



2023^{YEAR} Environmental, Social and Governance (ESG) Report 2023

Contents

Foreword 01

About This Report	/ 02
Message From Chairman	/ 04
Sustainable Development Highlights in 2023	/ 06

Appendixes 112

Index of Indicators	/ 112
Feedback	/ 114

Report Overview 01

About Hengli Petrochemical	/ 10
ESG Development Management	/ 18

Standardizing Governance, Moving Forward with Perseverance 02

On-going Standardized Operation	/ 26
Compliance Risk Management	/ 30
Strengthening the Investor Relations Management	/ 31
Adhering to Business Ethics	/ 33

Energy Conservation and Emission Reduction, Environment Protection with Persistence 03

Addressing Climate Changes	/ 36
Environmental Management	/ 38
Pollutant Control	/ 41
Strengthening Energy Conservation and Consumption Reduction	/ 47
Water Resources Management	/ 52
Creating a Green Supply Chain	/ 54
Advocating Low-carbon Office	/ 57
Biodiversity Conservation	/ 59

Driven by Innovation, Pursuing Stable Development 04

Improving R&D System	/ 62
Enabling Innovation Achievements	/ 64
Promoting the Development of Digital Intelligence	/ 67
Protecting Intellectual Property Rights	/ 69
Guarding Information Security	/ 70

Collaborative Empowerment and Joint Progress with Persistence 05

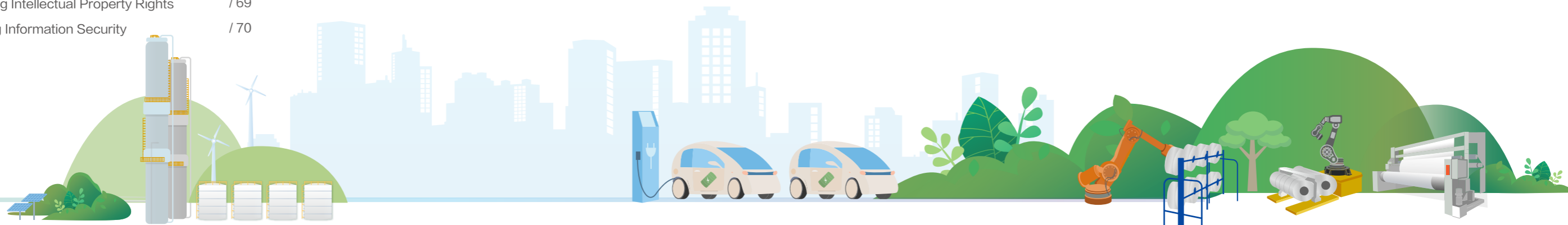
Quality Assurance First	/ 74
Customer Service Management	/ 76
Responsible Procurement Practice	/ 78

People-oriented, Creating Happiness for Employees 06

Employee Rights and Benefits	/ 84
Employee Growth and Development	/ 90
Safety Production and Occupational Health	/ 94

Care for Society to Create the Future with Persistence 07

Public Welfare Support	/ 108
Rural Revitalization	/ 110
Community Communication and Development	/ 110



Foreword

About This Report

Message From Chairman

Sustainable Development Highlights in 2023

HENGLI PETROCHEMICAL



About This Report

This is the Environmental, Social and Governance (ESG) report released by Hengli Petrochemical Co., Ltd. to the public. Based on the principles of objectivity, standardization, transparency and comprehensiveness, this report discloses the Company's ESG actions and progress in 2023. The Company aims to utilize this report to further strengthen communication with all sectors of society, enhance public and investors understanding and support for the Company, and promote its healthy and stable development.

Scope of Report

This report takes "Hengli Petrochemical Co., Ltd." as the main body, including the subsidiaries, with the same scope as that of the Company's annual report unless otherwise specified.

Period of Time

From January 1, 2023 to December 31, 2023 ("Period of Report"). In order to enhance the comparability and perspectiveness of this report, some of the content traces back to previous years or has prospective descriptions as appropriate. This report is issued once a year in line with the financial year.

Basis of Preparation

- ★ Shanghai Stock Exchange *Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Listed Companies* (Revised in December 2023)
- ★ Chinese Academy of Social Sciences (CASS) *Guide to Corporate Social Responsibility Reporting in China (CASS-ESG 5.0)*
- ★ Global Reporting Initiative *GRI Sustainability Reporting Standards (GRI Standards) (2021)*
- ★ UN Sustainable Development Goals (SDGs)

Data Description

The data used in this report include the original data of the Company's actual operation, public data of government departments, annual financial data and relevant internal statistical statements, etc. The financial data in this report is in RMB. In case of any inconsistency with the financial report, the financial report shall prevail. This report is prepared in Chinese and English respectively. In case of any discrepancy between Chinese and English, the Chinese version shall prevail.

Title Description

In this report, for the convenience of presentation and reading, the following terms have the following meanings (unless the context otherwise specifies):

Abbreviation	Meaning
Hengli Petrochemical, the Company, we, or us	Hengli Petrochemical Co., Ltd.
Hengli Group	Hengli Group 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.
Kanghui Dalian New Material	Kanghui Dalian New Material Technology Co., Ltd.

Validation and Approval

The Board of Directors undertakes to supervise the content of the report and ensure that it is free from any false records or misleading statements, and is responsible for the truthfulness, accuracy and completeness of the content.

Report Acquisition

This report is published in electronic form. You can read and download the electronic report on the official website of the Company (www.hengliinc.com) or the website of Shanghai Stock Exchange (www.sse.com.cn).

Message From Chairman

Fan Hongwei

Chairman of Hengli Petrochemical Co., Ltd.

The year 2023 was the opening year of fully implementing the spirit of the 20th National Congress of the CPC and the key year of the 14th Five-Year Plan. “High-quality Development is the Top Task of Building China into A Modern Socialist Country in All Respects.” We always adhere to innovation and development, adhere to the development concept “either never do it, or be the best”, and make Hengli achieve either the first or the only remarkable achievement with the spirit of constantly striving for perfection and the enterprising spirit of tenacious struggle.



We adhere to compliance operation and deepen ESG practice. The Company continuously improve the effective governance mechanism and internal control system, ensure the timeliness and operability of the system, strengthen the standardized operation and information disclosure, reveal the industry prospect and development trend involved in the Company in a multi-dimensional manner, and highlight the value of the Company. The Company continues to improve and standardize operation, efficiently transmits enterprise value, continuously discloses ESG annual reports, meets the indicator requirements of mainstream rating agencies such as MSCI, and deeply explores the highlights of the Company in terms of governance, environment and social responsibility.

We continue to guard security and promote green development. Each business sector of the Company implements the safety and environmental protection responsibility system, divides the safety and environmental protection responsibility layer by layer and assigns it to each person. Each sector regularly carries out fire drill and safety training to improve employees’ awareness of safety production and emergency response ability. Each sector actively responds to the national call of “Carbon Peaking and Carbon Neutrality”, increases investment in scientific and technological research and development, develops green and environment-friendly products, continues to promote the green low-carbon process, and promotes green and high-quality development.

We scrupulously adhere to being people-oriented and fulfill our social responsibilities. Each sector of the Company continues to improve team building and talent training, effectively enhances team cohesion and employee sense of belonging, establishes talent training mechanism, attracts excellent talents through multiple channels, improves training system and incentive mechanism, stimulates employee initiative and creativity, and creates a high-quality and high-level staff team. The Company attaches great importance to the harmonious coexistence with the resident community, actively gives back to the surrounding residents through rich and colorful community activities, and promotes the common growth and prosperity of both parties.

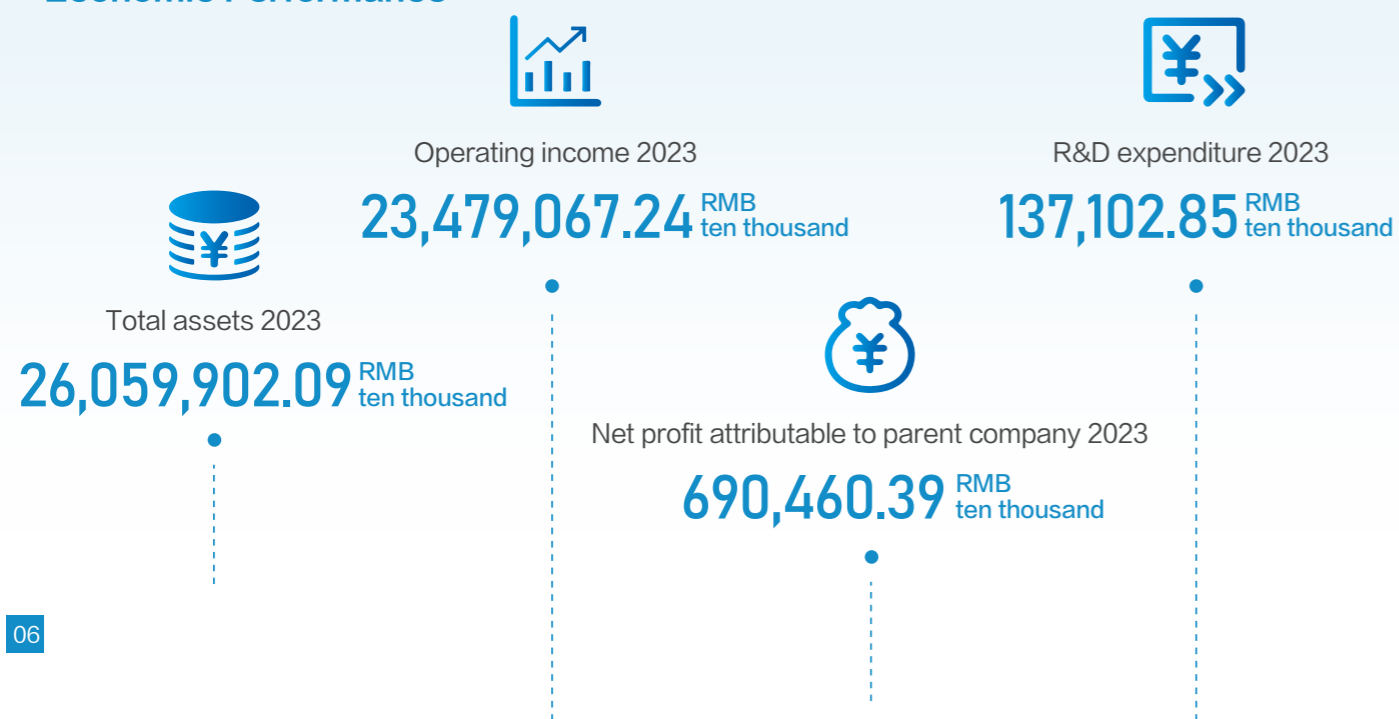
We stick to the spirit of property rights and build brand power. The Company continues to improve the transformation capability of independent intellectual property achievements and promote the high-quality development of the enterprise. “Hengli” brand has been ranked among the “Top 500 World Brands” for six consecutive years, ranking No. 366 in the list, and has been officially recognized as one of the “high-performing Chinese brands”. The ranking of “Hengli” has risen by 70 places, fully demonstrating the brand influence, market share, brand loyalty and global leadership of “Hengli”.

“To establish a world-class enterprise and to create an international well-known brand.” Hengli Petrochemical will continue to carry out the mission of serving China with industry, forge ahead, keep in mind the arduous development process, practice the ESG concept, keep pace with the motherland and travel with the times, and realize the “Hengli dream” of promoting national progress with industrial development.



Sustainable Development Highlights in 2023

Economic Performance



Environmental Performance

Indicator x names	Unit	2023
Investment in environmental protection	RMB ten thousand	23,297.07
Environmental protection training	Session	325
Renewable energy consumption	Ton of standard coal	189,883.91
Annual reduction of greenhouse gas emissions	tCO ₂ e	1,273,102.86
Total circulating water/recycled water	Ten thousand tons	65,952

Corporate Governance Performance

Indicator names	Unit	2023
General Meeting of Shareholders	Time	4
Meeting of the Board of Directors	Time	9
Meeting of the Board of Supervisors	Time	5
Meetings of special committees	Time	11

Social Performance

Indicator names	Unit	2023
Number of R&D personnel	Person	3,263
Number of newly granted patents	Item	215
Number of patents held	Item	1,331
Total number of employees trained	Person-time	514,766
Coverage rate of employee physical examination	%	100
Coverage rate of safety education and training	%	100
Safety emergency drill	Time	4,647
Safety production input	RMB ten thousand	59,201.52
Voluntary activity	Time	3,609
Welfare expenditure	RMB ten thousand	68,529.53
Total tax	RMB ten thousand	1,364,480.56



01

Report Overview

About Hengli Petrochemical

Company Profile

Hengli Petrochemical Co., Ltd. was established in November 2002, with the registered capital of RMB 7.04 billion. The Company engages in many fields to meet production and consumption demands, including petroleum refining, petrochemical, aromatic hydrocarbon, alkene, PTA, ethylene glycol, textile yarn, industrial yarn, engineering plastics, polyester film, degradable plastic, and other high-end chemical raw materials, and a variety of new chemical materials and applications. The Company is the first listed company in the industry realized the integration of “crude oil–aromatic hydrocarbon, olefin–PTA, glycol–polyester new materials” in the whole industrial chain.

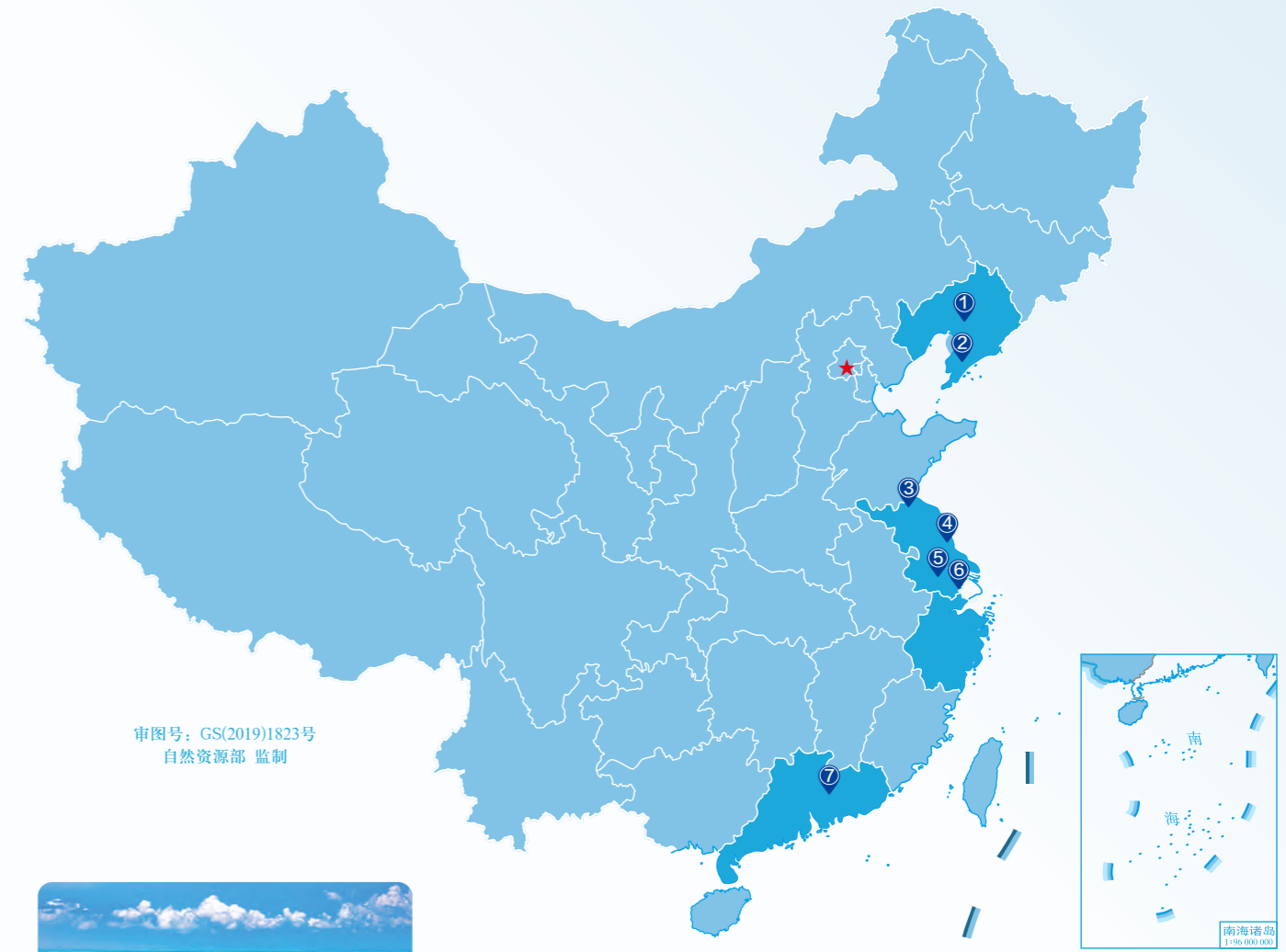
The Company has four production capacity clusters of global benchmark level, including a 20 million tons/year refining integration project, a 5 million tons/year modern coal chemical plant, a 1.5 million tons/year ethylene project with the largest single unit in the world and 7 sets of 16.6 million tons/year PTA units with the largest single unit in the industry. The Company has successfully opened up the upstream “bottleneck” business link, resolved the constraints on raw material supply, constructed a modern industrial system integrated with “world-class chemical refinery + modern coal chemical equipment”, realized the “large chemical” strategic support platform of deep integration of “oil and coal chemistry”. Additionally, the company has strategically positioned itself in downstream chemical new materials such as differential fiber, functional film, engineering plastics and degradable new materials, thus achieving the systematic industrial pattern of “large chemical platform” and “new material extension”. The Company has nearly 40,000 employees and has established a “Nationally Recognized Enterprise Technology Center”. The enterprise competitiveness and product brand value are in the forefront of the international industry.

The Company is headquartered in Dalian, China, spanning from north to south, with seven production bases located in Suzhou, Dalian Changxing Island, Nantong, Suqian, Yingkou, Huizhou and Yangtze River Delta Integrated Demonstration Zone. It is committed to becoming a global supplier of new chemical materials across the entire industrial chain. In the upstream, middle and downstream of the whole industrial chain of polyester and new chemical materials, Hengli Petrochemical has laid out high-quality and high-efficiency capacity structure and public engineering supporting facilities characterized by “large-scale equipment, large-scale production capacity, integrated structure, advanced process, green environment protection and complete supporting facilities”, and is in the leading level of the industry in terms of the scale of single unit, total production capacity and production process. The development path of the Company emphasizes the equal emphasis on market differentiation, high-end technology, large-scale equipment and business integration. It has the market and technology linkage innovation mechanism formed by long-term accumulation and exploration. The technical research and development strength and new product innovation capability are in the same line. Hengli Chemical Fiber, Deli Chemical Fiber, Hengke Advanced Materials and Kanghui New Material have all passed the certification of “national high-tech enterprise”.

Business Layout

Base Layout

Headquartered in Dalian, China, Hengli Petrochemical has an upstream capacity of 20 million tons of refining industry, 1.5 million tons of ethylene and 5 million tons of coal chemicals. It is the global largest PTA plant, and strives to build the world’s largest functional fiber, film and plastic new material production capacity, and arranges seven production bases in China.



审图号：GS(2019)1823号
自然资源部 监制



Hengli (Yingkou) Industrial Park



Hengli (Dalian Changxing Island) Industrial Park



Hengli (Suqian) Industrial Park



Hengli (Nantong) Industrial Park



Hengli (Suzhou) Industrial Park



Hengli (Yangtze River Delta) Industrial Park



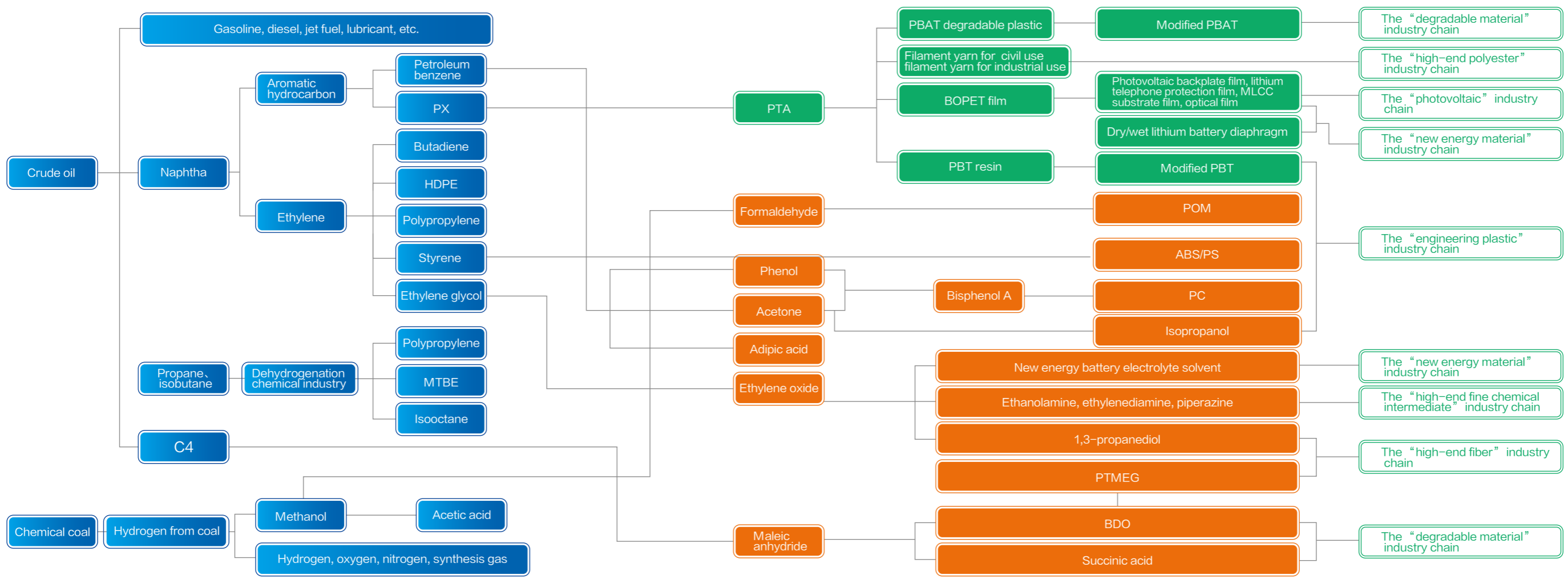
Hengli (Huizhou) Industrial Park

Industrial Layout

We are dedicated to achieving the whole industrial chain development featuring a “platform + new materials” approach from “a drop of oil” to “a piece of yarn”. We have always focused on main business and started from the polyester fiber industry. In the process of growth, we successfully shattered the “bottlenecks” one by one and make continuous efforts to develop new material industries such as fiber, film and plastic while moving towards the integrated platform of upstream petrochemical, refining, and coal-chemical, hence creating an industrial system featuring a “major chemical platform” and “expansion to new materials”.



- Existing large-scale refining industry chain
- Existing polyester, textile and chemical new material industry chains
- Relying on the large-scale refining plan to layout the high-end chemical new material industry chain



Layout of Hengli Petrochemical Industry Chain

Events in 2023

April 2023

The invention patent of Jiangsu Hengli Chemical Fiber Co., Ltd. under Hengli Petrochemical, "a method for improving the quality of polyester industrial yarn", was included into the List of China Patent Excellence Awards

May 2023

PET film of Kanghui New Material Technology Co., Ltd. under Hengli Petrochemical won the lowest enterprise separate tax rate of 2.2% in South Korea for anti-dumping.

