, Jiangsu Kanghui New Material has been recognized with two provincial-level intelligent workshops, one municipal-level intelligent workshop, and the title of a provincial Five-Star Cloud-Enabled Enterprise. Through the construction of intelligent workshops, the Company has achieved fully automated and intelligent processes across the entire production chain—including order processing, production scheduling, product inspection, packaging and storage, and delivery—leading to steadily improving economic benefits.



Jiangsu Kanghui BOPET Intelligent Workshop

Case

Hengke Advanced Materials Selected for Nantong’s “Digital and Intelligent” Microgrid Pilot Program

Hengke Advanced Materials was successfully selected for Nantong City’s “Digital and Intelligent” Microgrid Pilot Program. The Company has established an intelligent microgrid featuring integrated PV and energy storage systems. By incorporating solar power into the park’s grid and leveraging energy storage along with auxiliary grid services, the system enables efficient clean energy allocation while delivering economic benefits and supporting the Company’s green and low-carbon transition. In 2024, the Company saved nearly RMB 30 million in electricity costs by utilizing solar power generation and peak-valley electricity pricing. Currently, the Hengli (Nantong) Industrial Park has completed construction of a 106 MW distributed PV system and a 40 MW/80 MWh behind-the-meter energy storage project. Multiple energy management platforms have been established, covering energy consumption monitoring, electricity management, PV power generation, and energy storage control.

Intellectual Property Protection

The Company has established a series of procedural documents and management systems, including the *Intellectual Property Manual*, *Intellectual Property Acquisition Control Procedure*, *Intellectual Property Maintenance Control Procedure*, and *Intellectual Property Risk Management Control Procedure*. These efforts are part of building a comprehensive intellectual property (IP) management system, which includes well-defined IP policies and employee training materials.

The Company's intellectual property management is directly led by the general managers of each industrial park, with close collaboration across departments. Adhering to the management principles of “prevention first, full-process involvement, rapid response, and continuous improvement,” the Company integrates IP protection into the entire product development cycle. It also collaborates with renowned domestic IP agencies to ensure full-process involvement—from project initiation to post-launch maintenance—ensuring that IP applications are submitted promptly and systematically.

Case

Hengli Chemical Fiber Achieves Both Quantity and Quality in IP Development

Hengli Chemical Fiber focuses its IP work on the layout of key core technology areas. It has organized a series of technical exchange meetings and IP seminars by inviting experts and senior agents from university-industry collaboration partners such as Donghua University and Soochow University, as well as from patent agencies and IP authorities. These initiatives have effectively enhanced the Company's internal capacity for patent creation and improved overall IP management.

Key Performance

A cumulative total of **1,676** authorized patents and **37** software copyrights.

Case

Intellectual Property Training



Trademark and Brand Management Empowerment Camp



Intellectual Property Training in Progress

05

People Orientation & Social Contribution

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Human Resource Management

Employment Management

Hengli Petrochemical adheres to a people-oriented philosophy in talent development. In accordance with the *Labor Law of the People's Republic of China* (hereinafter referred to as the *Labor Law*), the *Labor Contract Law of the People's Republic of China*, and other relevant laws and regulations, the Company has formulated its *Human Resources Management System*. Hengli is committed to lawful employment practices, signs *Collective Contracts* with employees, and strives to create a healthy and safe working environment. The Company ensures fair and equitable employment practices and compensation, and strictly prohibits discrimination based on nationality, gender, age, disability, race, religion, or other factors. During the reporting period, no violations related to child labor or forced labor were identified.



Recruitment and Dismissal

The Company standardizes employee onboarding and offboarding procedures, signs labor contracts with all employees in accordance with the law, ensures equal employment, and safeguards employees' lawful rights and interests.



Equal Opportunity

Hengli firmly opposes employment discrimination and ensures that employee recruitment and career development are not influenced by gender, nationality, age, religion, marital status, or other unrelated factors.



Diversity and Inclusion

The Company provides fair and equal employment opportunities and career development paths for women, ethnic minorities, and candidates from diverse backgrounds.



Reasonable Working Hours

In accordance with the Attendance Management Policy, the Company reasonably arranges employees' working and rest hours to protect their legal rights to rest.



Prohibition of Child Labor

A strict age verification process is implemented during recruitment to ensure that no individuals under the age of 16 are hired.



Elimination of Forced Labor

All work is arranged based on the principle of free will, and the personal freedom of all employees is fully respected and protected.

