

# 2025

## Sustainability Report



Hengli Petrochemical Co., Ltd.

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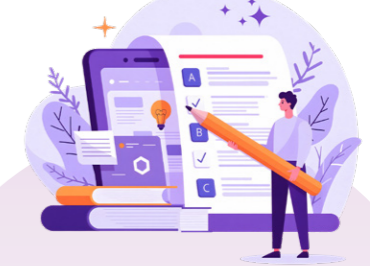
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# About the Report

This report is the fifth Sustainability (ESG) Report published by Hengli Petrochemical Co., Ltd. (Stock Code: 600346.SH). It aims to provide stakeholders with a comprehensive disclosure of the Company's core principles, management systems, implementation measures and progress regarding ESG issues in its business operations.

## Reporting Scope

This report focuses on Hengli Petrochemical Co., Ltd. (hereinafter referred to as "Hengli Petrochemical" or "the Company"), including its subsidiaries and branches. Unless otherwise specified, the scope of this report is consistent with that of the Company's financial statements for the same period.

## Reporting Period

The reporting period is from January 1, 2025, to December 31, 2025. Certain information may include reference to prior years or forward-looking statements. This report is published on an annual basis, consistent with the Company's financial reporting cycle.

## Preparation Basis

*Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)*

*Guidance No. 4 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Preparation of Sustainability Report*

*Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 6.0) by the China Enterprise Reform and Development Society (CERDS)*

*Sustainable Development Goals (SDGs) of the United Nations*

*Sustainability Accounting Standards Board (SASB) Standards*

*Sustainability Reporting Standards (GRI Standards) from the Global Reporting*

*Recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD)*

## Data Source

The data presented in this report comes from the Company's actual operational records, publicly available government data, annual financial data and relevant internal statistical reports. The financial data in this report is denominated in RMB. In the event of any inconsistency with the financial statements, the financial statements shall prevail. This report is prepared in both Chinese and English. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

## Definitions

Term	Definition	Term	Definition
Hengli Petrochemical	Hengli Petrochemical Co., Ltd.	Jiangsu Xuanda	Jiangsu Xuanda Polymer Materials Co., Ltd.
Hengli Group	Hengli Group Co., Ltd.	Deli Chemical Fiber	Jiangsu Deli Chemical Fiber Co., Ltd.
Hengli Petrochemical Refining	Hengli Petrochemical (Dalian) Refining Co., Ltd.	Kanghui New Material	Kanghui New Material Technology Co., Ltd.
Hengli Petrochemical (Dalian)	Hengli Petrochemical (Dalian) Co., Ltd.	Kanghui Nantong	Kanghui Nantong New Material Technology Co., Ltd.
Hengli Petrochemical (Huizhou)	Hengli Petrochemical (Huizhou) Co., Ltd.	Kanghui Dalian New Material	Kanghui Dalian New Material Technology Co., Ltd.
Hengli Chemical Fiber	Jiangsu Hengli Chemical Fiber Co., Ltd.	Susheng Thermal Power	Suzhou Susheng Thermal Power Co., Ltd.
Hengke Advanced Materials	Jiangsu Hengke Advanced Materials Co., Ltd.		

## Confirmation and Approval

The Board of Directors pledges to oversee the content of this report, ensure that it contains no false statements or misleading information, and assumes responsibility for its truthfulness, accuracy, and completeness.

## Report Access

This report is published in electronic format and is available through the following official channels:

Hengli Petrochemical's official website: <https://www.hengli.com/invest/hlsh>

Shanghai Stock Exchange official website: <https://www.sse.com.cn/>

## Contact Information

If you have any comments or suggestions regarding this report, please contact us via the following methods:

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## Message from the Chairman

Dear Shareholders, Partners, Employees and Friends from all sectors of society who support the development of Hengli Petrochemical:

On behalf of the Board of Directors of Hengli Petrochemical, I would like to extend our sincere gratitude for your continued trust and support, as we release the *Hengli Petrochemical Sustainability Report 2025*.

In 2025, the global transformation toward green and low-carbon development accelerated, and China's "Carbon Peak and Carbon Neutrality" strategy continued to deepen. In a rapidly evolving industrial landscape and an increasingly complex market environment, Hengli Petrochemical has firmly integrated the philosophy of sustainable development into its top-level strategy and daily operations. Deeply rooted in the real economy and proactively positioning for the future, we are continuously strengthening our competitive advantages along the industrial chain, steadfastly driving green transformation and technological innovation. These concerted efforts represent significant progress on our path to high-quality development.

### Advancing High-Quality Development through Green and Low-Carbon Development

Seven of our subsidiaries have been recognized as national "Green Factories," and three enterprises within the Hengli (Dalian Changxing Island) Industrial Park have been consecutively awarded the national "Energy Efficiency Leader" title for the fourth year. In 2025, Hengli Petrochemical (Huizhou)'s PTA products not only maintained industry-leading energy efficiency but also emerged as the sole "Water Efficiency Leader" in the sector. Hengke Advanced Materials, as the exclusive representative in the polyester fiber segment, was selected as a key industry "Energy Efficiency Leader" by the Ministry of Industry and Information Technology for 2025 and selected for the "National Industrial Power Demand-Side Management Typical Cases 2025." Hengli Petrochemical Refining was honored as an Advanced Collective in the inaugural "China Water Conservation Award," standing as the sole industrial enterprise in Liaoning Province to receive this distinction. Additionally, Hengli Chemical Fiber was successfully included in the national "List of Excellence-Level Smart Factory Projects 2025." These achievements not only serve as a strong affirmation of the Company's green development practices but also validate our systematic capabilities and leading advantages in efficient resource utilization, clean production, and the circular economy.

### Driving Industrial Upgrading through Innovation

We invested 1.626 billion yuan in R&D throughout the year and obtained a cumulative total of 2,039 domestic and foreign patent grants. Significant breakthroughs were achieved in key technological fields: Hengli Chemical Fiber pioneered the one-step "three-in-one" texturing technology, becoming the sole domestic enterprise capable of mass-producing hollow textured yarn (Safir) and stretch imitated acetate; Kanghui New Material successfully overcame key technical barriers in polarizer protective base films, increasing the premium product yield to 90% and accelerating the process of import substitution; Hengli Petrochemical Refining high-end HDPE grade ACP7740F2 obtained certification from overseas customers, expanding new application scenarios in high-end injection molding. The biodegradable materials project jointly undertaken by the Company and Dalian University of Technology was awarded the Second Prize of the Liaoning Provincial Science and Technology Progress Award, highlighting the fruitful outcomes of industry-academia-research cooperation.

### Enhancing ESG Performance through Strengthening Governance

We continue to refine our board governance mechanisms, strengthen strategic deliberations on climate risks, and focus on long-term value creation. In 2025, our MSCI ESG rating was upgraded from B to BB for the first time, and we were selected as the only listed company in the petrochemical sector to be included in the "Forbes China 2025 ESG 50" list, reflecting investor recognition of the Company's execution and transparency in its sustainability strategy.

With favorable winds filling our sails on this long voyage, we set forth anew, shouldering our weighty responsibilities. Looking ahead to 2026, Hengli Petrochemical will remain steadfast in its founding mission of serving the nation through industry, fulfilling environmental, social, and governance responsibilities with even higher standards. In partnership with all stakeholders, we will build a sustainable future of harmonious coexistence between humanity and nature, contributing greater effort to the high-quality development of China's petrochemical industry!

Fan Hongwei

Chairman

## About Hengli Petrochemical

### Company Profile

Hengli Petrochemical Co., Ltd. (stock abbreviation: Hengli Petrochemical; stock code: 600346) was established in November 2002 with a registered capital of 7.04 billion yuan. Formerly known as Dalian Rubber & Plastics Machinery Co., Ltd., the Company transitioned into the petrochemical sector through a major asset restructuring in 2016. In 2018, it completed a critical step in establishing an integrated full industry chain. In recent years, the Company has advanced refined operations and high-quality development, establishing an integrated industrial matrix combining oil, coal, and chemicals, and has become a leading private enterprise in the refining and petrochemical industry.



### Main Business

The Company's main business covers the production, research and development and sales of products across the full industry chain, from refining and petrochemicals to aromatics, olefins, basic chemicals, fine chemicals and downstream application materials. Leveraging an integrated upstream platform combining oil, coal, and chemicals, the Company targets essential consumer markets related to everyday needs, as well as high-growth segments in advanced materials characterized by high technical barriers and value-added potential. The Company continuously strengthens its internal integration advantages, cost moats, and refined management and control, and continues to build a value-growth listed enterprise of "platform + new materials".

The Company has established a robust midstream and upstream business segment, anchored by processing and coupling capacities of 20 million tons of crude oil and 6 million tons of raw coal annually. The primary output from oil refining includes an annual production of 5.2 million tons of PX, 2 million tons of pure benzene, 1.8 million tons of fiber-grade ethylene glycol, 850,000 tons of polypropylene, 720,000 tons of styrene, 600,000 tons of sulfur, 400,000 tons of high-density polyethylene (HDPE), 140,000 tons of butadiene, 260,000 tons of PC, 150,000 tons of PS, and 300,000 tons of ABS, among other high-end chemical products. The coal chemical sector primarily yields an annual production of 800,000 tons of methanol, 580,000 tons of liquid ammonia, 1 million tons of acetic acid, 300,000 tons of adipic acid, 80,000 tons of polyoxymethylene, 250,000 tons of high-purity hydrogen, and high-calorific-value methane fuel gas, among other characteristic coal chemical products. Additionally, the Company produces refined oil products such as gasoline, diesel, and aviation kerosene. With 16.6 million tons/year of operational PTA capacity— now fully commissioned— the Company has emerged as the industry's most technologically advanced and cost-competitive PTA supplier. The downstream polyester and chemical new material products are rich in variety and complete in specifications, targeting the mid-to-high-end market demand, covering polyester and chemical new material products such as civilian polyester filament, industrial polyester filament, BOPET, PBT, PBS/PBAT, etc., which are applied in the textile, medicine, automotive industry, environmental protection, new energy, electronic and electrical, photovoltaic industry, optical equipment, and other large-scale, differentiated, and high value-added industrial manufacturing and civilian consumption fields.

## Business Layout

Headquartered in Dalian, China, the Company operates seven major production bases spanning the country from north to south, including Suzhou, Dalian Changxing Island, Nantong, Suqian, Yingkou, Huizhou, and the Yangtze River Delta Integrated Demonstration Zone, and is committed to becoming a global supplier of new chemical materials across the entire industrial chain. Hengli Petrochemical has established high-quality, efficient production capacities and supporting utility systems across the upstream, midstream, and downstream segments of the polyester and new chemical materials industry chain, characterized by large-scale facilities, integrated operations, advanced process technologies, environmentally responsible practices and comprehensive supporting infrastructure. Its single-unit scale, total production capacity, and process capabilities are all at a leading level within the industry.



## Performance Highlights in 2025

### Governance as the Cornerstone, Fostering Long-Term Prosperity

Achieved an <b>A</b> rating in the Shanghai Stock Exchange's information disclosure assessment for listed companies	Attendance rate of Board Meeting <b>100%</b>	Coverage rate of business ethics training <b>100%</b>
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### Green and Low-carbon, Safeguarding the Ecological Home

Clean technology investment <b>238</b> million yuan	PV power generation <b>202,079,909</b> kWh	Environmental protection investment <b>838</b> million yuan
Greenhouse gas emission intensity <b>228.62</b> tCO <sub>2</sub> e/million yuan of revenue	Renewable energy consumption <b>367,915</b> tce	
Water consumption intensity <b>363.64</b> tons per million yuan of revenue		

### Value Symbiosis, Craftsmanship Achieves Excellence

Total number of R&D personnel <b>4,348</b> persons	R&D investment <b>1,626</b> million yuan	Ratio of R&D investment to revenue <b>0.81%</b>
Cumulative number of authorized patents <b>2,039</b> patents	Number of national high-tech enterprise <b>8</b>	Violations of information security and privacy protection regulations <b>0</b> case
Chemical emergency drills <b>3,606</b> times	Resolution rate of customer complaint <b>100%</b>	Percentage of major manufacturing subsidiaries that have obtained ISO 9001 quality management system certification <b>100%</b>

### People-oriented, Building a Responsible Future Together

Total number of employees <b>37,368</b> persons	Investment in production safety <b>554</b> million yuan	External donations and public welfare investments <b>50</b> thousand yuan
Investment in rural revitalization <b>345</b> thousand yuan	Total number of employee training sessions <b>25,669</b> times	Average training hours per employee <b>8.64</b> hours



# Honors and Achievements in 2025

## ESG Leadership

<p>Forbes China 2025 ESG 50</p> <p>Hengli Petrochemical</p> <p>Forbes China</p> <p>September 2025</p>	<p>National "Green Factory"</p> <p>Kanghui New Material</p> <p>Ministry of Industry and Information Technology</p> <p>February 2025</p>	<p>National "Energy Efficiency Leader" in the polyester industry</p> <p>Hengke Advanced Materials</p> <p>Ministry of Industry and Information Technology</p> <p>November 2025</p>
<p>"Energy Efficiency Champion" and "Water Efficiency Leader" in the petroleum and chemical industry</p> <p>Hengli Petrochemical (Huizhou)</p> <p>China Petroleum and Chemical Industry Federation</p> <p>November 2025</p>	<p>List of Potential Cases for the Enterprise ESG Case Collection Activity</p> <p>Hengli Petrochemical</p> <p>Ministry of Ecology and Environment</p> <p>July 2025</p>	<p>"Green Factory" of Guangdong Province</p> <p>Hengli Petrochemical (Huizhou)</p> <p>Department of Industry and Information Technology of Guangdong Province</p> <p>October 2025</p>
<p>Advanced Collective of "China Water Conservation Award"</p> <p>Hengli Petrochemical Refining</p> <p>Ministry of Water Resources</p> <p>December 2025</p>		

## Industry Leadership

<p>China's 500 Most Valuable Brands</p> <p>Hengli Brand</p> <p>World Brand Summit</p> <p>June 2025</p>	<p>Ranked 18th among the World's Top 50 Chemical Companies</p> <p>Hengli Petrochemical</p> <p>Chemical &amp; Engineering News (C&amp;EN)</p> <p>July 2025</p>	<p>National Industrial Power Demand-Side Management Typical Cases 2025</p> <p>Hengke Advanced Materials</p> <p>Ministry of Industry and Information Technology</p> <p>November 2025</p>
<p>Best Practices for the Boards of Directors of Listed Companies and Best Practices for the Sustainable Development of Listed Companies</p> <p>Hengli Petrochemical</p> <p>China Association for Public Companies</p> <p>December 2025</p>	<p>AAA-level Quality Credit Enterprise in Jiangsu Province</p> <p>Hengke Advanced Materials</p> <p>Jiangsu Provincial Market Supervision Administration and Development &amp; Reform Commission</p> <p>December 2025</p>	<p>AAA-level Quality Credit Enterprise in Jiangsu Province</p> <p>Deli Chemical Fiber</p> <p>Jiangsu Provincial Market Supervision Administration</p> <p>December 2025</p>
<p>May Day Labor Award Certificate of Liaoning Province</p> <p>Kanghui New Material</p> <p>Liaoning Federation of Trade Union</p> <p>November 2025</p>	<p>National Civilized Unit</p> <p>Hengli Petrochemical Refining</p> <p>The Spiritual Civilization Development Steering Commission</p> <p>May 2025</p>	

## Innovation Leadership

<p>National "5G Factory"</p> <p>Kanghui Nantong</p> <p>Ministry of Industry and Information Technology</p> <p>September 2025</p>	<p>National "Excellence-Level Smart Factory Projects"</p> <p>Hengli Chemical Fiber</p> <p>Ministry of Industry and Information Technology</p> <p>September 2025</p>
<p>Advanced Collective of the National Industrial and Information Technology System</p> <p>Hengli Chemical Fiber</p> <p>Ministry of Industry and Information Technology</p> <p>March 2025</p>	<p>"Advanced Smart Factory" of Jiangsu Province</p> <p>Hengke Advanced materials, Hengli Chemical Fiber, Deli Chemical Fiber</p> <p>Industry and Information Technology Department of Jiangsu</p> <p>May 2025</p>

National "GreenFactory"

Kanghui New Material

Advanced Collective of "China Water Conservation Award"

Hengli Petrochemical Refining

National "5G Factory"