May 2023

The solar energy backboard basement membrane independently researched and developed by Kanghui New Material Technology Co., Ltd. under Hengli Petrochemical obtained German TÜV Rheinland Certificate

May 2023

Hengke Advanced Materials won the appraisal of "Enterprise with Outstanding Social Contribution" of Nantong City

May 2023

The first production line of Kanghui New Material Project with an annual output of 440 million square meters of super-strong lithium battery diaphragm was completed.

June 2023

Hengli Petrochemical presented "2023 Industrial Green Development Achievement Exhibition"

July 2023

Hengli (Huizhou) Industrial Park 5 Million Tons/Year PTA Project was fully put into production

July 2023

Kanghui New Material 30.4MW Distributed Photovoltaic Power Generation Project was grid-connected and put into operation

September 2023

Another film production line of Kanghui New Material was successfully started

October 2023

Two production lines in the fourth phase of Hengli Chemical Fiber Industrial Yarn Project were successfully put into production

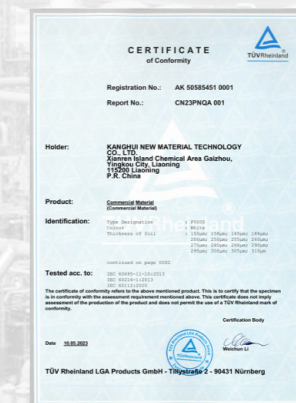
November 2023

Hengli Petrochemical and China National Chemical built a high-end new material science and innovation platform around the "bottleneck" field

Honors and Achievements in 2023

Date of Grant	Winner	Honor Name	Grant Unit
January 2023	Hengli Petrochemical Refining, Hengli Petrochemical Chemical, Hengli Petrochemical (Dalian)	"Leader" Enterprise of Energy Efficiency in Key Energy-consuming Industries in 2022	Ministry of Industry and Information Technology
January 2023	Hengli Petrochemical Refining, Hengli Petrochemical Chemical	Key Water Use Enterprise and Water Efficiency Leader in the Park in 2022	Ministry of Industry and Information Technology
February 2023	Hengli Petrochemical Chemical	National Green Factory 2022	Ministry of Industry and Information Technology
July 2023	Hengli Petrochemical	The 15th of the 25 most valuable chemical brands in the world in 2023	brand finance UK brand finance
July 2023	Hengli Petrochemical	Ranked 61st among the top 500 listed companies in China of Fortune in 2023	Fortune China
July 2023	Hengli Petrochemical	11th of Top 50 Global Chemical Enterprises	US Chemical and Engineering News (C&EN)
July 2023	Kanghui New Material	7th of "Top 10 Enterprises in Plastics Industry"	China National Light Industry Council
July 2023	Kanghui New Material	80th of "Top 100 Science & Technology Enterprises in China Light Industry"	China National Light Industry Council
July 2023	Kanghui New Material	108th of "Top 200 Enterprises in China Light Industry" in 2022	China National Light Industry Council
August 2023	Kanghui New Material	Li-ion battery diaphragm and composite current collector-based membrane products passed the certification of automobile quality management system	NSF-ISR
August 2023	Hengke Advanced Materials	Water-saving Enterprise in Jiangsu Province	Department of Water Resources of Jiangsu Province
September 2023	Hengke Advanced Materials	Polyester New Material Technology Innovation Center	China National Textile and Apparel Council
October 2023	Hengke Advanced Materials	"Leading Enterprise of Green Development" in Jiangsu Province	Department of Ecology and Environment of Jiangsu Province and Jiangsu Federation of Industry and Commerce
October 2023	Deli Chemical Fiber	Provincial Engineering Technology Research Center	Jiangsu Provincial Department of Science and Technology
November 2023	Hengli Chemical Fiber	Green Design Demonstration Enterprise for Industrial Products	Ministry of Industry and Information Technology
November 2023	Hengke Advanced Materials	National-level "Intelligent Manufacturing Excellent Scene"	Ministry of Industry and Information Technology
November 2023	Hengke Advanced Materials	AAA Integration of Informatization and Industrialization Management System Certificate	CLP Hongxin Information Technology Co., Ltd.
November 2023	Kanghui New Material	Liaoning Province Digital Workshop	Liaoning Provincial Department of Industry and Information Technology

Date of Grant	Winner	Honor Name	Grant Unit
November 2023	Kanghui New Material	Liaoning Province Intelligent Factory	Liaoning Provincial Department of Industry and Information Technology
November 2023	Hengke Advanced Materials	National Intellectual Property Advantage Enterprise	China National Intellectual Property Administration
December 2023	Hengli Petrochemical	Second Place among the Top 100 Enterprises in Dalian in 2022	Dalian Enterprise Federation and Dalian Entrepreneurs Association
December 2023	Hengli Petrochemical	First among Top 100 Manufacturing Enterprises in Dalian in 2022	Dalian Enterprise Federation and Dalian Entrepreneurs Association

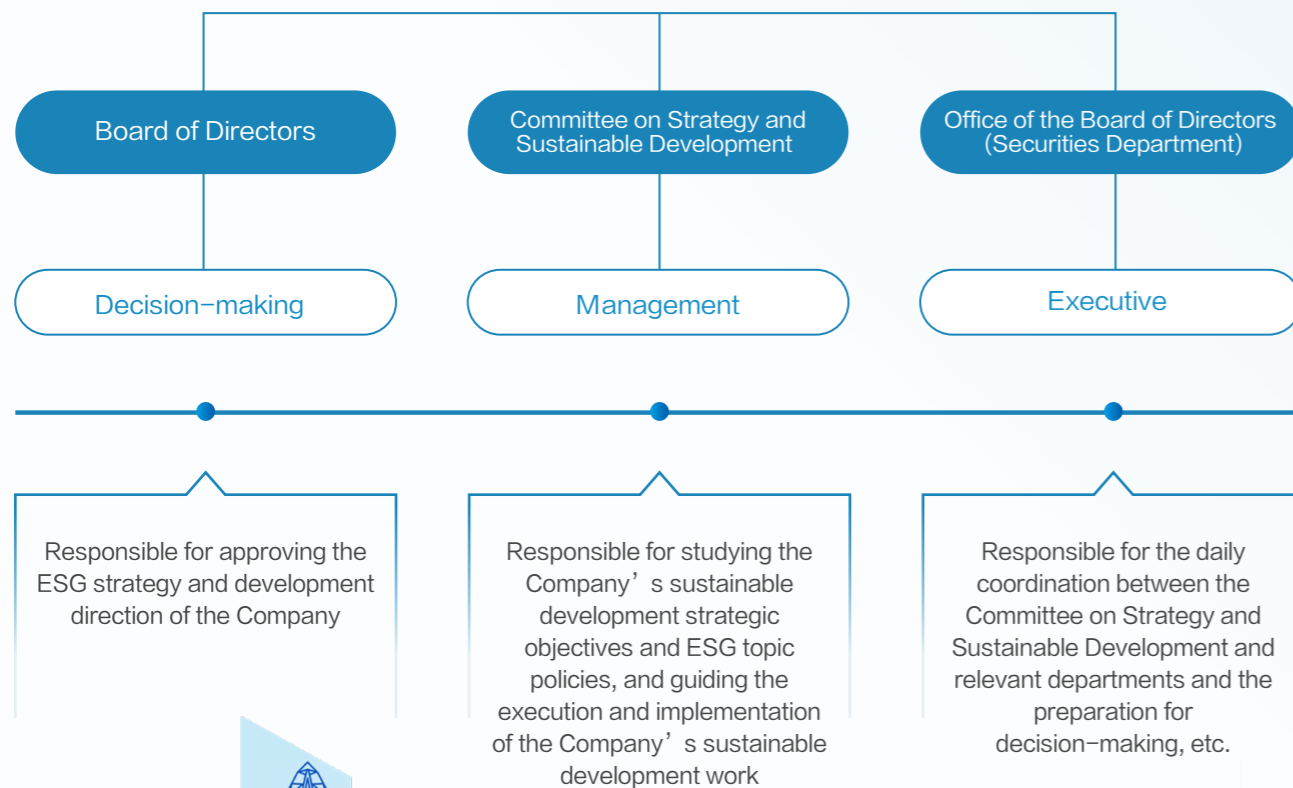


ESG Development Management

Construction of Sustainable Development

The Company gradually establishes the ESG management structure, and the Committee on Strategy and Sustainable Development is established under the Board of Directors, which is mainly responsible for promoting the sustainable development capability of the Company in terms of long-term development strategy, including environmental, social and governance aspects, researching, evaluating and making suggestions on ESG topics and policies, guiding the execution and implementation of the Company's sustainable development work, and providing important support for the Company's ESG development.

ESG Management Structure



Enterprise SDGs Action Presentation

The Company closely combines the development concept with the United Nations 2030 Sustainable Development Goals (SDGs), establishes the overall ESG management concept of the Company, continuously promotes the sustainable development strategy, and helps the ESG development of the Company through its own practical actions.

Management Dimension	Concept and Action	SDGs
Corporate Governance G	<ul style="list-style-type: none"> Adhere to the standardized administration of the three meetings Continuously improve internal control system and risk management process Improve ESG management structure Actively carry out investor relations work 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Low Carbon Mission E	<ul style="list-style-type: none"> Improve the level of environmental management Strengthen pollution prevention and control management Improve carbon emission management Develop clean technology 	6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Industrial Value S	<ul style="list-style-type: none"> Perfect the digital supply chain Continuously improve customer satisfaction Insist on sunshine procurement 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS
Employee Rights and Interests S	<ul style="list-style-type: none"> Improve the employee career development system Unblock employee expression channel Strengthen the management of safety production Conduct strict management of chemicals 	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
Social Responsibility S	<ul style="list-style-type: none"> Assist social public welfare Build a harmonious community 	1 NO POVERTY, 2 ZERO HUNGER, 10 REDUCED INEQUALITIES

Communication with Stakeholders

The Company places great emphasis on communication and engagement with stakeholders, comprehends their needs through diversified channels, actively takes measures to respond appropriately, seeks the support and trust of stakeholders, and promotes continuous improvement in social responsibility management.

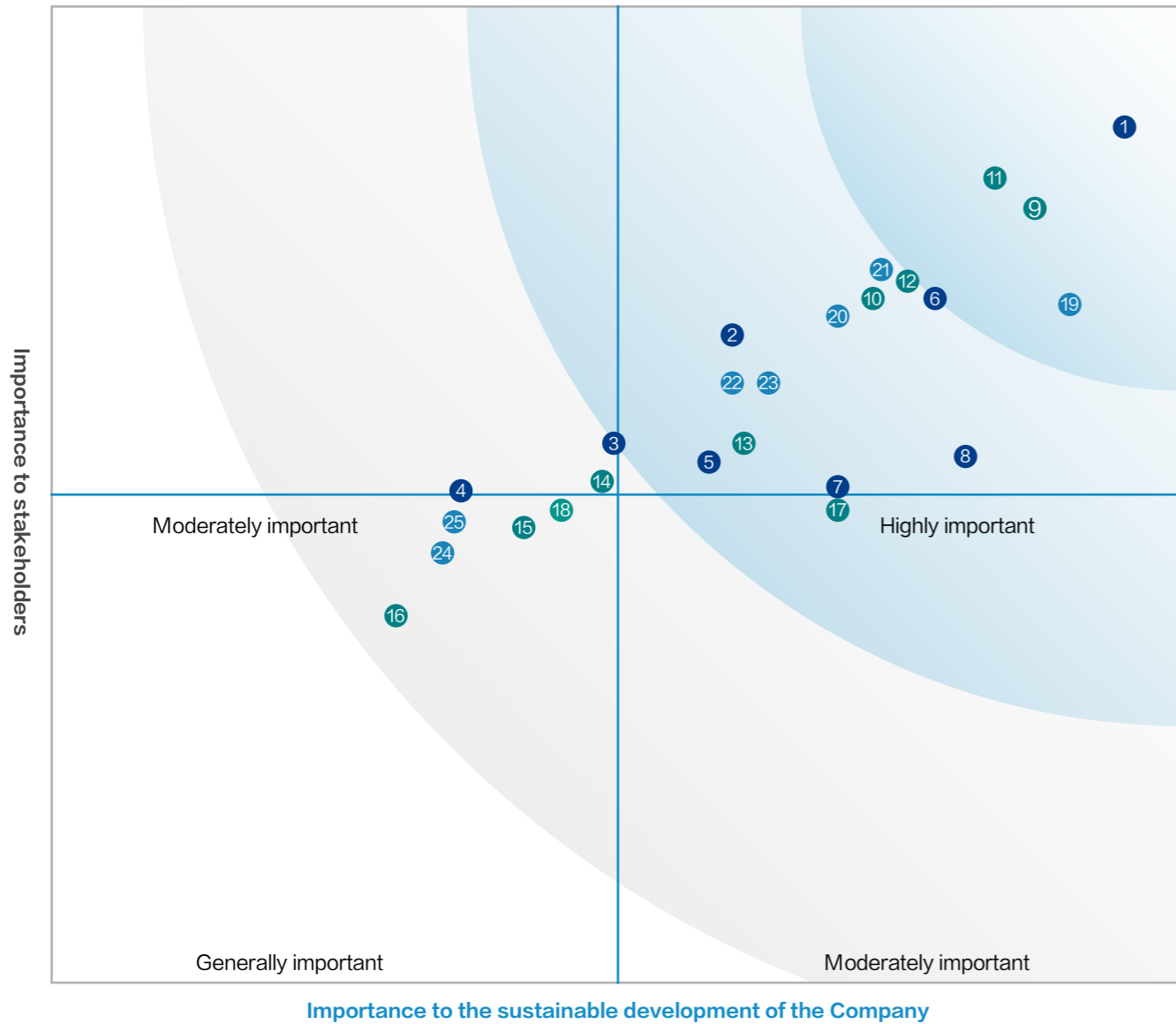
Stakeholder	Expectation and demand	Communication channels and methods
Government	<ul style="list-style-type: none"> Compliance operation Tax payment according to law Risk management Business ethics 	<ul style="list-style-type: none"> Compliance with laws and regulations Active tax payment Strengthening internal control Government supervision
Shareholders and investors	<ul style="list-style-type: none"> Improvement of corporate governance Timely disclosure of information capacity for sustainable development Energy saving and emission reduction 	<ul style="list-style-type: none"> Company announcement Compliance disclosure Issue of CSR Report Development of clean energy
Employees	<ul style="list-style-type: none"> Safeguarding the rights and interests of employees Building a Career Development Channel Rich salary and benefits Protection of occupational health 	<ul style="list-style-type: none"> Trade union organization Regular training Employee Activities Periodic Health Check
Customers	<ul style="list-style-type: none"> Product quality Protection of the rights and interests of customers Good faith management 	<ul style="list-style-type: none"> Satisfaction survey Customer complaints Provision of quality service
Community	<ul style="list-style-type: none"> Carrying out voluntary activities Promotion of community development Protection of the environment 	<ul style="list-style-type: none"> Organization of public welfare projects Providing employment Pollution control
Suppliers	<ul style="list-style-type: none"> Good faith cooperation Mutual benefit and win-win 	<ul style="list-style-type: none"> Sticking to business ethics Sunshine procurement

Analysis of the Material Issues

Hengli Petrochemical conducts online questionnaire survey on stakeholders, collects opinions of all stakeholders, determines annual important issues by establishing material issues identification mechanism and integrating analysis, research and judgment of internal and external stakeholders, defines the direction of sustainable development, insists on pursuing economic benefits while actively performing social responsibilities, and realizes sustainable development goals.



Core ESG Issues of Hengli Petrochemical in 2023



- | | | | |
|---------------------------------------|-------------------------------------|--|--|
| ① Environmental management | ② Energy management | ③ Addressing climate changes | ④ Material management |
| ⑤ Water resource management | ⑥ Pollutant emissions | ⑦ Clean energy | ⑧ Green production |
| ⑨ Labor relations management | ⑩ Employee training and development | ⑪ Occupational health and safety | ⑫ Chemical safety |
| ⑬ Research and innovation | ⑭ Product responsibility | ⑮ Protection of customer rights and interests | ⑯ Information security and privacy protection |
| ⑰ Responsible supply chain management | ⑱ Social public welfare | ⑲ Protection of shareholder rights and interests | ⑳ Governance strategy and organizational structure |
| ㉑ Business ethics | ㉒ Tax governance | ㉓ Risk management | ㉔ Information disclosure quality |
| ㉕ ESG governance | | | |

Environmental Issues

Environmental management, energy management, addressing climate change, materials management, water resources management, pollutant emission, clean energy, green production

Corporate Governance Issues

Protection of shareholders' equity, governance strategy and organizational structure, business ethics, tax governance, risk management, information disclosure quality, ESG governance

Social Issues

Labor relation management, employee training and development, occupational health and safety, chemical safety, R&D and innovation, product responsibility, protection of customer rights and interests, information security and privacy protection, responsible supply chain management, social public welfare





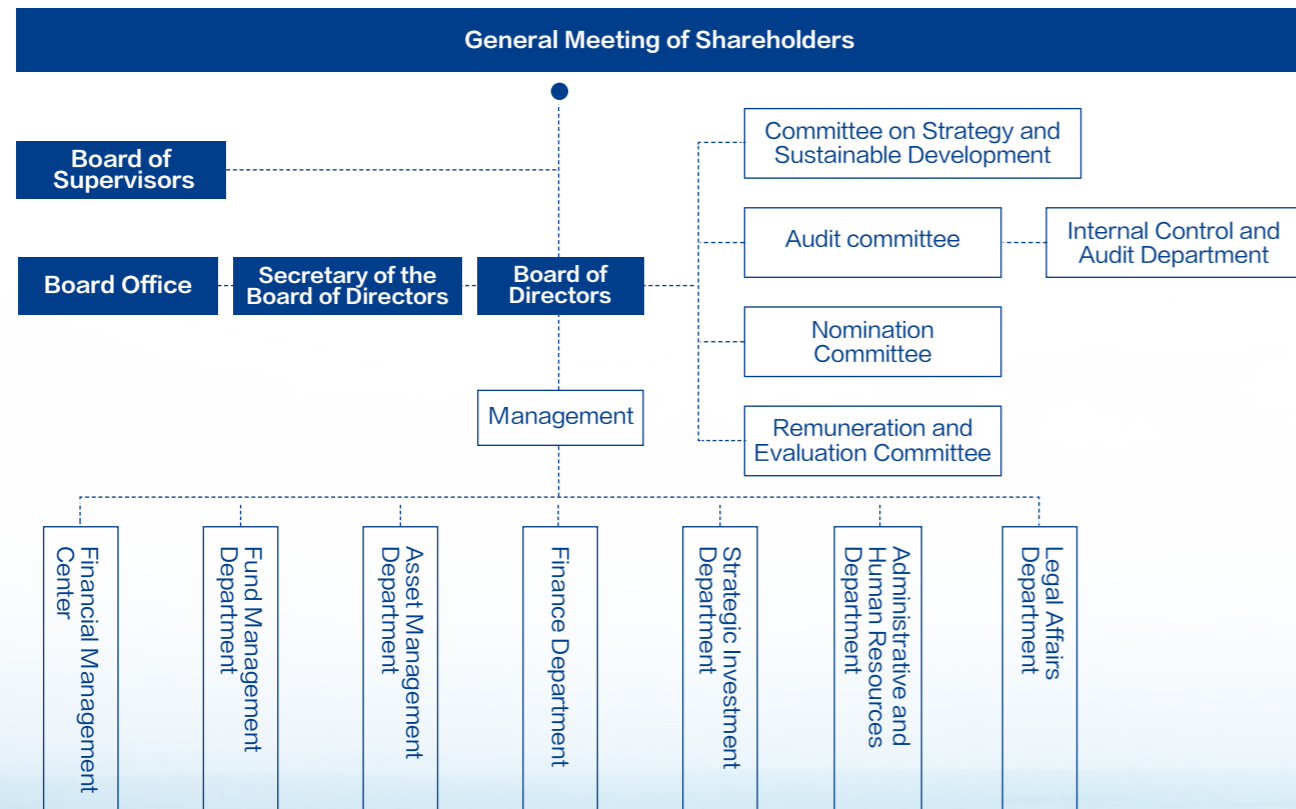
02

Standardizing Governance, Moving Forward with Perseverance

On-going Standardized Operation

Corporate Governance Overview

The Company establishes the governance structure of “three meetings and one layer”, strictly abides by 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* (hereinafter referred to as the *Securities Law*) and the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange* and other laws and regulations, constantly establishes and improves various management systems such as the general meeting of shareholders, the Board of Directors, the Board of Supervisors, etc., and forms a coordinated corporate governance structure between the power organ, the decision-making organ, the supervision organ and the management layer with clear division of powers and responsibilities, respective duties, effective checks and balances and scientific decision-making. During the reporting period, the corporate governance status met the requirements of relevant listed company governance laws, regulations and normative documents.



Organizational Structure of the Company

Operation of the Three Meetings

General Meeting of Shareholders

The Company convenes and holds the general meeting of shareholders in strict accordance with the *Articles of Association*, the *Rules of Procedure of the General Meeting of Shareholders* and other relevant regulations and requirements, fully protects the shareholders’ right to know, participate in and vote, and safeguarded the legitimate rights and interests of all shareholders, especially minority shareholders.

Key Performance

During the reporting period, the Company held **4** general meetings of shareholders

29 proposals were deliberated and passed



Board of Directors

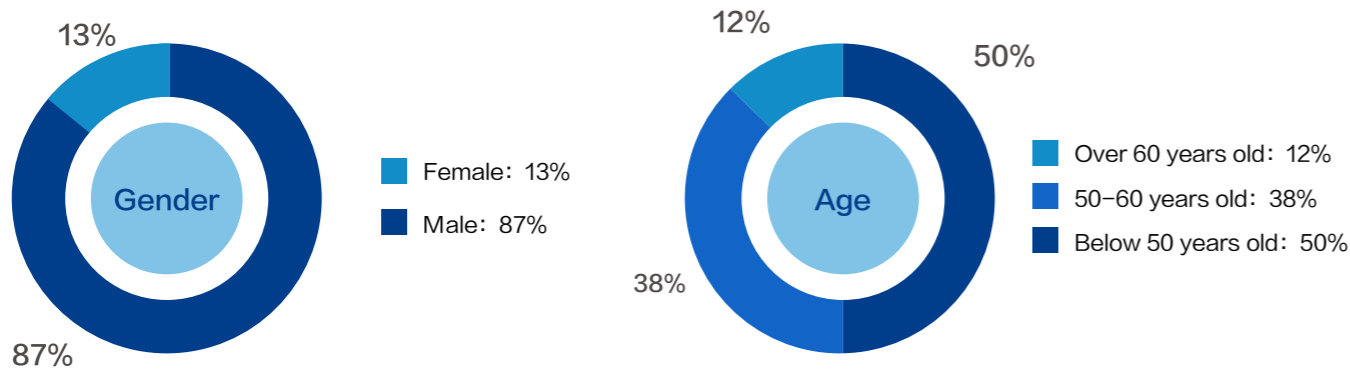
The Company convenes and holds the meetings of the Board of Directors in strict accordance with the *Company Law*, the *Articles of Association*, the *Rules of Procedure of Board of Directors* and other provisions, effectively ensuring the scientificity and effectiveness of the decision-making of the Board of Directors.