Attracting Talents

Hengli Petrochemical places great emphasis on talent development and is committed to expanding its recruitment channels to attract professionals from diverse backgrounds. The Company has formulated the *Personnel Appointment Management Measures* and the *Newly-Recruited Personnel Appointment Management Measures (Interim)*, and offers employment and development opportunities through various channels such as social recruitment, campus recruitment, university-enterprise cooperation, internal referrals, and job rotation, with the goal of building a diverse and dynamic workforce.



Hengli Petrochemical Offline Recruitment Event in Progress



Case

Kanghui New Material Held Two Job Fairs for Veterans



Demonstrating a strong sense of social responsibility, Kanghui New Material cooperated with the Yingkou Veterans Affairs Office during the reporting period to organize two dedicated recruitment fairs for retired military personnel, attracting over 300 attendees in total through on-site visits and presentations.



Job Fair for Veterans

Employee Structure

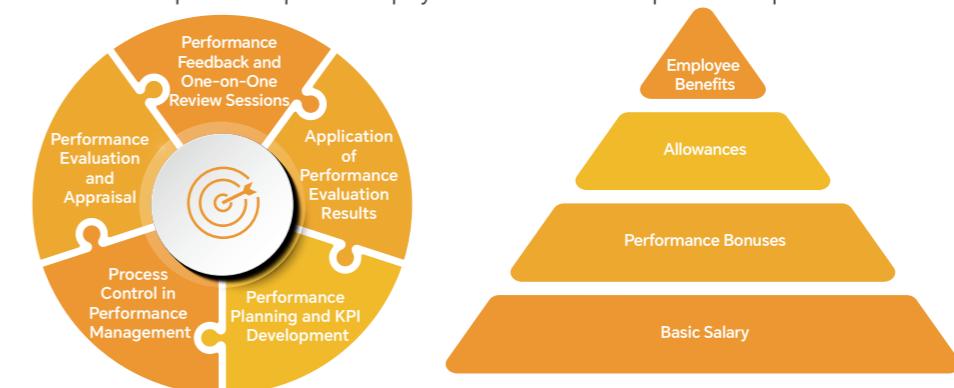
Key Performance

In 2024, the Company had a total of **38,300** employees, with a social insurance coverage rate of **94.87%** and a labor contract signing rate of **99.14%**.

Note: For detailed information on employee composition, please refer to the Hengli Petrochemical 2024 Annual Report.

Compensation and Benefits

Adhering to the principles of external competitiveness and internal fairness, the Company strictly complies with the *Labor Law*, the *Social Insurance Law of the People's Republic of China*, and other relevant laws and regulations. It has established the *Detailed Rules for Compensation Management System* and the *Employee Performance Appraisal Management Measures*, and upholds the principle of equal pay for equal work. A compensation system has been developed that combines a base salary with variable and indirect components to provide employees with a fair and competitive compensation structure.



“Two-Way Communication” in Performance Appraisals

The Company has established a four-tier performance management system, continuously standardizing performance management procedures and regularly conducting performance evaluations. The results of these evaluations are extensively applied in the distribution of performance bonuses and the selection of outstanding employees, fully leveraging the motivational function of the compensation system. Hengli Petrochemical places great emphasis on communication and feedback in performance management. A “two-way communication” mechanism between managers and employees has been implemented to ensure fairness and transparency in evaluation results.

Each department publicly discloses monthly performance appraisal results, recognizing outstanding employees and communicating with those who fall short to discuss corrective measures and improvement plans.

Employees who question their appraisal results may initiate discussions with their department heads.

If disagreements remain after this communication, employees may escalate the issue by submitting feedback or a written appeal to the HR Department via email, suggestion boxes, the official WeChat account, or the labor union.

HR will then consult with department heads, gather input, and report the matter to company management to determine whether a correction to the assessment is warranted.

Key Performance

In 2024, the total employee compensation paid: RMB **5.404** billion; the total employee benefits expenditure: RMB **715** million.

Employee Incentives

The Company emphasizes the multi-channel professional development of employees, and has established relevant systems such as the *Frontline Employee Promotion Management Measures*, *Selection Management Measures for Positions Above Shift Leader*, and *Specific Training Plans for Reserve Cadres*. The Company has a comprehensive promotion system and incentive mechanism in place. Through a series of talent development programs, various special incentives, suggestions reward programs, outstanding employee awards, and promotion rating systems, the Company creates opportunities and platforms for talent, thereby effectively attracting, nurturing, retaining, and utilizing talent.

**Employee Training and Development****Establishing Career Development Pathways**

Hengli Petrochemical adheres to a “people-oriented” approach to talent development, placing great emphasis on talent cultivation. The Company has established a comprehensive talent development system that fosters the mutual growth of employees and the enterprise. Backed by multiple R&D teams with strong technical capabilities, the Company actively creates platforms for employee growth and advancement. In terms of talent selection, the Company has built a well-structured development pathway, providing strong support for employees’ smooth career progression.