Kanghui Nantong





# Sustainability Management

·Sustainability System    ·Stakeholder Engagement    ·Materiality Assessment

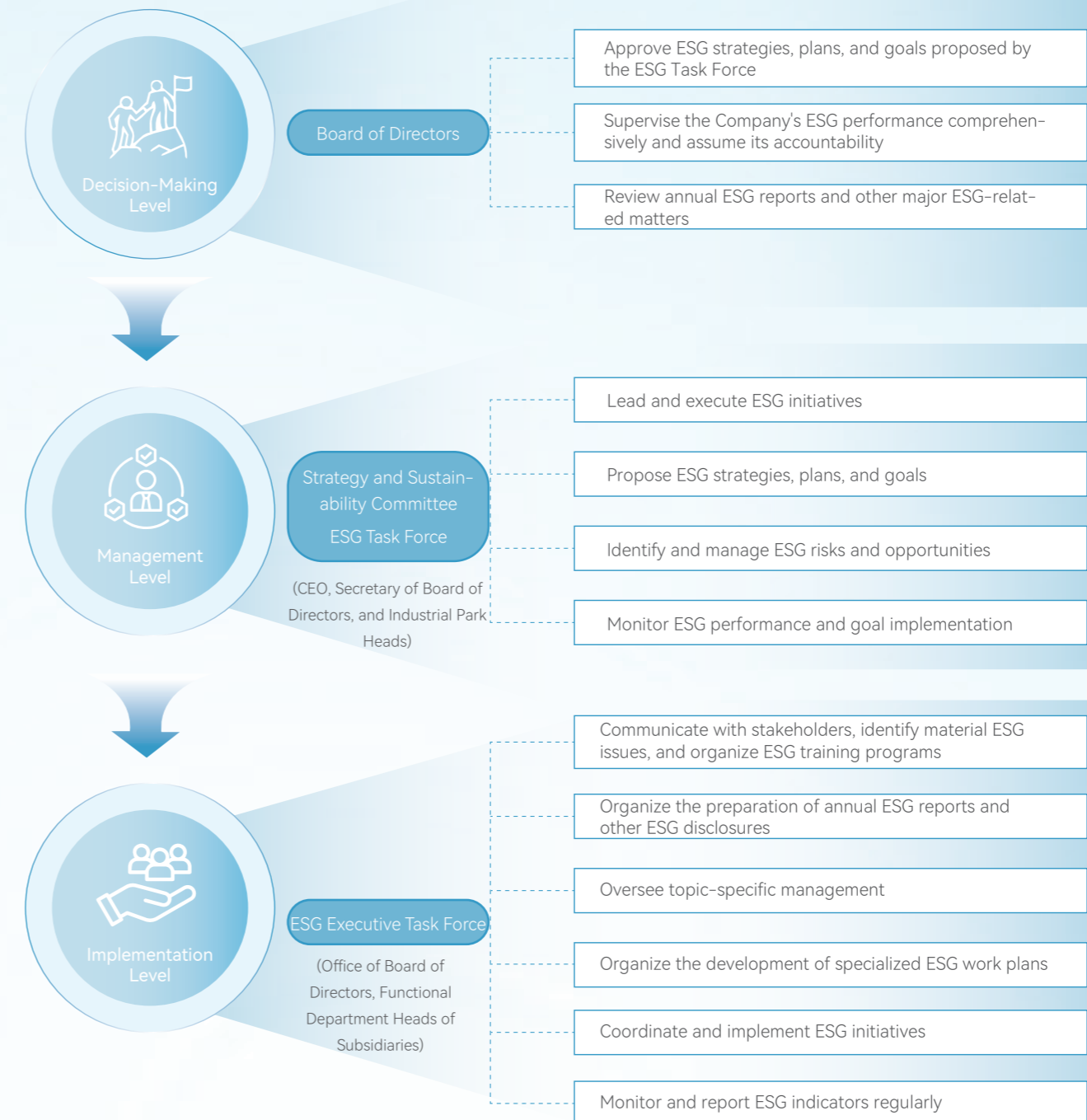
Sustainability serves as the cornerstone and vital safeguard for the Company's pursuit of environmental and long-term development. The Company consistently prioritizes the end-to-end management of sustainability, continuously refines its governance framework, actively aligns with the United Nations Sustainable Development Goals (SDGs), conducts thorough assessments of material sustainability issues, and continually strengthens stakeholder engagement mechanisms. Through systematic and standardized management, the Company ensures the implementation of its commitment to responsibility, providing a solid foundation for its long-term development.

## Sustainability System

Hengli Petrochemical places great emphasis on ESG governance and has established a ESG governance framework comprising the decision-making, management, and executive levels. Led by the Board of Directors, the Company formulates long-term sustainability plans, implements a coordinated management mechanism for ESG-related initiatives, and conducts regular assessments, reviews, and implementation efforts to ensure that the Company's ESG practices consistently align with its internally established sustainability principles and objectives.

Each year, the Company's Strategy and Sustainability Committee holds at least 1 regular meeting to hear management reports on progress in the ESG domain. Meeting topics include ESG policy trends, key issues (such as corporate ethics, carbon emissions, waste emissions, clean technology opportunities, and energy management), potential risks and opportunities, progress toward achieving targets, and information disclosure. During the reporting period, the Strategy and Sustainability Committee convened meetings to review the Company's ESG management status.

The Company regularly organizes and invites external experts to conduct ESG-related training for the Board of Directors, management, and relevant personnel. The training covers the latest ESG policy requirements, industry best practices, and other issues, thereby advancing the implementation of the Company's ESG strategic planning, policies and processes.



## Stakeholder Engagement

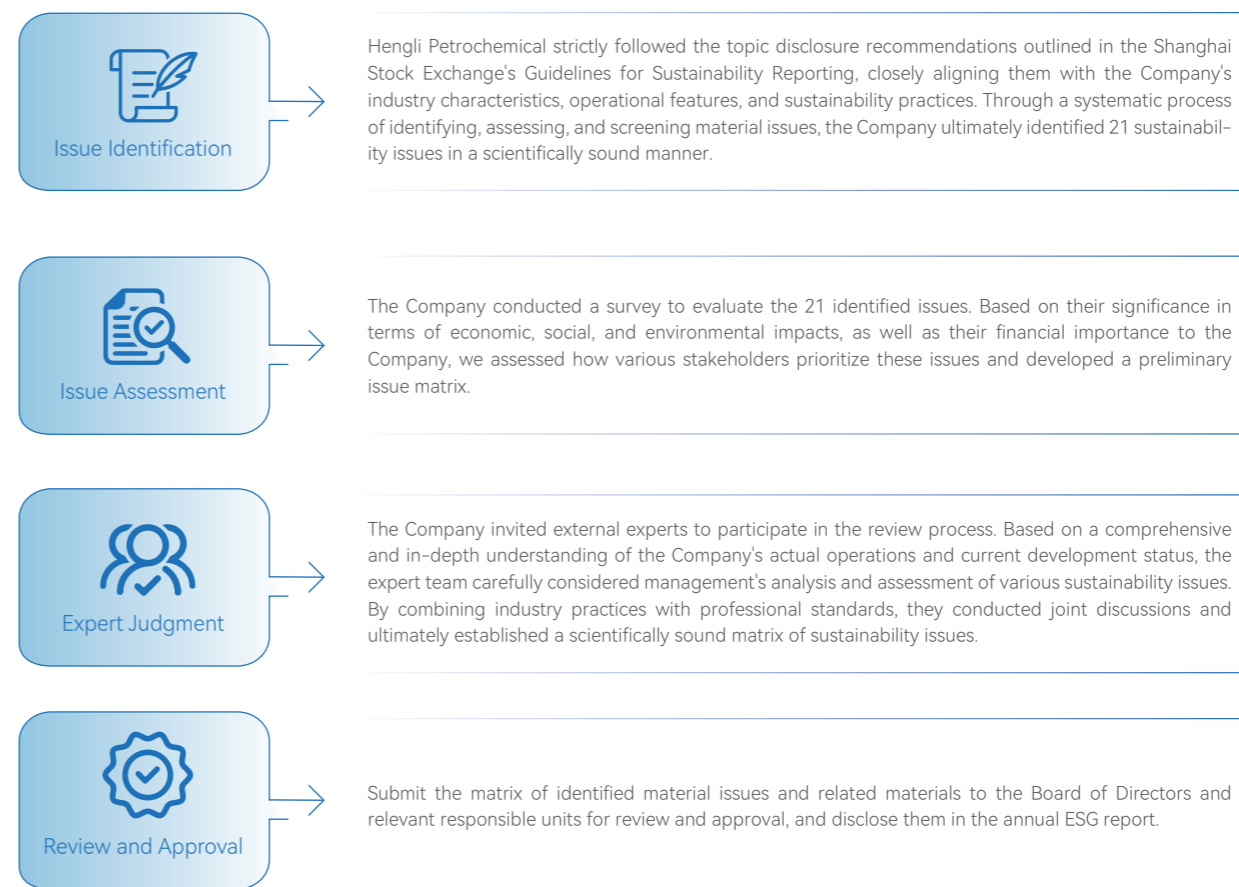
The Company actively engages with stakeholders through a range of channels, including standardized information disclosure, surveys, on-site communication and public welfare activities. By listening to the concerns of all parties and responding efficiently to the interests of various sectors of society, the Company continuously improves the quality and effectiveness of communication and interaction through a diverse range of initiatives. It actively fosters open, transparent, and mutually trusting relationships based on mutual benefit, thereby promoting coordinated development among all parties and long-term sustainability.

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

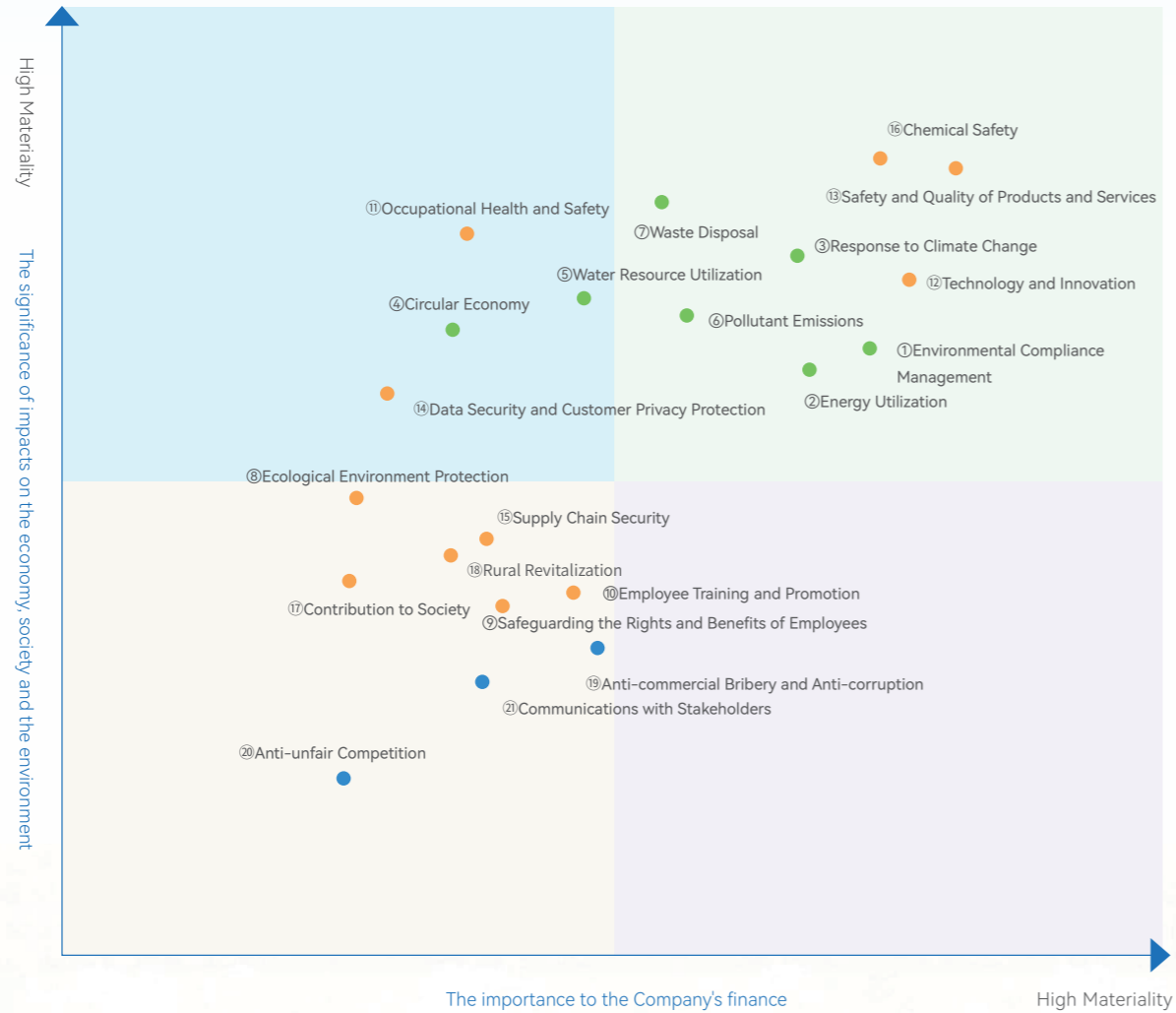
## Materiality Assessment

Hengli Petrochemical adheres to the latest regulatory guidelines issued by the Shanghai Stock Exchange and advances the identification and assessment of material sustainability issues by closely aligning with industry trends and the characteristics of its industry chain. In 2025, the Company identified 21 material issues and solicited feedback from internal and external stakeholders through a questionnaire survey. Based on two key dimensions, the significance in terms of economic, social, and environmental impacts, and their financial materiality, the Company prioritized these 21 issues, providing clear guidance for the focus of issue disclosures in this report and for subsequent sustainability strategy implementation.

### The Process of Materiality Assessment



Matrix of Material Issues



- ① Environmental Compliance Management
- ② Energy Utilization
- ③ Response to Climate Change
- ④ Circular Economy
- ⑤ Water Resource Utilization
- ⑥ Pollutant Emissions
- ⑦ Waste Disposal
- ⑧ Ecological Environment Protection
- ⑨ Safeguarding the Rights and Benefits of Employees
- ⑩ Employee Training and Promotion
- ⑪ Occupational Health and Safety
- ⑫ Technology and Innovation
- ⑬ Safety and Quality of Products and Services
- ⑭ Data Security and Customer Privacy Protection
- ⑮ Supply Chain Security
- ⑯ Chemical Safety
- ⑰ Contribution to Society
- ⑱ Rural Revitalization
- ⑲ Anti-commercial Bribery and Anti-corruption
- ⑳ Anti-unfair Competition
- ㉑ Communications with Stakeholders

In 2025, the Company identified 7 dual materiality issues. The results are as follows:

- ▶ Environmental Compliance Management
- ▶ Response to Climate Change
- ▶ Pollutant Emissions
- ▶ Waste Disposal
- ▶ Technology and Innovation
- ▶ Safety and Quality of Products and Services
- ▶ Chemical Safety



# 01

## Governance as the Cornerstone, Fostering Long-Term Prosperity

· Corporate Governance

· Business Ethics

· Risk Management

SDGs



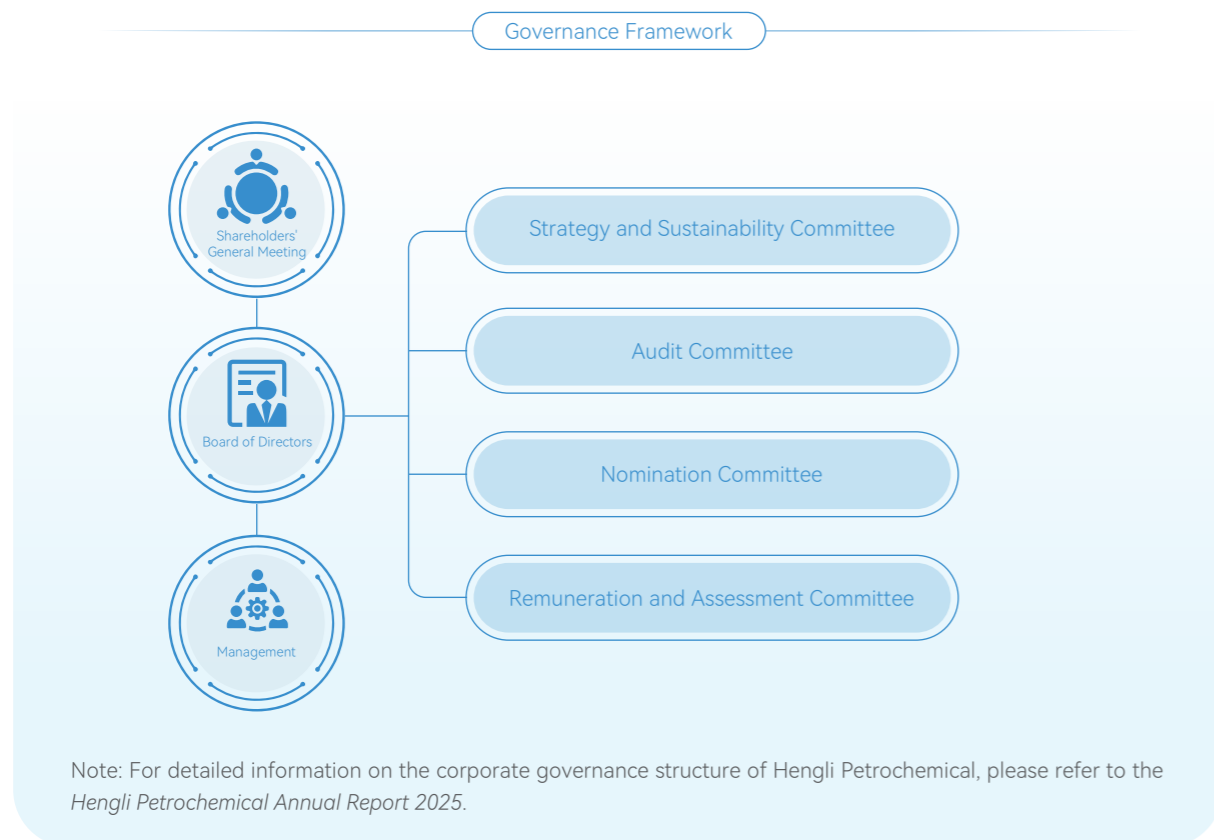
Hengli Petrochemical adheres to relevant laws and regulations, including the *Companies Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*. The Company strictly follows the Articles of Association of Hengli Petrochemical Co., Ltd. and various corporate governance and management systems, emphasizes the leading role of the Communist Party of China (CPC), establishes and improves its internal control system, strengthens risk prevention and control framework, continuously enhances work conduct, and commits to ensuring the Company's sound operations.