The Company attaches importance to the diversification of the Board of Directors. There are 8 members in the Board of Directors, including 3 independent directors and 1 female director. With the knowledge, skills and qualities required to perform their duties in the fields of finance, law and textile industry, all directors are diligent, responsible, prudent in decision-making, and fully exercise and perform the functions and powers of directors. The Board of Directors of the Company operates in a standardized and efficient manner, and no director has voted against or abstained from voting, and no resolution of the Board of Directors has not been passed. During the reporting period, the Board of Directors held 9 meetings, passed 63 resolutions, and the attendance rate of the Board of Directors was 100%.

Key Performance

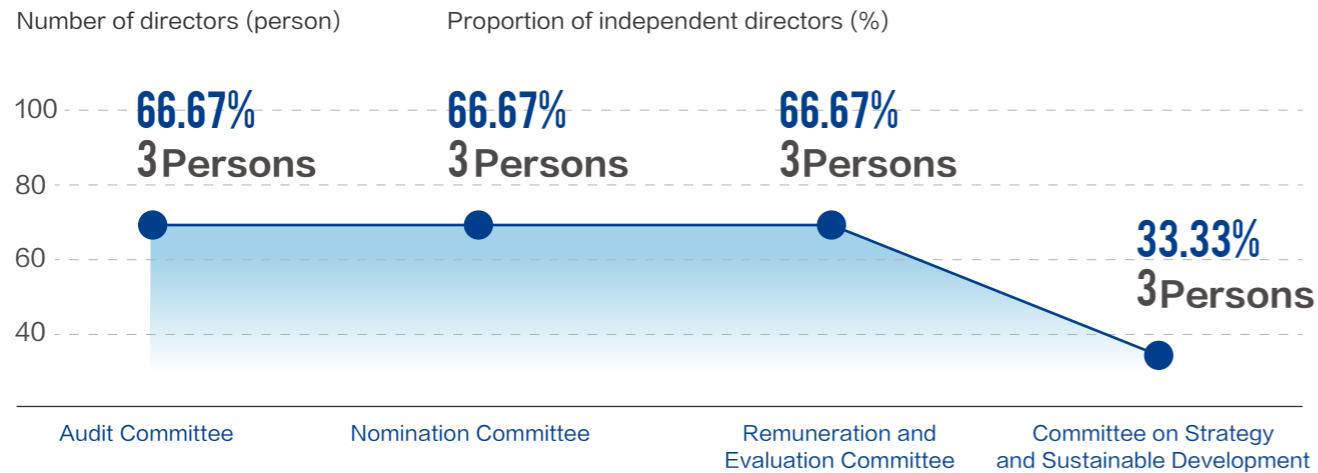
During the reporting period, there were **9** meetings of the Board of Directors of the Company,

with the attendance rate of **100%**, and **63** resolutions of the Board of Directors were passed.



Diversification of the Board of Directors of Hengli Petrochemical

The Board of Directors has an Audit Committee, a Nomination Committee, a Remuneration and Evaluation Committee and a Committee on Strategy and Sustainable Development. The special committees are responsible to the Board of Directors, perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors, applies professional knowledge to assist the Board of Directors in making professional decisions, and effectively improves the efficiency of corporate governance.



Key Performance

During the reporting period, **11** meetings of special committees were held, including:

Audit Committee 6 times	Nomination Committee 2 times
Remuneration and Evaluation Committee 1 time	Committee on Strategy and Sustainable Development 2 times

Board of Supervisors

The Company has formulated the *Rules of Procedure of Board of Supervisors* in strict accordance with the *Company Law*, the *Articles of Association*, the *Governance Code for Listed Companies*, etc., to standardize the discussion and decision-making procedures of the Board of Supervisors, and to ensure the efficient and orderly operation of the Board of Supervisors. The Board of Supervisors is composed of 3 supervisors, including one chairman of the Board of Supervisors and one employee supervisor, who performs the supervisory functions diligently and responsibly, including the effective supervision over the Company's operation and development, financial status, related transactions, major matters and the legality and compliance of the Company's directors and senior managers in performing their duties.

Key Performance

During the reporting period, the Company held **5** meetings of the Board of Supervisors, with the attendance rate of **100%**, and reviewed **31** proposals.

Salary Management

The Company has established the Remuneration and Evaluation Committee and the *Implementation Rules of the Remuneration and Evaluation Committee under the Board of Directors* to standardize the determination procedure of senior manager remuneration, formulate the remuneration plan or scheme according to the main scope, responsibilities and importance of the management posts of directors and senior management personnel and the remuneration level of other relevant enterprises and posts, and be responsible for reviewing the performance of the directors and senior managers of the Company and evaluating their annual performance. The Remuneration and Evaluation Committee submits the allowance plan of the directors and the remuneration distribution plan of the senior managers to the Board of Directors for approval.

The senior manager remuneration of the Company is composed of performance-based salary, equity compensation, retirement pay and welfare, which fully reflects the design requirements of combining short-term and long-term incentives and balancing the interests of individuals and teams. It fully mobilizes the enthusiasm of the responsible person, protects the interests of shareholders and realizes the common development of the Company and the management.

Key Performance

During the reporting period, the average remuneration of independent directors of the Company was RMB **200,000**, and the average remuneration of non-independent directors was RMB **1,295,700**.

Compliance Risk Management

Construction of Internal Control System

The Company has formulated the *Internal Control System* in accordance with the *Basic Norms of Enterprise Internal Control* and other laws and regulations, establishes, perfects and effectively implements internal control, evaluates its effectiveness, and truthfully discloses the internal control evaluation report, reasonably guarantees the safety of the Company's operation and management and the reliability of financial information, improves the operating efficiency and profitability, and promotes the realization of development strategy.

In order to further strengthen and standardize the internal control of the Company and promote the high-quality development of the Company, the Company has revised and improved the existing relevant governance systems in combination with the change of regulatory rules and the internal control management requirements of the Company, and totally revised and newly built 13 corporate governance systems. During the reporting period, the Company had no major and important defects in internal control over financial reports and non-financial reports.

Deepening Risk Management

The Company constantly improves the system, promotes the internal control and risk management level, strengthens the standardized management, firmly adheres to the system red line and the risk bottom line, realizes the matching of operation development and risk control ability, and ensures the continuous, stable and healthy development of the Company. The Company has established a set of relatively sound and perfect accounting system, financial management, risk control, decision-making of major events and other internal control management systems, which can be effectively implemented to meet the current development needs of the Company. At the same time, the Company will constantly update and improve relevant systems according to the development situation to ensure the healthy and stable operation of the Company.

Strengthening Tax Administration

The Company strictly complies with the *Law of the People's Republic of China on the Administration of Tax Collection*, the *Enterprise Income Tax Law of the People's Republic of China*, the *Individual Income Tax Law of the People's Republic of China* and other national laws and regulations, establishes the *Financial Management System*, standardizes the financial management process and implements the tax management responsibilities. Each subsidiary employs relevant perennial tax consultant or special tax consultant to provide professional guidance and training on relevant financial and tax issues of the Company, so as to prevent tax management risks. In terms of tax team construction, the Company regularly organizes and carries out national finance and taxation policy research, sharing and training, so as to improve the legal compliance and tax payment awareness and policy level of the Company's tax management personnel, and enhance the working ability of tax compliance management.

Regulating Related Transactions

In accordance with the *Company Law*, the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange* and other relevant provisions, the Company has formulated the *Management System for Related Transactions (Revision in 2022)* to stipulate the review procedures for related transactions and the requirements for avoiding voting. The internal control of the Company's related transactions follows the principles of fairness, impartiality, openness and equal value and compensation. All related transactions follow the market-oriented operation mode and the market-oriented principle, without any damage to the interests of the Company and other shareholders.

Strengthening the Investor Relations Management

Information Disclosure Compliance

The Company has formulated the *Information Disclosure Management System*, the *Annual Report Information Disclosure Major Error Accountability System* and other systems to carry out various information disclosure work with high quality in accordance with the information disclosure process, follows the principles of truthfulness, accuracy, completeness, timeliness and fairness, ensures the timeliness and effectiveness of announcement disclosure, and protects the legitimate rights and interests of all shareholders. During the reporting period, there was no error in the Company's information disclosure.

Key Performance

During the reporting period, the Company disclosed a total of **71** temporary announcements and **4** periodic reports.

Investor Exchange

The Company attaches great importance to investor relations management, revises and improves the *Investor Relations Management System (Revision in 2023)*, continues to carry out investor relations management work, establishes diversified communication channels, and actively communicates with investors through various channels such as performance explanation meeting, investor field survey, SSE E Interactive Platform and investor hotline. As different types of investors have different degrees of concern and core concerns, the Company adopts differentiated investor relations management strategies to respond to the demands of investors and maintain a good trust relationship between the Company and investors. During the reporting period, the Company was awarded the "Excellent Practice of the Performance Explanation Meeting of 2022 Annual Report of Listed Companies", which showed the full recognition of the management of investor relations of the Company.

Key Performance

In 2023, the Company held **4** open exchange meetings for investors, and conducted **110** interactions on SSE E Interactive Platform.

Case The Company participated in industry-leading roadshow activity

The Company actively participated in the “Shanghai Listed Company Roadshow” Industry Leading Special Activity organized by Shanghai Stock Exchange, introduced the Company’s business development and industrial development to the market in detail, and deeply promoted the Company’s strategic growth space and long-term investment value, showing the good style and appearance of returning investors with high-quality development.



“Shanghai Listed Company Roadshow” Industry Leading Special Activity



Commendation of “Excellent Practice of Performance Explanation Meeting of 2022 Annual Report of Listed Companies”

Protection of Shareholders’ Rights and Interests

The Company attaches great importance to returning shareholders in the form of cash dividends, strictly implements the profit distribution policy specified in the *Articles of Association*, and has launched the *Plan for Return to Shareholders in the Next Five Years (2020-2024)*, and has made a detailed plan for the cash dividend policy in the next five years in combination with the Company’s profitability, operation and development planning and other factors. Since the reorganization and listing in 2016, the accumulated dividend and cash distribution amount of the Company has reached RMB **22,371,095,700** (including the proposed cash dividend amount), accounting for **41.08%** of the accumulated net profit attributable to the parent company.

Cash Dividends of the Company			
Key Performance	2021	2022	2023
Cash dividend per share (Yuan)	1.01	/	0.55
Total cash distribution (tax included) (RMB ten thousand)	710,949.08	200,006.12	387,150.49
Proportion of net profit attributable to shareholders of listed company in consolidated statements (%)	45.78	86.27	56.07

Note: The amount of cash dividends in 2022 included the amount of shares repurchased in cash and included in cash dividends.

Adhering to Business Ethics

Implementing the Integrity Construction

The Company attaches great importance to the integrity construction and anti-corruption work, strictly complies with the requirements of relevant laws and regulations, issues the *Statement on Business Ethics and Anti-Corruption System*, prohibits all bribery and corrupt practices, and the Legal Department is responsible for supervising the misconducts such as insider trading, corruption and money laundering, so as to avoid such misconduct as insider trading, corruption and money laundering. At the same time, the Company actively advocates contractors, suppliers and other stakeholders to jointly abide by the relevant anti-corruption systems. During the reporting period, there were no major corruption cases in the Company.

The Company establishes internal procedures for reporting unethical and corrupt practices, to encourage employees and business partners to report any corrupt practices that have occurred or may occur to their immediate managers, labor unions or any person with supervisory capacity, to require confidentiality of the informant’s information, to handle any retaliation seriously, and to give the informant maximum protection. Employees expose the reports through anonymous report. The Company sets up anonymous report mailboxes, which are checked by the Legal Department on a regular basis.

Strengthening Integrity Education

Integrity culture is one of the Company’s core corporate culture. The Company and each business department regularly provide appropriate anti-corruption training and publicity to all relevant employees, so as to cultivate the employees’ awareness of honest practice and away from commercial bribery, so as to promote the integrity by the environment. For the purpose of anti-commercial bribery and anti-corruption, the Company requires the managers of all departments to sign the integrity management responsibility letter, so as to lower the anti-corruption responsibility to the department. The department manager is not only the model of integrity practice, but also the responsible person of integrity of the department. At the same time, it is required to attach a supplementary anti-bribery agreement to each contract to guard against commercial bribery.

There was no violation of discipline and business ethics by internal employees during the reporting period. The Company signed the integrity management responsibility letter with all department heads, procurement and financial personnel, and the signing rate of all department heads, procurement and financial personnel was 100%.

Case Always Raising the Alarm, Keeping Integrity in Mind

In order to continuously and deeply promote the construction of clean government and anti-corruption work, on December 22, 2023, Hengli (Suzhou) Industrial Park organized and carried out an education seminar on integrity and law popularization, which focused on explaining the manifestation and prevention methods of illegal and criminal acts such as position embezzlement and misappropriation of funds, reminding the employees to perform their duties and responsibilities and keep the bottom line, and further strengthening the employees’ sense of integrity.





03

Energy Conservation and Emission Reduction, Environment Protection with Persistence

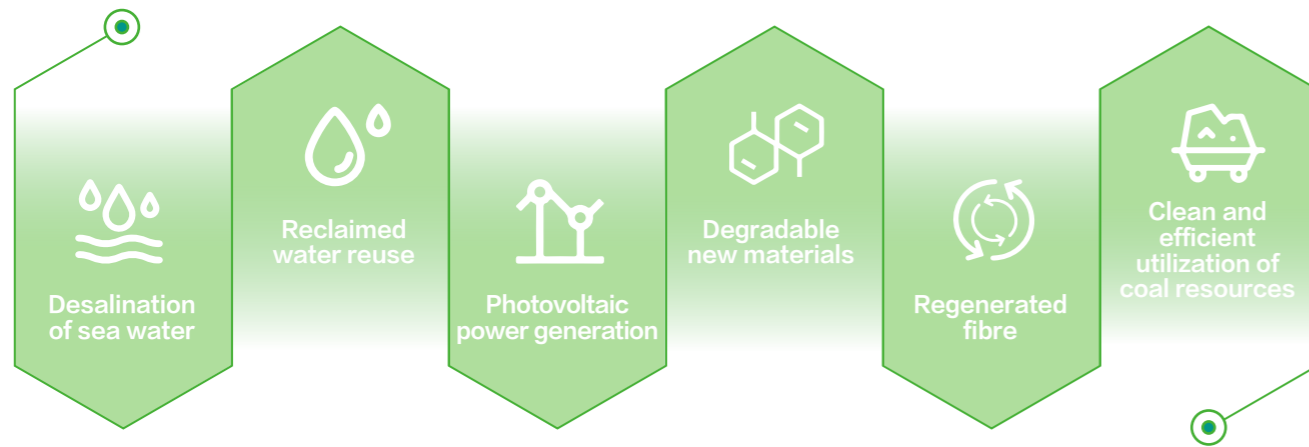
Addressing Climate Changes	/ 36	Water Resources Management	/ 52
Environmental Management	/ 38	Creating a Green Supply Chain	/ 54
Pollutant Control	/ 41	Advocating Low-carbon Office	/ 57
Strengthening Energy Conservation and Consumption Reduction	/ 47	Biodiversity Conservation	/ 59

Addressing Climate Changes

Carbon Emission Management System

Under the guidance of the national Carbon Peaking and Carbon Neutrality policy, Hengli Petrochemical continues to develop towards high-end, intelligent and green development, continuously carries out climate change management, integrates climate change factors into enterprise development, takes “national green factory” as the carrier, adopts advanced energy-saving technology, develops a series of emission reduction measures, reduces greenhouse gas emissions, and makes significant contributions to the global response to climate changes.

Green Emission Reduction Measures of Hengli Petrochemical



In the process of industrial production, the Company strictly complies with such laws and regulations as the *Measures for the Administration of Carbon Emissions Trading (Trial)* and the *Guidelines for Accounting and Reporting of Greenhouse Gas Emission of Chinese Petrochemical Enterprises (Trial)*, has established the *Carbon Emission Management System*, the *Greenhouse Gas Management Procedure* and other systems to standardize the management of greenhouse gas emission, actively explores alternative paths for fossil energy such as coal, petroleum and natural gas, and is committed to reducing the greenhouse gas emission. In addition, the Company continuously develops carbon emission training activities and focuses on the cultivation of carbon management talents inside the enterprise, laying a talent foundation for the green and low-carbon development of the enterprise.

Case Carbon Emission Training

The Company carried out carbon emission accounting knowledge training, paid attention to training employees' ability of carbon emission accounting in petrochemical industry, helped employees fully understand the principle, method and practical application of carbon emission accounting, and constantly improved the carbon emission knowledge level of employees.



Carbon Emission Knowledge Training

Greenhouse Gas Screening

In order to better manage the work related to climate change, the Company sets up the Safety and Environment Protection Department to carry out greenhouse gas audit on a regular basis. Many subsidiaries employ third-party institutions to audit their respective carbon emissions and issue corresponding carbon verification reports to lay a solid foundation for carbon emission data. At the same time, the Company establishes a visible management platform for greenhouse gas emission to visually display the emission reduction achievements, laying a solid foundation for the calculation of product carbon footprint. During the reporting period, Hengke Advanced Materials completed the greenhouse gas emission verification in 2022 and successfully passed the ISO 14064 greenhouse gas emission verification certification.



CQC Carbon Emission Certificate of Hengke Advanced Materials

Greenhouse Gas Emission Status

Indicators	2023
Direct greenhouse gas emissions (scope I)	31,167,270.46tCO ₂ e
Indirect greenhouse gas emissions (scope II)	1,677,849.77tCO ₂ e
Total greenhouse gas emissions	32,845,120.23tCO ₂ e
Greenhouse gas emission intensity	139.89tCO ₂ e/RMB one million

Note 1: Based on the production and operation characteristics, the greenhouse gas emission of the Company mainly comes from the direct greenhouse gas emission caused by the combustion of fossil fuels and industrial production process (Scope I), and the indirect greenhouse gas emission caused by the net purchase of power and heat (Scope II).

Note 2: The statistical scope of the above data includes Hengli Petrochemical Chemical, Hengli Petrochemical Refining, Hengli Petrochemical (Dalian), Kanghui New Material and Hengke Advanced Materials.

Environmental Management

Environmental Management System

The Company always adheres to the development concept of “green Hengli, ecological Hengli and harmonious Hengli” and strictly complies with the *Environmental Protection Law* and other relevant laws and regulations, formulates the *Environmental Protection Management System*, establishes the environmental protection organization structure which is generally responsible for environmental protection management, continuously improves the environmental management level, and contributes to the environmental protection and ecological balance maintenance.



During the reporting period, the Company had no violation of laws and regulations in the field of environment,

and the investment in environmental protection was RMB **232,970,700**.

Six subsidiaries including Hengli Petrochemical Chemical and Hengli Petrochemical Refining have passed ISO 14001 environmental management system certification.



Hengli Petrochemical Chemical



Hengli Petrochemical Refining



Hengli Petrochemical (Dalian)



Kanghui New Material



Hengli Chemical Fiber



Hengke Advanced Materials

Honors:

Five factories of the Company have been awarded the title of “Green Factory”, including Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengli Chemical Fiber, Hengke Advanced Materials and Hengli Petrochemical Chemical; Deli Chemical Fiber won the title of “Jiangsu Province Green Factory” and Kanghui New Material won the title of “Liaoning Province Green Manufacturing Factory”.

Assessment Mechanism

The Company has formulated the *Detailed Rules for Assessment of Environmental Protection Management*, follows the principle that “the one causing greenhouse gas emissions is responsible for control and the one causing pollution is responsible for treatment”, links the environmental protection performance with the performance of departments and individuals, encourages and guides all employees to participate in the environmental protection action together and deepen the environmental protection concept.

Environmental Risk Management

Being Alert to Environmental Risks

In order to prevent environmental risks, the Company has formulated the *Control Procedure for Identification, Evaluation and Update of Environmental Factors* to systematically identify environmental factors, and carry out project construction, acceptance and production in strict accordance with the “Three-Simultaneous” system and EIA approval requirements. The Company carries out special inspection on environmental protection every month, conducts regular environmental monitoring according to the pollutant discharge permit, regularly carries out potential hazard investigation, and timely rectifies the unfavorable potential environmental hazard.

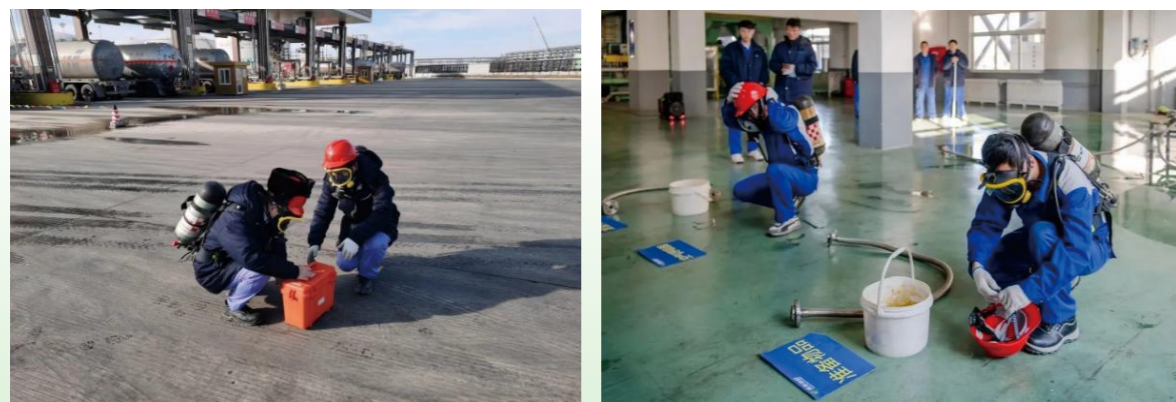
Key Performance

During the reporting period, Hengli Petrochemical (Dalian) and Hengke Advanced Materials have completed the cleaner production audit; The implementation rate of “Environmental Impact Assessment” and “Three-Simultaneous”

system of Hengli (Dalian Changxing Island) Industrial Park Project was **100%**

Intensified Emergency Drill

The Company regularly organizes environmental protection emergency training, continuously improves the organization and coordination and self-rescue and mutual rescue ability of employees in case of emergency, so as to ensure the rapid and orderly implementation of emergency actions in case of emergency environmental events. At the same time, the Company adheres to the principle of “prevention first, harm reduction”, and has developed the *Emergency Response Plan for Environmental Emergencies*. Through conducting regular drills and updating the plans, the Company improves its emergency handling capacity, continuously improves the emergency response mechanism, and minimizes the impact of environmental emergencies on the environment and society.



Emergency Handling Drill for Environmental Emergencies

Case Special Training on Emergency Response Plan for Environmental Emergencies

On December 19, 2023, the Company carried out special training on emergency plan for environmental emergencies, focusing on explaining the specific operation process and precautions of *Response Plan for Environmental Emergencies*, further improving the environmental emergency response ability of employees and providing strong guarantee for safe production and environmental protection in the park.



Special Training Site for Response Plan for Environmental Emergencies

Pollutant Control

Pollution Control

The Company establishes a comprehensive and efficient pollution prevention and control management system to ensure that the waste gas, waste water, waste and other pollutants generated during production and operation meet the national and local laws and regulations through regular monitoring and supervision and inspection mechanism. At the same time, the Company pays attention to the innovation of pollution control technology, and builds the first PTA residue recovery system in the world PTA industry-R2R device, realizing the ecological development of petrochemical industry.