The Company emphasizes talent cultivation and has formulated the Personnel Training Management Measures. Relying on platforms such as Hengli Business School and the online LINK Classroom, and supported by the in-plant trainer system and training resource pool, the Company has established a comprehensive talent development system that covers all employees, enabling joint growth of employees and the enterprise. During the reporting period, the Company conducted extensive employee training based on the annual training plan, categorized by level, type, and position, to promote mutual development. The training primarily consists of: onboarding training for new employees, internal training under the annual training plan, and monthly department-level certified skills training.

The Company also actively supports employees in enhancing their skills and educational qualifications, promoting the development of a learning-oriented enterprise. Hengli (Huizhou) Industrial Park, in collaboration with the Huizhou Petrochemical Association and the Sun Yat-sen University Huizhou Institute, has launched an “In-service Employee Education Enhancement Program,” offering customized end-to-end services to support employees in pursuing further education and degree advancement. At the same time, the Company actively promotes professional title policies, encourages employees to apply for job-related title evaluations, assists in the preparation of application materials, and provides full-process tracking to ensure a smooth application process.

Conducting Skills Enhancement Training**Case****HAZOP Professional Training Program**

The HAZOP professional training program at Hengli (Dalian Changxing Island) Industrial Park was successfully concluded, with over 300 participants from various specialties including process engineering, instrumentation, equipment, electrical, and safety. The program achieved a 100% conforming rate. The training course featured lectures by instructors from the China Chemical Safety Association. As an essential analytical method for identifying design flaws, process hazards, and operational issues, the HAZOP training aimed to systematically and professionally enhance the risk management capabilities of the industrial park.



Session of the HAZOP Professional Training Course in Progress

Case**Hengke Advanced Materials “Spider-Man Program”**

The “Spider-Man Program” is a distinctive training initiative for frontline managers launched in 2017. Since its inception, the program has continuously evolved in terms of training content and operation model, successfully developing a cyclical training approach characterized by “1 year of classroom learning and 2 years of post-training follow-up.” Adhering to its original intention of building a high-caliber team of shift leaders and improving the effectiveness of frontline management, the “Spider-Man Program” has successfully completed nine training camps, cultivating 390 shift leaders and achieving full coverage of shift-level management positions within the Company.



Spider-Man Program - Featured Training Initiative

Case**Inauguration of the Hengli (Dalian Changxing Island) Industrial Park Training Center**

The newly inaugurated Training Center at Hengli (Dalian Changxing Island) Industrial Park highlights a professional, distinctive, intelligent, and scenario-based approach. It integrates five core training functions—cognition, experience, simulation, hands-on practice, and discussion—by effectively combining various training methods such as classroom instruction, experiential learning, and online education. With the official unveiling of the Training Center, operations will gradually commence, providing relevant training programs to accelerate the development of high-quality technical talent for the new era, empower new productive forces, and establish a talent development system with distinctive Hengli characteristics.



Unveiling of the Hengli (Dalian Changxing Island) Industrial Park Training Center

Key Performance

Total employee training hours

424,600 hours

total training participants

159,008

annual training expenditure

RMB **10.1933** million

Employee Care and Well-being

Hengli Petrochemical is committed to providing all employees with comprehensive and competitive welfare benefits, including but not limited to social insurance and housing fund contributions, paid leave, cultural and sports activities, and an employee stock ownership plan. The Company actively enriches employees' cultural lives, consistently pays attention to the needs of employees in difficulty, and strives to enhance overall employee happiness and satisfaction.



Employee Activity in Progress

Women's Rights and Interests

Hengli Petrochemical is firmly committed to the principle of gender equality and places great importance on safeguarding the rights and interests of female employees. The Company is dedicated to creating a fair and inclusive working environment for women. Through a well-established talent selection mechanism, we ensure equal opportunities for women in recruitment, promotion, and compensation, while actively supporting their career development. We offer flexible work arrangements and mother-and-child care facilities to help female employees balance their professional and family responsibilities. In addition, regular women's health care initiatives are carried out to support their physical and mental well-being. Hengli Petrochemical will continue to promote the protection of women's rights and foster a diverse and sustainable development environment, contributing to the building of a harmonious society.