## Corporate Governance

Hengli Petrochemical continuously consolidates its governance foundation, optimizes its governance structure, and enhances governance efficacy. The Company strengthens compliant operations and risk control, fortifies information security defenses, and improves information disclosure quality to drive standardized corporate operations. Actively practicing the sustainable development philosophy, the Company embeds sustainable development elements into core business processes and risk management by optimizing decision-making mechanisms and reinforcing the Board of Directors' strategic leadership function. It consistently addresses the expectations and demands of stakeholders, continuously strengthens communication and cooperation with value chain partners and all sectors of society, and jointly advances the realization of sustainable development goals.

### Governance Framework

The Company has established a well-structured and robust governance structure comprising the shareholders' general meeting, the board of directors, and the management. It has formulated regulations including the *Rules of Procedure for the Shareholders' General Meeting* and the *Rules of Procedure for the Board of Directors*, strictly delineating the responsibility boundaries of each governance body. This has created an operating mechanism featuring distinct rights and responsibilities, separate and defined functions, mutual checks and balances, and highly coordinated efficiency among the organ of authority, the decision-making and supervisory body, and the management.



In 2025, in response to the evolving market and regulatory requirements, the Company introduced and revised a total of 28 governance policies in a systematic manner, strengthening policy coherence and enhancing the effectiveness of its corporate governance framework.

**Key Performance**

During the reporting period, the Company held **5** shareholders' general meetings to review **22** proposals; the Board of Directors convened **9** times to review **46** proposals, with a **100%** attendance rate among directors; and a total of **15** specialized committee meetings were held, including **2** meetings of the Strategy and Sustainability Committee, **6** meetings of the Audit Committee, **3** meetings of the Remuneration and Assessment Committee, and **4** meetings of the Nomination Committee.

### Board Diversity

The Company actively advances the professionalization and diversity of the Board of Directors. In the process of director selection, the Company comprehensively considers multidimensional factors, including gender, age, educational background and professional expertise, continuously optimizing the composition of the Board to ensure an a scientific and balanced structure. Board members possess diverse and multifaceted professional expertise and practical experience. They have deep expertise in the petrochemical and chemical fiber industries, with extensive experience in industrial management, while also covering key areas such as financial management, risk management, legal and sustainability. This breadth of expertise supports a well-rounded perspective in governance and contributes to enhanced decision-making quality and effectiveness.



Name	Position	Professional experience	Audit Committee	Remuneration and Assessment Committee	Nomination Committee	Strategy and Sustainability Committee	Whether an independent director
Fan Hongwei	Chairman	Enterprise management Chemical industry	/	/	/	Chairman of the committee	No
Li Xiaoming	Director, General Manager	Enterprise management Chemical industry ESG	/	/	/	Committee member	No
Li Feng	Director, Deputy General Manager, Company Secretary	Enterprise management Chemical industry ESG	/	Committee member	/	/	No
Liu Dunlei	Director, Deputy General Manager	Enterprise management Chemical industry	/	/	Committee member	/	No
Gong Tao	Director	Enterprise management Chemical industry	Committee member	/	/	/	No
Liu Jun	Independent Director	Legal industry Risk management	Committee member	/	Chairman of the committee	/	Yes
Xue Wenliang	Independent Director	Chemical industry	/	Chairman of the committee	Committee member	Committee member	Yes
Wu Yongdong	Independent Director	Financial management Risk management	Chairman of the committee	Committee member	/	/	Yes

## Board Independence

To further enhance the independence of the Board of Directors and to ensure that independent directors play a full role in informed decision-making, risk management, oversight and effective checks and balances, the Company has established and strictly implemented the *Independent Director Work System*, providing a robust institutional framework to ensure that independent directors perform their duties independently and diligently. Regarding the management of independent directors' performance, the Company complies with regulatory requirements by requiring an annual self-assessment of independence, supplemented by a dedicated evaluation issued by the Board, in order to continually affirm their independence. Through the Board's specialized committees, independent directors actively participate in the prior review of significant matters, the oversight of related-party transactions, and discussions on the annual audit planning. They also issue annual work reports and review opinions as required, ensuring the effective discharge of their roles in decision-making, oversight and professional advice.



### Key Performance

During the reporting period, the Company's Board of Directors consisted of **8** directors, including **3** independent directors, representing **37.5%** of the Board; there was **1** female director; independent directors accounted for **66.66%** of the Nomination Committee; **66.66%** of the Audit Committee; and **66.66%** of the Remuneration and Assessment Committee; and senior management represented **37.5%** of the Board.

## Risk Management Expert

The Company has appointed risk management experts with extensive professional experience and industry expertise to the Board, who lead the oversight of the development and operation of the Company's enterprise risk management system and end-to-end mechanisms covering risk identification, risk monitoring, risk management, and internal control processes. By fully leveraging their core role in professional oversight and risk prevention, experts provide a robust foundation for the Company's long-term development.

## Remuneration Management

The Board of Directors has established a Remuneration and Assessment Committee, constructing a scientific and efficient incentive and constraint mechanism for the remuneration of directors and senior management. During the reporting period, the Company refined regulations including the *Detailed Rules for the Implementation of the Remuneration and Assessment Committee*, clarifying the remuneration structure, evaluation criteria, and performance clawback and penalty policies for directors and senior management, with the aim of further standardizing the remuneration framework and decision-making procedures.

At the beginning of the year, the Company established sustainability-related objectives and set performance indicators across key areas, including carbon emissions, water resources management, quality management and business ethics. It has a direct link between ESG performance and the remuneration of directors and senior management. Assessments are conducted in strict accordance with the Company's remuneration regulations, and remuneration packages are determined based on the assessment result.

In 2025, the remuneration for the Company's senior management has been reviewed and approved by the Board of Directors, with details as follows:

Name	Position	Pre-tax fixed remuneration (ten-thousand-yuan)	Pre-tax variable remuneration (ten-thousand-yuan)	Total pre-tax remuneration (ten-thousand-yuan)
Li Xiaoming	Director, General Manager	94.18	31.39	125.57
Li Feng	Director, Deputy General Manager, Company Secretary	106.01	26.50	132.51
Liu Dunlei	Director, Deputy General Manager	98.36	32.79	131.14
Liu Xuefen	Deputy General Manager, Finance Director	126.13	31.53	157.66
Liu Qianhan	Deputy General Manager	89.78	26.82	116.60
Zhang Wenyu	Deputy General Manager	55.30	16.52	71.82
Huang Xudong	Deputy General Manager	89.16	26.63	115.79

Note: The variable remuneration of senior management is directly linked to sustainability performance, with assessment criteria covering multiple dimensions including carbon emissions management, water resources management, quality management and business ethics. Assessments are based on the achievement of specific performance targets set at the beginning of the year. During the reporting period, the Company's senior management substantially met the targets set at the beginning of the year.

## Information Transparency

The Company has established the *Information Disclosure Management System* and the *Accountability System for Material Errors in Information Disclosure of Annual Report* to standardize the Company's information disclosure practices. This ensures that information disclosed is truthful, accurate, complete, timely and fair, and facilitates effective communication between the Company and investors, regulatory authorities and other market participants. The Company has also put in place an oversight mechanism for information disclosure. The Chairman serves as the primary person responsible for implementation of the information disclosure management system, while the Company Secretary is the principal person responsible for information disclosure, organizing and coordinating related matters to ensure compliance with applicable requirements.



### Key Performance

During the reporting period, the Company published **4** periodic reports and **81** temporary reports. The Company did not incur any breaches of information disclosure requirements. It received an 'A' rating in the information disclosure assessment for listed companies conducted by the Shanghai Stock Exchange.


## Investor Relations Management


The Company places a strong emphasis on investor relations management. It has established the *Investor Relations Management System* and adheres to the principles of compliance, equality, proactivity, and integrity to develop a standardized and efficient investor relations management framework. The Company Secretary is responsible for organizing and coordinating investor relations management activities, while the Board Office (Securities Department) serves as the functional department for the day-to-day implementation of investor relations management. In terms of communication channels, the Company maintains timely, candid and effective communication with investors through regular channels such as the official website, investor hotline, email, and SSE E-interaction platform, as well as through shareholders' general meetings, investor briefings, roadshows and investor visits. The Company proactively embraces investor oversight, maintains an effective mechanism for responding to investor enquiries, safeguards the legitimate rights and interests of investors, and is committed to fostering long-term, stable and mutually beneficial investor relationships.




## Risk Management

The Company adheres to compliance requirements and risk thresholds, continues to refine its risk management framework, and comprehensively strengthens its risk management capabilities, ensuring that business development is effectively aligned with prevention and control capabilities. The Board of Directors serves as the leadership and decision-making body for risk management, responsible for overseeing the development of the Company's risk management and internal control systems and monitoring the effectiveness of their implementation.

- 

As the first line of defense, each business department is directly responsible for risk management, identifying and assessing key risks and challenges within their operations, and subsequently optimizing operational standards, process guidelines and management policies.
- 

Functional departments such as the Legal and Compliance Department serve as the second line of defense, responsible for coordinating, guidance, oversight and support of risk management activities. In particular, the Company's ESG Working Group identifies and issues early warnings annually regarding risks associated with financially material issues such as climate change, environmental compliance management and pollutant emissions, and formulates corresponding mitigation measures.
- 

As the third line of defense, the Audit Department conducts regular audits and is responsible for monitoring and evaluating the effectiveness of the risk management and internal control systems.

## Internal Control and Auditing

The Company has established the *Internal Control Management System* and the *Regulations on Internal Audit Work*, among other rules, to standardize and strengthen its internal control efforts. The Audit Department, under the Audit Committee of the Board, regularly identifies risks related to business ethics and formulates targeted mitigation measures. Through internal audits and special inspections, the Company focuses on business ethics risks, such as anti-fraud and anti-corruption, to conduct business ethics audits, assess and hold accountable the business ethics work of each industrial park, and regularly report on the progress of business ethics management to the Strategy and Sustainability Committee and the Audit Committee. The Company's audit activities are structured into three stages: Annual Planning, Mid-Year Implementation and Reporting, Year-End Feedback and Review, thereby ensuring comprehensive coverage of business ethics audits for directors, senior management, and all employees.

### Internal Auditing Process

#### Annual Planning



At the beginning of each year, the Audit Department is responsible for developing the annual planning of internal auditing and submitting it to the Chairman for review. The scope of internal auditing covers 100% of Company's operating sites, including procurement, sales, production, safety and environmental protection and business ethics across all industrial parks, ensuring that each subsidiary of Company is subject to at least one internal audit annually.

#### Mid-Year Implementation and Reporting

The Audit Department conducts audits of each industrial park in accordance with the annual planning, promptly issues audit reports based on the findings, and provides targeted recommendations for management improvements. The planning may be timely adjusted as needed based on actual circumstances. For key projects in Company's day-to-day operations, as well as in the event of any reported issues, the Audit Department organizes special audits and continuously monitors the implementation of corrective actions.



#### Year-End Feedback and Review



The Audit Department continuously monitors the progress of corrective actions implemented by audited entities and compiles the annual audit findings at the end of each year for submission to the Chairman. The auditing results will be incorporated into the annual performance assessment of each subsidiary.

#### Key Performance

During the reporting period, the Audit Department completed audit assignments covering all operating sites and business segments of the Company and all its subsidiaries, with a **100%** rectification rate for identified issues.

## Related-Party Transaction

The Company has established the *Related-Party Transaction Management System* and incorporated relevant provisions on related-party transactions into the *Articles of Association of Hengli Petrochemical Co., Ltd.* Strict control requirements have been imposed on high-risk related-party transactions, including financial assistance, guarantees, and the occupation of funds, to eliminate the risk of preferential treatment in related-party transactions and to effectively safeguard the legitimate rights and interests of the Company and non-related shareholders. During the reporting period, the directors, senior management, controlling shareholders and actual controllers (the "key minority") did not engage in related-party transactions that harmed the interests of the Company or its shareholders.

Note: For details on related parties and related-party transactions, please refer to the *Hengli Petrochemical Annual Report 2025*

## Tax Compliance

The Company strictly complies with national tax laws and regulations, including the *Enterprise Income Tax Law of the People's Republic of China* and the *Tax Collection and Administration Law of the People's Republic of China*, and consistently adheres to the principle of lawful tax compliance. In light of the Company's actual business operations and development, it has formulated the *Financial Control System* to standardize the end-to-end tax management processes. During the reporting period, the Company did not involved in any material tax-related litigation or arbitration.

To further enhance the professionalism and precision of tax management, the Company and its subsidiaries have engaged external expertise by appointing experienced tax advisors to provide ongoing advisory support. Concurrently, a long-term mechanism for self-inspection of tax risks has been established to proactively identify and mitigate potential risks, ensuring that tax-related operations are conducted in a compliance, sound, and orderly manner.

### Key Performance

During the reporting period, the Company paid a total of **13.128** billion yuan in all types of taxes.



## Business Ethics

The Company upholds high standards of business ethics and industry integrity, fostering a culture of honesty and probity. The Company treats commercial bribery, corruption, and unfair competition as strictly prohibited and adopts a zero-tolerance policy. Through establishing robust systems and strengthening oversight, the Company rigorously combats violations of rules and discipline to promote the culture of probity. This approach not only ensures its own compliant operations but also helps maintain a fair and orderly market environment, demonstrating its corporate responsibility.


## Anti-commercial Bribery and Anti-Corruption

### Integrity Management System

The Company places great emphasis on establishing and refining systematic framework for business ethics management and end-to-end oversight mechanisms. It has formulated relevant policies, including *Business Ethics Management*, and has established a multi-tiered, comprehensive integrity management system. The Audit Committee serves as the Company's highest governing body for matters related to business ethics, including anti-corruption and anti-bribery, and oversees and periodically reviews such matters. The Strategy and Sustainability Committee is responsible for overseeing the implementation of ESG policies and strategies. The Company explicitly extends its compliance requirements to all employees and external partners. It prohibits any conduct that exploits authority or business relationships to seek improper benefits or harm legitimate rights and interests of the Company. Through robust policies and measures, the Company maintains a strong framework to fortify its integrity in its operations.

### Whistleblowing Channels and Whistleblower Protection

The Company has established channels for whistleblowing corruption and has clearly stipulated the protection of whistleblowers and the accountability of those who disclose their identities in its *Business Ethics Management guidelines*.



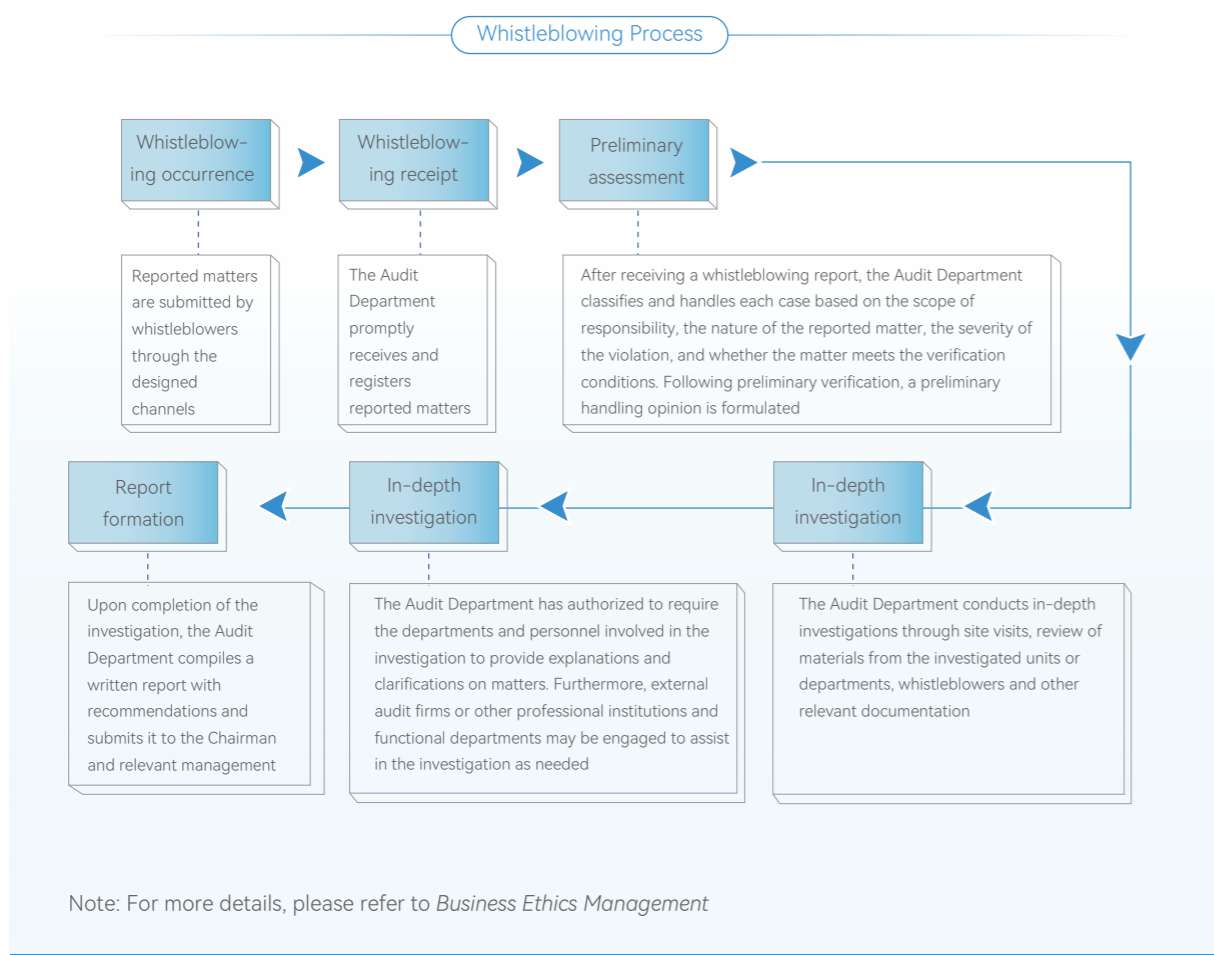
Whistleblowing Channels

Hotline: 0512-63838399

Whistleblowing email: jubao@hengli.com

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Whistleblowing Address:  
31st Floor, Building B, Victoria Plaza, No.52 Gangxing Road, Renmin Road Subdistrict, Zhongshan District, Dalian, Liaoning Province, China



## Business Ethics Training

The Company places great emphasis on fostering a culture of business ethics and requires directors, senior management, and employees to complete annual internal business ethics training, as well as various external business ethics-related training in accordance with regulatory requirements. During the reporting period, the Company has provided integrity training for all employees (including interns, temporary employees, and part-time employees), contractors, suppliers, and other relevant parties. Through diversified communication initiatives and systematic learning, the Company has continuously strengthened the integrity and self-discipline awareness of all employees. The coverage rate of business ethics training stood at 100%.