In order to ensure the professional knowledge and emergency response ability of the employees to prepare for pollutant discharge, the Company regularly organizes and carries out pollutant discharge training and emergency drills to strengthen the employees' ability of understanding and executing environmental laws and regulations and ability of quick response and disposal in case of emergency environmental events, so as to ensure the safety, environmental protection and high efficiency of production activities.



Pollutant Emission Training Activity

Waste Water Management

Hengli Petrochemical strictly follows the *Law of the People's Republic of China on the Prevention and Control of Water Pollution* and other laws and regulations, and has formulated the *Management Measures for the Treatment of Wastewater Pollutants (Implementation Rules)* to strengthen the wastewater management. The Company pays attention to the recycling of waste water, establishes comprehensive waste water process indicators and equipment operation records, regularly maintains and overhauls the waste water treatment facilities, and develops various water pollution prevention measures to reduce the discharge concentration of the waste water on the basis of meeting the standard discharge requirements. During the reporting period, the wastewater of the Company and its subsidiaries were discharged up to the standard after regular inspection.

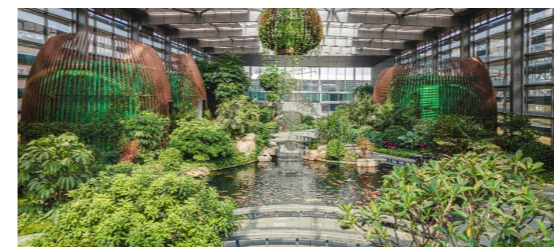
In 2023, the total wastewater discharge of the Company was **7,524,492.39** tons, and the wastewater discharge was **32.05** tons/RMB one million.

Company or subsidiary name	Name of main pollutants and characteristic pollutants	Total emissions 2023 (ton/year)	Proportion of total emissions in 2023 to approved total emissions
Hengli Petrochemical (Dalian)	Amount of waste water	3,485,880.00	/
	Chemical oxygen demand	290.41	51.95%
	Ammonia nitrogen	0.37	0.33%
	Total phosphorus	1.73	/
	Total nitrogen	63.02	26.28%
Hengli Petrochemical Refining	Amount of waste water	1,684,208.00	/
	Chemical oxygen demand	30.35	12.78%
	Ammonia nitrogen	0.09	0.50%
	Total phosphorus	0.45	/
	Total nitrogen	13.84	19.52%
Hengli Petrochemical Chemical	Amount of waste water	1,585,987.00	/
	Chemical oxygen demand	37.76	18.48%
	Ammonia nitrogen	0.16	0.49%
	Total phosphorus	0.28	/
	Total nitrogen	11.01	17.96%
Hengli Chemical Fiber	Amount of waste water	54,684.00	41.43%
	Chemical oxygen demand	1.82	30.23%
Deli Chemical Fiber	Amount of waste water	89,118.00	77.26%
	Chemical oxygen demand	3.01	6.52%
	Ammonia nitrogen	0.13	13.54%
	Total phosphorus	0.01	6.25%
	Total nitrogen	0.43	71.67%

Company or subsidiary name	Name of main pollutants and characteristic pollutants	Total emissions 2023 (ton/year)	Proportion of total emissions in 2023 to approved total emissions
Hengke Advanced Materials	Amount of waste water	67,398.00	/
	Chemical oxygen demand	1.12	0.31%
	Ammonia nitrogen	0.04	3.31%
	Total phosphorus	0.01	2.27%
	Total nitrogen	0.35	3.72%
Susheng Thermal Power	Amount of waste water	6,649.39	60.45%
Kanghui New Material	Amount of waste water	512,674.00	78.59%
	Chemical oxygen demand	5.94	20.62%
	Ammonia nitrogen	0.04	1.37%
	Total phosphorus	0.38	/
	Total nitrogen	7.27	51.23%
Kanghui Dalian New Material	Amount of waste water	37,894.00	/
	Chemical oxygen demand	0.72	17.35%
	Ammonia nitrogen	0.00084	0.65%
	Total phosphorus	0.004	/
	Total nitrogen	0.15	35.71%

Case Ecological Monitoring Pool

Hengli (Dalian Changxing Island) Industrial Park Sewage Treatment Plant applies embedded sewage integrated treatment technology, and the reuse rate of reclaimed water exceeds 80%. The industrial production water in the plant area passes through multiple purification processes and the water quality treatment effect is inspected through biological indicators of aquatic plants and ornamental fish, so as to realize the safe discharge of wastewater.



Garden Factory of Changxing Island Industrial Park

Case Kanghui New Material-Wastewater Treatment and Reuse

After the high-concentration wastewater produced in the production process of the Company is treated by processes such as hydrolysis and acidification, the wastewater is changed into valuable water which is reused for production, irrigation of green plants, pavement washing and other purposes, which effectively relieves the treatment pressure of the third-party sewage treatment plant and reduces the fresh water quantity taken by the Company. The reuse rate of wastewater reaches 40%.



Wastewater Treatment and Reuse

Waste Gas Management

Hengli Petrochemical strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other laws and regulations, establishes the Waste Gas Emission Management System, the Pollutant Discharge Management System* and other relevant management systems, deeply promotes the management of air pollutants, actively carries out pollutant identification and monitoring, and adopted waste gas recovery technology to ensure the emission of waste gas up to standard.

The waste gas emission during the production and operation of the Company mainly comes from the organized emission from the production process of the plant. The main pollutants include volatile organic compounds (VOCs) in the waste gas from the production process, and sulfur dioxide (SO₂) and nitrogen oxide (NO_x) in the flue gas of the gas-fired boiler. During the reporting period, the waste gas produced by the Company was treated by environmental protection facilities and discharged up to the standard.

Company or subsidiary name	Name of main pollutants and characteristic pollutants	Total emissions 2023 (ton/year)	Proportion of total emissions in 2023 to approved total emissions
Hengli Petrochemical (Dalian)	Sulfur dioxide	217.18	45.49%
	Nitrogen oxide	445.71	65.35%
	Particulate matter	19.75	6.18%
	Non-methane total hydrocarbon	209.67	23.90%
Hengli Petrochemical Refining	Sulfur dioxide	1,189.75	48.57%
	Nitrogen oxide	2,394.02	47.02%
	Particulate matter	117.59	11.19%
	Non-methane total hydrocarbon	103.59	3.72%
Hengli Petrochemical Chemical	Sulfur dioxide	55.88	47.97%
	Nitrogen oxide	434.71	44.61%
	Particulate matter	9.18	6.16%
	Non-methane total hydrocarbon	38.75	5.20%
Hengli Chemical Fiber	Sulfur dioxide	5.34	25.64%
	Nitrogen oxide	31.18	53.04%
	Particulate matter	1.65	5.37%
	Non-methane total hydrocarbon	0.85	1.82%
Deli Chemical Fiber	Sulfur dioxide	0.48	3.64%
	Nitrogen oxide	4.01	17.66%
	Particulate matter	0.39	18.48%
	Non-methane total hydrocarbon	0.87	45.31%

Company or subsidiary name	Name of main pollutants and characteristic pollutants	Total emissions 2023 (ton/year)	Proportion of total emissions in 2023 to approved total emissions
Hengke Advanced Materials	Sulfur dioxide	2.68	3.84%
	Nitrogen oxide	20.28	7.74%
	Particulate matter	6.43	18.40%
	VOCs	0.82	2.84%
	Non-methane total hydrocarbon	3.12	/
Susheng Thermal Power	Sulfur dioxide	46.34	10.67%
	Nitrogen oxide	133.17	15.33%
	Particulate matter	7.03	4.08%
Kanghui New Material	Sulfur dioxide	1.93	9.54%
	Nitrogen oxide	20.06	22.36%
	Particulate matter	1.78	3.52%
	VOCs	22.46	13.15%
Kanghui Dalian New Material	Nitrogen oxide	0	0.00%
	Particulate matter	0.18	52.94%
	VOCs	0.04	0.80%

Case Hengli Petrochemical Refining – Carbon Dioxide Recycling Unit

Hengli Petrochemical Refining has built a carbon dioxide recycling unit and adopted the patent technology of “carbon dioxide purification unit with adsorption distillation technology” of Dalian University of Technology. The core of this technology is to develop a variety of solid adsorbents, which can adsorb and remove impurities such as sulfide, nitrogen oxide, light hydrocarbon, aromatic hydrocarbon and organic oxide in various high-concentration gas sources. Combined with the heat pump rectification technology, the carbon dioxide can be purified to above 99.99%, and the production capacity is 200,000 tons/year, making substantial contribution to the green development of the Company.

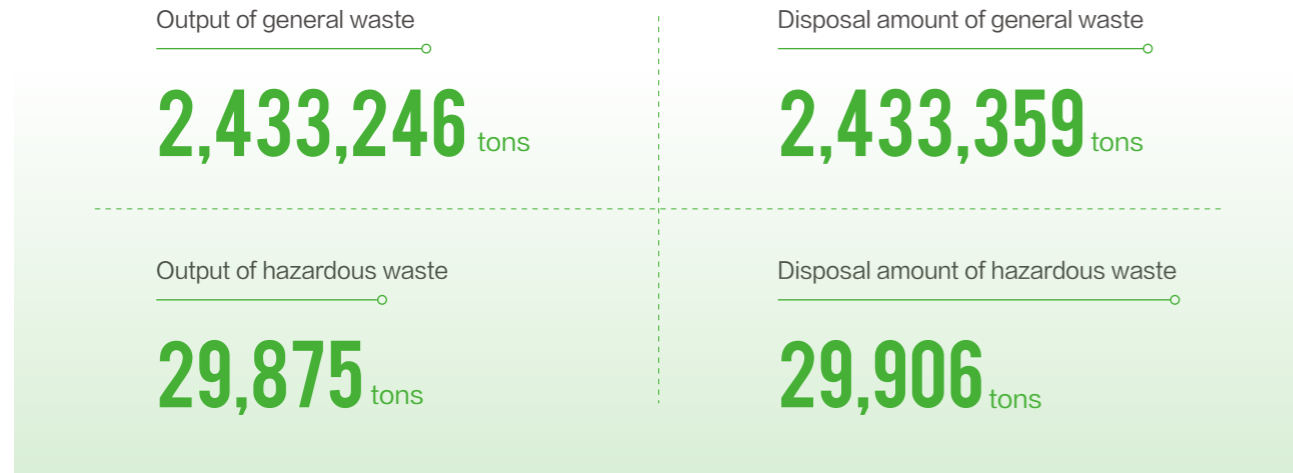


Carbon Dioxide Recycling Unit

Waste Management

The Company attaches great importance to the environmental management of solid wastes, strictly follows the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes* and other provisions, resolutely prevents the production, sales and use links from causing environmental pollution or secondary pollution, and entrusts the generated hazardous solid wastes to units with corresponding business license qualifications for comprehensive recovery. For industrial solid waste storage sites that have been terminated from use, the Company carries out ecological restoration work in strict accordance with environmental protection regulations.

Waste Discharge



Noise Management

The Company continues to promote the prevention and control of noise pollution in the whole process of production and operation, focusing on optimizing the layout of production facilities and giving priority to the selection of low-noise processes and equipment. The company regularly entrusts a third-party organization and the Quality Control Department of the Company to carry out noise monitoring at the factory boundary, and sets up monitoring points respectively in the south, east, north and west of the factory. During the reporting period, the compliance rate of noise monitoring of the Company was 100%.

Strengthening Energy Conservation and Consumption Reduction

Energy Management System

Hengli Petrochemical adheres to the concept of green development, has established relevant management systems such as *Energy Management System, Management System of Energy Objectives, Indicators and Management Schemes*, establishes corresponding energy management departments, and continuously standardizes the systematic and scientific energy management. During the reporting period, 5 major subsidiaries including Hengke Advanced Materials and Kanghui New Material have passed the certification of energy management system.



Hengke Advanced Materials



Kanghui New Material



Hengli Petrochemical Chemical

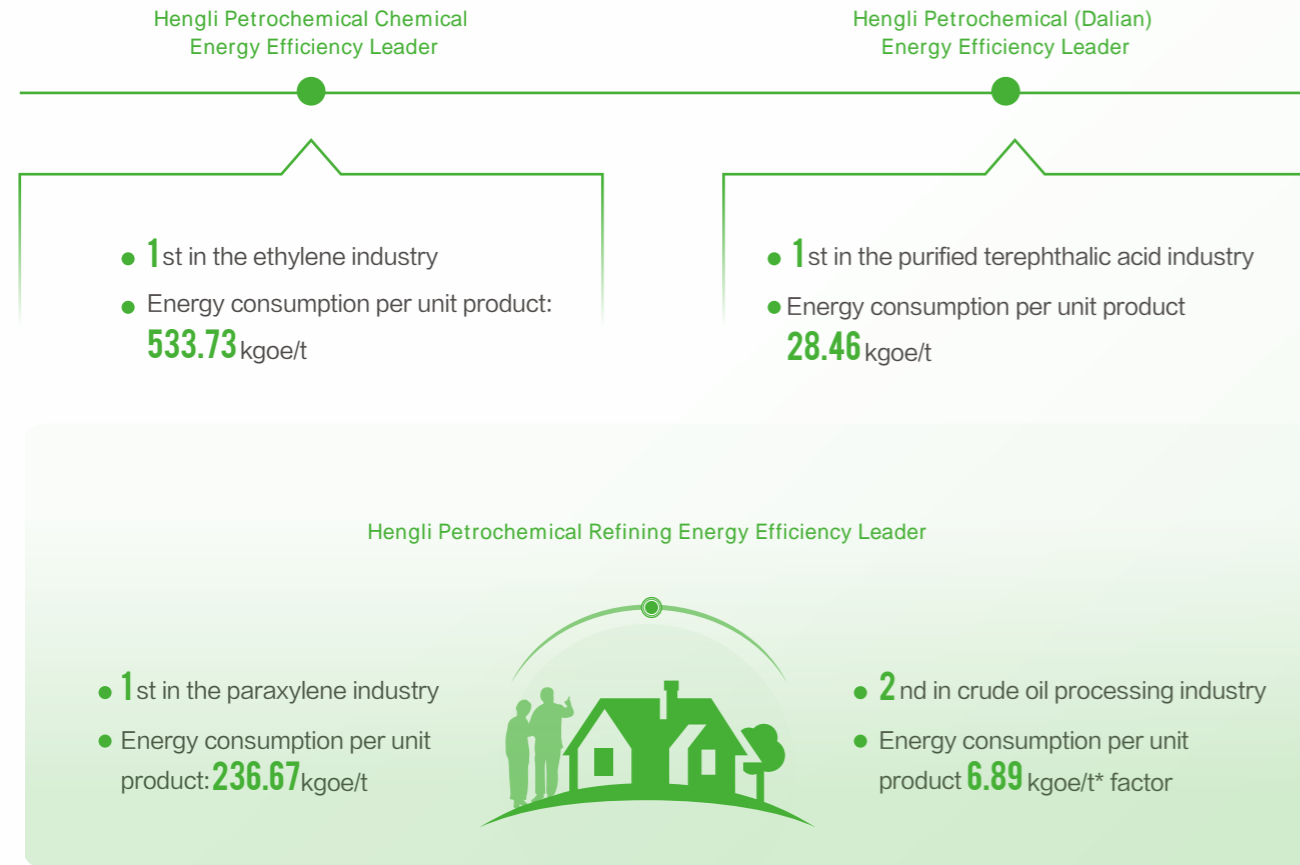


Hengli Petrochemical Refining



Hengli Petrochemical (Dalian)

Subsidiaries of the Company effectively reduce energy consumption by adopting advanced technology and implementing energy-saving measures. The comprehensive energy consumption per unit product is superior to the industry standard. Hengli Petrochemical Chemical, Hengli Petrochemical (Dalian) and Hengli Petrochemical Refining respectively won the title of "Energy Efficiency Leader" in 2022. These honors further consolidate the Company's leadership position in the petrochemical industry and set a model for the industry's pursuit of more energy efficient and environmentally friendly development.



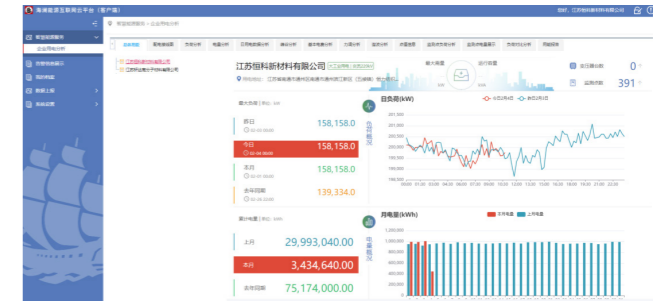
Energy Consumption	
Thermal coal (ton)	7,914,000
Natural gas (ten thousand m ³)	30,960.87
Gasoline (ton)	206.86
Electric power (kWh) (consumption)	6,083,523,100
Electric power (kWh) (procurement)	4,316,793,900

Smart Energy Management

The Company actively explores the use of Internet of Things and mobile Internet technology, builds smart energy service system, carries out real-time and accurate monitoring and management of various energy consumption, and optimizes energy management measures in time through continuous data analysis.

Case Hengke Advanced Materials-Smart Energy Management Platform

Hengke Advanced Materials implements the energy consumption monitoring system project, monitors and analyzes the energy consumption data in real time, establishes the early warning procedure, ensures the reasonable utilization of energy, realizes the goal of energy conservation and emission reduction, and lays a solid foundation for the green development of the Company.



Hengke Advanced Materials Smart Energy Management Platform

Effect of Energy Saving and Consumption Reduction

The Company attaches great importance to energy-saving technical transformation. On the one hand, by introducing advanced energy-saving technology and equipment, the Company continuously optimizes the production process and reduces energy consumption; On the other hand, through the formulation of the *Administrative Measures for Awards of Technical Transformation Projects for Energy Conservation and Consumption Reduction*, the innovative and beneficial energy-saving and consumption-reducing technical transformation projects are rewarded, and the green development of the enterprise is promoted. A total of 12 excellent technical transformation projects were reviewed in 2023, with remarkable energy-saving benefits.

Case Hengke Advanced Materials - Small-flow High-precision Control Project Won the First Prize in Technical Transformation Project Review

The integrated small-flow control system newly adopted by Hengke Advanced Materials includes mass flow meter, control solenoid valve and control unit. Compared with the traditional method, the innovative scheme is simple and convenient to install, saves space, and realizes digital, real-time and accurate energy regulation through the Modbus communication connection of the built-in control unit and the DCS. In addition, the system replaces the functions of the past three instruments with a single instrument, greatly simplifies the cable arrangement, reduces the cables from multiple to one network cable, improves the equipment efficiency and remarkably reduces the resource consumption.



Realistic View of Small-flow High-precision Control Project after Transformation

Case Kanghui New Material – Steam Utilization and Treatment of Condensate Water Tank

In order to improve the energy use efficiency, Kanghui New Material vigorously carries out the steam heat exchange project required for the rectifying tower of THF recovery unit. In this project, a set of plate exchanger is added to the recovery unit to exchange heat between raw materials and steam condensate water, so that the waste heat of hot water in the condensate water tank can be effectively utilized, and the waste of hot water resources is reduced. At the same time, it also provides heating for V/W line barrel room, reduces the use of public heating steam, and shows the Company's innovative ability in energy saving, emission reduction and resource recycling.



Waste Heat Utilization of Condensate Water of S Line

Case Hengli Petrochemical Chemical – Propane Recycling

In order to reduce the material loss, Hengli Chemical has recycled the propane discharged from the low-pressure flare of the polypropylene Unipol unit. Now, this material is integrated into the exhaust gas recovery unit of the chemical polypropylene JPP unit, and after treatment, it is uniformly transported to the ethylene unit. After the project is put into use, 150kg/h of propane can be recovered, about 1,260 tons of propane per year, which can save 1,979.46 tons of standard coal.



Propane Recycling Unit

Clean Energy Application

In order to respond to the national clean energy policy, the Company widely adopts clean energy in operation. Through the construction of photovoltaic and other clean energy projects, the proportion of clean energy is increased, the energy utilization structure is continuously optimized, and the green development of the Company is facilitated.

During the reporting period, the Company's renewable energy consumption was about **189,883.91 tons of standard coal**

and the converted annual reduction in greenhouse gas emissions was **1,273,102.86tCO₂e**

Clean Energy Consumption

Photovoltaic power generation

126,574,579 kWh

Wind power

2,811,000 kWh

Biomass fuel

162,646 tons of standard coal

Biogas power generation

99,744 kWh

Other clean energy use

92,141,280 kWh

Case Kanghui New Material – Methane Power Generation

The Company's sewage treatment station can generate biogas during wastewater treatment. In order to make reasonable use of resources, the Company uses the methane power generation system to collect the methane generated by the anaerobic tower, and then deliver it to the methane generator for power generation. The generated electricity is supplied to the fan and water pump of the sewage station for use, effectively eliminating the direct discharge of methane, saving about 26,000kwh of electricity per month, and achieving the purpose of saving resources.



Biogas Power Generation Unit

Case Photovoltaic Power Generation Project

The solar photovoltaic power generation project constructed on the roof of the new plant of Kanghui New Material adopts the grid connection mode of "self-generation and self-use and surplus power on-grid", and the power generated is mainly used by enterprises. It can save 11,646.67 tons of standard coal per year, reduce the emission of 31,083.24 tons of carbon dioxide, 236.75 tons of sulfur dioxide and 80.2 tons of nitrogen oxides, and reduce 7,919.73 tons of dust generated by thermal power generation.



Construction of Solar Photovoltaic Power Generation on the Roof of the Plant

During the reporting period, all five phases of the PV project of Hengke Advanced Materials were put into operation, with a total installed capacity of about 76.5 MW. The annual PV power generation was 103,967,180 kWh and the carbon dioxide emission was reduced by 86,500.69 tons, with a year-on-year increase of 5.84% compared with the emission reduction in 2022.

Water Resources Management

Water Resources Management System

Hengli Petrochemical strictly complies with the *Water Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution* and other laws and regulations, establishes the *Water Management System* to standardize water resource management, establishes the Water-saving Management Department, regularly checks water supply facilities, strengthens equipment maintenance and repair, prevents leakage, adopts advanced water-saving technology and process to reduce water resource consumption, improves water resource utilization rate and ensures normal production and operation of the Company.

Hengli Petrochemical Chemical Water Efficiency Leader

- 1st in the ethylene industry
- Water intake per unit product: **0.43** m³/t
- Water recycling rate **99.87%**

Hengli Petrochemical Refining Water Efficiency Leader

- 1st in the oil refining industry
- Water intake per unit product: **0.27** m³/t
- Water recycling rate **98.79%**

Water Resources Management

Total fresh water intake (ten thousand tons)	14,239.70
Municipal water consumption (ten thousand tons)	279.91
Surface water intake (ten thousand tons)	13,897.71
Groundwater intake (ten thousand tons)	62.08
Total water consumption (ten thousand tons)	71,964.26
Circulating water consumption/recycling water consumption (ten thousand tons)	65,952
Annual water saving of reclaimed water reuse equipment (ten thousand tons)	3,594.45
Reclaimed water reuse rate (%)	80.38

Note 1: Reclaimed water reuse rate = (water treatment capacity of sewage treatment plant - discharge capacity outside the sewage treatment plant)/water treatment capacity of sewage treatment plant * 100%

Note 2: The first 7 items of data include Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengli Petrochemical Chemical, Kanghui New Material, Hengli Chemical Fiber, Susheng Thermal Power, Hengke Advanced Materials, Jiangsu Xuanda, Deli Chemical Fiber and Hengli Petrochemical (Huizhou).