Case

"Caring for Female Workers, Law by Your Side" Legal Awareness Campaign at Hengli (Huizhou) Industrial Park

Hengli (Huizhou) Industrial Park places strong emphasis on caring for female employees and organized a legal awareness campaign focused on women's rights. At the event, educational materials were distributed covering the *Law of the People's Republic of China on the Protection of Rights and Interests of Women and the Special Regulations on the Labor Protection of Female Employees*. Participants also viewed public service videos on the protection of female employees' rights. The campaign emphasized the promotion and dissemination of laws and regulations related to employment rights, labor rights, and the special protections afforded to female workers.



Legal Awareness Campaign on Women's Rights

Key Performance

During the reporting period, return-to-work rate after maternity leave

100%

return-to-work rate after parental leave

100%

Diverse Employee Activities

Case

Dual Approach of Health Care and Cultural Enrichment to Enhance Employee Satisfaction



Hengke Advanced Materials places strong emphasis on corporate culture development by adopting a dual approach of health care and cultural enrichment. Comprehensive health check-ups provide a safety net for employee well-being, while red-themed education fosters ideological grounding. Competitive recreational activities help relieve stress and enhance team cohesion, and public welfare initiatives promote compassion and social responsibility, comprehensively enhancing employees' lives.



Employee Health Check-up

Case

Chinese New Year Gala



Hengli (Suzhou) Industrial Park held a grand Chinese New Year Gala under the theme "A Prosperous Hengli, One Big Family," aiming to enhance employees' sense of participation and belonging. The gala blended traditional and modern elements, with four rounds of prize draws creating an engaging and festive atmosphere. The event featured a variety of performances with high artistic expression. The successful hosting of the gala brought joy to the employees, conveyed the Company's care, and injected new vitality into the cultural development of the industrial park.



Chinese New Year Gala Performance

Employee Communication and Engagement

The Company places great importance on listening to employee opinions and suggestions.

Annual satisfaction surveys are conducted through questionnaires to identify key factors influencing employee satisfaction. Based on survey results, the Company promptly implements targeted improvements to address identified issues, striving to create a positive and fulfilling workplace environment that fosters a strong sense of belonging and well-being among employees.

A Labor Dispute Mediation Committee has been established to reinforce harmonious and stable labor relations. The Company has also implemented an early warning and resolution mechanism for labor issues, with clearly defined procedures for handling labor and personnel disputes, ensuring effective conflict prevention and resolution.

Case

Conducting Satisfaction Surveys



Employees Completing Satisfaction Survey Questionnaires

Case

Establishing a Legal Consultation Office



Key Performance

Key Performance Indicator for 2024:
During the reporting period, the overall employee satisfaction rate reached **85.05%**

Case

Employee Rationalization Proposal Campaign



To inspire a sense of ownership among employees and encourage the sharing of valuable insights and work experiences, Deli Chemical Fiber launched an employee rationalization proposal campaign in January 2024. The initiative invited employees to contribute suggestions focused on areas such as technological innovation and management optimization, based on their daily responsibilities. The campaign successfully transformed employees' "golden ideas" into "golden fruits" of productivity, strengthening labor-management relations and significantly enhancing employee engagement. This initiative fostered proactive participation in the Company's high-quality development journey.

Employee Rationalization Proposal Campaign in Progress

Occupational Health and Safety

To proactively prevent work-related injuries and minimize employees' risk of occupational diseases, the Company has developed a set of policies in accordance with the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and other relevant regulations. These include the *Occupational Disease Hazard Prevention Responsibility System*, the *Occupational Health Surveillance and Records Management System*, and the *Occupational Hazard Warning and Notification System*. The Company sets clear occupational disease prevention objectives and safeguards employee health and safety in the workplace through various measures. These include posting warning signs in areas with hazardous factors, conducting regular occupational hazard testing, distributing appropriate personal protective equipment (PPE), and organizing annual health check-ups for employees.

Case

Occupational Disease Prevention Awareness Week at Hengli (Dalian Changxing Island) Industrial Park



Hengli (Dalian Changxing Island) Industrial Park held a themed campaign titled "Prevention First, Safeguarding Occupational Health" during the Occupational Disease Prevention Awareness Week. The campaign included the distribution of printed brochures, posting of awareness posters, the setup of an occupational health bulletin board, and assistance activities for occupational disease prevention. These efforts were aimed at enhancing employees' awareness of occupational health and improving their self-protection capabilities, thereby effectively safeguarding their occupational health rights and interests.