### Case Integrity Education Activity

To further effectively enhance the integrity and self-discipline awareness of the management, on August 6, 2025, Hengli (Nantong) Industrial Park organized relevant management and key position holders to participate in an integrity education activity at the Nantong Integrity Education Center.

For more information about the event, please refer to "Strengthening the Foundation of Integrity to Support High-quality Development"

## Anti-unfair Competition

The Company consistently adheres to the principle of operating in full compliance with laws and regulations, including the *Anti-Money Laundering Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and the *Anti-Monopoly Law of the People's Republic of China*, and actively upholds a fair and orderly market environment and promotes healthy competition. The Company has deeply embedded compliance principles throughout every stage of its business operations and has adopted a zero-tolerance policy toward illegal and non-compliant activities, including unfair competition, monopolistic practices, and money laundering, while implementing strict preventive measures and robust controls. By continuously strengthening compliance management and risk identification, the Company ensures that its production and business operations are conducted in a lawful, standardized, and orderly manner, thereby establishing a robust compliance foundation for its steadily development.

## Measures for Integrity Management

- Integrity Undertakings:** The percentage of personnel in key positions and critical processes who have signed the *Integrity in Employment Management Commitment Agreement* with the Company stood at 100%.
- Stakeholder Management:** In contracts signed with or bid proposals submitted by stakeholders conducting business with the Company (including suppliers, service providers, contractors and clients), it is explicitly stated that the contracting party or bidder must comply with the Company's integrity-related policies. The execution rate of the *Anti-commercial Bribery Agreement* stood at 100%.
- Integrity Assessment:** All departments of the Company have strengthened the evaluation and assessment of personnel in key positions.

# 02

## Green and Low-Carbon, Safeguarding Our Ecological Home

- Environmental Compliance Management
- Controlling Pollutant Discharge
- Response to Climate Change
- Efficient Utilization of Resources
- Seizing Clean Technology Opportunities

SDGs



Guided by the philosophy of green development, the Company has deeply embedded this philosophy into its corporate core identity and views environmental protection as the underlying principle of its growth. Building upon environmental compliance, the Company actively explores new frontiers in low-carbon transition, proactively tackles climate change, steadily advances energy conservation, carbon reduction, and clean production, and vigorously develops the circular economy to enhance resource utilization efficiency.

## Environmental Compliance Management

The Company abides by the laws and regulations including the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, and the *Law of the People's Republic of China on the Prevention and Control of Soil Pollution*, as well as industry standards such as the *Emission Standard of Pollutants for Petroleum Chemistry Industry* and the *Emission Standard of Pollutants for Synthetic Resin Industry*, establishing and continuously improving its environmental compliance management system.

### Environmental governance system

The Company has formulated comprehensive environmental compliance management regulations, including the *Environmental Protection Management Regulations*, the *Environmental Protection Management Assessment Regulations*, and the *Environmental Monitoring Management Regulations*. These regulations endeavor to standardize key environmental work, such as pollution prevention and control, environmental monitoring and supervision, emergency management, training and promotion, and implement whole-process, standardized measures to ensure environmental compliance.

The Company has established an organizational structure for environmental compliance management and pollutant discharge management. The Strategy and Sustainability Committee is entrusted with the responsibility of serving as the leading authority for environmental management. The principals of each industrial park are the primary persons responsible for environmental protection, taking full charge of assuming overall responsibility for environmental protection work within their respective units. Additionally, dedicated environmental management departments have been established to define the division of environmental protection responsibilities at all levels, ensuring the effective implementation of environmental protection-related systems and strategic policies.

The Company is committed to enhancing its environmental management accountability system by incorporating resource consumption metrics, including water, electricity, and steam, and compliance discharge metrics such as wastewater and waste gas emissions into its performance assessment framework. Data on these indicators is regularly collected, calculated and analyzed across all industrial parks, and factored into the annual performance appraisal.

#### Organizational Structure and Responsibilities for Environmental Compliance Management

Safety and Environmental Protection Department	Responsible for formulating and monitoring the Company's environmental protection policies, emission indicators, and work plans; coordinating environmental impact assessments, the treatment of wastewater, waste gas and solid waste (the "three wastes"), Cleaner Production, and the operation and maintenance of environmental protection facilities; and undertaking emergency response to pollution incidents and the resolution of related disputes.
Inspection Center	Responsible for conducting environmental monitoring, compiling and summarizing data, and submitting reports in a timely manner; undertaking emergency monitoring during sudden environmental incidents and heavy pollution weather; and assisting in the investigation and handling of sudden environmental incidents.
All Departments	Responsible for communicating and implementing environmental protection policies, and executing environmental work.
All Workshops	Responsible for implementing cleaner production practices in the workshop.

#### Key Performance

In 2025, the Company invested **838** million yuan in environmental protection.

During the reporting period, the Company did not experience any environmental accidents or violations of environmental laws and regulations.

The Company continues to promote its environmental management system certification process. Subsidiaries that have obtained ISO 14001 certification undergo one or two environmental compliance audits conducted by professional third-party institutions annually to ensure the effective operation of their environmental management systems.

#### Key Performance

By the end of the reporting period, **100%** of the Company's major manufacturing subsidiaries had obtained ISO 14001 environmental management system certification.

#### ISO 14001 Environmental Management System Certification



Hengli Petrochemical (Dalian)

Hengli Petrochemical Refining

Hengli Petrochemical (Huizhou)

## Environmental Management Strategies

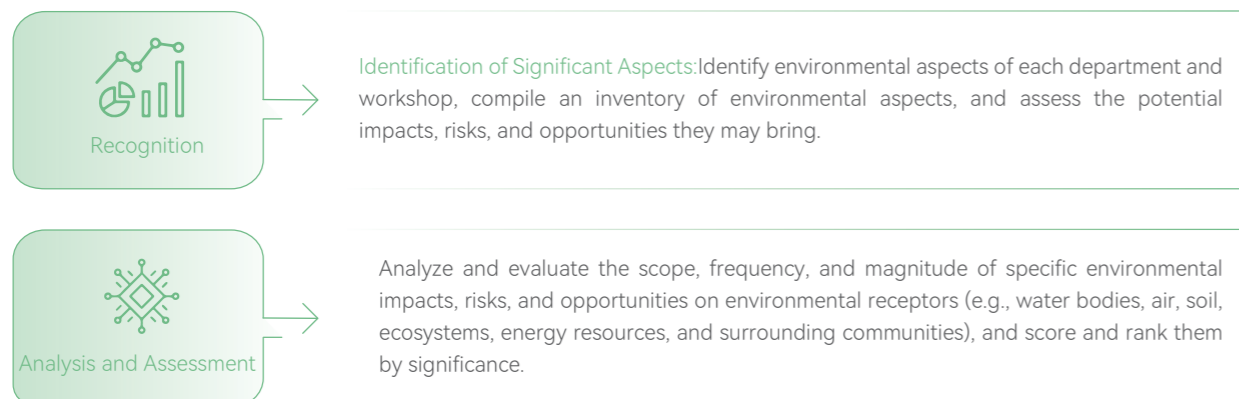
The Company has formulated an environmental protection policy to define overarching objectives and strategies. Focusing on the core areas of environmental impact prevention and risk management, it has systematically allocated specific targets and risk control requirements to each functional department. By formulating detailed, actionable, and measurable environmental work plans, it has established a comprehensive closed-loop system encompassing "goal setting – target breakdown – plan implementation – assessment and audit – optimization and improvement – consolidation of results". This ensures that these environmental objectives are effectively communicated at all levels, responsibilities are assigned to specific individuals, and actions are successfully implemented.

The Company and its subsidiaries have established a dual-oversight mechanism comprising routine assessments and external audits. Firstly, they conduct periodic and comprehensive assessments of the implementation status of environmental protection efforts and the effectiveness of risk management across all departments and industrial parks, thereby strengthening process control. Secondly, external experts are invited to conduct professional annual audits of the Company's environmental protection performance, environmental impact management, and risk prevention measures. This enables the precise identification of operational shortcomings, the mapping of potential risks, and the determination of areas for optimization.

## Impact, Risk and Opportunity Management

### Management Process

The Company has consistently adhered to the environmental policy of "green and low-carbon, clean production, and continuous improvement". We systematically identify and assess environmental aspects, and actively carry out key initiatives such as environmental hazard screening, building emergency response capabilities for environmental emergencies, and providing environmental education and training for all employees. These efforts aim to enhance our environmental impact management capabilities, ensuring risks are kept under control and opportunities are effectively leveraged.



Case Construction of Risk Management and Dual Prevention Mechanism

In 2025, the Hengli (Dalian Changxing Island) Industrial Park conducted a training session themed "Risk Management and the Construction of the Dual Preventive Mechanism." The training provided a comprehensive interpretation of the dual preventive mechanism for addressing environmental risks, thoroughly deconstructing the key considerations across its six-stage process: screening risk points, identifying risk sources, assessing risks, formulating risk control measures, determining the scope of hidden hazard investigation and compiling investigation checklists, as well as implementing hidden hazard investigation and rectifying identified hazards. These efforts effectively heightened the environmental compliance risk awareness of personnel in environmental-related positions across all workshops.



## Environmental Monitoring and Auditing

The Company adheres to management requirements regarding pollutant discharge and has formulated an environmental monitoring plan. In 2025, each industrial park under the Company developed an *Annual Self-Monitoring Plan* based on its operational status and conducted self-monitoring in accordance with regulatory requirements. The Company's environmental monitoring plans and risk management measures contain no material deficiencies.

For key pollution sources, we have installed automatic online monitoring systems to enable real-time data collection and connect to government regulatory platforms. We regularly report pollution source monitoring data and submit pollution discharge permit execution reports, proactively disclose environmental information to the public, and voluntarily embrace oversight from government regulatory authorities, the public, and stakeholders, thereby fulfilling our corporate environmental responsibilities.

The Company conducts regular environmental audits of all operational sites to ensure full compliance with environmental laws and regulations and to continuously improve environmental management performance. During the reporting period, we organized environmental audits across all operational sites. Working alongside professional auditors, we focused on key areas such as environmental regulatory compliance, pollutant emission control, and resource utilization efficiency. For all issues identified during the audits, the Company has formulated and implemented corrective measures.

### Key Performance

During the reporting period, the Company achieved **100%** coverage of its operational sites for environmental audits, with a **100%** rectification completion rate for identified issues.

## Environmental Impact Assessment

Hengli Petrochemical and its industrial parks adhere to the requirements of laws and regulations such as the *Environmental Impact Assessment Law of the People's Republic of China* and the *Regulation on the Administration of Construction Project Environmental Protection*, conducting end-to-end environmental impact assessments for all new, reconstructed, and expanded projects. At every stage—from project approval and design to construction and operation—the Company conducts scientific assessments to identify potential environmental risks and formulates and implements targeted mitigation measures. Upon project completion, the Company enforces the "Three Simultaneous" (simultaneous design, construction, and operation) system acceptance system for environmental protection facilities to ensure that environmental impacts remain controlled and operations are fully compliant.

### Key Performance

In 2025, the implementation rate of the environmental protection "Three Simultaneous" requirement for construction projects reached **100%**.

## Biodiversity Protection

Hengli Petrochemical places great importance on ecosystem conservation. All construction projects undergo environmental impact assessments in accordance with regulations to minimize adverse effects on wildlife, soil biota, groundwater, and other environmental elements. The Company actively participates in ecological restoration initiatives, such as wetland conservation and vegetation restoration, taking concrete actions to safeguard biodiversity. In practice, Hengli Petrochemical (Huizhou) has formulated and implemented the *Biodiversity Conservation Management Procedures* and organized employees to sign biodiversity conservation pledges to strengthen everyone's sense of responsibility. Hengli Petrochemical (Huizhou) has also established a dedicated educational hub for biodiversity conservation and conducts routine themed promotional and science outreach activities, actively embedding the philosophy of biodiversity conservation into daily operations and corporate culture.



Hengli Petrochemical (Huizhou) - Biodiversity Exhibition Wall



"Clean Up the Shores, Protect the Blue Seas" National Beach Cleanup Campaign

Case

Coastal Ecological Restoration Action

On March 13, 2025 (the 47th Chinese Tree-Planting Day), to advance the ecological beautification of Daya Bay and improve the marine ecological environment, young volunteers from the Hengli (Huizhou) Industrial Park carried out a coastal ecological restoration initiative by planting mangrove saplings. Under professional guidance, the volunteers learned key planting techniques, worked together in an organized manner, and built a green barrier along the intertidal zone.



## Indicators and Targets

Hengli Petrochemicals key environmental indicators, targets and achievement status for 2025 are as follows:

Environmental Management Objectives	Performance
100% odor remediation rate	Achieved
Zero environmental pollution incidents	Achieved
100% compliance with discharge standards	Achieved
100% hazardous waste disposal rate with "single-code traceability"	Achieved
100% compliance rate for environmental monitoring	Achieved
100% compliance rate for hazardous waste disposal	Achieved
100% coverage of environmental training	Achieved

## Controlling Pollutant Discharge

The Company adheres to regulations governing the compliant discharge of pollutants. By continuously strengthening source control, process management, and end-of-pipe treatment, we minimize the impact of our production and operations on the surrounding ecological environment, regional air quality, and the lives of local residents.

### Pollutant Management System

Each of Hengli Petrochemicals' industrial parks has established specialized management policies for key environmental protection tasks such as pollutant emissions and waste disposal, and has set up a organizational structure led by the EHS Department with coordinated participation from multiple departments. During the reporting period, the Company did not incur any major administrative penalties or criminal liabilities for pollutant discharge, nor did it receive any major complaints from local community residents or other groups due to environmental pollution issues.

#### Organizational Structure for Pollutant Discharge Management

EHS Department	Responsible for organizing the development and revision of relevant policies and procedures and overseeing their implementation; supervising the monitoring of pollutant emissions from various workshops and environmental quality within the plant premises; coordinating with third-party monitoring agencies; developing and issuing annual monitoring plans and ensuring their implementation; and managing the reporting of environmental monitoring results, data collection, aggregation, and analysis, as well as the archiving of records.
Environmental Monitoring Station	Responsible for monitoring equipment operation and maintenance, as well as the implementation of routine and emergency monitoring; coordinating data management, third-party collaboration, and record archiving; and preparing monthly monitoring reports.
Instrumentation Department	Responsible for the daily management, maintenance, and repair of automatic online monitoring instruments and equipment, as well as establishing management protocols and ledgers; also oversees the implementation of work by third-party operation and maintenance providers.
Workshop	Assist in conducting environmental monitoring and trigger requests for emergency monitoring when necessary; manage the daily operation and maintenance of workshop monitoring equipment, as well as the recording, compilation, and reporting of monitoring data and the maintenance of relevant ledgers.
Other Departments	Support environmental monitoring activities as required.