Water Saving Measures

In order to improve the use efficiency of water resources, the Company adopts a series of water-saving measures and recycling means, and devotes itself to realizing the effective management and sustainable utilization of water resources in the operation and production process.

Case Closed Circulating Water Process

A closed circulating water station is set up in Hengli (Dalian Changxing Island) Industrial Park. The total amount of circulating water is about 390,000t/h, and the circulating water of large surface cooler of the unit is about 440,000t/h. The seawater closed cooling system is adopted to replace the traditional open cooling tower, saving 9,900t/h of production water. The world's first new mode of "seawater utilization" initiated by Hengli Petrochemical has opened up a new path of circulating water cooling of "no consumption of fresh water and production of fresh water" for large-scale petrochemical industry enterprises along the sea.



Closed Circulating Water Station No.1

Case Seawater Desalination Treatment

Hengli (Dalian Changxing Island) Industrial Park has introduced two high-efficiency seawater desalination plants to produce 4,166t/h of water by using the waste heat of the plants, with an annual production of 35 million tons of fresh water, which has improved the energy utilization efficiency, realized the effective utilization of seawater resources, and taken an important step in sustainable development and environmental protection.



Seawater Desalination Plant

Creating a Green Supply Chain

Green Supply System

The Company comprehensively considers the environmental protection factors in the links of product design, procurement, production and packaging, establishes a global recycling standard (GRS) system, actively carries out green procurement, always pays attention to the quality level of products provided by suppliers, whether the components are harmful, the recyclability of production materials and other information, and incorporates them into the scope of supplier cooperation and investigation, constantly promotes the use of recycled materials in products, and reduces or eliminates the hazards caused by production. By the end of the reporting period, Kanghui New Material, Hengke Advanced Materials and other subsidiaries have passed GRS certification.

Key Performance

During the reporting period, RMB **175,812.69** was invested in the use of packaging materials



Kanghui New Material



Jiangsu Xuanda



Hengke Advanced Materials

Green Products

Case Hengke Advanced Materials – 150,000 Tons/Year Super Simulation Differential Environment-friendly Fiber Project

The environment-friendly fiber produced by the 150,000 tons/year super simulation differential environment-friendly fiber project realizes the efficient recycling of resources, greatly reduces the discharge of urban solid waste, promotes the economic mode of circular development of industrial chain, and continuously promotes the innovation and development of green manufacturing technology level of the Company while improving the differentiation rate of enterprise products.



Differential Environment-friendly Fiber



Case By product CO₂ Is Used to Prepare Electrolyte Raw Materials of New Energy Batteries

Hengli Petrochemical (Dalian) New Material Technology Co., Ltd. has two sets of 200,000 tons/year CO₂ refining units in its 1.6 million tons/year high-performance resin and new material project, which is used to recover the CO₂ byproduct from glycol unit, and through high-efficiency conversion, the byproduct can be made into high-end chemical products such as carbonate and polycarbonate, which can be used as electrolyte raw materials of green and environment-friendly new energy batteries, realizing the effective reuse of CO₂ resources, demonstrating the active efforts of the Company in sustainable development.

Case Hengli Chemical Fiber-PSY Bio-based Fiber

In July 2023, Hengli Chemical Fiber launched PSY bio-based fiber. This product is different from the fiber produced with non-renewable petrochemical resources such as coal and petroleum. Up to 37% of the raw materials are from plants. Compared with the nylon polymer based on fossil raw materials, the energy consumption in the production process is reduced by 30%, and the carbon emission is reduced by 63%, which greatly reduces the carbon emission in the whole life cycle of the fiber and effectively reduces the carbon footprint.

Green Packaging

Case Kanghui New Material – Package Auxiliary Material Lightweight Scheme

According to the practical experience, the Company lightens the packaging materials of polyester film products, such as reducing the wall thickness of paper tube, the thickness of baffle plate, the thickness of bubble film roll and bubble film, optimizing the tray structure, etc., effectively reducing the consumption of packaging materials.

Case Kanghui New Material – Reuse of Packaging Materials

The packaging materials of PET polyester chips and PBT engineering plastic products produced by the Company have the characteristics of recycling. In view of the short transportation distance within the Company, the used packaging bags can still meet the packaging standards of PET products; For PET products shipped in foreign trade containers, the bag material packaging bags can also meet the requirement of reuse after use. The Company adheres to the principle of efficient utilization and recycles these packaging materials, which not only reduces the cost and improves the efficiency, but also contributes to the environmental protection.



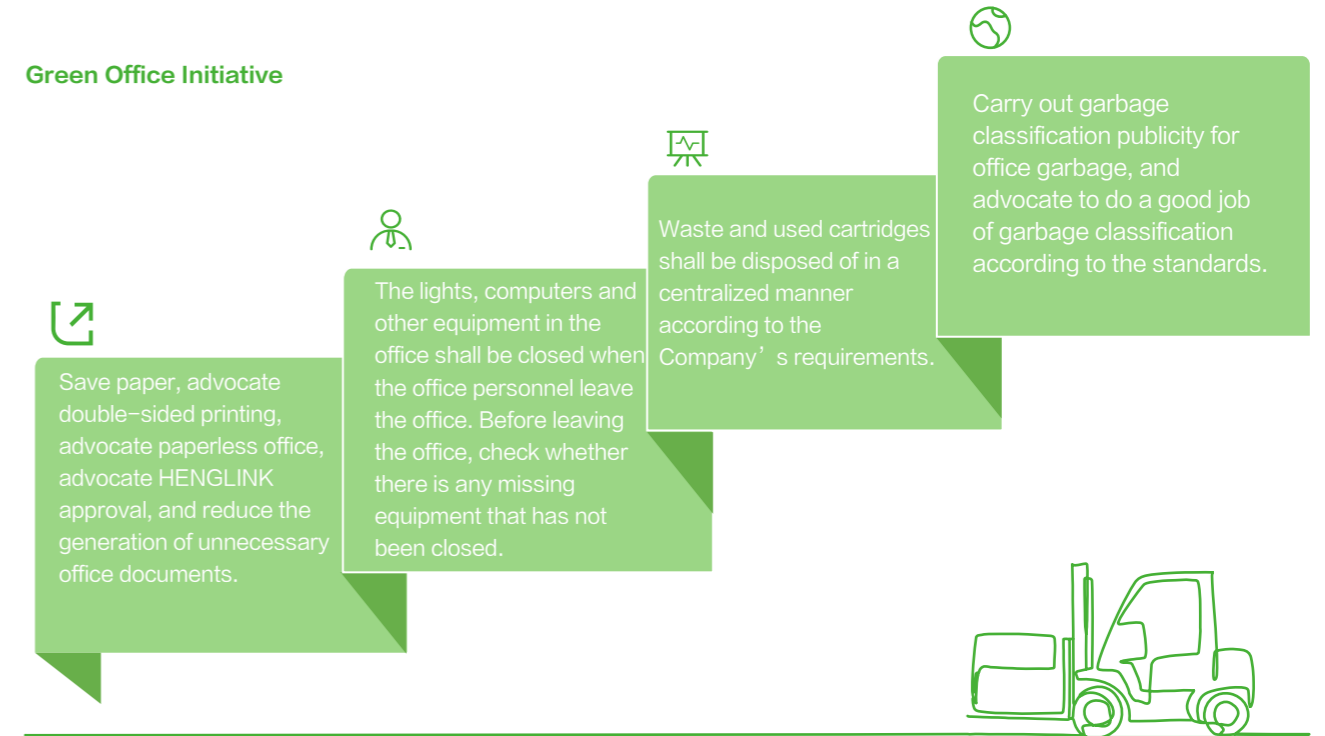
PET Polyester Chips and PBT Engineering Plastic Product Packaging



Advocating Low-carbon Office

The Company highly advocates the concept of green office, and holds a series of environmental protection publicity and education activities on the occasion of the annual World Environment Day (June 5), and guides employees to develop environmental protection habits such as water and electricity saving and garbage classification in the daily operation process, and strives to create a green office atmosphere of “low carbon for everyone”. During the reporting period, the Company conducted 325 environmental protection training sessions, which lasted 10,877.6 hours.

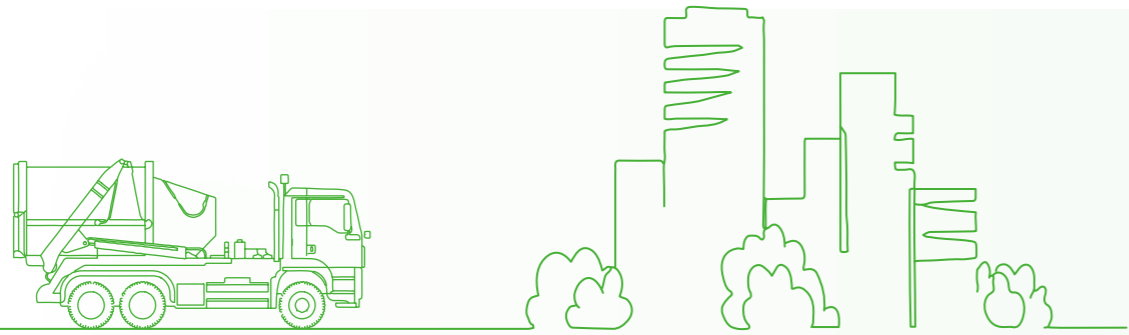
Green Office Initiative



The Company is always committed to creating a beautiful and healthy working environment for its employees, while actively fulfilling its responsibility to protect the environment. Therefore, we continuously optimize the greening environment of the plant area and the office area. Through scientific and reasonable greening planning and careful maintenance and management, the greening area is increased year by year and the greening effect is increasingly remarkable.

Greening of Each Industrial Park of the Company

Indicator	Hengli (Dalian Changxing Island) Industrial Park	Hengli (Yingkou) Industrial Park	Hengli (Suzhou) Industrial Park	Hengli (Nantong) Industrial Park	Hengli (Suqian) Industrial Park	Hengli (Huizhou) Industrial Park
Green area (ten thousand m ²)	179.29	22.80	35.64	105.60	3.53	4.05
Proportion of green area in industrial park area (%)	16.69	21.55	21.47	25.35	11.70	10.00



Kanghui New Material Office Area

Case Environmental Protection Training

The Company carries out the activities of the June 5 Environmental Day and the National Energy Conservation Publicity Week, covering the employees of the whole Company by using water-saving scheme, training PPT, test papers, publicity videos, publicity posters and other modes and continuously improving the employees' awareness of saving.



Activities of June 5 Environmental Day and National Energy Conservation Publicity Week

Biodiversity Conservation

Check of Potential Ecological Hazards

In order to reduce the unnecessary negative impact on the ecological environment caused by the production and operation activities, the Company has formulated the Responsibility System for the Investigation and Treatment of Potential Soil Hazards, and regularly carries out self-monitoring of soil and groundwater to prevent possible pollution accidents and ensure that all environmental hazard factors are timely and effectively controlled, so as to ensure the sustainable development of the ecological environment.

Ecological Environment Restoration

The Company pays close attention to the health and restoration of the ecosystem, actively participates in various activities aimed at promoting the restoration of the ecosystem, and carries out the firm commitment to environmental protection with practical actions.

Case Green Hill Restoration and Treatment Project on the South Side of Hengli (Dalian Changxing Island) Industrial Park

The Company is committed to completing greening of the green hill restoration and treatment phase I project on the south side of Dalian Changxing Island Industrial Park with a total area of 62.65 hectares within five years. The project not only helps to protect biodiversity, but also improves the living environment of local residents through large-scale vegetation restoration, providing solid ecological environment support for enterprises and social and economic development in the region.



Green Hill Restoration and Treatment Phase I Project



04

Driven by Innovation, Pursuing Stable Development

Improving R&D System

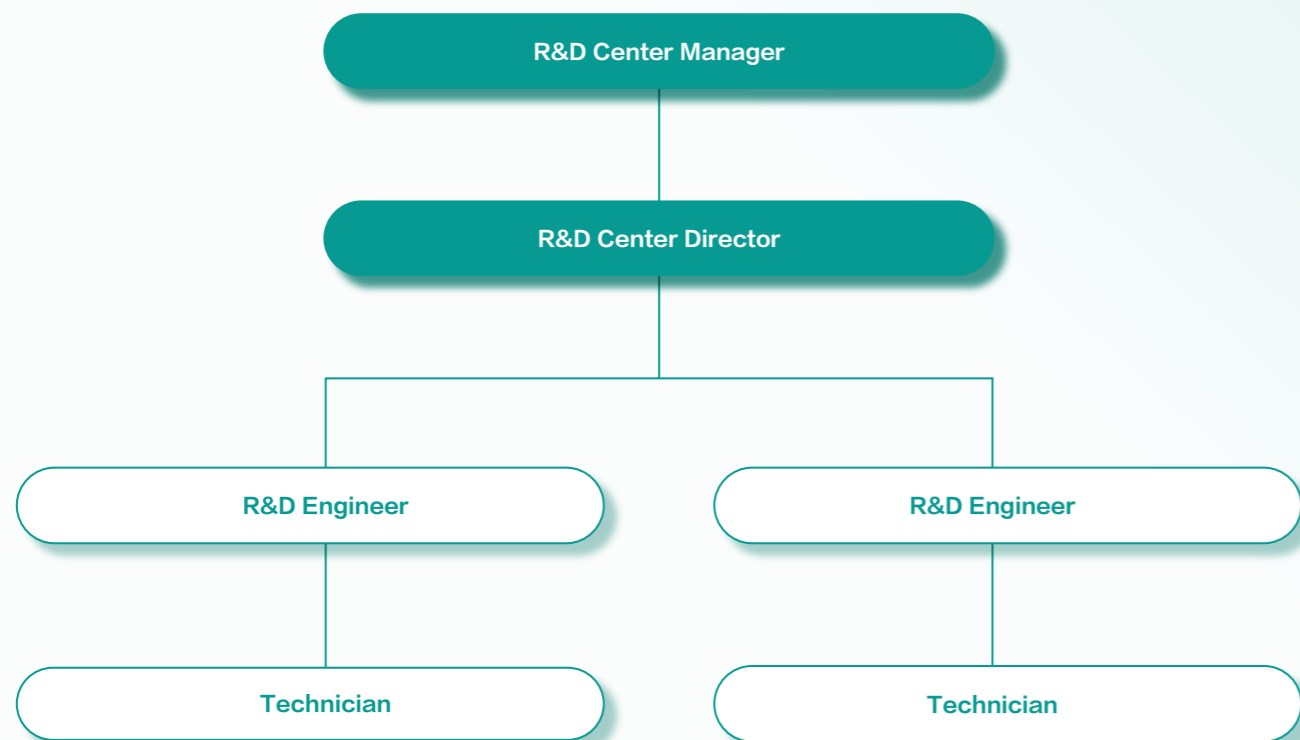
R&D System Guarantee

Hengli Petrochemical always adheres to scientific and technological innovation as the core driving force of enterprise development, attaches great importance to scientific and technological innovation, continuously strengthens the management of R&D system, and establishes relevant management systems such as *New Product Development Management Procedure*, *New Material R&D Center Laboratory Management System*, *Independent Innovation Reward Management Measures*, etc., to ensure the standardization of new product development process and scientific laboratory management, improve the working efficiency and innovation ability of R&D team, and provide a solid institutional guarantee for the R&D, test, promotion and application of new products of the Company.

R&D Organization Structure

The Company has set up an efficient management structure to ensure the orderly development of various R&D and management work. At the same time, it has set up annual objectives and long-term planning to define the new product development planning and future R&D direction of the Company, constantly improve its own R&D strength and innovation capacity, and inject strong power for the long-term development of the Company.

Schematic Diagram of R&D Organization Structure

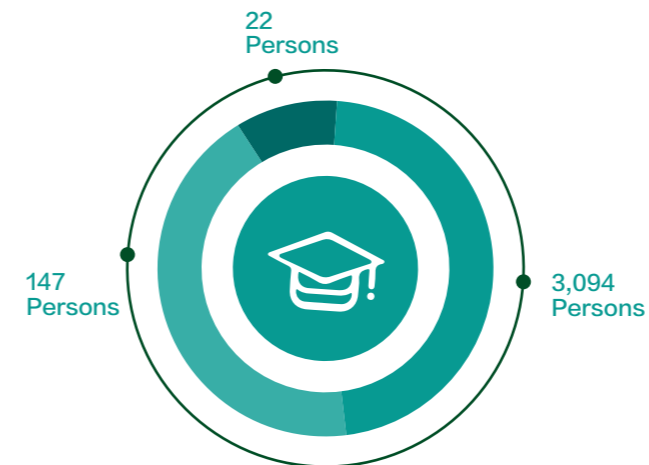


R&D Team Building

The Company pays attention to the R&D team building, and has multi-dimensional and multi-disciplinary senior talents covering material engineering, material chemistry, electrical engineering, analytical chemistry, polymer materials, etc. The Company has established "Hengli International R&D Center" and "Hengli Industry-University-Research Base" in Frankfurt, Germany, Osaka, Japan and other places, and employs senior experts from Germany, Japan, South Korea and other places to form an international R&D team, which provides powerful guarantee for the research and development of high-end differentiated products.

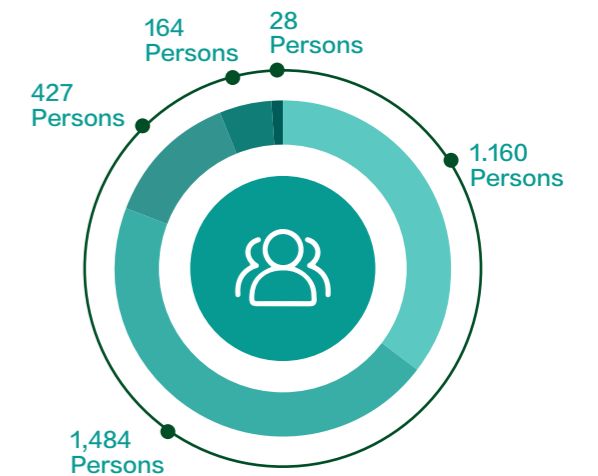
Summary 2023

Educational background structure of scientific research team



- Ph.D.: 22 Persons
- Master: 147 Persons
- Bachelor degree or below: 3,094 Persons
- Total: 3,263 Persons**

Age structure of scientific research team



- 60 years and above: 28 Persons
- 50 to 60 years old (including 50 years old and excluding 60 years old): 164 Persons
- 40-50 years old (including 40 years old and excluding 50 years old): 427 Persons
- 30 to 40 years old (exclusive): 1,484 Persons
- Below 30 years old (exclusive): 1,160 Persons
- Total: 3,263 Persons**

2023

R&D investment of the Company
RMB **13.71** million

Increase over the previous year
RMB **186** million

Year-on-year growth
15.7 %

Enabling Innovation Achievements

R&D Honors

Hengli Petrochemical takes a firm step on the road of scientific and technological innovation, and actively undertakes major science and technology projects at national level, provincial level and industry associations. Its technical achievements have won awards for many times. During the reporting period, “high-uniformity super-soft polyester fiber” was successfully listed in the 30th batch of key application promotion catalogue of Jiangsu Province; Deli Chemical Fiber was awarded as Jiangsu Province Enterprise R&D Management System Standard Implementation Qualified Unit; 4 main subsidiaries including Hengli Chemical Fiber and Deli Chemical Fiber won the national title of “High-tech Enterprise”.



Hengli Chemical Fiber



Deli Chemical Fiber

Case Self-developed Biodegradable Plastic Bag

The Company adopts the independently developed process technology and formula to produce PBS, PBAT, PBSA, PBST and other products according to the market demand. No toxic or harmful substances are added in the production process, and the products are applicable to the application in the food-grade field. The products belong to thermoplastic fully biodegradable polyester plastic, has excellent biodegradability, can be completely decomposed by microorganisms within 180 days under the condition of composting, and makes positive contributions to protecting the ecological environment of the earth and reducing plastic pollution.



Biodegradable Film

Case Kanghui New Material Successfully Developed 3.9 Micron Ultra-thin Carbon Tape Base Film

The R&D team of Kanghui New Material has overcome many challenges in the production process through many tests and process optimization, and finally made a major breakthrough in the film production technology, and successfully developed and produced the 3.9 micron ultra-thin carbon tape base film in batch, which was highly recognized by customers. The novel film has the advantages of uniform thickness, high flatness, high strength and the like, effectively solves a plurality of use problems of the traditional carbon belt, can be widely applied to a plurality of fields such as internet of things, industrial automation, medical treatment and the like, is expected to gradually replace the existing 4.5 micron carbon tape base film market, and further promotes energy conservation, environmental protection and sustainable development of the carbon tape industry.



3.9 Micron Ultra-thin Carbon Tape Base Film Product

Industry-University-Research Cooperation

Hengli Petrochemical attaches great importance to technical innovation and product upgrading, and establishes a solid long-term industry-university-research cooperation relationship with many top universities at home and abroad, making full use of the scientific research resources of colleges and universities to obtain strong theoretical and technical support. After that, the Company carries out in-depth independent research and development, establishes a high-level research and development platform, promotes the technical progress and innovation capability of the Company, and injects new vitality into the sustainable development of the industry.

Case Pilot Scale Technology Development Project for Synthetic Rubber and Elastomers

The R&D team of Hengli Petrochemical Chemical and the research team of Dalian University of Technology have successfully completed the synthesis and development of some resin-grade rubber products. As of now, the transfer, installation and commissioning of the pilot equipment have been completed for the synthetic rubber and elastomer pilot technology development project, and the experimental process has been established.

Facilitating the Development of the Industry

The Company actively participates in the formulation of national, industrial and group standards, discusses with industry colleagues, and makes positive contributions to the improvement of technical level of the industry. At the same time, the Company actively participates in various exhibitions, industry seminars and other activities, exchanges ideas with the industry elite, shares experience, and constantly absorbs new knowledge and new technologies to maintain the innovation vitality of the enterprise.