Occupational Disease Prevention Performance in 2024

Indicator	2024
Incidence Rate of Occupational Diseases	0
Coverage rate of occupational injury insurance for employees	100%
Occupational Health Examination Coverage	100%
Occupational Hazard Factor Testing Rate	100%
Investment in Occupational Injury Insurance for Employees (RMB 10,000)	1,918.75



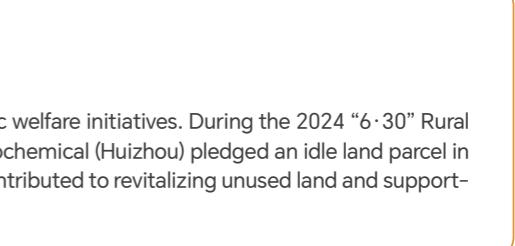
Occupational Disease Prevention Awareness Week Activities

Rural Revitalization

Hengli Petrochemical regards supporting rural revitalization and consolidating the achievements of poverty alleviation as an unshirkable corporate social responsibility, deeply integrating it into the Company's development strategy. With industry as the brush and responsibility as the ink, Hengli Petrochemical paints magnificent landscapes across vast rural areas. While ensuring the Company's healthy growth and sustained returns to investors, Hengli actively undertakes social responsibilities, supports rural revitalization and public welfare causes, and promotes sustainable economic and social development.

Case

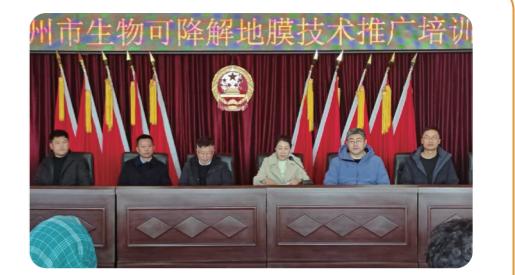
Active Participation in Philanthropy



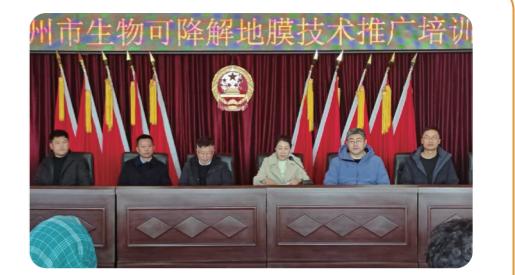
Hengli Petrochemical (Huizhou) Co., Ltd. actively participates in public welfare initiatives. During the 2024 "6·30" Rural Revitalization Campaign in Daya Bay Development Zone, Hengli Petrochemical (Huizhou) pledged an idle land parcel in the zone for the construction of R&D and production facilities. This contributed to revitalizing unused land and supporting comprehensive rural development in the region.

Case

Focusing on Industrial Assistance



Kanghui New Material, in response to the national rural revitalization strategy, leveraged its technical expertise in the chemical industry to promote biodegradable mulch film in agricultural production. This not only addresses the white pollution caused by traditional plastic mulch but also enhances the quality and yield of agricultural products, driving local agricultural industrial upgrading.



Promoting Biodegradable Mulch Film to Support Industrial Development

Key Performance	
Donations and public welfare investments	rural revitalization investment
RMB 1.08 million	RMB 1.841 million

Social Value Contribution

Hengli Petrochemical remains committed to its mission as a corporate citizen, upholding the philosophy of “people-oriented, creating a better future together,” and earnestly fulfilling its duty to serve society. The Company actively participates in community activities, supports community development, engages enthusiastically in social welfare initiatives, shares the fruits of development with the society, and contributes to social harmony, stability, and sustainable progress by taking practical actions.

Case

Voluntary Tree Planting Activity



On March 12, 2024, in celebration of the 46th National Tree Planting Day, employees of Hengli (Huizhou) Industrial Park participated in a voluntary tree planting event. The activity embodied the principle that “lucid waters and lush mountains are invaluable assets,” strengthening employees’ sense of responsibility and mission to protect the ecological environment. It also reflected the Company’s commitment to integrating green development into all aspects of economic and social growth and supporting the ecological advancement of Guangdong Province.



Voluntary Tree Planting Activity in Progress

Case

Voluntary Blood Donation Campaign



Over the years, Hengli Petrochemical has embedded social responsibility into the fabric of its corporate development by continuously organizing voluntary blood donation campaigns to spread the warmth of life. Hengli Petrochemical (Dalian) has repeatedly received honors such as the “Dalian Voluntary Blood Donation Promotion Award” and the “National Voluntary Blood Donation Promotion Award.” Likewise, Hengli (Nantong) Industrial Park has for many consecutive years been recognized as a “Model Group for Voluntary Blood Donation” in Tongzhou District.