## Pollutant Management Strategy

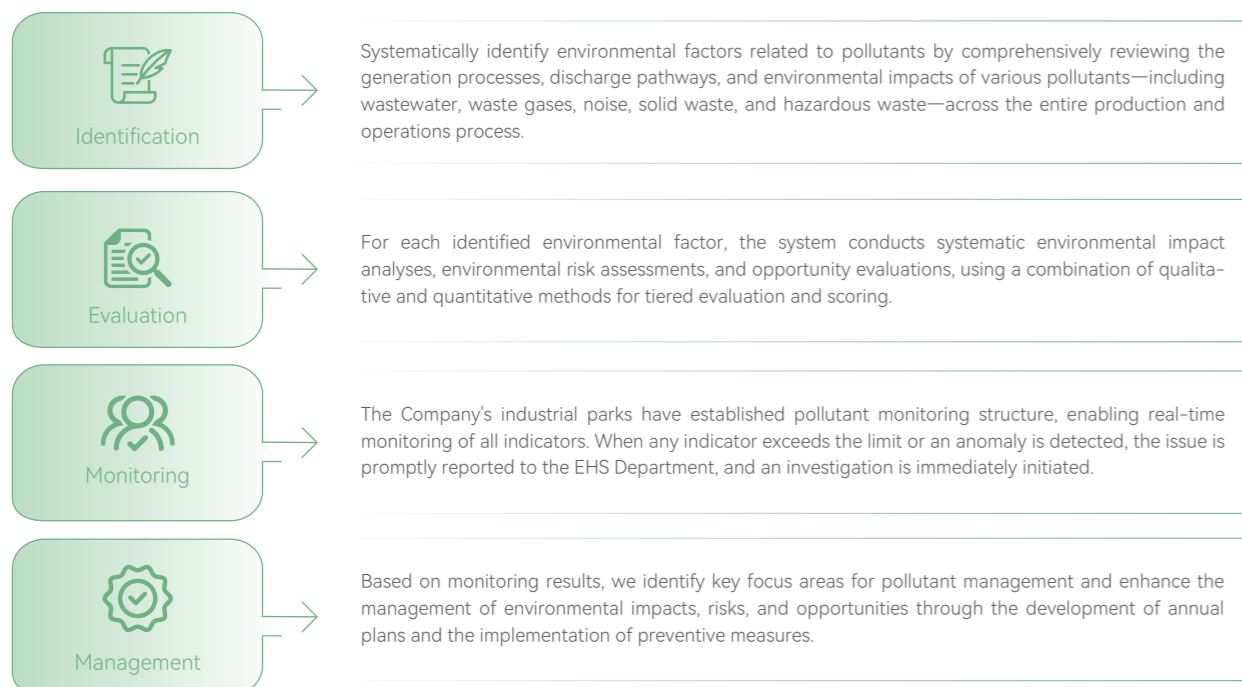
Hengli Petrochemical attaches great importance to pollutant prevention and control. The Company encourages its industrial parks to implement key pollutant management strategies tailored to their unique production and operational profiles. To ensure the effective operation of pollutant management efforts, these parks establish pollutant management systems aligned with their specific production characteristics, set up dedicated EHS departments, and define annual targets and work plans for pollutant control.

## Impact, Risk and Opportunity Management

### Management Process

Hengli Petrochemical abides by laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, and the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, as well as the Company's internal management systems. The Company conducts standardized management and control of the end-to-end of wastewater, waste gas, and solid waste disposal, strictly complies with emission thresholds, and ensures stable compliance and proper disposal of all types of pollutants.

#### Management Process for Pollutant-Related Impacts, Risks and Opportunities



## Waste Gas Emission Management

The Company implements categorized treatment and precise control for different types of waste gas, adopting specialized treatment approaches tailored to each specific situation. We continuously strengthen routine inspections and real-time online monitoring of waste gas treatment facilities, conduct internal monitoring in accordance with established standards, and commission third-party organizations to perform regular testing, thereby ensuring the effectiveness of waste gas treatment throughout the end-to-end process. In 2025, the Company achieved 100% compliance with waste gas emissions.

Key Performance	Unit	2025
Total waste gas emissions	Ton	5,588,908,418
Waste gas emission intensity	Tons per million yuan of revenue	27,807.45
Nitric oxide (NOx)	Ton	4,616.06
Sulfide (SOx)	Ton	1,908.69
Particulate matter (PM)	Ton	349.96
Volatile organic compounds (VOCs)	Ton	587.33

Note 1: The statistical scope of waste gas data covers Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengli Petrochemical (Dalian) New Material, Kanghui Dalian New Material, Hengli Chemical Fiber, Susheng Thermal Power, Hengke Advanced Materials, Jiangsu Xuanda, Kanghui Nantong, Kanghui New Material, Deli Chemical Fiber, Hengli Petrochemical (Huizhou), and Jiangsu Kanghui.

Note 2: The pollutant discharge situation of subsidiaries listed as key environmental supervision units by environmental protection authorities will be detailed in *Hengli Petrochemical Annual Report 2025*.

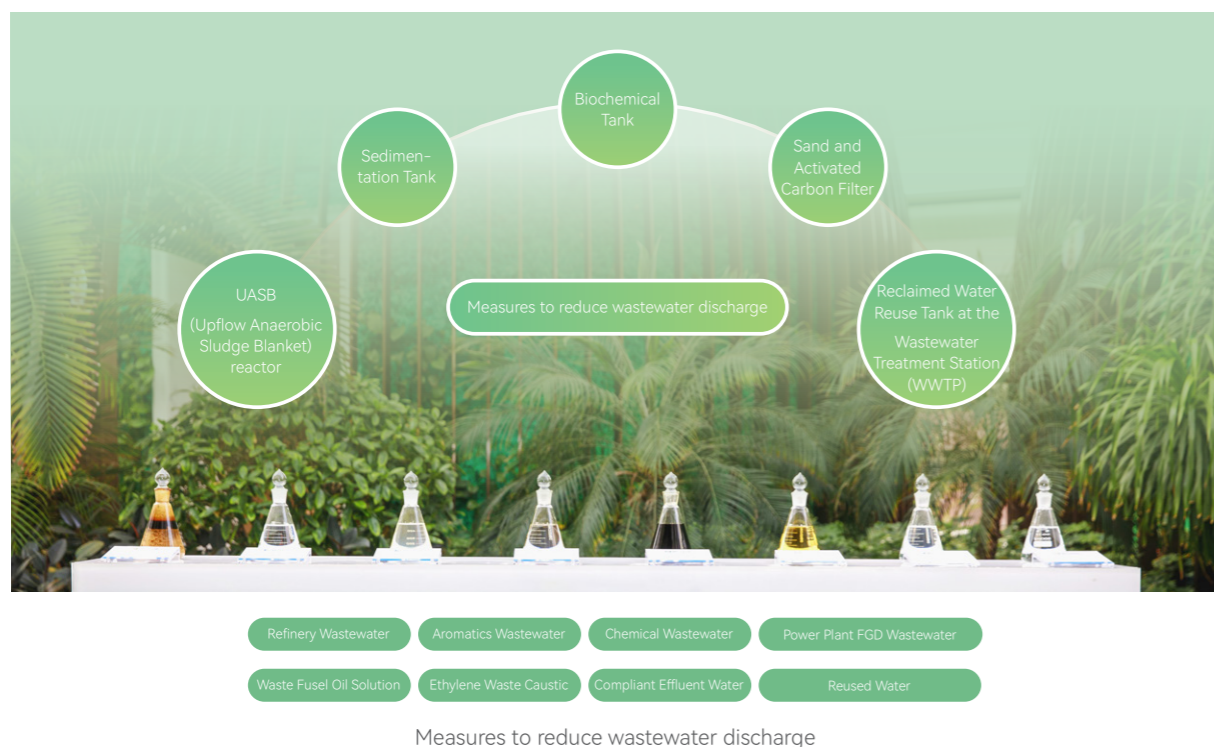
## Wastewater Discharge Management

Hengli Petrochemical adheres to the principles of "separating clean and wastewater and treating different types of wastewater separately". The Company has scientifically planned and designed its drainage system to enable categorized collection and treatment based on wastewater characteristics. Internally, the Company has developed and strictly implements its own self-monitoring program and established an online monitoring system. Additionally, it commissions third-party professional organizations to conduct supervisory testing, thereby monitoring water quality throughout the process to ensure stable compliance with all wastewater discharges.

Key Performance	Unit	2025
Total Wastewater Discharge	Ton	28,505,410
Wastewater Discharge Intensity	Tons per million yuan of revenue	141.83
COD Emissions	Ton	751.84
Ammonia Nitrogen Emissions	Ton	9.98
Total Phosphorus Emissions	Ton	5.68
Total Nitrogen Emissions	Ton	188.65

Note 1: The statistical scope of wastewater data covers Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengli Petrochemical (Dalian) New Material, Kanghui Dalian New Material, Hengli Chemical Fiber, Susheng Thermal Power, Hengke Advanced Materials, Jiangsu Xuanda, Kanghui Nantong, Kanghui New Material, Deli Chemical Fiber, Hengli Petrochemical (Huizhou), and Jiangsu Kanghui.

Note 2: The pollutant discharge situation of subsidiaries listed as key environmental supervision units by environmental protection authorities will be detailed in *Hengli Petrochemical Annual Report 2025*.



**Case** Hengli Chemical Fiber 2000t/d Membrane Treatment Reclaimed Water Reuse + Concentrated Water Treatment Project

As of the end of the reporting period, Hengli Chemical Fibers' 2,000 t/d membrane-based reclaimed water reuse and concentrate treatment project was officially completed and commissioned. The project employs a "ultrafiltration + reverse osmosis" dual-membrane treatment process, which effectively removes suspended solids, colloids, dissolved salts, and organic matter from the raw water, ensuring that the final reclaimed water meets the standards for industrial cooling water makeup. The project is designed to treat 2,000 tons of wastewater daily and has been operating smoothly since commissioning. During the reporting period, the project reduced wastewater discharge by 400,000 tons through reclaimed water reuse, contributing positively to alleviating pressure on the regional water environment.

## Waste Management

The Company strictly regulates the end-to-end process of general waste generation, collection, transportation, storage, and transfer. It requires relevant responsible parties to improve record-keeping and dynamic management, conduct regular supervision and evaluations of partner entities, and continuously strengthen process control. The Company's hazardous waste management adheres to the principles of "the supervisor bears responsibility" and the polluter pays. Each industrial park formulates a series of internal management systems—including the *Hazardous Waste Management System* and the *Hazardous Waste Environmental Pollution Prevention and Control Responsibility System*—tailored to its specific operations. These systems ensure end-to-end, traceable management of hazardous waste generation, storage, transfer, and disposal, and establish hazardous waste management archives and ledgers that accurately document details such as the types of hazardous waste generated, generation volumes, generation stages, flow paths, storage conditions, and disposal status.

Key Performance	Unit	2025
General Waste	Ton	3,435,469
Hazardous Waste	Ton	153,946
Hazardous Waste Intensity	Tons per million yuan of revenue	0.77
Compliance Rate of Hazardous Waste Disposal	%	100

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

### Information-based Supervision of Hazardous Waste

The Company requires that vehicles transporting hazardous waste within the facility be equipped with GPS and follow designated routes. Additionally, it employs intelligent IoT monitoring measures—including smart weighing systems, QR code electronic tags, electronic ledgers, electronic waybills, real-time upload of transport trajectories, and handheld terminals—enabling real-time, dynamic, and early-warning-based remote monitoring that is fully traceable and information-driven throughout the process.

## Indicators and Targets

In 2025, the Company engaged a third-party professional organization to conduct systematic interviews and on-site surveys at all its industrial parks. This initiative comprehensively reviewed the current status of the generation, treatment, and discharge of wastewater, waste gas, and general solid waste across each industrial park. It precisely identified opportunities for the reduction, resource utilization, and harmless treatment of these "three wastes" and scientifically evaluated environmental management shortcomings and potential for improvement. Based on this, and in alignment with industry best practices and regulatory requirements, the Company formulated and established the following annual environmental protection and emissions reduction targets. During the reporting period, the Company tracked and assessed the environmental targets set for 2024, and the annual targets for 2025 were substantially achieved.

### Indicators and Targets for 2026

Type	Target
Wastewater	Target wastewater discharge volume ≤ 32,000,000 tons
Exhaust Gas	Target emissions of nitrogen oxides (NOx) ≤ 9,000 tons
	Target emissions of sulfides (SOx) ≤ 40,000 tons
	Target emissions of particulate matter ≤ 900 tons
	Target emissions of VOCs ≤ 1,500 tons
Solid Waste	The target generation volume of solid waste ≤ 6,660,000 tons

## Response to Climate Change

Hengli Petrochemical actively implements the national goals of "carbon peak and carbon neutrality". The Company has established green, low-carbon, and sustainable development as a central guiding principle for its high-quality growth, and has fully integrated this principle into its corporate strategy and long-term strategy. In response to these national goals and in alignment with international consensus and standards such as the *Paris Agreement* and the 2030 Agenda for Sustainable Development, the Company upholds compliant operations and adopts a systematic approach to continuously advance its green and low-carbon transformation and its response to climate change. Through these efforts, Hengli Petrochemical diligently fulfills its environmental and social responsibilities.

### Governance

The Company is enhancing the improvement of its internal mechanisms in areas such as organizational structure, institutional regulations, and oversight and evaluation, with the aim of standardizing climate change and greenhouse gas emissions management, ensuring the quality of carbon emissions data, and fully implementing the strategic goals of "carbon peak and carbon neutrality".



#### Organization and Capacity Building

The Company has established a top-down organizational structure for climate change governance and continues to strengthen the professional capabilities of its governance team. By regularly conducting specialized training and certification programs on carbon management, it comprehensively enhances all employees' competency in fulfilling low-carbon responsibilities.



#### Institutionalized and Standardized Operation

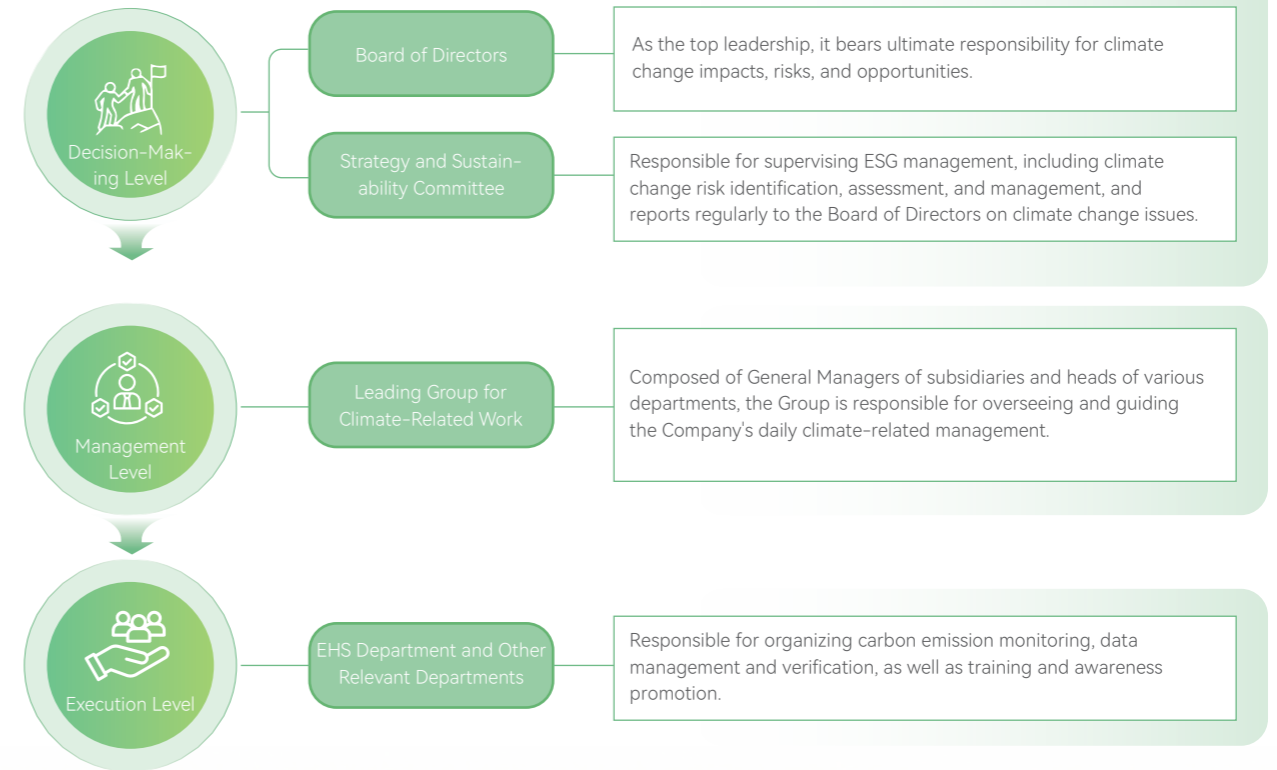
Taking into account the operational realities of each industrial base, the Company has formulated specialized management systems, including the *Carbon Emissions Management System* and the *ESG and Climate Change Management System*. The Company has established a regulatory framework covering carbon emissions data quality control, end-to-end emissions management, greenhouse gas verification, and coordinated ESG governance, ensuring that climate governance efforts are conducted in accordance with established procedures and operate in a standardized manner.



#### Closed-Loop Supervision and Assessment

The Company has established a mechanism for routine supervision, inspection, and target assessment. By integrating carbon reduction targets into the performance appraisal systems for management and key positions, the Company ensures clear individual accountability for all carbon reduction initiatives and guarantees their effective implementation.

### Organizational Structure for Climate Change Tackling



## Strategy

In response to global climate change and the industry's transformation toward green and low-carbon transition, Hengli Petrochemical, with reference to the TCFD framework and taking into account the characteristics of the petrochemical industry and its entire industry chain footprint, has conducted an analysis of climate-related risks and opportunities. The Company has systematically identified climate-related risks and opportunities and implemented response measures.