The Company's participation in standard formulation in 2023 is as follows

S/N	Company	Standard Type	Standard Name
1	Hengke Advanced Materials	Industry	Polyester pre-oriented yarn
2	Hengke Advanced Materials	Industry	Colored polyester pre-oriented yarn
3	Jiangsu Xuanda	Industry	Polybutylene terephthalate/polyethylene terephthalate (PBT/PET) composite elastic yarn
4	Jiangsu Xuanda	Industry	Polytrimethylene terephthalate/polyethylene terephthalate (PTT/PET) composite pre-oriented yarn
5	Kanghui New Material	Group	Polyester film for OCA release film
6	Kanghui New Material	Group	Polyester film for window film
7	Kanghui New Material	Group	Polyester film for MLCC release film
8	Kanghui New Material	Group	Polyester film for polarizer protective film
9	Kanghui New Material	Group	On-line coating type polyester release film
10	Kanghui New Material	Group	Polyester film for photoresist dry film
11	Kanghui New Material	Group	Composite copper foil for lithium ion battery

Case Kanghui New Material Was Invited to Participate in the 2nd Global Film Capacitor Industry Technology Seminar and VDE Technical Standard Seminar

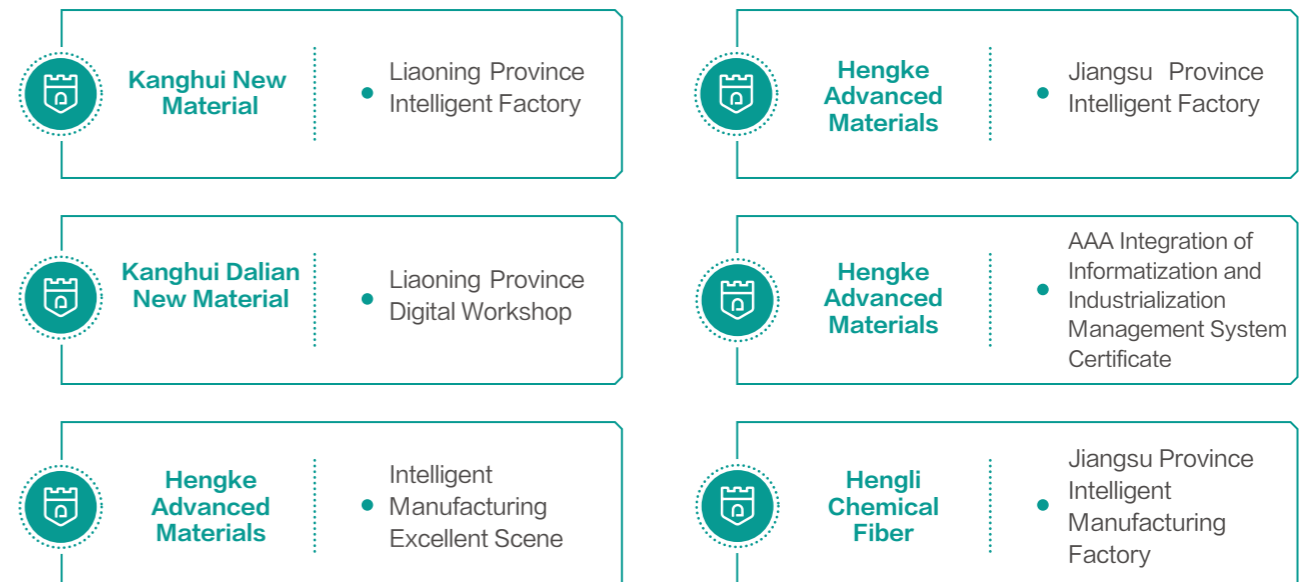
The 2nd Global Film Capacitor Industry Technology Seminar was held in Zhuhai from May 18 to 19, 2023, attracting more than 300 industry experts. Kanghui New Material has demonstrated the application of PBT engineering plastics and modified products in the capacitor industry, further promoting the technological development and industrial innovation of film capacitors, and enhancing China's competitiveness in the global market.



Kanghui New Material Demonstrated the Application of PBT Engineering Plastics and Modified Products in Capacitor Industry

Promoting the Development of Digital Intelligence

Hengli Petrochemical adheres to the deep integration of industrialization and informatization, and makes every effort to create an intelligent ecosystem of the whole industrial chain. By taking "intelligent interconnection" as an important entry point for industrial upgrading and transformation, Hengli Petrochemical independently researches and develops intelligent systems, and constantly promotes the whole-process intelligent manufacturing level of the Company. During the reporting period, several subsidiaries of the Company won various smart manufacturing awards, demonstrating the Company's outstanding strength in the field of smart manufacturing and injecting strong impetus for the Company's future development.



Case Intelligent Upgrade of the Whole Industrial Chain

In the oil refining sector, Hengli Petrochemical adopts international state-of-the-art processes and equipment, and combines the domestic leading automation and monitoring system to ensure the safety, energy saving and high efficiency of the production environment. In the midstream and downstream of the industrial chain, many intelligent production workshops have been built in the new polyester material and textile sector to realize full-process automatic production. The Company realizes energy saving in the whole process through the cooperation of upstream and downstream processes, deeply integrates digitalization and intelligence, and promotes the high-quality development of the Company.



Central Control Room

Case Hengke Advanced Materials – Significant Achievements in the Integration of Industrialization and Informatization

Hengke Advanced Materials continuously strengthens the informatization construction and comprehensively promotes the construction of intelligent factories. On the one hand, it introduces intelligent manufacturing equipment to improve the product quality and production efficiency through the application and integration of automation, industrialization, informatization and digitization; On the other hand, the ERP informatization system project is introduced and implemented to give full play to the important role of information system in data transmission, analysis and scientific decision-making. Hengke Advanced Materials has made remarkable achievements in promoting the in-depth integration of industrialization and informatization, and has obtained AAA-level Integration of Informatization and Industrialization Management System Certificate.



Integration of Informatization and Industrialization Management System Certificate

Case HENGLINK Digital Intelligent Platform

Hengli Petrochemical establishes the HENGLINK information platform, realizes the centralized management of core business processes such as ERP (Enterprise Resource Planning), MES (Manufacturing Execution System) and WMS (Warehouse Management System), promotes real-time data sharing and collaborative work of business processes, and significantly improves the R&D strength, intelligent manufacturing capacity and quality management efficiency of the factory.



HENGLINK Industrial Internet Platform

Protecting Intellectual Property Rights

The Company attaches great importance to intellectual property protection, runs intellectual property protection through the whole process of product research and development, has established the *Management System for Scientific and Technological Innovation* and other systems, standardizes the management process of scientific and technological projects and patents, strengthens the intellectual property protection in all aspects, and ensures the effective protection and application of enterprise innovation achievements. During the reporting period, several subsidiaries of the Company have obtained the intellectual property management system certificate, among which, Kanghui New Material and Hengke Advanced Materials have won the National Intellectual Property Advantage Enterprise, Hengli Chemical Fiber has won the National Patent Excellence Award, and Hengke Advanced Materials has won the Excellent Patent-Silver Award of China National Textile And Apparel Council.



Hengli Chemical Fiber China Patent Excellence Award Certificate



Hengke Advanced Materials Intellectual Property Management System Certification



Excellent Patent-Silver Award of China National Textile And Apparel Council

Key Performance

In 2023, the Company has obtained **215** new patents

32 software works

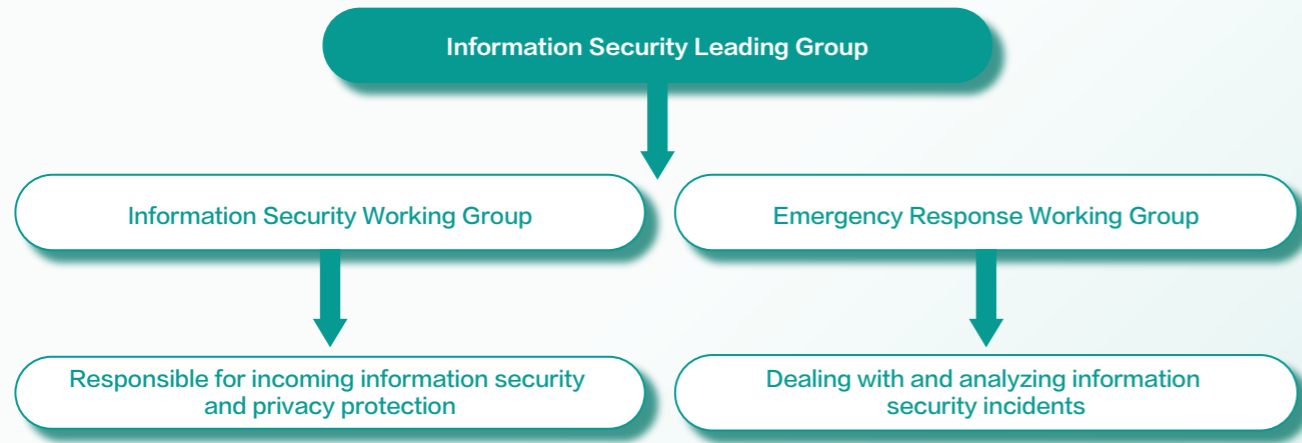
By the end of 2023, the Company has accumulated **1,331** patents

1,245 trademarks

Guarding Information Security

Information Security Management

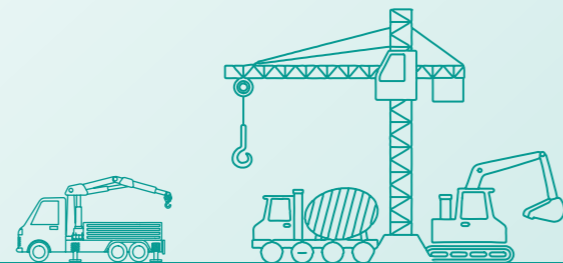
The Company has formulated the *Information Security Management System* and other systems to strictly manage and control the equipment, facilities, software systems and other behaviors connected with the information system of the Company through the information security guarantee mechanism to ensure that the information security of the enterprise is protected. At the same time, each subsidiary of the Company establishes an information security management department to be fully responsible for the information security management, so as to realize the credible, controllable and manageable information security.



Information Security Organization Structure

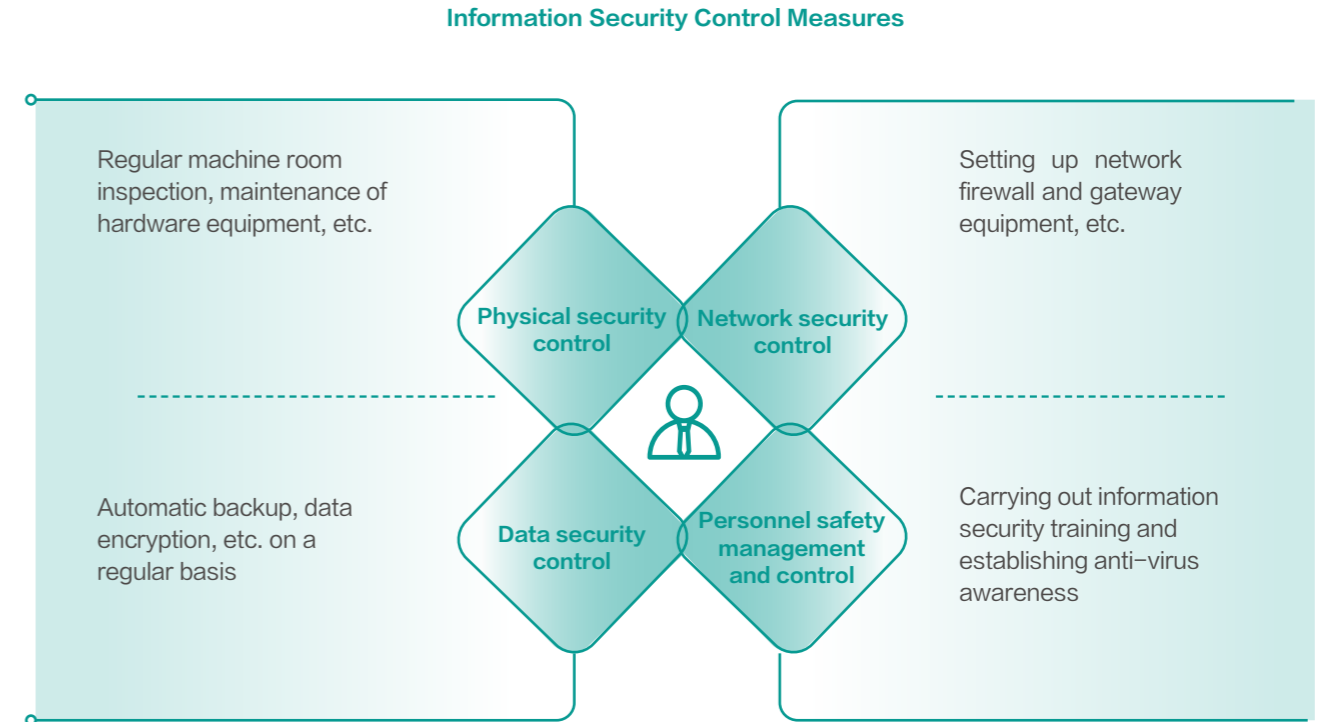
Information Security Risk Identification and Assessment

The Company adheres to the general policy of “safety first, prevention first, management and technology equally, and comprehensive prevention”. Through information security risk identification and assessment, the Company determines the high and low priority of risks, and establishes corresponding risk control measures to mitigate or eliminate the hazards and impacts of possible information security events. At the same time, the Company has formulated the *Network Security Emergency Response Plan* and other systems to standardize the security incident handling procedures of the Company’s information system, conducts plan drills regularly, and improves the ability and level of preventing and controlling information security emergencies.



Information Security Management Measures

The Company formulates a series of management measures around physical security, network security and other aspects to continuously improve the protection level of network and data security.



Key Performance

During the reporting period, the completion rate of safe construction was **100%**

Maintenance rate of software and hardware was **100%**

Hardware safety rate was **100%**

There were **9,313** system problems handled

75 information security education and training sessions were completed



05

Collaborative Empowerment and Joint Progress with Persistence

Quality Assurance First

Product Quality System

The Company strictly complies with the *Law of the People's Republic of China on Product Quality* and other laws and regulations, establishes a series of product quality management systems such as Product Standardization Management System, establishes and improves the quality management system, sets up the Dispatching Technology Department to take charge of the product standardization management, and the Inspection Center carries out inspection in strict accordance with the product standards, so as to realize the full-cycle high quality management of the production process quality management, product warehousing, delivery and packaging. During the reporting period, 7 subsidiaries including Kanghui New Material and Hengli Petrochemical Chemical have passed ISO 9001 quality management system certification.



Quality Management System Certificates of Some Subsidiaries

Product Quality Control

The Company always puts the quality in the first place, actively cooperates with the product spot check, and establishes the internal quality standard, divides the polyester drawn yarn (FDY) and the polyester pre-oriented yarn (POY) into three grades: AA, A and B, and accurately evaluates the product quality. During the reporting period, the qualified rate of the Company's products was 100%.

In order to strengthen quality risk management, the Company has established the *Control Procedure for Handling Risks and Opportunities* to guide the implementation of quality risk management and avoid quality risk.

Quality Risk Control Process	
Critical Steps	Content of Measures
Identification	Identify potential quality risks and opportunities based on the current situation of the Company and the internal and external environment
Assessment	The risk identification team evaluates the identified quality risks and determines the risk level
Development of measures	Formulate corresponding prevention and control measures according to quality risk level

Case Digital Enablement for Quality Control

The Company continues to explore digital quality management, and its subsidiary Kanghui New Material has established a digital polyester film quality management system to identify and solve product quality problems more accurately and quickly and improve product quality and production efficiency.

The Company constantly enhances the quality awareness of all employees, details the quality control to each post and every link, and lays a solid foundation for the high-quality development of the Company.

Case Enabling Employees with Quality Training

In 2023, the Company carried out post skill improvement, quality management and other training sessions. Through targeted training and actual operation drills, the occurrence of repeated defects was reduced, and the product quality and customer satisfaction were improved.



Post Skill Improvement Training



Quality Management Training

Product Recall Management

The Company identifies and disposes of non-conforming products in strict accordance with the *Non-conforming Product Control Management System* and other internal systems, conducts product recall simulation drills regularly, evaluates and verifies the effectiveness of the recall procedures, and protects the product quality. During the reporting period, there were no large-scale product recalls.

Customer Service Management

Service System Guarantee

Adhering to the management concept of “market-oriented and customer-centered”, the Company continuously optimizes the customer service system, establishes the *Customer Service Control Procedure*, establishes the perfect sales procedure, always adheres to the consumer-centered business philosophy, improves the after-sales service mechanism, and rapidly responds to and handled complaints and feedback from customers. At the same time, we strictly protect the information security of consumers, strive to improve customer satisfaction, and take the reasonable satisfaction of consumers as our own responsibility.



Contract Review Procedure

- Applicable to company contract review control
- To conduct effective contract review quality control, there should be clear, sufficient, and reasonable regulations related to product requirements. Through the review, it is confirmed that the Company has the ability to meet these requirements, ultimately satisfying customers



Customer Satisfaction Survey Control Procedure

- Applicable for shift heading and measuring external customer satisfaction of the Company
- Through a survey of customer satisfaction, understand whether the Company correctly understands and meets the current and future needs and expectations of customers, improve the QHSE management system based on the survey results, and continuously improve customer satisfaction

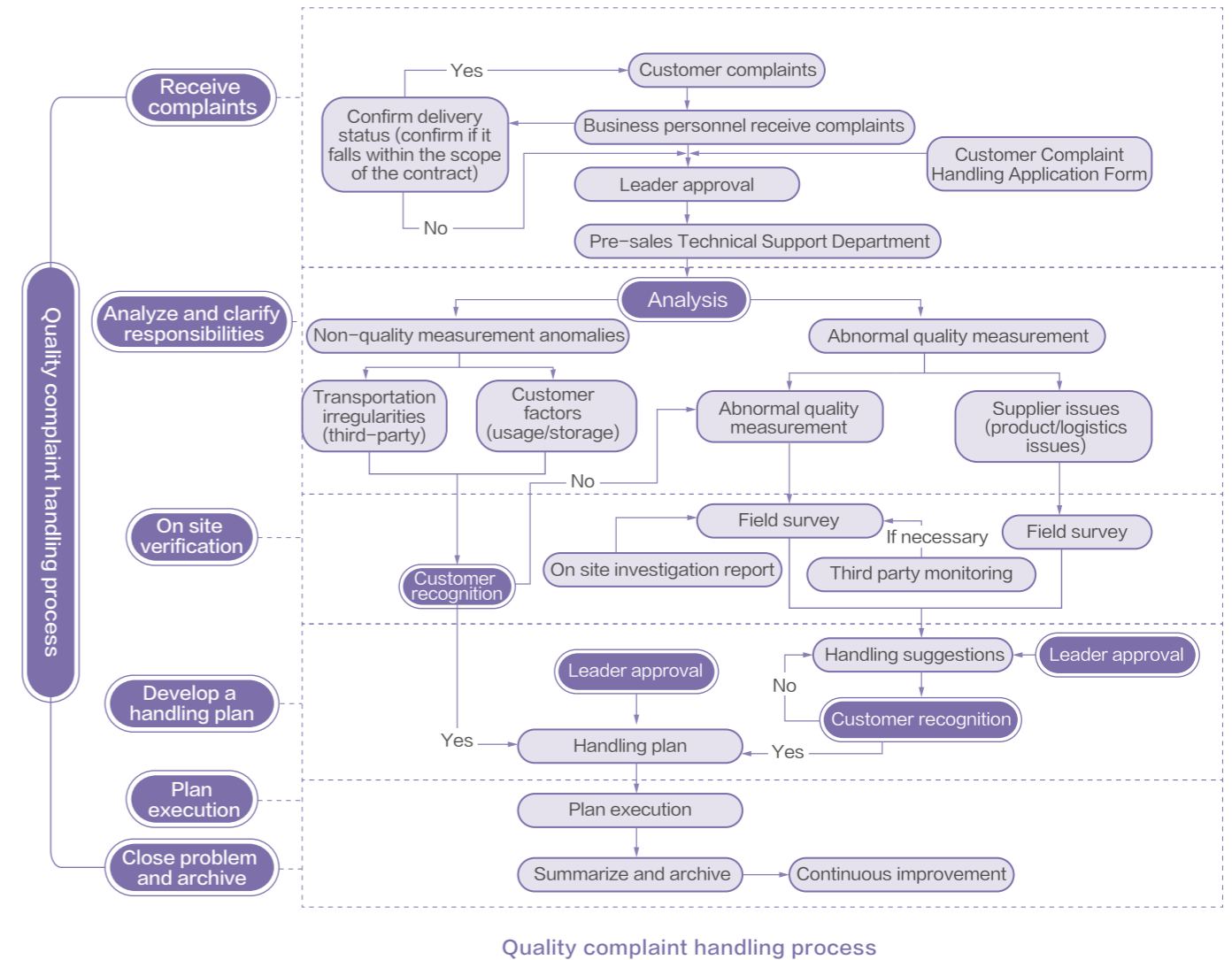


Customer Service Control Procedure

- The entire process of product sales and services
- Implement the Company's quality policy, assist customers in using the Company's products correctly, timely solve related problems during use, provide customers with high-quality products and good services, and establish a good image of the Company

Mechanism for Handling Customer Complaints

The Company continuously improves the customer complaint handling mechanism, establishes a quality customer complaint handling process, ensures that the problems complained by customers are solved orderly and efficiently, and better protects the rights and interests of customers.



Customer Satisfaction Management

The Company attaches importance to and continues to carry out customer satisfaction management, develops *Customer Satisfaction Management Procedure*, analyzes and evaluates customer satisfaction in the form of issuing Customer Satisfaction Questionnaire, and prepares satisfaction survey report for overall improvement. At the same time, the Company regularly carries out sales process and business etiquette training for the Sales Department, improves the professional quality and service level of employees from various aspects and continuously improves customer satisfaction.

Key Performance

During the reporting period, the recovery rate of customer satisfaction questionnaires distributed by the Company was **100%**

The comprehensive customer satisfaction score was about **98%**

Responsible Procurement Practice

Supply Chain Management

The Company attaches great importance to the supply chain management, establishes the *Supplier Management System*, *Bidding and Procurement Management System* and other internal systems, continuously strengthens the risk management and control in the procurement process, and continuously improves the procurement quality and efficiency.

Key Performance

During the reporting period, the total number of suppliers of the Company's main subsidiaries was **6,338**



Supply Chain Risk Identification and Countermeasures

Risk Points	Opportunities to achieve goals	Control Measures
Failure to establish a procurement plan or to prepare a reasonable procurement plan	Raw materials meet the production plan and meet the Company's business needs	<ul style="list-style-type: none"> Purchase raw materials in batches according to production conditions to ensure safety stock Monthly collection of procurement plan and implementation of procurement
The purchase does not arrive in time	The supplier supplies goods in time, and the Company can complete the delivery of customers' products in time	<ul style="list-style-type: none"> Release the procurement plan in advance, and make plan tracking and arrival statistics Assess the delivery performance of the supplier
Non-conformance of material quality	The quality of the supplier meets the requirements, and the products of the Company meet the customer requirements	<ul style="list-style-type: none"> Define technical specifications and quality requirements for purchased materials Implement compliance acceptance according to incoming inspection specification Propose rectification requirements for the supplier after unqualified acceptance
Poor supplier quality assurance capability	Improve the quality assurance capability of the supplier to ensure business continuity	<ul style="list-style-type: none"> Develop a supplier quality management system Develop and implement a supplier audit plan

Full Life Cycle Management

The Company strictly abides by the national laws and regulations, carries out the work of supplier access, audit, evaluation, classification and exit in accordance with the *Supplier Management Control Procedure*, and realizes the full life cycle management of suppliers.



Supplier Access

Score and evaluate according to production management and quality control, product performance and HSE management ability, and take quality, environment and safety management system certification as important factors for supplier access.



Supplier Audit

Review the credit materials submitted by different types of suppliers as required, and issue the *Supplier Investigation Report and Supplier Score Sheet* after on-site inspection if necessary.



Supplier Evaluation

Evaluate and re-evaluate suppliers, and input supplier evaluation results into supplier information database.



Supplier Classification

Suppliers shall be assessed according to their strength, quality, delivery, etc. and graded according to their scores. For Level A suppliers, purchase quantity can be increased; For Level B suppliers, purchase can be made normally; Level C suppliers need to be provided with guidance, with reduced purchase quantity or suspended purchase; Level D suppliers are non-conforming and will be eliminated.



Supplier Exit

Establish corresponding supplier exit mechanism. If there are serious problems or legal disputes in contract performance, remove the supplier from the qualified supplier pool and disqualify the supplier.

Key Performance

During the reporting period, the number of suppliers whose cooperation was terminated due to non-conformity was **92**



Driving Supplier Growth

The Company attaches importance to the training and communication of suppliers, promotes and implements the requirements of quality, environment and occupational health and safety protection to suppliers in the form of *Notice of Relevant Parties*, assists suppliers in formulating emission reduction plans, puts forward suggestions on possible environmental protection risks, and devotes itself to building a sustainable supply chain system with coordinated development of upstream and downstream.