Altruistic Blood Donation Drive

On May 10, 2024, in response to a critical shortage of type O blood in Dalian, Hengli (Dalian Changxing Island) Industrial Park urgently mobilized employees with type O blood to donate, helping to restore the city’s blood inventory to safe levels. In October of the same year, Hengli (Nantong) Industrial Park launched a series of themed blood donation drives under the banner “Flowing Warm Blood, Lighting Up the Light of Life.” The campaign drew participation from over 200 employees, resulting in a total blood donation volume of 66,200 milliliters—demonstrating the commitment of private enterprises in the new era to fulfilling their social responsibilities through concrete action.

Case

Volunteer Activities by the Dedicated Fire Brigade



While fulfilling its internal fire prevention duties, the dedicated fire brigade of Hengke Advanced Materials also actively participates in major public safety efforts organized by the local government, such as flood control and river patrols. The team regularly visits villages, schools, and businesses to inspect for safety hazards and promote fire safety awareness. These red-themed volunteer activities serve as vital logistical support for emergency rescue efforts in Nantong and significantly contribute to the safety and security of the island region.



Volunteer Work by the Dedicated Fire Brigade

Case

Jiangsu Kanghui Brings Warmth to Meidun Village



Jiangsu Kanghui launched the themed campaign “Bidding Farewell to the Old and Welcoming the New with Warmth between Villages and Enterprises,” delivering care and support to underprivileged Party members and villagers in Meidun Village. During the event, the Company provided RMB 45,000 in relief funds to 36 disadvantaged individuals. This initiative reflects Jiangsu Kanghui’s active fulfillment of social responsibilities and continued concern for rural development.

Looking ahead, Hengli Petrochemical will remain committed to its mission of “Serving the Country through Industry and Giving Back to Society,” and will further devote itself to public welfare undertakings with greater enthusiasm and stronger action.

Key Performance

Number of volunteer activities participated in by employees

89

total volunteer service hours

6,934 hours

number of volunteers engaged

1,555



Annex I: Index of GRI Standards

Table of Contents		GRI Standard Index
Report Preparation Statements		GRI2
About the Report		GRI2
Message from the Chairman		GRI2
About Hengli Petrochemical		GRI2/GRI201
2024 at a Glance		GRI2/GRI201/GRI205/GRI302/GRI303/GRI305/ GRI306/GRI403/GRI404/GRI413
Sustainability Management		GRI2/GRI3
Steady Operations & Sound Governance	Corporate Governance Structure Compliance Risk Management Adhering to Business Ethics Communication with Stakeholders	GRI2 GRI2 GRI2/GRI205/GRI206 GRI2/GRI207
Energy Conservation & Sustainable Green Development	Climate Change Response Environmental Compliance Management Pollutant Emissions Control Water Resource Management Clean Technological Opportunities Ecosystem and Biodiversity Protection	GRI302/GRI305 GRI307 GRI302/GRI305/GRI306/GRI307 GRI303 GRI2/GRI301/GRI302/GRI303/GRI305 GRI304
Safe Operations & Sustainable Growth	Quality and Safety of Product Customer Service Management Sustainable Supply Chains Work Safety Management Chemical Safety Data Security and Protection	GRI416/GRI417 GRI416/GRI417/GRI418 GRI2/GRI204/GRI205/GRI308/GRI409/GRI414 GRI403/GRI410 GRI203/GRI403 GRI418
Insightful Innovation & Digital Intelligence Safeguard	Optimizing R&D Systems Empowering Innovative Achievements Advancing Digital and Intelligent Development Intellectual Property Protection	/ / / /
People Orientation & Social Contribution	Human Resource Management Employee Training and Development Employee Rights and Benefits Rural Revitalization Social Value Contribution	GRI2/GRI201/GRI401/GRI402/GRI405/GRI406/GRI408/GRI409 GRI203/GRI404 GRI2/GRI201/GRI202/GRI401/GRI405/GRI406/GRI408/GRI409 GRI203/GRI413 GRI203/GRI413
Index of GRI Standards		GRI2
Sustainability Reporting Index		/
Summary of Key Performance Indicators		/