Climate Change Risk List

Type	Climate-related Risks	Probability of Occurrence	Time Horizon	Financial Impact	Response Measures
Physical Risk	Acute	Small	Short-term	Increased equipment maintenance costs, production downtime leading to revenue losses, and rising costs associated with contract breaches.	Reinforce protective facilities, develop contingency plans, and enhance our ability to respond to extreme weather conditions.
	The intensification of extreme weather events such as typhoons and floods could damage equipment at the Company's coastal facilities in Dalian and elsewhere, leading to production disruptions.			Increased logistics costs, decreased capacity utilization, and rising operating costs.	Optimize logistics arrangements, stockpile emergency raw materials, and refine production contingency plans.
	External factors such as natural disasters and geopolitical conflicts could disrupt logistics and the procurement of raw materials.	Small	Long-term	Increased costs for equipment maintenance and cooling, decreased production efficiency, and potential safety losses.	Upgrade equipment cooling systems, optimize operational workflows, and strengthen heat protection measures.
	Chronic			Rising raw material procurement costs may have an adverse impact on operating performance.	Continuously monitor changes in the raw materials market, conduct dynamic analysis and assessments, select appropriate procurement timing and flexible procurement methods, and utilize hedging and other strategies to mitigate fluctuations in raw material prices.
Uneven rainfall and climate fluctuations affect the transportation of raw materials and the continuity of production.	Small	Long-term	Rising temperatures cause production equipment to overheat, leading to an increase in failure rates and compromising safety in production.		
Transition Risk	Policy and Legal	Mediate	Medium and long term	Prices for allowances in the national carbon market continue to rise, which will directly drive up compliance costs.	Promote energy conservation and carbon reduction initiatives, strictly control total carbon emissions, and alleviate the cost pressure associated with carbon allowances.
	Risk of rising greenhouse gas emission allowance prices.			Traditional refining and petrochemical products (such as PX, PTA, and conventional polyester) face stricter energy efficiency thresholds; facilities that fail to meet these standards may be subject to production restrictions, shutdowns, or mandatory retrofits.	Align with low-carbon and energy efficiency standards, pursue green product certifications, and enhance product compliance capabilities.
	Mandatory policies regarding low-carbon standards, energy efficiency standards, and green product certification for petrochemical products are being introduced on an ongoing basis.				
Technology	High	Medium and long term	Core businesses such as PX and PTA, which are high-carbon products, face the threat of being replaced by low-carbon alternatives, putting pressure on exports and downstream demand.	Narrowing of gross profit margins, slowing of profit growth, and increasing R&D expenses.	Focus on the research and development of low-carbon products, promote circular economy technologies, and obtain international low-carbon certifications.
Investments in cutting-edge low-carbon technologies, such as green hydrogen and CCUS, carry risks related to technical immaturity and commercialization falling short of expectations.			Potential asset impairments, exacerbated cash flow pressures, and delayed pace of transformation.	Strictly control risks associated with technology investments, strengthen industry-academia-research collaboration, and establish an evaluation and exit mechanism.	

Type	Climate-related Risks	Probability of Occurrence	Time Horizon	Financial Impact	Response Measures
Transition Risk	Market	Medium	Long-term	As consumers become more environmentally conscious, they increasingly favor green, low-carbon petrochemical products, leading to a decline in demand for traditional high-carbon products.	Decline in sales of traditional products, downward pressure on pricing, and decrease in revenue and gross margin.
	Fluctuations in market signals—such as low-carbon policies, carbon pricing, and low-carbon product standards—are making business decision-making more challenging.			Poor investment decisions and underutilized production capacity have led to a decline in profit stability.	Optimize product portfolios, increase the supply of low-carbon products, and align with the trend toward upgraded consumer demand.
	Reputation	Small	Medium and Long term	As consumer demand for low-carbon products grows, a shortage of such products can damage the Company's brand reputation.	Declining brand recognition indirectly impacts revenue and market share.
Negative public sentiment regarding high carbon emissions in the petrochemical industry can easily lead to doubts about the Company's reputation.	Lack of confidence in the capital markets leads to rising financing costs and reduced willingness to partner.			Fulfill low-carbon responsibilities, strengthen compliance, and set a green benchmark.	

Climate Change Opportunities List

Type	Climate-related opportunities	Financial Impact
Energy Efficiency	Promote the transition to green electricity and green hydrogen; leverage photovoltaic (PV) and green hydrogen-to-ammonia projects to reduce emissions and avoid CBAM carbon taxes.	Reduction in fossil fuel purchases and carbon tax expenditures, capture of green premiums, and boosted profitability.
	Leverage the Technology Center to deploy new technologies such as CCUS, collaborate with research institutions to implement these technologies, and optimize energy efficiency.	Securing tax breaks and subsidies to supplement cash flow, alleviating the financial pressure of transformation.
Resource Efficiency	Improving the efficiency of recycling resources such as water and raw materials can directly reduce production costs, decrease reliance on virgin resources, and minimize the environmental impact and potential compliance costs associated with water withdrawal and waste disposal.	Improve water resource recycling efficiency by implementing water-saving technological upgrades (such as process optimization and equipment upgrades).
		Enhance the recycling and reuse of waste yarn, packaging materials, and other byproducts, committing to achieving efficient resource utilization and effective waste recovery.
Products and Services	Developing low-carbon, eco-friendly products and services can meet the market's growing demand for environmental sustainability, enhance brand value and product competitiveness, and potentially open up new market opportunities.	Develop green, low-carbon products and obtain relevant certifications.
		Identify and develop new technologies and processes that help reduce carbon emissions, and translate them into specific products or services.

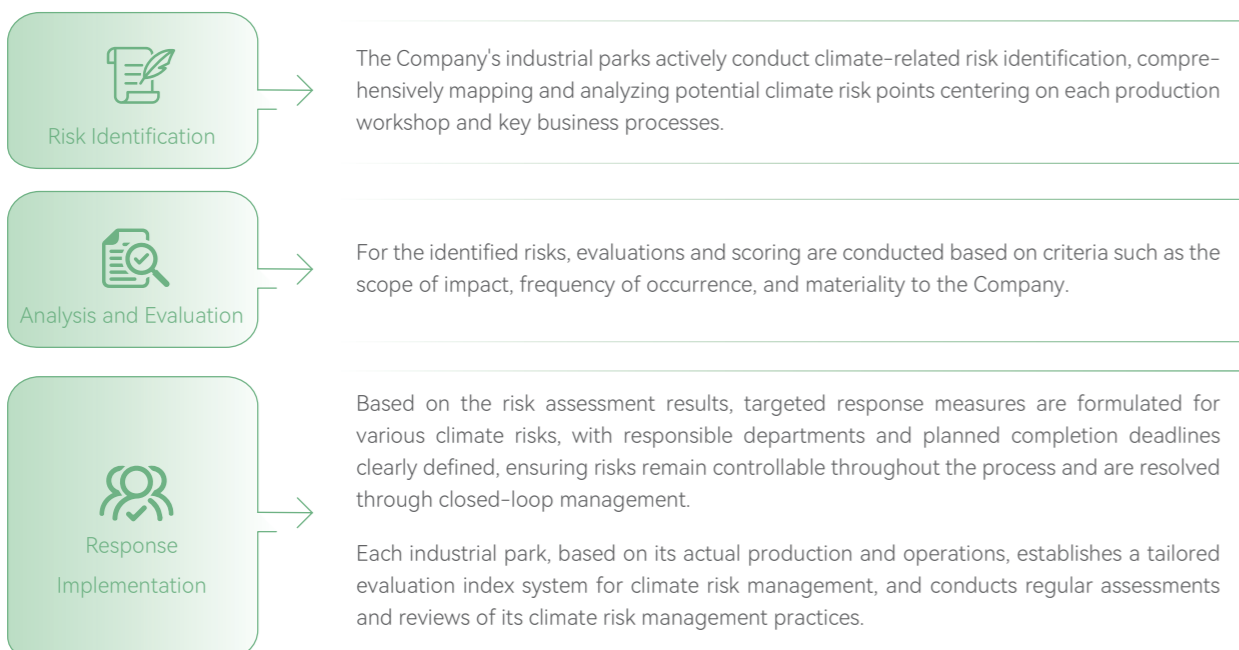
Climate Change Opportunities List

Type	Climate-related opportunities	Financial Impact
Resilience	Proactively adapt to the transformation toward a low-carbon economy, enhance the Company's ability to respond to changes in policies and regulations, attract green investment, take a leading role in the industry's green transition, and cultivate a responsible corporate image.	Promote photovoltaic projects, implement energy-saving measures, and advance energy integration.  Develop projects for raw material substitution, promote alternative resources, and optimize the resource structure.

## Impact, Risk and Opportunity Management

### Management Process

To systematically identify, assess, and manage climate-related risks and opportunities, Hengli Petrochemical has fully integrated climate risk management into its environmental management system. The Company has established a closed-loop management mechanism covering the end-to-end process of risk identification, analysis and assessment, and response implementation, to dynamically respond to the various challenges and development opportunities arising from climate change. The Company's climate risk management process is as follows:



## Carbon Emission Reduction Measures

Hengli Petrochemicals' industrial parks are focusing on renewable fuels, the transition from coal to natural gas, PV power generation, and energy-saving retrofits. They are achieving this through the systematic implementation of measures such as energy mix transformation, energy efficiency improvements, and awareness-raising initiatives. These measures work in concert to effectively reduce carbon emissions.

**Greenhouse Gas Recycling and Utilization**

Directly reducing greenhouse gas emissions through technologies such as CO<sub>2</sub> flash recovery, methane fuel utilization, N<sub>2</sub>O removal and decomposition, etc.

**Use of Renewable Fuels**

Using renewable biomass pellets as fuel to provide heat for polyester production, thereby reducing carbon emissions.

**Coal-to-Gas Conversion**

Using natural gas as the fuel source for polyester synthesis, reducing coal consumption and lowering carbon emissions.

**PV Power Generation**

Developing PV power generation projects, deploying integrated "PV + energy storage" systems, and building a new green energy system.

**Energy Conservation and Emission Reduction Retrofits**

Implementing energy-saving projects such as polyester waste heat refrigeration, optimization of compressed air pressure levels, and variable-frequency motor retrofits, resulting in reducing carbon emissions.

**Carbon Reduction Training and Awareness Promotion**

Providing employees with training on climate change policies and regulations, carbon accounting methodologies, and carbon reduction measures, to strengthen the carbon management talent pool and enhance capabilities in product carbon footprint accounting, control, and disclosure.





Take Multiple Measures to Promote Carbon Reduction

Process Optimization and Energy-Saving Retrofits

The diesel hydrogenation unit optimized the process flow path by diverting the heavy naphtha from the top of the distillation column directly to the naphtha separation column, bypassing the stabilizer. This measure not only reduced the load on the stabilizer but also effectively mitigated vibration issues in the feed control valve of the naphtha separation column, thereby overcoming operational bottlenecks. Consequently, the consumption of 3.6 MPa steam at the bottom of the stabilizer was significantly reduced, resulting in an annual carbon emission reduction of 68,900 tCO<sub>2</sub>e.

Core Tower Internals Retrofit

Upgrading the core internals of the distillation tower in the ethanolamine unit overcame the challenges of marginal product color specifications and high energy consumption, driving a comprehensive optimization of the product mix. Following the technical retrofit, all energy consumption metrics declined to varying degrees, and energy utilization efficiency was significantly enhanced, resulting in an annual carbon emission reduction of 18,900 tCO<sub>2</sub>e.

Medium-Pressure Condensate Recovery and Utilization Technical Retrofit

To address the issue in the original design of the DPC unit's medium-pressure steam condensate tank—where insufficient pressure prevented the flashing of 2.3 MPa steam—a new 1.0 MPaG steam header pipeline was installed at the tank top. This enabled the external utilization of flash steam generated from the condensate energy into usable steam. This improved energy utilization efficiency, resulting in an annual carbon emission reduction of 16,400 tCO<sub>2</sub>e.

CO<sub>2</sub> Resource Utilization Project

A CO<sub>2</sub> flash system was added to the low-temperature methanol wash process in the coal-to-hydrogen facility. This system delivers high-purity CO<sub>2</sub> gas (over 98%) to the DMC production line as feedstock for manufacturing electronic-grade DMC, PC, and other chemical products. As of the end of the reporting period, the project has achieved a cumulative resource utilization of over 261,187 tCO<sub>2</sub> since its commissioning.

PV Power Generation and Energy Storage

In 2025, Hengke Advanced Materials implemented 24 energy-saving technological transformation projects, including the third phase of the 20MW/40MWh user-side energy storage project, the green and low-carbon technical renovation project for optimizing pressure level control in the air compression system, the installation of variable frequency drives for circulating water pumps in the HK Zone, and condensate recovery in the polyester division. The total investment in energy-saving technical retrofits for 2025 amounted to 75.91 million yuan, with an estimated emission reduction of 19,711 tCO<sub>2</sub>e.



Phase III Energy Storage Project (Jiangsu Xuanda) Air Compressor Retrofit Project (Hengke Advanced Materials)

## Carbon Footprint Management

The Company and its subsidiaries attach great importance to product carbon footprint management and actively respond to market demand for environmental transparency. In accordance with the international standard ISO 14067:2018 for product carbon footprints, the Company systematically conducts Life Cycle Assessments (LCAs), calculates the carbon footprints of key products, and secures third-party verification and certification. Product carbon footprint reports and certificates issued by professional third-party institutions provide a data foundation for internal process optimization and supply chain emissions reductions. This indirectly enhances the environmental credibility and market competitiveness of the Company's products, representing a key initiative to proactively adapt to global trends in low-carbon trade and green consumption.

Carbon Footprint Verification and Certification (Partial)

-  Hengli Chemical Fiber  
FDY (Full Drawn Yarn) Product Carbon Footprint Certification;  
LCA Certification for Acrylic Fiber and Semi-dull Chip Products
-  Hengli Petrochemical (Huizhou)  
Carbon Footprint Certification for Purified Terephthalic Acid (PTA) Products
-  Kanghui New Material  
Carbon Footprint Certification for Polybutylene Terephthalate (PBT) Products and Tetrahydrofuran (THF) Products
-  Hengke Advanced Materials  
Carbon Footprint Certification for Polyester Drawn Filament Products



Carbon Footprint Certification Certificate

Case Product Carbon Footprint Training

During the reporting period, Hengli Chemical Fiber conducted specialized training on product carbon footprint management. Experts provided detailed insights into the "Carbon Peak and Carbon Neutrality" policy framework and the core content of the *Greenhouse Gas—Quantification Method and Requirements for Carbon Footprint of Products—Man-made Fibres (GB/T45540-2025)* standard. The training emphasized national and local carbon policy directives, as well as carbon emission accounting and reporting requirements specific to the chemical fiber industry. Additionally, tailored to Hengli Chemical Fiber's product characteristics, the session addressed key challenges and practical techniques in calculating product lifecycle carbon footprints, thereby enhancing employees' knowledge of carbon footprint management.



## Indicators and Targets

To support the early achievement of the national "Carbon Peak and Carbon Neutrality" goals, the Company optimized and adjusted its long-term climate targets for 2025. Each industrial park established detailed carbon reduction targets and, through initiatives such as renewable fuel substitution, coal-to-gas switching, PV power generation, green electricity utilization, and energy-saving technical retrofits, steadily advanced various emission reduction tasks to ensure that carbon reduction targets were met on schedule. During the reporting period, the Company's carbon reduction targets were substantially achieved.

Type	Targets of Carbon Management
Carbon Peak	2030
Carbon Neutrality	2060
CO <sub>2</sub> Emission Reduction	Base Year: 2024 By 2026, the cumulative reduction in v emissions from energy-saving projects will be no less than 2 million tons. By 2026, the carbon emission intensity per unit of output value will be reduced by 2%. By 2026, the cumulative volume of CO <sub>2</sub> recovered and utilized will reach 400,000 tons; from 2027 to 2030, an additional 600,000 tons of CO <sub>2</sub> will be cumulatively recovered and utilized. By 2028, green electricity usage consumption will reach 250 million kWh. By 2030, all major production and operation units of the Company will be fully powered by renewable energy.
Carbon Emission Intensity Reduction	
CO <sub>2</sub> Recovery and Utilization	
Green Electricity Consumption	
Green Energy Coverage Rate	

### Greenhouse Gas Emission Data

Key Performance	Unit	2025
Total Greenhouse Gas Emissions	tCO <sub>2</sub> e	45,949,346
Greenhouse Gas Emission Intensity	tCO <sub>2</sub> e/million yuan of revenue	228.62
Scope 1 Greenhouse Gas Emissions	tCO <sub>2</sub> e	38,434,129
Scope 2 Greenhouse Gas Emissions	tCO <sub>2</sub> e	7,515,217

Note 1: The Company's greenhouse gas emissions primarily originate from direct emissions (Scope 1) caused by fossil fuel combustion and industrial production processes, as well as indirect emissions (Scope 2) resulting from the purchase of electricity and heat. The accounting of Scope 1 and Scope 2 emissions refers to the NDRC's Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions from Petroleum and Petrochemical Enterprises in China (Trial), the Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions from Power Generation Facilities, and the Announcement on Carbon Dioxide Emission Factors for Power Generation issued by the Ministry of Ecology and Environment.