Digital Supply Chain

Based on the independently developed HENGLINK digital intelligent platform and built-in AWMS supply chain intelligent storage system, the Company realizes the systematic and intelligent management and control of the whole process from warehousing, warehouse-out, storage to warehouse management, and continuously improves the procurement management level of the Company.

Case Digital Boosts Business Development

The AWMS supply chain intelligent storage system of the Company is a platform for real-time collection and timely sharing of the state information of each link of material turnover relying on the technology of Internet of Things. Through the operation and application of each module in the system, the Company realizes the control and tracking of the procurement process, and realizes the visual and systematic management of materials.

Implementation of Sunshine Procurement

In order to prevent the risk of integrity from the source of business, the Company signs the *Anti-Bribery Agreement* with the supplier, and carries out the integrity training for the internal procurement personnel of the Company, and jointly creates a “sunshine” procurement environment with a clean atmosphere.

Bidding Principles of Hengli Petrochemical	
Principle of separation of powers and checks and balances	In all aspects of bidding and procurement, all judges shall participate independently, and technical and commercial judges shall be divided into stages
Principle of fairness and transparency	Bidding and procurement evaluation standards must be fair and consistent, and conclusions must be objective and just
Principle of being honest and public-spirited	All procurement participants must abide by professional ethics and be honest and self-disciplined
Principle of maintaining reputation	Relevant parties involved in the bidding and procurement shall be dedicated, professional and honest to maintain the reputation of the enterprise
Commercial confidentiality principle	All technical, patent and commercial quotations involved in the evaluation of bidding and procurement shall be kept confidential
Principle of procedure traceability	Each step in the bidding and procurement process shall be provided with standard result records and result documents for review

Key Performance

During the reporting period, the signing rate of supplier integrity agreement was **100%**





06

People-oriented, Creating Happiness for Employees

Employee Rights and Benefits

Harmonious Labor Relations

Adhering to the concept of “people-oriented” talent development, Hengli Petrochemical has formulated the *Human Resource Management System* 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 to create a diversified and inclusive workplace environment and grow up together with employees. During the reporting period, there were no violations related to the employment of child labour or forced labour.

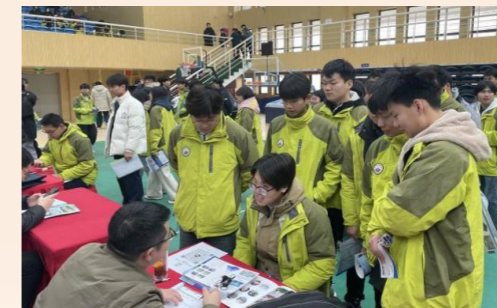
Employee Employment Management

	Recruitment and dismissal	Standardize the entry and exit process of employees, and sign labor contracts with all employees according to law
	Equal employment	Firmly oppose employment discrimination and ensure that employment and career development of employees are not affected by gender, nationality, age, religion, marriage and other factors
	Promoting diversity	Provide equal and fair employment opportunities for women and ethnic minority candidates
	Hours of work and vacations	Formulate the <i>Attendance Management Measures</i> , reasonably arrange the work and rest time of employees, and maintain the rest rights of employees
	Put an end to child labour	Strictly verify the age of candidates and prevent recruitment of persons under the age of 16
	Forced labour prohibition	Arrange the employees to participate in the work according to the principle of voluntariness, and guarantee the personal freedom of the employees
	Pay attention to the employment of special groups	<p>Actively respond to the <i>Regulations on Employment of the Disabled</i>, provide the disabled with positions such as portal crane driver, forklift driver, packager/auxiliary, and respect and support the employment of disabled workers</p> <p>Continue to improve the development mechanism for ex-servicemen, establish posts that meet the requirements of ex-servicemen, and encourage ex-servicemen to participate in academic education to realize their personal development value</p>

The Company has always been committed to broadening talent recruitment channels, formulated *Personnel Appointment Management Measures and New Personnel Appointment Management Measures (Provisional)* to provide employment and development opportunities for different personnel through various channels such as social recruitment, campus recruitment, school-enterprise cooperation, internal recommendation and post rotation, so as to create a diversified staff team.

Recruitment Channels and Methods

Employment channel	Employment method	Primary object
Internal acquisition	<ul style="list-style-type: none"> Internal public recruitment Employee internal recommendation Promotion and post rotation Retirement re-employment 	<ul style="list-style-type: none"> On-the-job employees Excellent employees Employees’ families Retired leaders
External acquisition	<ul style="list-style-type: none"> Public recruitment Release recruitment information through recruitment platforms Self-recommendation Campus recruitment; joint training of school and enterprise Other methods 	<ul style="list-style-type: none"> Social personnel Past and fresh graduates
Online recruitment	<ul style="list-style-type: none"> www.chenhr.com www.bjx.com.cn 51job.com pulandian.597.com 	<ul style="list-style-type: none"> Social personnel Past and fresh graduates
Micro-recruitment	<ul style="list-style-type: none"> Moments HC Forum Tieba 	<ul style="list-style-type: none"> Social personnel Past and fresh graduates



Campus Job Fair

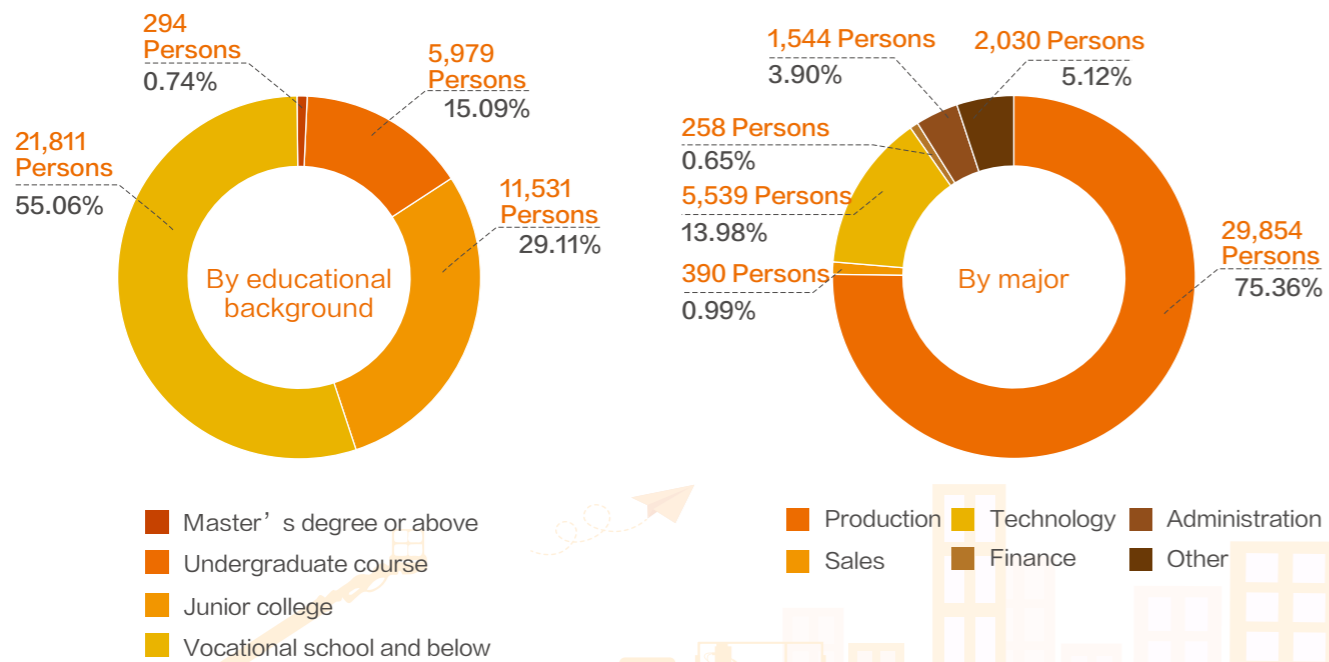
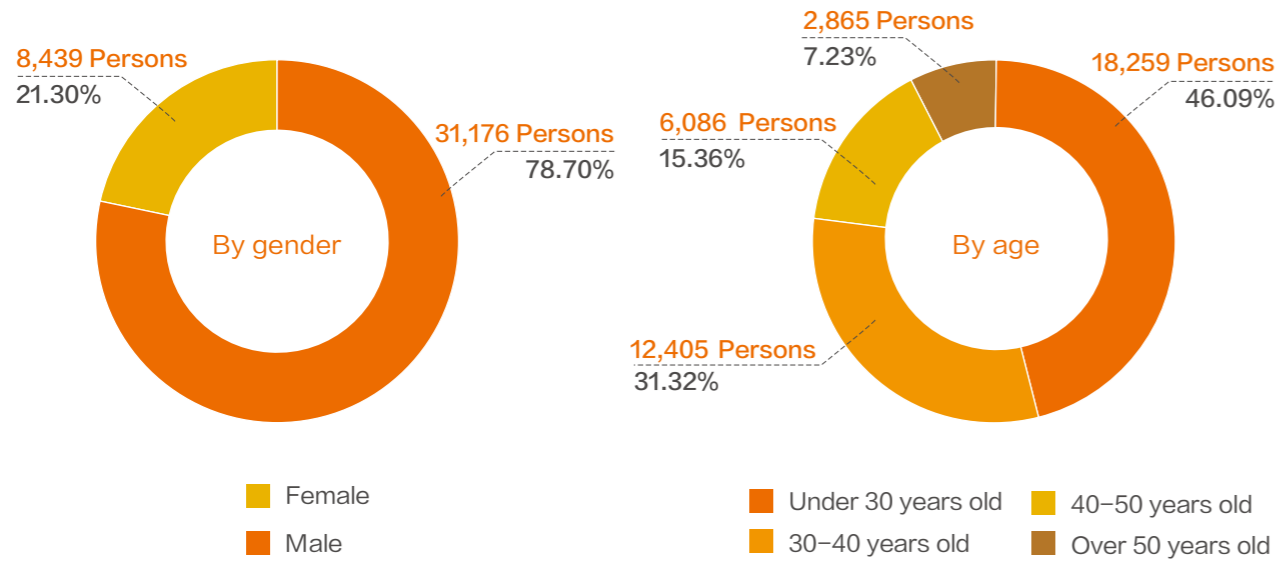


Employment Fair for the Disabled



In-service Ex-servicemen Received Letters of Acceptance

Employee Structure



Key Performance

Total number of employees

39,615 Person

Recruitment of veterans

865 Person

Employment of employees with disabilities

35 Person

Signing rate of labor contract

100%

Social insurance coverage

97.27%

Perfect Salary and Welfare

Salary Management

In accordance with the principle of "competitive externally and fair internally", 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, establishes the Detailed Rules for Salary Management System and the Management Method for Performance Appraisal of All Employees, and adheres to the principle of equal pay for equal work, and establishes a salary system with basic salary as the main body and variable salary matching with indirect salary, and provides a fair and competitive salary structure for employees.

Salary System



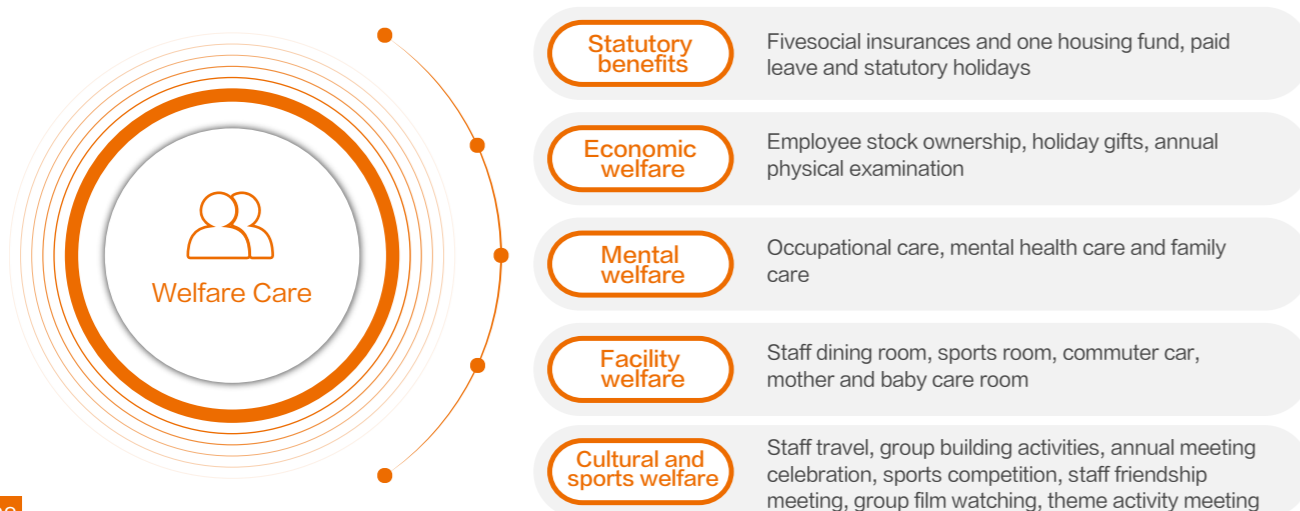
Salary Incentive

The Company establishes a four-level performance management system, continuously standardizes the performance management process, regularly carries out performance appraisal, and widely applies the results of performance appraisal to the distribution of performance bonus and the selection of excellent employees, giving full play to the incentive role of salary system on talents. In addition, the Company attaches great importance to the communication and feedback of performance, and establishes a “two-way communication” mechanism between managers and employees to ensure the fairness and impartiality of the appraisal results.



Welfare Care

On the basis of “fivesocial insurances and one housing fund”, holidays and other statutory benefits, the Company additionally provides employees with competitive welfare treatment, enhances their happiness and improves their satisfaction.



Efficient Democratic Management

The Company attaches great importance to democratic management, strictly abides by the *Trade Union Law of the People's Republic of China*, *Collective Contract Provisions* and other laws and regulations, adheres to the protection of the freedom of association and collective bargaining rights and interests of employees, and protects the legitimate rights and interests of employees.

Organization guarantee	<ul style="list-style-type: none"> Establish a trade union organization in accordance with laws and regulations
Mechanism guarantee	<ul style="list-style-type: none"> Regularly hold the worker's congress Sign <i>Collective Contract</i> with employees to effectively protect their legitimate rights and interests
Measures guarantee	<ul style="list-style-type: none"> Consistently carry out the publicity of plant operations and disclose hot topics of concern to employees Each subsidiary widely solicits opinions and demands of employees by setting up general manager mailbox and suggestion box, carrying out employee symposium, questionnaire survey and opening supervision and report telephone, etc.



Set up suggestion boxes in each office building and server/equipment room in the plant



Public supervision and report telephone

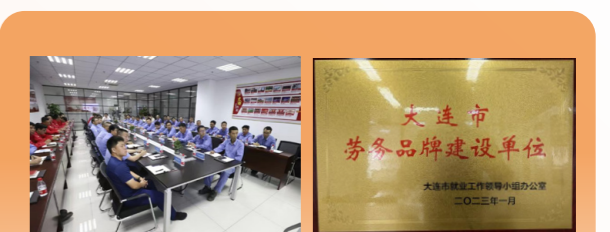
Increasing Employee Satisfaction

The Company attaches great importance to the opinions and suggestions of employees, carries out satisfaction survey activities every year, explores the key factors affecting employee satisfaction by means of questionnaire survey, takes the results as the orientation, makes timely targeted improvement to the deficiencies, strives to create a satisfactory workplace environment for the employees, and enhances the sense of belonging and happiness of the employees.

The Company has established a labor dispute mediation committee, established a labor relationship early warning and labor dispute mediation mechanism, clarified the labor and personnel dispute mediation procedures, and continues to build a harmonious and stable labor relationship.

Key Performance

During the reporting period, the employee satisfaction was **95%**



Satisfaction Survey

The Company Was Recognized as Dalian Labor Service Brand Construction Unit

Employee Growth and Development

Employee Training

Talent Training System

The Company pays attention to talent cultivation, and has formulated the *Personnel Training Management Measures*, takes Hengli Business School, LINK classroom and other online platforms as the starting point, relies on the trainer system and training resource library in the workshop, and establishes a talent cultivation system covering all employees to realize the common development of employees and the enterprise. During the reporting period, according to the annual training plan, the Company carried out extensive employee training by level, category and post to realize the common growth of employees and the enterprise.

Hengke Advanced Materials Management Personnel Training System	
Networking Plan	<ul style="list-style-type: none"> ● Training plan for group leader level through online and offline classes, self-reading and team leader teaching mode. During the reporting period, 24 training sessions were conducted, the training duration was 74 hours, and 1,096 person-times participated in the training
Spider-Man Plan	<ul style="list-style-type: none"> ● Training plan implemented at shift head level in the form of project system. During the reporting period, 10 training sessions were held, with 84 hours of training duration, and 485 person-times participated in the training
Pilot Plan	<ul style="list-style-type: none"> ● Pilot Plan 1.0: Training plan for new managers and junior managers through project system. During the reporting period, 8 training sessions were conducted, with 42 hours of training duration and 408 person-times of training ● Pilot Plan 2.0: Training plan for senior managers through three ways: "off-line workshop", "online business school" and "visit". A total of 73 participants participated in project learning during the reporting period ● Pilot Plan 3.0: Training plan for management masters by means of "action learning" and "study tour". During the reporting period, 7 course training sessions were conducted for 56 hours and 98 person-times participated in the training



Hengke Advanced Materials Technical Personnel Training System	
Project Name	Cultivation Mode
Project Name	<ul style="list-style-type: none"> ● One-year training program for technician level
New Power Plan	<ul style="list-style-type: none"> ● Training program for assistant engineer level, focusing on business capability upgrading, perspective and capability expansion, with a four-year training period
Constant Power Plan	<ul style="list-style-type: none"> ● Special training program for R&D and process technicians, with one-year training period



Key Performance

During the reporting period, the total training time of employees was **1,989,008** hours, the total number of persons trained was **514,766** person times, and the training time per person was **50** hours.

Case Hengli (Dalian Changxing Island) Industrial Park – New Employee Induction Training

In order to help new employees understand the Company more deeply and adapt to the new environment and integrate into new posts, Hengli (Changxing Island) Industrial Park has carried out the induction training for new employees in 2023 by adopting the mode of combining “course training” and “military training expansion”, so as to comprehensively improve the individual ability and comprehensive quality of employees from various angles.



New Employee Training

Construction of Internal Trainer Team

The Company is committed to establishing and improving the internal trainer system, selecting and cultivating excellent internal trainers, constantly optimizing the instructor team, and developing the internal course resource library covering many fields such as technology, management and professional accomplishment, so as to realize the internal experience inheritance and talent echelon training.

Case Hengke Advanced Materials – Launching the “Hengshi Plan” Training Camp

In 2023, the first phase of the “Hengshi Plan” Training Camp was officially launched, which enables the students to do by learning and learn by doing through the learning in practice “immersion teaching” mode. In the first training camp, a total of 2 training sessions were held, and 27 micro courses were output.



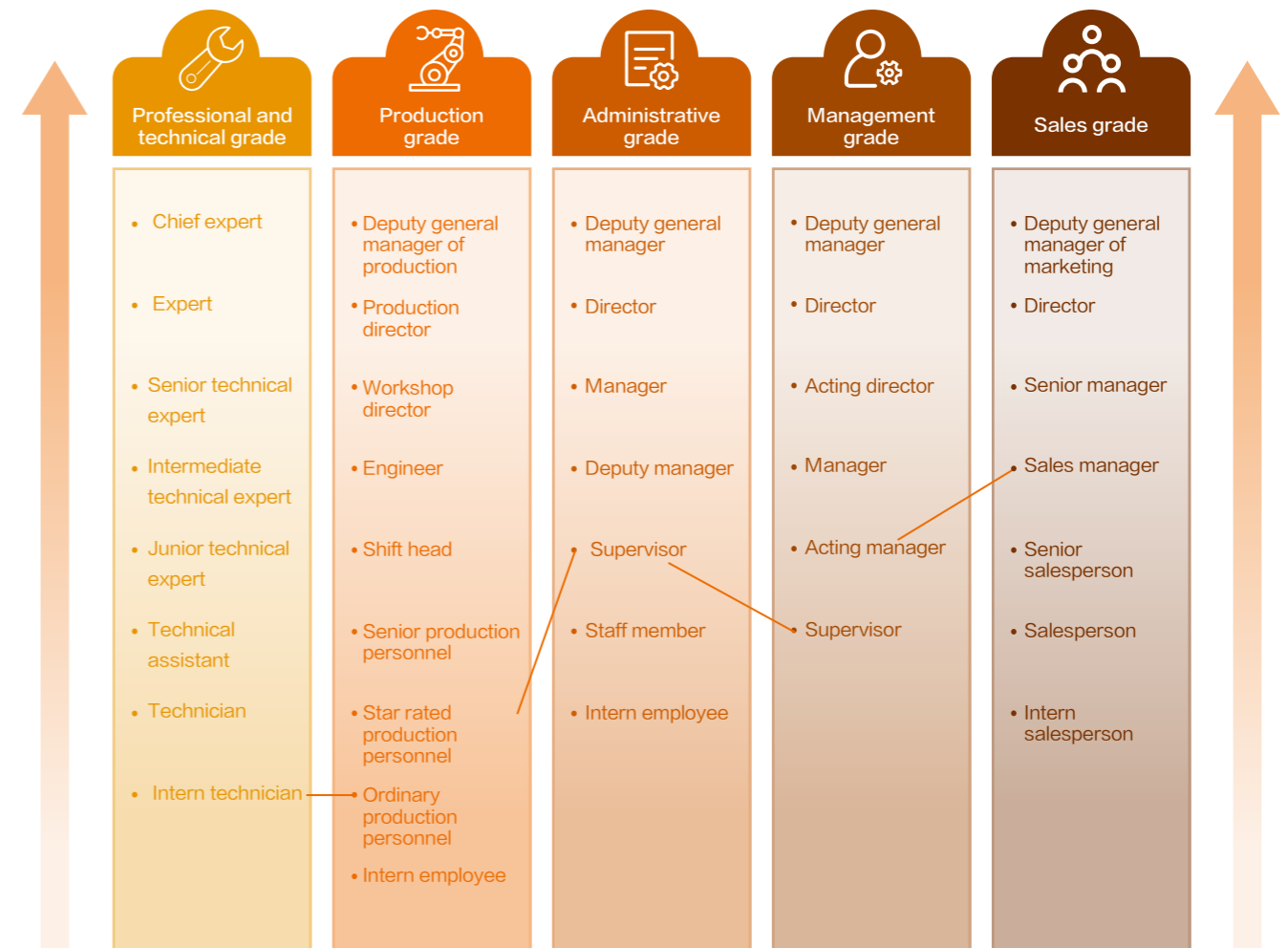
Hengshi Plan

Supporting Employees to Study

The Company actively supports employees to improve their own abilities and academic qualifications and promote the construction of the learning-oriented enterprise. Hengke Advanced Materials provides tuition reimbursement incentives to employees who participate in academic advancement during the in-service period to encourage employees to enhance their business ability and improve their degree level. At the same time, we pay attention to the construction of professional and technical teams, organize and carry out the application of various professional and technical titles, and train a high-level and high-skilled talent team suitable for the development of the enterprise. During the reporting period, a total of 150 people were organized to participate in the academic qualification promotion, and 99 people applied for professional titles.