Annex II: Sustainability Reporting Index

Disclosure Requirements	Corresponding Sections of This Report
Response to Climate Change	Climate Change Response
Pollutant Emissions	Pollutant Emissions Control
Waste Disposal	Pollutant Emissions Control
Ecosystem and Biodiversity Protection	Ecosystem and Biodiversity Protection
Environmental Compliance Management	Environmental Compliance Management
Energy Utilization	Climate Change Response
Water Resource Utilization	Water Resource Management
Circular Economy	Pollutant Emissions Controls
Rural Revitalization	Rural Revitalization
Contribution to Society	Social Value Contribution
Innovation-Driven Development	Optimizing R&D Systems, Empowering Innovative Achievements, Advancing Digital and Intelligent Development, Protection of Intellectual Property Rights
Supply Chain Security	Sustainable Supply Chains
Equal Treatment of Small and Medium-Sized Enterprises	Sustainable Supply Chains
Safety and Quality of Products and Services	Product Quality and Safety, Customer Service Management
Data Security and Customer Privacy Protection	Data Security and Protection
Employees	Human Resource Management, Employee Training and Development, Employee Rights and Benefits
Due Diligence	Sustainability Management
Communication with Stakeholders	Communication with Stakeholders
Anti-Bribery and Anti-Corruption	Compliance Risk Management, Adhering to Business Ethics
Anti-Unfair Competition	Compliance Risk Management
Chemical Safety	Chemical Safety
Clean Technological Opportunities	Clean Technological Opportunities

Note: As a company in the chemical industry, Hengli Petrochemical considers the topic of "Technology Ethics" to be neither financially material nor of significant impact to its operations.

Annex III: Summary of Key Performance Indicators

Summary of Environmental Performance

Topic	Indicator	Unit	2024
Waste Gases	Sulfur Dioxide (SO ₂) Emissions	Ton	1,877.62
	Nitrogen Oxides (NO _x) Emissions	Ton	4,466.01
	Particulate Matter Emissions	Ton	440.46
	VOCs Emissions	Ton	695.34
Wastewater	Total Wastewater Emissions	Ton	26,303,994.81
	Wastewater Emissions Intensity	Ton/RMB 1 million	111.33
	COD Emissions	Ton	663.33
	Ammonia Nitrogen Emissions	Ton	3.29
	Total Phosphorus Emissions	Ton	3.54
	Total Nitrogen Emissions	Ton	152.96
Solid Wastes	Quantity of General Waste Generated	Ton	3,343,982.76
	Quantity of General Waste Disposed of	Ton	3,343,923.46
	Quantity of Hazardous Waste Generated	Ton	148,360.38
	Quantity of Hazardous Waste Disposed of	Ton	147,167.31
Energy Consumption	Coal (Power Generation)	Ton	9,896,975.58
	Natural Gas	10,000 m ³	35,596.46
	Purchased Electricity	MWh	5,456,209.20
Adoption of Clean Energy	PV Generation	kWh	167,314,264.28
	Wind Power	kWh	49,555,000.00
	Biogas Power Generation	kWh	149,663.00
	Biomass Fuel	tce	297,351.85
	Total Renewable Energy Consumption	tce	324,023.02
Water Resources	Total Freshwater Consumption	10,000 tons	13,331.88
	Quantity of Municipal Water Purchased	10,000 tons	298.63
	Surface Water Withdrawal	10,000 tons	12,969.43
	Ground Water Withdrawal	10,000 tons	63.81
	Total Water Consumption	10,000 tons	88,067.75
	Water Consumption Intensity	10,000 tons/RMB 1 million	3,727.37
	Recycled Water Consumption	10,000 tons	125,468.64
	Annual Water Saved via Reclaimed Water Facilities	10,000 tons	3,427.37
	Reclaimed Water Reuse Rate	%	75.30
Carbon Emission	Greenhouse Gas Emissions Scope 1	tCO ₂ e	47,201,832.47
	Greenhouse Gas Emissions Scope 2	tCO ₂ e	6,718,552.07
	Total GHG Emissions	tCO ₂ e	53,920,384.54
	Greenhouse Gas Emission Intensity	tCO ₂ e/RMB 1 million	228.21
Environmental Protection Evaluation	Total Environmental Investment	RMB 100 million	3.75
	Environmental Incidents	Case	0
	Incidents of Violation of Laws and Regulations in the Environmental Field	Case	0
	Compliance Rate Observed in Pollutant Monitoring	%	100
	Operation Rate of environmental Protection Facilities	%	100
	Compliance Rate of "Three Simultanities" in Environmental Protection for Construction Projects	%	100