Note 2: The data coverage includes Hengli Petrochemical (Dalian), Hengli Refinery, Hengli Petrochemical (Dalian) New Material, Kanghui Dalian New Material, Hengli Chemical Fiber, Susheng Thermal Power, Hengke Advanced Materials, Jiangsu Xuanda, Kanghui Nantong, Kanghui New Material, Deli Chemical Fiber, Hengli Petrochemical (Huizhou), and Jiangsu Kanghui. In 2025, Kanghui Dalian New Material, Kanghui Nantong, and Jiangsu Kanghui were newly included in the scope.



## Efficient Utilization of Resources

In terms of resource management, Hengli Petrochemical comprehensively improves resource utilization efficiency, driven by technological innovation, guided by circular economy practices and supported by meticulous management. The Company focuses on the high-energy and high-water-consumption stages of chemical production, developing and implementing a series of green systems that significantly enhance resource conversion efficiency and recycling rates. Through systematic technological innovation and scenario-based circular pathways, the Company continues to lead the way in efficient resource utilization, providing a replicable and scalable model for the industry's green transformation and high-quality development.

### Energy Utilization

### Energy Management System

In accordance with GB/T 23331-2012 Energy management systems—Requirements and guidance for use and ISO 50001, as well as other relevant energy management standards, Hengli Petrochemical's industrial parks have formulated and continuously improved an institutional framework, including the Energy Management Manual, the Energy Resource Control Procedure, the Energy Measurement Control Procedure, the Energy Operation Control Procedure, and the Energy Review Control Procedure. These frameworks outline scientific and standardized energy management processes and systems, clearly defining energy policy and objectives, the basic requirements for planning and implementing the energy management system, as well as the procedures for internal audits and management reviews, thereby ensuring the efficient use of energy.

Tailored to their specific production characteristics and energy consumption patterns, Hengli Petrochemical's industrial parks have established a well-defined, hierarchical energy management organizational structure with clear responsibilities and strengthened cross-departmental coordination mechanisms. The Company's management oversees the overall planning and coordination of energy management, setting its strategic direction and objectives. Each subsidiary establishes an energy management system in accordance with relevant requirements with its management responsible for its implementation and maintenance, setting specific energy management objectives, and coordinating the execution of all energy management tasks. The EHS and relevant departments of each subsidiary perform specialized management functions, specifically responsible for energy data statistics and analysis, energy quota assessment, energy monitoring, energy management reviews, and daily coordination. Each plant, as the primary responsible entity, is tasked with implementing energy-saving plans and measures on the production floor to ensure the effective achievement of energy management objectives.

During the reporting period, owing to its outstanding performance in energy efficiency management, green transformation, and technological innovation, Hengli Petrochemical continued to achieve excellence in resource efficiency benchmarks. Following the earlier recognition of three companies within the Hengli (Dalian Changxing Island) Industrial Park as industry "Energy Efficiency Leader" and "Water Efficiency Leader", Hengli Petrochemical (Huizhou) not only sustained its leadership in industry energy efficiency with its PTA products but also emerged as the sole "Water Efficiency Leader" in this field. Concurrently, Hengke Advanced Materials was awarded the national "Energy Efficiency Leader" in the polyester industry by the Ministry of Industry and Information Technology (MIIT), standing as the only selected enterprise in the polyester segment.

### ISO 50001:2018 Energy Management System Certification (Part)



Hengke Advanced Materials

Hengli Petrochemical (Dalian)

Hengli Petrochemical (Huizhou)



#### Key Performance

By 2025, the proportion of the Company's major manufacturing subsidiaries that have obtained ISO50001 energy management system certification was **100%**.

### Strengthen Energy-saving Measures

With a focus on energy management, the Company has established a core strategy centered on "Institutionalized Control, End-to-End Optimization, and Continuous Improvement." Guided by the three key objectives — Compliance and Cost Reduction, Energy Efficiency Enhancement, and Green and Low-Carbon Transition— the Company is systematically advancing the implementation of its energy management system.

Establishing an Energy Risk and Opportunity Management Mechanism.

The Company has established and implemented an end-to-end management mechanism that covers the assessment of energy consumption impacts, energy supply risks, and opportunities for new energy development. This mechanism systematically evaluates energy efficiency, identifies risks associated with energy price fluctuations and regulatory compliance, and uncovers potential opportunities for optimizing the energy mix and upgrading technology, with the aim of achieving integrated management of energy consumption and benefits.



Conducting Regular Energy Review to Identify Energy-saving Potential

The Company organizes a comprehensive energy review annually to systematically analyze the status of energy use and consumption, create energy balance sheets and flow diagrams, and identify energy-saving potential across eight dimensions, such as energy substitution, process optimization, and equipment upgrades. It then ranks improvement opportunities using a three-criteria scoring method based on energy savings, payback period, and investment amount, compiling a *Summary Table of Energy Improvement Opportunities*. Based on this, it formulates and implements targeted management plans accordingly.



Developing Specialized Work Plans and Clarifying Implementation Pathways

To implement energy management strategies and annual goals, each industrial park formulates specialized energy management plans tailored to its specific business operations. These plans establish concrete work requirements and quantifiable metrics across multiple areas, including energy consumption statistics, oversight of key energy-consuming equipment, advancing ongoing energy-saving projects, and renewable energy utilization, thereby driving the effective execution and tangible results of energy management initiatives.

Allocating Dedicated Funds to Implement Energy-saving Retrofits

These funds are directed toward energy efficiency diagnostics for key energy-consuming equipment, the recovery and utilization of waste heat and pressure, and the development of clean energy projects such as photovoltaic and energy storage systems.



Carrying out energy conservation reviews for construction projects and conducting specialized energy conservation training

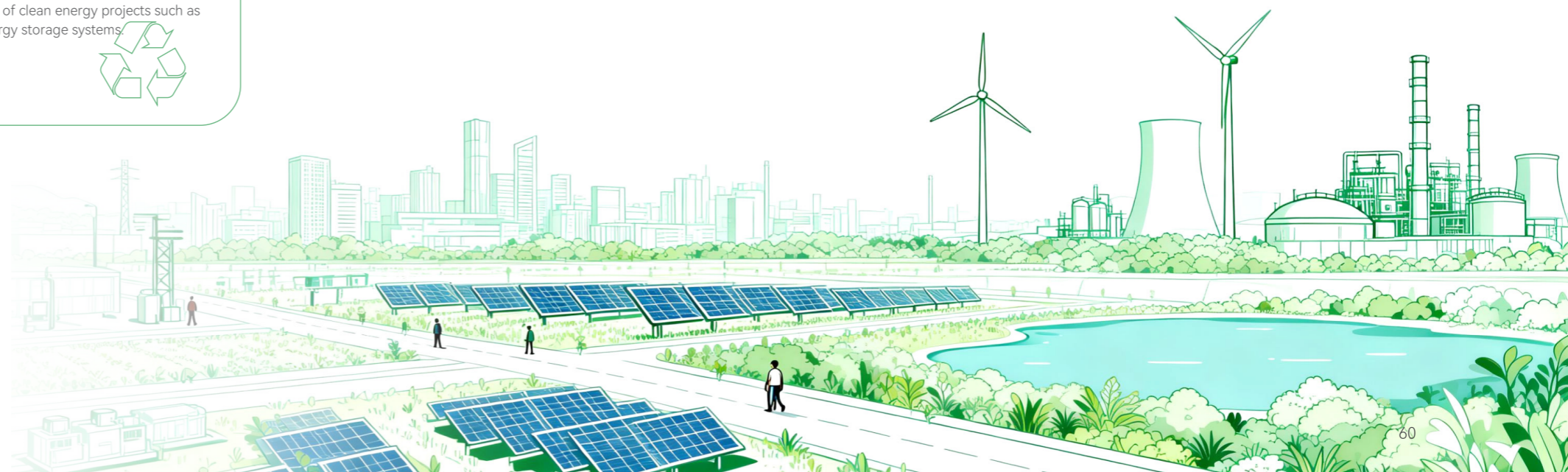
Strengthen the refined control of the end-to-end process from energy procurement, processing and conversion to end-use, and enhance the energy-saving awareness of all employee in daily operations.



Each industrial park of the Company has formulated multi-level energy consumption monitoring indicators and simultaneously implemented dynamic performance monitoring, designating energy consumption as a key control indicator. A periodic reporting mechanism—spanning daily, weekly, and monthly intervals—has been established to ensure timely response to issues, prompt adjustment of measures, and swift implementation of improvements.

Key Performance	Unit	2025
Total Energy Consumption	tce	16,492,565
Energy Consumption Intensity	tce/million yuan of revenue	82.06
Total Direct Energy Consumption	tce	15,418,916
Including: Thermal Coal	Ton	10,318,192
Natural Gas	10,000 m <sup>3</sup>	44,854
Total Indirect Energy Consumption	tce	705,734
Including: Total Amount of Purchased Electricity	MWh	5,493,252

Note: The statistical scope of energy data covers Hengli Petrochemical (Dalian), Hengli Refining & Chemical, Hengli Petrochemical (Dalian) New Material, Kanghui Dalian New Material, Hengli Chemical Fiber, Susheng Thermal Power, Hengke New Materials, Jiangsu Xuanda, Kanghui Nantong, Kanghui New Material, Deli Chemical Fiber, Hengli Petrochemical (Huizhou), and Jiangsu Kanghui.



## Digital Management of Energy

Hengli Petrochemical's industrial parks are actively advancing digital energy management. By establishing comprehensive energy monitoring systems, they have achieved precise control over energy usage, laying a solid foundation for energy conservation efforts. During the reporting period, the "Microgrid Intelligent Control Platform" independently developed by Hengke Advanced Materials was selected for the Ministry of Industry and Information Technology's "National Industrial Power Demand-Side Management Typical Cases 2025." The platform aligns closely with the Ministry's key focus areas for these typical cases: New User-Side Energy Storage, Digital Energy Management, and Intelligent Energy Consumption Control. The platform features a PV installed capacity of 106.5 MW, generating over 100 million kWh of electricity annually. Combined with a 60 MW/120 MWh energy storage system and 3.5 MW of adjustable air conditioning load, it achieves minute-level response capabilities and full-load controllability and flexibility, establishing a coordinated PV-Storage-Charging dispatch system.



Hengli Petrochemical Refining - Digital Platform for Energy Management

Hengke Advanced Materials - Microgrid Intelligent Control Platform

## Water Resource Utilization

### Water Resource Management System

The Company and its subsidiaries adhere to relevant laws and regulations, including the *Water Law of the People's Republic of China*, and have formulated water resource usage policies and management systems such as the Water Conservation Management System and the *Water Usage Statistics Management System* to ensure standardized and systematic water resource management. The Company has established and refined its organizational structure for water resource management, with the Chairman overseeing the development of water resource management initiatives, while the General Manager and Deputy General Managers are responsible for water resource management strategy and performance oversight. By establishing a water resource metering network, the Company enables the real-time collection and accurate statistics of water usage data. Water usage metrics are incorporated into the performance evaluations of subsidiary heads, paired with clear incentive and accountability mechanisms, thereby driving water conservation at the source. At the beginning of each year, each subsidiary formulates its annual water withdrawal plan and monthly allocation plan. A dedicated water conservation management department supervises water resource usage, regularly conducts benchmarking and analysis of water consumption, and reports the findings to senior management.

The Company has set a target to reduce fresh water usage intensity by more than 3% by 2028, using the 2024 level as a baseline, and has implemented a quarterly assessment mechanism for water consumption per unit of product. In 2025, water use efficiency across all industrial parks generally met standards, and through continuous management and monitoring, the Company effectively advanced the achievement of its water conservation targets.

Key Performance	Unit	2025
Water Withdrawal	10,000 tons	20,612
Conventional Water Withdrawal (Fresh Water)	10,000 tons	14,907
Unconventional Water Resources Withdrawal	10,000 tons	5,705
Total Water Consumption	10,000 tons	7,309
Water Consumption Intensity	Tons per million yuan of revenue	363.64
Total Water Usage	10,000 tons	699,968
Volume of Circulating Water	10,000 tons	679,356
Circulating Water Water Rate in Total Water Usage	%	97.06

Note 1: The statistical scope of water resource data covers Hengli Petrochemical (Dalian), Hengli Petrochemical Refining, Hengli Petrochemical (Dalian) New Material, Kanghui Dalian New Material, Hengli Chemical Fiber, Susheng Thermal Power, Hengke Advanced Materials, Jiangsu Xuanda, Kanghui Nantong, Kanghui New Material, Deli Chemical Fiber, Hengli Petrochemical (Huizhou), and Jiangsu Kanghui.

Note 2: Unconventional water withdrawal refers to reclaimed water; the data includes desalinated seawater and reused water.

Note 3: The data for total water usage includes both water withdrawal and circulating water.

## Water-saving Measures and Recycling

The Company efficiently utilizes water resources through dedicated funding and the implementation of a series of water-saving technical retrofit projects.

#### Wastewater Recycling

A portion of the wastewater from the Demineralized Water Station is recovered and sent to the Water Treatment Plant, reducing discharge; a dedicated RO concentrate treatment line has been installed at the wastewater treatment plant to achieve full reuse of wastewater.

#### Circulating Water and Seawater Utilization

The Circulating Water Station employs a closed-loop freshwater circulation system and direct seawater cooling, significantly reducing makeup water requirements; seawater cooling is used for coolers and surface condensers in multiple units, conserving water.

#### Management and Awareness

Water conservation awareness campaigns are strengthened to enhance employees' water conservation awareness and sense of responsibility.



#### Optimization of Air Cooling and Heat Exchange

Air cooling is extensively utilized in units such as atmospheric and vacuum distillation, light hydrocarbon recovery, lubricating oil isomerization and dewaxing, kerosene hydrogenation, paraffinic hydrocracking, and sulfur units. Heat exchange processes are optimized to reduce cooling water consumption.

#### Synergistic Energy and Water Conservation

Back-pressure steam turbine generators are selected to improve energy utilization efficiency, thereby reducing water consumption; waste heat recovery stations are constructed to reduce heating and circulating water consumption.

#### Reuse of Purified Water and Condensate

Stripped water is used in multiple locations to replace fresh water for injection and washing purposes; condensate is recovered from sulfur and heating systems to increase water reuse rates.

Note: For more water conservation measures, please visit our official website.

## Seizing Clean Technology Opportunities

Hengli Petrochemical firmly believes that green innovation serves as the core engine driving future sustainable development. In response to global climate challenges and resource constraints, the Company has deeply integrated clean technologies into all phases of its entire industry chain, establishing clear objectives and a roadmap to ensure that all business segments comply with and uphold advanced cleaner production standards, thereby advancing the development of a circular economy.

### Increase Investment in R&D of Clean Technologies

In advancing the R&D and deployment of clean technologies, the Company adheres to a high-investment, strategically planned, and whole-industry-chain development strategy, thereby establishing a systematic and actionable implementation framework.

The Company has set specific targets to increase investment in clean technology R&D, focusing on low-carbon technologies, green new materials development, carbon capture and utilization, as well as waste treatment and recycling, which comprehensively cover its core business segments. This drives all industrial parks to achieve and uphold advanced industry standards for cleaner production, establishing a replicable and scalable model for the circular economy. During the reporting period, investments in clean technology continued to increase, substantially achieving the established targets.



#### Key Performance

In 2025, the Company invested **238** million yuan in clean technology, generating **156.2827** million yuan in clean technology-related revenue and achieving cost savings of **294.2703** million yuan, which equates to an emission reduction of approximately **1.0135** million metric tons of carbon dioxide equivalent.

### Application and Effectiveness of Clean Technology

Hengli Petrochemical adheres to the development philosophy of clean and green circularity, applying clean technologies across the entire product lifecycle. Through measures such as energy substitution and process optimization, the Company achieves efficient resource utilization and turns waste into value, reducing environmental impact at the source and providing a reference for the industry's green development.

#### Key Performance

Key Performance	Unit	2025
PV Power Generation	kWh	202,079,909
Biogas Power Generation	kWh	361,129
Biomass Fuel	tce	343,035
Renewable Energy Consumption	tce	367,915

#### Category

#### Implementation and Outcomes

Focusing on key clean energy sources such as photovoltaic power generation, biogas power generation, and biomass fuels, to advance energy substitution solutions



#### Clean Energy Substitution

**Photovoltaic Power:** The Hengli (Nantong) Industrial Park has extensively deployed solar power capacity. As of 2025, the total installed capacity has reached 106.5 MW, generating over 100 million kWh of green electricity annually and reducing carbon emissions by approximately 60,000 metric tons. To effectively consume green electricity and ensure grid stability, the industrial park simultaneously constructed a 60 MW energy storage system project. This system can discharge up to 60,000 kW of load during peak hours, utilizing peak-to-valley price differentials to achieve three daily charge-discharge cycles. This effectively alleviates peak hour electricity demand, reduces power consumption costs, and provides robust support for the Company's sustainable development and the achievement of national "carbon peak and carbon neutrality" goals.

**Biogas:** Hengli (Dalian Changxing Island) Industrial Park is advancing the construction of new anaerobic reactors and biogas purification facilities. This initiative upgrades previously low-priced, externally sold biogas into a resource for high-value internal reuse. Projected annual revenue exceeds 45 million yuan, shifting from input-based pollution control to value-added recycling.