Career Development

The Company pays attention to the promotion of multi-channel professional ability of employees, and has formulated relevant systems such as *Management Measures for Promotion of Front-line Employees*, *Management Measures for Selection of Shift Heads and Above Level*, *Specific Training Plan for Reserve Cadres* and other relevant systems, and establishes the professional development mode of intercommunication of all channels, so as to build a broad development platform and diversified development paths for employees of different sequences and levels, so as to ensure that each employee obtains fair and equal promotion opportunities. At the same time, the Company has formulated the *Management Measures for Employee Internal Post Transfer* and established a dynamic human resource management system, further optimizing human resource allocation and continuously encouraging the internal mobility of employees.



Career Development Path

Safety Production and Occupational Health

Tamping the Safety Cornerstone

In accordance with the policy of “safety first, prevention first, comprehensive management”, and in strict compliance with the Law of the People’s Republic of China on Work Safety, the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases and other laws and regulations, Hengli Petrochemical has formulated the Production Safety Reward and Punishment System, Fire Safety Management System, Construction Project “Three-Simultaneous” Management System and HSE Assessment Management System, established the Safety Production Committee and the Safety Production Management Organization, defined the objectives of occupational health and safety production management, and linked the safety assessment responsibility with the remuneration of the Company’s senior management personnel to maintain staff health and life safety in an all-round way. During the reporting period, all subsidiaries fully completed the safety production objectives, and the subsidiaries such as Hengli Petrochemical Chemical, Hengli Petrochemical Refining, Hengli Petrochemical (Dalian) and Kanghui New Material passed the ISO45001 occupational health and safety management system certification.

Key Performance

During the reporting period, the Company’s investment in safety production was

RMB **592,015,200**

Achievement of Occupational Health and Safety Production Management Objectives in 2023	
Management objectives	Achievement of the current year
0 accident of minor injury and above	Completed
0 fire and explosion accident	Completed
0 major equipment accident	Completed
0 acute poisoning and occupational disease case	Completed
100% of special operation personnel and special equipment operators are on duty with certificates	Completed
100% of inspection rate of special equipment	Completed
100% of rectification rate of major hidden danger	Completed



Protection Against Security Risks

Inspection and Treatment of Hidden Dangers

The Company continuously improves the safety and health management system, has formulated the Management System for Accident Potential Inspection and Treatment, and the Management System for Dual Prevention Mechanism of Classified Management and Control of Safety Risks and Hidden Danger Inspection and Treatment, organizes the workshop to carry out risk identification work on a regular basis every year, classifies the importance of risk sources, and formulates hierarchical management and control measures to effectively improve the risk pre-control capability and prevent accidents.

Key Performance

During the reporting period, the Company carried out **140** times of company-level hidden danger inspection, with **8,737** company-level hidden danger items found, **2,351** times of workshop-level hidden danger inspection, with **28,472** workshop-level hidden danger items found, and the rectification rate of hidden danger was **100%**

Case Hengli (Dalian Changxing Island) Industrial Park – New Employee Induction Training

On June 27, 2023, Hengli Petrochemical (Huizhou) launched the “Summer” comprehensive safety risk inspection activity. Through the establishment of an inspection team, the hidden danger inspection and treatment was implemented to further contain the risk signs and escort the high-quality development of the enterprise with practical actions.



Hidden Danger Inspection Activity

Conducting Safety Emergency Drill

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 Emergency Plan for Production Safety Accidents, the Company has formulated the Emergency Plan for Production Safety Accidents to continuously improve the construction of emergency drilling system, organizes emergency drills and training regularly, practically improves the level of emergency management and builds a solid line of safety production defense.

Key Performance

During the reporting period, the Company conducted **4,647** safety emergency drills



Implementing Safety Management and Control Measures

Safety Management of Relevant Parties

The Company continues to strengthen the safety management and supervision of the outsourcing project, has formulated the Contractor Safety Management System, Detailed Rules for Contractor Safety Inspection and Assessment and other management systems, to improve the management and control of construction operation from the aspects of contractor qualification review, safety education and training, safety management on the construction site, safety inspection and assessment, prevent and reduce the safety accidents of the outsourcing project, and ensure the health and safety of the personnel of relevant parties.



Digital Security Management

The Company actively promotes the deep integration of informatization and safety production, builds a safety digital management platform around the factors of enterprise safety production, and is committed to improving the efficiency and level of safety management of the Company through digital means.

Case Digital Transformation Promotes Security Upgrade

Hengli (Dalian Changxing Island) Industrial Park, in accordance with the requirements of the Pilot Construction Scheme of "Industrial Internet + Hazardous Chemical Safety Production" and in combination with the actual situation of the Company, has developed a safety digital management platform containing 103 application modules and 360-plus functional applications, which realizes real-time interaction between online double prevention management, operation management, major hazard source management and other functions and 3D map. Through the intelligent management mode, the enterprise safety risks are gradually reduced and the safety prevention and control level is improved.



Digital Security Platform

Fostering a Safety Culture

The Company pays attention to the guidance and publicity of safety awareness, holds the “Safety Production Month” series activities, regularly carries out education on safety ideology, technology and compliance with regulations and disciplines, creates a strong safety culture atmosphere, focuses on creating a safety production environment, and improves the safety production awareness of all employees.

Key Performance

During the reporting period, **4,115** safety education and training sessions have been conducted, the total time of safety education and training was **25,058** hours, the investment in safety education and training was RMB **12,736,400**, and the coverage rate of safety education and training was **100%**.

Case Hengli Chemical Fiber – Safety Education and Training

In July 2023, the Federation of Trade Unions of Wujiang District and the Emergency Management Bureau of Wujiang District jointly launched the safety production training for 1,000 shift heads in Wujiang District in Hengli Chemical Fiber. Through interactive teaching and case interpretation, the training helped the staff to enhance the awareness of safety production and built a solid line of defense for safety production.



Safety Production Training for Shift Heads

Management of Hazardous Chemicals

The Company strictly abides by the *Regulations on the Safe Management of Hazardous Chemicals* and other relevant provisions, promotes subsidiaries to formulate the *Safety Management System for Hazardous Chemicals and the Safety Management System for Loading and Unloading of Hazardous Chemicals*, puts forward clear management requirements for the procurement, storage, use, scrapping and other processes of chemicals, establishes a management account for hazardous chemicals in each workshop, sets up notification of hazards of hazardous chemicals, carries out emergency drills for hazardous chemicals, and protects the life safety of employees.

Key Performance

During the reporting period, **3,936** chemical safety drills were conducted



Hazard Notification

Case Hengli Petrochemical Refining – Special Emergency Plan Drill for Leakage Accident of Hazardous Chemicals Loading and Unloading Truck

On December 12, 2023, Hengli Petrochemical Refining carried out the special emergency plan drill for the leakage accident of hazardous chemicals loading and unloading truck in a script-free manner, further building the bottom line of safety production and enhancing the emergency management level of the Company.



Management of Fire Protection and Special Equipment

The Company attaches importance to fire safety and safety management of special equipment, and has formulated many internal systems such as *Fire Safety Management System*, *Safety Management Measures for Special Equipment*, *Safety Management System for Special Equipment and Operation Personnel*, etc., to implement the safety responsibility for the use of special equipment according to law, effectively prevent safety production accidents and realize the control of safety management process. During the reporting period, the Company had 576 safety management personnel.

Fire control management	<ul style="list-style-type: none"> Set up full-time fire brigades Establish fire-fighting equipment account, and each fire-fighting equipment shall be managed by specially-assigned person Conduct fire control education and organize fire drill for all staff every year
Special equipment management	<ul style="list-style-type: none"> Special equipment operators are required to work with certificates and strictly abide by the operation procedures Strictly implement the annual inspection, monthly inspection, daily inspection and other routine inspections of special equipment, and establish a complete account of special equipment

Allocation of the Fire Brigade of the Company in 2023

Fire truck


56

Professional fireman

333

Case Multi-measures and Construction of Security "Firewall"

In November 2023, the Company's industrial parks actively carried out safety training, emergency drills and other activities around the theme of "prevention first, life first" to continuously improve the safety skills of employees and promote the high-quality development of safety of the Company.

- 
- Hengli (Suzhou) Industrial Park: Held the Fourth Safety Skill Competition in 2023 to continuously improve the safety skill level of employees.
 - Hengli (Dalian Changxing Island) Industrial Park: Widely carried out HSE training for safety management personnel and fire emergency plan drill to effectively improve emergency response capability.
 - Hengli (Nantong) Industrial Park: Held the 7th "119" Emergency Rescue Games, organized staff to compete on the same stage, and comprehensively improved the staff emergency rescue level.
 - Hengli (Suqian) Industrial Park: Conducted the fire safety knowledge competition, fire hazard investigation and management, fire accident emergency drills, etc., to focus on improving the fire safety awareness of employees.
 - Hengli (Huizhou) Industrial Park: Carried out fire warning education for all staff, use of emergency equipment, and actual fire drill to further consolidate the basis of fire safety work.
 - Hengli (Yingkou) Industrial Park: The fire brigade conducted skill competition to constantly build fire safety barriers through skill competition.

Attention to Occupational Health

In order to actively prevent the occurrence of work-related accidents and minimize the risk of occupational disease hazards to employees, in accordance with the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and other relevant laws and regulations, the Company has formulated the *Responsibility System for Prevention and Control of Occupational Hazards*, the *Occupational Health Monitoring and File Management System for Labors*, the *Warning and Notification System for Occupational Disease Hazards*, defines the occupational disease prevention objectives, carries out the detection of occupational-disease-inductive factors by posting warning signs at places involving hazardous factors, distributes adaptive labor protection articles and conducts physical examination regularly every year to ensure the occupational health and safety of the workers during the working process.

Implementation of Occupational Disease Prevention and Control Targets in 2023

Indicators	Completion status
0 incidence of occupational disease cases	Completed
100% of work-related injury insurance coverage for workers	Completed
100% of occupational health examination rate	Completed
100% of detection rate of occupational hazard workplace	Completed
100% of employees exposed to occupational hazards participate in occupational health knowledge training	Completed
100% of intactness rate of occupational disease protection facilities	Completed



Occupational Disease Warning Signs



Occupational Disease Hazard Notification Card

Key Performance

In the reporting period, the coverage rate of physical examination of the Company's employees was **100%**, the detection rate of occupational disease hazard factors was **100%** and the number of new occupational diseases was **0**

Staff Care and Assistance

Focus on Mental Health

While ensuring the physical health of employees, the Company has set up a psychological consultant room to continuously improve the psychological health mechanism of employees. Through the opening of mental health assistance channels, the Company carries out the mental health training to provide psychological counseling services for employees.

Case Companion with the Heart, Empowering the Heart

On March 7, 2023, the Company invited psychological experts to hold two sessions of the Mental Health Lecture with the theme “To relieve the mind and to empower the work”, benefiting 300 people, and cultivating the positive social mentality of employees through the development of their positive psychological capital.



Psychological Counseling

Employee Activities

The Company continuously enriches the spare-time life of employees through sports events, social activities, festivals and other activities organized every year, helps the employees realize the balance of work and life, and enhances the communication and team cooperation ability among the employees.



Parent-Child Activity



Fun Sports Meeting



Badminton League



Basketball Match



Spring Festival Gala



Lantern Festival Activity



Blind Dating Activity



Theme Group Day Activity

Employee Support

The Company attaches great importance to and cares for the employees with difficulties, special types of work and retired employees, and provides them with practical work and life guarantee.

Case Advancing Hand in Hand, Delivering Warmth

Hengli Petrochemical continues to explore the establishment of a long-term mechanism to help the needy employees, implements and refines the assistance and rescue work for the needy employees, continuously improves the happiness and security of the employees, and delivers warmth with actions. The labor union of the Company makes statistics and record for the employees suffering from illness every year, and provides support and condolences at the beginning of each year, so as to convey the warmth of the Company to the employees. In 2023, the Company offered sympathy to 20 needy employees, and the accumulative amount of assistance was RMB 60,000.



Consolation for Employees in Need



Consolation for Retired Employees

Care for Female Employees

The Company pays attention to the demands of female employees, actively implements the “four-phase” protection policy, and effectively protects the rights and interests of female employees by establishing a women employee committee, signing a *Special Collective Agreement for the Protection of the Rights and Interests of Female Employees*, setting up a special care room for female employees, and carrying out a series of activities on Women’s Day.

Key Performance

During the reporting period, the return rate of maternity leave of female employees was **100%**,

and the return rate of parental leave was **100%**

Case Setting up a Care Room for Female Employees to Warm Every Female Employee with Love

Hengli Petrochemical always pays attention to the special needs of female employees and provides more humanized care and convenience for female employees by setting up a special care room for female employees, which is equipped with sofa, nursing area, refrigerator, disinfection cabinet and other facilities.



A Corner of the Care Room for Female Workers



A Series of Activities on Women’s Day



07

Care for Society to Create the Future with Persistence

Public Welfare Support

Facilitating Medical Education

The Company has always practiced the concept of “revitalizing the national economy, serving the country with industry, and returning the society in good faith”. While promoting the economic and social development, the Company is committed to doing a good job in various public welfare charities, highlighting the responsibilities of the enterprise with practical actions and assisting the social development.

Key Performance

During the reporting period, the total public welfare investment was **RMB 102,000,000**



Case Helping Medical Education and Practising Corporate Responsibility

In January 2023, the subsidiary Hengli Petrochemical Refining donated RMB 100 million to help the construction of medical and educational infrastructure in Changxing Island, Dalian, to fulfill the firm commitment to improve social services and improve the quality of public life with actions.



On-site Donation Ceremony of Hengli Petrochemical Refining to Changxing Island

Volunteer Activities

In 2023, Hengli Petrochemical continued to practice the concept of volunteer service, organized volunteers to participate in social service activities, and delivered warmth and love to the society.

Key Performance

During the reporting period, there were **3,609** volunteer activities, with **8,392** employees participated and **578,464** hours of volunteer activities

Case Helping Marathons and Accelerating Dreams

On April 9, 2023, the River-crossing Half Marathon and the Grand Canal Marathon Series on Kaisha Island were launched. The 182 young volunteers of Hengke Advanced Materials participated in the whole process and served with a smile, providing a solid guarantee for the orderly progress of the event and demonstrating the spirit of volunteer service.



Volunteers Assist in Marathon Events

Case Donating Blood without Compensation to Pass on the Hope of Life

In order to vigorously carry forward the spirit of voluntary service and transmit the public power of free blood donation, Hengli (Nantong) Industrial Park and Hengli (Dalian Changxing Island) Industrial Park provide a platform for employees to show their love and responsibility through organizing and carrying out free blood donation activities, and at the same time, they also transmit the enterprise spirit of Hengli to the society. In the free blood donation public welfare activities carried out in July, the total number of blood donors in Hengli (Dalian Changxing Island) Industrial Park exceeded 1,200, and the blood donation amount reached 329,178 ml. Therefore, Hengli Petrochemical (Dalian) also won the “National Free Blood Donation Promotion Award”.



Blood Donation Activities

Case To Pick up Civilization, Hengli Went First

Hengli (Nantong) Industrial Park actively promotes the spirit of voluntary service, devotes itself to the cultivation of environmental protection and hygiene habits, and transmits positive energy to the society. The staff volunteers spontaneously, voluntarily and with their own tools, insist on picking up the garbage around the Company every month, which not only shows the spirit of Hengli, but also wins the unanimous praise of passers-by.



Picking up Garbage to Help Environmental Protection

Rural Revitalization

Hengli Petrochemical continues to pay attention to rural revitalization and helps high-quality rural development with practical actions. During the reporting period, in order to fully implement the national rural revitalization strategy, Hengli Futures actively carried out aids to the needy around such measures as industry cultivation, public welfare donation, special population poverty prevention, consumption assistance, Party building and joint construction, financial science popularization, etc., and continuously enhanced the self-blood production capacity of the supported areas. During the reporting period, the Company invested RMB 3,000 in rural revitalization.

Rural Revitalization Initiatives	
Industry cultivation	Cultivate local characteristic industrial projects such as chicken raising, phellinus linteus planting and honey industry in villages, and strive to increase villagers' income and avoid poverty-returning
Directional support	Carry out household visits to understand the development of support work and the actual needs of support objects
Party building and joint construction	Investigate the local Party building and joint construction, give full play to the advantages of joint construction, and realize joint construction, sharing and win-win
Popularization of financial science	Explore the "insurance + futures" project, and carry out special lectures on "insurance + futures" cases for the local cadres and masses



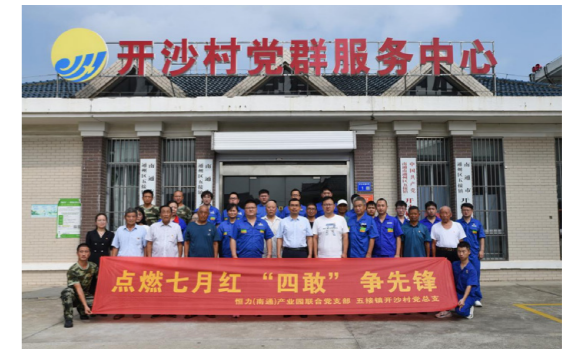
Promoting Rural Revitalization with Multiple Measures

Community Communication and Development

Hengli Petrochemical always adheres to the attitude of "friendly negotiation and joint solution" and is committed to establishing a mutually beneficial relationship of common prosperity and coordinated development with the community in the process of business development. The Company has formulated the *Statement of Community Relations System*, sets up special personnel to be responsible for the management of community relations, and fully supports the construction of local communities by relying on the resource advantages of each industrial park to build a beautiful home.

Case Forming Cohesion by Joint Construction of Villages and Enterprises, Promoting Revitalization by Seeking Development

On July 24, 2023, Hengli (Nantong) Industrial Park cooperated with the Party branch and the General Party Branch of Kaisha Village in Wujie Town to carry out the activity of "Forming Cohesion by Joint Construction of Villages and Enterprises, Promoting Revitalization by Seeking Development" in-depth investigation of hidden dangers in the community by Party members to ensure safety. Through the joint sharing of Party building resources, the joint learning of party members, the joint hosting of major activity and the joint promotion of industrial development, we jointly build a beautiful Kaisha home.



Community Development with Help of Party Branch

Case Hengke Advanced Materials - Guarantee of People's Livelihood

At the same time of ensuring the safety and stability of production in the factory, the volunteers of Hengke Advanced Materials Electric Instrument Department actively undertakes the maintenance of public power facilities and surrounding municipal street lamps in Kaisha Village. In the face of power line problems caused by special geology in the island, the volunteers always respond quickly and act quickly to ensure the electricity safety of residents and employees, fully demonstrating the responsibilities and roles of Hengli people in ensuring people's livelihood and power supply.



Line Maintenance in Kaisha Village

Appendixes

Index of Indicators

Report Contents		CASS-ESG5.0	GRI Standards
Foreword	About This Report	P1.1/P1.2/P1.3	102-1/102-12/102-46/ 102-50/102-53
	Message From Chairman	P2.1/P2.2	102-14
	Sustainable Development Highlights in 2023	A2	201-1/305-5
Report Overview	About Hengli Petrochemical	P4.1/P4.2/P4.3/P4.4	102-2/102-3/102-7
	ESG Development Management	G3.1/G3.2/G3.5	102-40/102-44/102-47
Standardizing Governance, Moving Forward with Perseverance	On-going Standardized Operation	G1.1/G1.2	102-18/102-22 /102-24
	Compliance Risk Management	G1.3/G1.4	102-11/102-30
	Strengthening the Investor Relations Management	G1.10/G1.11/G3.6/G3.7	/
	Adhering to Business Ethics	G1.6/G1.7/G1.8/G1.9	102-16/102-17/205-2
Energy Conservation and Emission Reduction, Environment Protection with Persistence	Addressing Climate Changes	E5.1/E5.2/E5.3/E5.4	305-1/305-2/305-3/ 305-4/305-5
	Environmental Management	E1.1/E1.3/E1.4//E1.5/E1.6/E2.1	/
	Pollutant Control	E3.1/E3.2/E3.3/E3.4/E3.5/E3.6	305-7/306-1/306-2/306-4
	Strengthening Energy Conservation and Consumption Reduction	E2.1/E2.2/E2.4/E2.5/E2.6	302-1/302-2/302-4/302-5

Report Contents		CASS-ESG5.0	GRI Standards
Energy Conservation and Emission Reduction, Environment Protection with Persistence	Water Resources Management	E2.9/E2.10/E2.11/E2.12/E2.13	303-3/303-4/303-5
	Creating a Green Supply Chain	S5.1	308-1
	Advocating Low-carbon Office	E2.14	/
	Biodiversity Conservation	E4.1/E4.2/E4.3	304-1/304-3
Quality First, Pursuing Stable Development	Improving R&D System	V2.1/V2.2/V2.3	/
	Enabling Innovation Achievements	V2.4/V2.5/V2.7/V2.8	/
	Promoting the Development of Digital Intelligence	/	/
	Protecting Intellectual Property Rights	/	/
	Guarding Information Security	S4.6	/
Collaborative Empowerment and Joint Progress with Persistence	Quality Assurance First	S4.1/S4.2	417-1
	Customer Service Management	S4.5/S4.6/S4.7/S4.8	417-1/418-1
	Responsible Procurement Practice	S5.1/S5.2/S5.4/S5.6	308-1/308-2
People-oriented, Creating Happiness for Employees	Employee Rights and Benefits	S1.1/S1.2/S1.3/S1.4/ S1.6/S1.7/S1.8/1.11	102-8/401-1/401-2/401-3/405-1/ 406-1/407-1/408-1/409-1
	Employee Growth and Development	S2.1/S2.2/S2.3/S2.4	404-1/404-2
	Safety Production and Occupational Health	S1.10/S3.1/S3.2/S3.4/S3.5/ S3.6/S3.7/S3.8/S3.9	403-1/403-2/403-3/403-4/ 403-5/403-6/403-7/403-8
Care for Society to Create the Future with Persistence	Public Welfare Support	V3.4/V3.6/V3.7	413-1
	Community Communication and Development	V3.3	413-1
Index of Indicators		A4	102-55
Feedback		A5	/

Feedback

Thank you for reading the 2023 Environmental, Social and Governance (ESG) Report of Hengli Petrochemical Co., Ltd. In order to improve the work of Hengli Petrochemical in the aspects of environment, society and governance, further enhance the ability and level of sustainable development of the Company, and strengthen the communication with all walks of life, we sincerely hope that you can put forward valuable opinions and suggestions on our work and the report.

Your Information

Name: _____ Tel.: _____

Unit: _____ E-mail: _____

Multi-choice questions (please tick the corresponding place)

1. Your overall evaluation on the 2023 ESG Report of Hengli Petrochemical:

Good Common To be improved Unclear

2. What do you think of the performance of Hengli Petrochemical in customer service?

Good Common To be improved Unclear

3. What do you think of the performance of Hengli Petrochemical in scientific and technological innovation?

Good Common To be improved Unclear

4. What do you think of the performance of Hengli Petrochemical in industry development?

Good Common To be improved Unclear

5. What do you think of the performance of Hengli Petrochemical in building its staff team?

Good Common To be improved Unclear

6. What do you think of the performance of Hengli Petrochemical in voluntary public welfare?

Good Common To be improved Unclear

7. What do you think of the performance of Hengli Petrochemical in environmental protection?

Good Common To be improved Unclear

8. What are your opinions on the ESG work of Hengli Petrochemical?

恒力石化
HENGLI PETROCHEMICAL