Summary of Social Performance

Topic	Indicator	Unit	2024
Work Safety	Investment in Work Safety	RMB 100 million	5.30
	Coverage Rate of Safety Education and Training	%	100
	Coverage Rate of Safety Risk Protection Training	%	100
	The Number of Security Emergency Drills	Times	1,920
	Number of Fatal Accidents Concerning Work Safety	Times	0
	Certification Rate for Special Operations and Equipment Operators	%	100
	Identification of Company-Level Hidden Hazards	Times	529
	Company-Level Hidden Hazards Identified	Item	4,477
	Identification of Workshop-Level Hidden Hazards	Times	46,850
	Workshop-Level Hidden Hazards Identified	Item	30,599
Fire Safety	Hidden-Hazard Rectification Rate	%	100
	Professional Firefighters	Person	336
Information Security	Fire Trucks	Units	57
	Number of Violations of Information Security and Privacy Protection	Case	0
Quality and Safety	Total Investment in Data Security	RMB 10,000	664.17
	Customer Complaint Resolution Rate	%	100
Chemical Safety	Product Percent of Pass	%	99.63
	Chemical Safety Drills Conducted	Times	3,776
Innovation and R&D	Investment in R&D	RMB 100 million	17.03
	Cumulative Patents Held	Case	1,676
	Cumulative Number of Software Copyrights	Case	37
Employees	Total Number of Employees	Person	38,300
	Production Staff	Person	28,381
	Sales Staff	Person	373
	Technical Staff	Person	5,821
	Financial Staff	Person	258
	Administrative Staff	Person	1,441
	Other Staff	Person	2,026
	Doctoral Degree	Person	16
	Master's Degree	Person	310
	Bachelor's Degree	Person	6,103
	College Degree	Person	11,844
	College Degree or Below	%	20,027
	Employee Satisfaction	%	60.03
	Social Insurance Coverage Rate	%	94.87
	Percentage of Contract Workers	RMB 100 million	99.14
	Employee Compensation Payable	RMB 100 million	54.04
	Employee Welfare Fund	Case	7.15
Employee Training	Total Hours of Employee Training	Hour	424,600
	Total Number of Persons Trained	Person	159,008
	Per Capita Training Hours	Hour	2.67
	Annual Training Expenditure	RMB 10,000	1,019.33
Occupational Health	Incidence Rate of Occupational Diseases	%	0
	Coverage Rate of Occupational Injury Insurance for Employees	%	100
	Occupational Health Examination Coverage	%	100
	Occupational Hazard Factor Testing Rate	%	100
	Investment in Occupational Injury Insurance for Employees	RMB 10,000	1,918.74
Volunteer Activities	Donations and Public Welfare Contributions	RMB 10,000	108.00
	Investment in Rural Revitalization	RMB 10,000	184.10
	Number of Volunteer Activities Participated	Times	89
	Number of Volunteers Participating	Person	1,555
	Volunteer Activity Hours	Hour	6,934

Feedback

Summary of Governance Performance

Topic	Indicator	Unit	2024
Corporate Governance	Independent Directors in the Board of Directors	Person	3
	Female Directors in the Board of Directors	Person	1
	Risk Management Expert	Person	1
	Percentage of Female Directors in the Board of Directors	%	12.5
Tax Management	Major Tax-Related Litigation and Arbitration Matters	Case	0
Business Ethics	Coverage Rate of Business Ethics Audits in Operations	%	100
	Supplier Signing Rate of Integrity Agreements	%	100
	Employee Coverage in Business Ethics Training	%	100
Information Disclosure	Interim Announcements Disclosed	Copy	68
	Periodic Reports Disclosed	Copy	4
Communication with Stakeholders	Number of Investor Open Communication Meetings	Times	6
	Number of Interactions on the SSE E-Interactive Platform	Times	87

Thank you for reading the Hengli Petrochemical Co., Ltd. 2024 Environmental, Social, and Governance Report. To improve Hengli Petrochemical's performance in environment, society, and governance, further enhance our sustainability capabilities and levels, and strengthen communication with all sectors of society, we sincerely hope that you will provide valuable feedback and suggestions on our work and report at your convenience.

Your Information

Name: _____ Unit: _____ Tel: _____ Email: _____

Multiple Choice (Please check ✓ in the appropriate box)

1. Your overall assessment of Hengli Petrochemical's 2024 sustainability report:

Good Average Needs Improvement I don't know

2. How do you think Hengli Petrochemical has performed in terms of customer service?

Good Average Needs Improvement I don't know

3. How do you think Hengli Petrochemical has performed in terms of technological innovation?

Good Average Needs Improvement I don't know

4. How do you think Hengli Petrochemical has performed in terms of industry development?

Good Average Needs Improvement I don't know

5. How do you think Hengli Petrochemical has performed in terms of team building?

Good Average Needs Improvement I don't know

6. How do you think Hengli Petrochemical has performed in terms of volunteer and public welfare activities?

Good Average Needs Improvement I don't know

7. How do you think Hengli Petrochemical has performed in terms of environmental protection?

Good Average Needs Improvement I don't know

8. Do you have any comments on Hengli Petrochemical's performance in sustainability efforts?

Good Average Needs Improvement I don't know