**Biomass Fuel:** Biomass is a widely available green and renewable resource whose application significantly reduces emissions of nitrogen oxide and sulfur oxide emissions. Multiple industrial parks utilize biomass pellets to replace traditional fossil fuels, actively implementing the energy substitution strategy.

Optimizing clean processes for resource utilization in key areas such as solid waste and waste gas



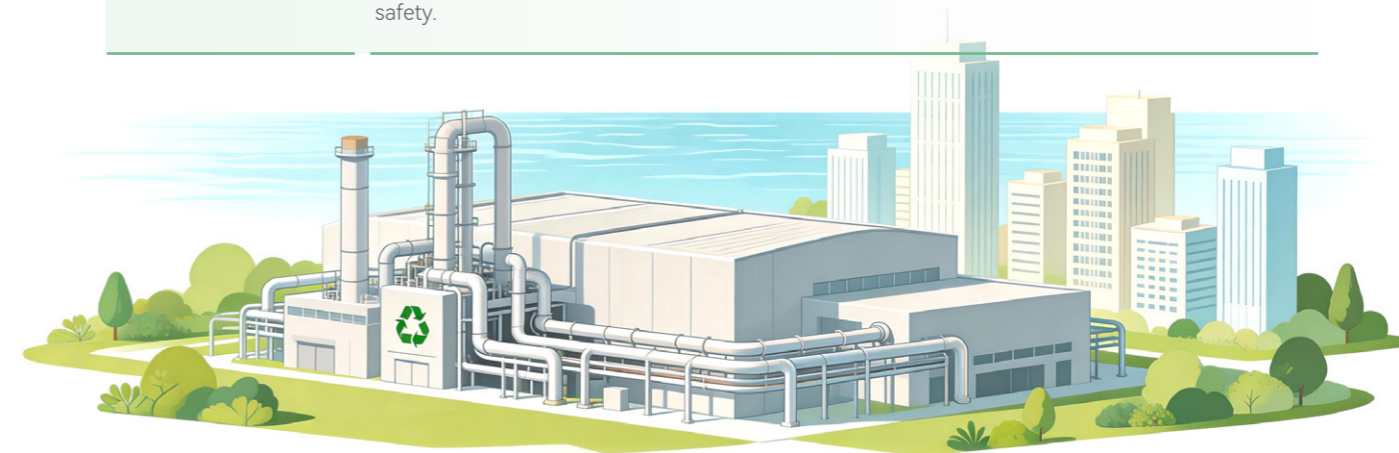
#### Waste Resource Utilization

Hengli Chemical Fiber collects and sorts waste yarn, polyester waste blocks, sludge, coal cinders, and desulfurization gypsum for resource utilization, achieving 100% utilization of waste yarn and production waste. During the reporting period, the solid waste resource utilization rate reached 96.52%, meeting the Level I benchmark of the industry's cleaner production indicator system.

Kanghui Nantong leverages proprietary patented technology to advance the resource utilization of waste gas. Through dichloromethane gas condensation and recovery technology, the company efficiently recovers reusable components from production exhaust gas, reducing annual raw material consumption by over 1,000 tons. Meanwhile, by establishing a solid waste sorting and recycling system, the resource utilization rate of production waste has reached over 95%, promoting a shift in waste management from end-of-pipe treatment to source-based recycling.

Category	Implementation and Outcomes
 <p>Energy Efficiency Improvement and Process Optimization</p>	<p>Improving energy efficiency in production systems by advancing energy-saving retrofits and process optimization, and by upgrading equipment, recovering waste heat, and optimizing operations:</p> <p>Hengli Chemical Fiber implemented energy-saving retrofits for its air compressor system. By optimizing equipment configuration and operating modes, it reduced electricity consumption and enhanced system operational stability, extending equipment lifespan and lowering maintenance costs.</p> <p>Kanghui New Material implemented multiple energy-saving optimization projects for production and utility systems. In the production phase, optimizing the THF production plan by consolidating three production lines into two production units, reducing steam consumption by approximately 0.64 tons per unit of product and carbon emissions by approximately 0.2 tons per unit. In terms of process energy conservation, introducing waste heat recovery technology into the polyester film production process utilizes exhaust heat from cross-stretching to preheat fresh air. This is projected to reduce annual natural gas consumption by approximately 3.17 million cubic meters and CO<sub>2</sub> emissions by 6,862 tons.</p> <p>Kanghui New Material has further reduced energy consumption by optimizing energy-consuming equipment and processes. For example, a retrofit project using condensate to replace steam for space heating prevented energy waste. This condensate recovery is expected to save approximately 1,800 tons of steam annually and reduce carbon emissions by 550 tons. Additionally, optimizing the operating pressure and frequency of the cooling water system achieved sustained energy conservation.</p>
	<p>Continuously improving water utilization efficiency through wastewater reuse, rainwater harvesting, and water system optimization:</p> <p>Hengli Chemical Fiber pioneered a wastewater reuse system in the industry, employing an anaerobic (UASB)-aerobic activated sludge treatment process. The reclaimed water reuse system utilizes UF ultrafiltration technology, with a 700,000 ton/year reclaimed water system utilizing UF ultrafiltration technology to achieve wastewater resource utilization. Additionally, it has effectively reduced water waste by promoting water-saving fixtures, enhancing water management, and conducting regular water balance tests.</p>
	<p>Kanghui Nantong has achieved water resource recycling through multiple technical measures. Plume-abatement cooling towers were adopted in the cooling system to recover condensate and reduce makeup water demand. A high-density clarification system ensures zero process water discharge, and first-flush stormwater is collected and reused. During the reporting period, a cumulative total of approximately 144,600 metric tons of rainwater was reused. Furthermore, through the "high-density system+dual-membrane (UF+RO)" treatment process, reclaimed water is recycled into the demineralized water system, further enhancing water recycling.</p>

Category	Implementation and Outcomes
 <p>Packaging Source Reduction and Circular Utilization</p>	<p>Achieving packaging lightweighting and circular utilization by optimizing packaging design, promoting material reuse, and applying activated carbon regeneration technology:</p> <p>Hengli Chemical Fiber achieved lightweight packaging through optimized design and collaborated with downstream customers to promote packaging material recycling. By enhancing material protection during transportation and unpacking, it enabled the reuse of materials such as wooden frames and foam boards. During the reporting period, the reuse rate of 9-cell foam boards reached 92.69% and that of wooden frames reached 62.49%, up significantly from the prior period and effectively reducing packaging waste.</p> <p>The activated carbon adsorption process, widely used in wastewater treatment, often involves high carbon consumption and poses risks of resource waste and environmental pollution from spent carbon disposal. Hengli (Dalian Changxing Island) Industrial Park utilizes advanced regeneration technology to restore the adsorption performance of spent carbon, facilitating its circular utilization. The annual regeneration volume exceeds 8,500 tons.</p>
	<p>Continuously advancing pollution control facility upgrades and improving treatment efficiency and operational stability by optimizing wastewater and waste gas treatment processes:</p> <p>In wastewater treatment, Kanghui Nantong has optimized and upgraded its treatment process flow, replacing traditional methods with new technologies such as "high-density clarification + ozone + decarbonization filters." This approach enhances treatment stability while improving pollutant removal efficiency, ensuring that pollutant emissions consistently meet and exceed design standards.</p> <p>In terms of exhaust gas treatment, the vapor recovery system of the wet-process separator production line was retrofitted, adopting a "staged isolation + independent control" model. This allows each production line to operate independently, preventing cross-interference between gas flows and fluctuations in emission concentrations. Additionally, the exhaust system structure was optimized to reduce the volume and concentration of discharged tail gas, thereby decreasing the downstream treatment load and comprehensively improving waste gas treatment efficiency and safety.</p>



## Green Products and Resource Recycling

The Company has established a green supply chain system incorporating the Global Recycled Standard (GRS) and a hazardous substance reduction assessment mechanism. By strictly controlling supplier onboarding and raw material composition, it ensures product compliance with international environmental requirements. As of the end of the reporting period, certain products from Hengli Chemical Fiber, Kanghui New Material, Hengke Advanced Materials, and Jiangsu Xuanda have obtained GRS certification, achieving end-to-end traceability of recycled material content.

In product design, the Company is committed to developing eco-friendly materials and advancing the circular economy by reducing material types, enhancing recyclability, and utilizing renewable resources.

As of the end of the reporting period, several biodegradable products have secured multiple authoritative international certifications:

- PBAT products**  
Obtained certifications across five categories, including BPI, DIN CERTCO (industrial composting, home composting, and Seedling), OK compost / OK compost HOME, and JBPA, certifying complete biodegradability in both industrial and home composting environments.
- PBS products**  
Obtained DIN CERTCO Seedling certification and biodegradability certification.
- Modified PBAT products**  
In addition to existing PBAT certifications, newly achieved dual Australian industrial and home composting certifications.



Furthermore, both virgin and recycled products from Hengli Chemical Fiber, Hengke Advanced Materials, and Jiangsu Xuanda have passed the OEKO-TEX STANDARD 100 certification. This certification confirms that the products have passed testing for harmful substances and meet human ecological requirements, further ensuring the safety and environmental quality of the textiles.

GRS Certification Jiangsu Xuanda



BPI Certification Kanghui New Material



DIN Seedling Certification Kanghui New Material



OEKO TEX STANDARD 100 Certification Hengli Chemical Fiber

# 03

## Value Symbiosis, Achieving Excellence with Craftsmanship

- Product Quality Management
- Upholding Innovation-driven Development
- Sustainable Supply Chain
- Optimizing Customer Service
- Chemical Safety
- Strengthening Information Security Risk Management

SDGs



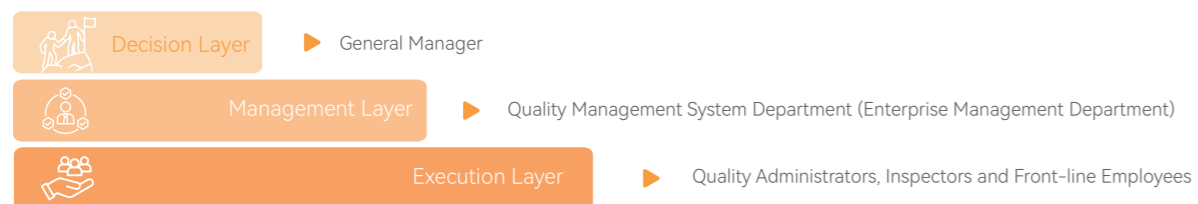
Hengli Petrochemical remains committed to its responsibility and obligations to customers and stakeholders. The Company reinforces product quality through rigorous quality management, delivers a trusted brand experience through efficient customer service management, ensures stable operations through robust supply chain management, safeguards the baseline for development by adhering to safety protocols, strengthens risk prevention and control through standardized management of chemicals, and protects the trust of customers and stakeholders through comprehensive information security and privacy protection. Guided by a sense of responsibility and our original mission, the Company continues to promote high-quality development and sustainability.

# Product Quality Management

## Governance

Hengli Petrochemical complies with relevant laws and regulations, including the *Law of the People's Republic of China on Product Quality*, and has established a life-cycle quality management system covering product R&D, production, sales, and after-sales service. Each of Hengli Petrochemical's industrial parks has established a quality management system in accordance with ISO 9001:2015 and other applicable standards, and has formulated quality management systems and procedures covering the full product life cycle, including the *Product Standardization Management System* and the *Product Internal Control Indicators Management System*. Each industrial park has established a three-tier quality management framework comprising decision-making, management and execution, with clearly defined responsibilities and authorities, ensuring clear accountability and effective implementation of quality controls.

### Quality Management Framework



### Key Performance

During the reporting period, **100%** of the Company's major manufacturing subsidiaries were certified under the ISO 9001 quality management system. Hengli Chemical Fiber and Kanghui New Material successively obtained certification to the IATF 16949:2016 automotive quality management standard, signifying that their automotive fiber and new material products have officially been recognized by the global automotive supply chain.

### Certification to the ISO 9001:2015 Quality Management System (Partial)



Hengli Petrochemical(Dalian)



Hengli Petrochemical Refining

## Strategy

Hengli Petrochemical has consistently adhered to the quality management policy of "pursuing excellence in quality and continuously improving management." Through implementing a comprehensive quality management strategy and integrating management systems for production safety, environmentally responsible production and occupational health, the Company is committed to continuously providing customers with high-quality and responsible products and services. The Company adheres to the ISO 9001 quality management system and relevant industry standards, and develops annual quality management planning. Taking into corporate strategy, customer feedback, regulatory developments, and the previous year's performance, the Company formulates the *Annual Quality Objectives and Implementation Plan*. This plan is translated into actionable projects, such as targeted quality improvement initiatives, which are incorporated into departmental performance evaluations. Therefore, the Company continuously drives the effective operation and continuous improvement of its quality management system.

## Impact, Risk and Opportunity Management

The Company adopts the principle of proactive risk management and end-to-end control, and actively implements various quality assurance measures. Through a range of measures such as strengthening product quality inspections, conducting product quality training, and reinforcing quality awareness, the Company is comprehensively enhancing the risk prevention and quality management capabilities of all management and employees.

## Full Life-cycle Quality Control

Each of Hengli Petrochemical's industrial parks has established a full life-cycle quality accountability and traceability system. Standardized quality controls are implemented at key stages, including incoming materials inspection and in-process quality control. In addition, the Company has established standards and systems of quality evaluation to ensure that quality responsibilities are effectively assigned and implemented at all levels.

Incoming Materials Inspection	The Company implements strict identification and control over incoming raw materials, auxiliary materials, intermediate products, and finished products to prevent unintended use or delivery.
Production Process Quality Control	Critical Control Point Management: The Company has developed procedures such as the <i>Critical Control Point Management System</i> to monitor key production processes and critical control points, ensuring that products meet applicable quality requirements. Internal Control Indicator Management: To ensure the quality of finished products, policies, such as the <i>Product Internal Control Indicator Management System</i> , have been established to clearly define the internal control indicators required by product standards, thereby reducing the impact of analytical errors on quality assessments. The Scheduling and Technical Department is responsible for the centralized management and for formulating and reviewing these indicators, while each workshop carries out production and quality control in accordance with these indicators.
Finished Production Quality Control and Inspection Management	The Company has established policies, such as the <i>Product Quality Control System for Finished Products</i> , to strictly define inspection requirements. Key parameters of production are not designated as periodic inspection items. In the event of significant changes to raw materials, manufacturing processes, or standards, or if periodic inspections yield non-conformance, the inspection frequency must be immediately changed to batch-by-batch inspection. Normal periodic inspection may only be resumed after three consecutive compliant batches.
Non-conformance Correction and Continuous Improvement	In the event of significant product quality issues, customer complaints, or failed inspections, the <i>Non-conformance Correction and Corrective Action Control Procedure</i> shall be initiated. The responsible departments are required to analyze the root cause and implement corrective actions, while the supervising departments shall monitor and verify these actions until the issue is resolved, to prevent recurrence.

## Digital Quality Assurance

Hengli Petrochemical's industrial parks have strengthened quality management through the systematic development of digital and intelligent systems. Hengli's digital quality management system, centered on the self-developed HENGLINK Industrial Internet Platform, has enabled end-to-end digitalization across the product life cycle, covering raw material procurement, inbound handling, processing, outbound delivery and customer service. The system supports end-to-end quality traceability, with clearly defined identification processes, tracking processes and responsibilities across production and operations, forming a closed-loop quality control network covering raw materials, production, inspection, warehousing and traceability.

### Developing an End-to-End Quality Traceability System:

Through the self-developed platform and a unified coding system, the Company has enabled end-to-end digitalization from raw materials to customers, ensuring traceability of quality accountability and rapid identification of issues.



### Enhancing Process Stability Through Digital Twins and APC

The Company applies digital twin systems for quality simulation and real-time monitoring, and utilizes Advanced Process Control (APC) to reduce variability caused by manual operations. These technologies ensure the stability of production processes and the consistency of product quality.

## Quality culture construction

The Company places great emphasis on fostering a culture of quality and has organized numerous quality training programs across its industrial parks to enhance quality management awareness among all employees. New hires undergo training on corporate culture and quality controls upon joining the Company. Existing employees continuously improve their capabilities through rotational training and role-based skill training, while management personnel receive training in modern quality management practices, collectively fostering a strong culture of quality.

### Case

### Specialized Quality Training

During the reporting period, Kanghui New Material organized a series of specialized quality training to foster employees' awareness of quality management and drive improvements in production quality. The training covered a range of quality management tools, including APQP, CP and 8D, as well as regulations on toxic and hazardous substances. These training effectively enhanced employees' understanding and application of these quality tools, established a unified working language and standards for quality management, and consequently improved the company's overall quality management capabilities and production efficiency.



APQP Training

### Case

### QCC Project Initiatives

To further advance quality improvement, efficiency optimization, and cost control within the company, Jiangsu Kanghui has launched Quality Control Circle (QCC) projects initiatives promoting a culture of continuous improvement across the organization. These initiatives operate on a cross-departmental collaboration model with a six-month cycle, utilizing a three-stage review mechanism covering project initiation, interim evaluation, and final closure to ensure effective execution. The Quality Management Center organizes QCC project training to provide guidance for the high-quality implementation of these projects.



QCC Project Initiation Review Meeting



## Indicators and Targets

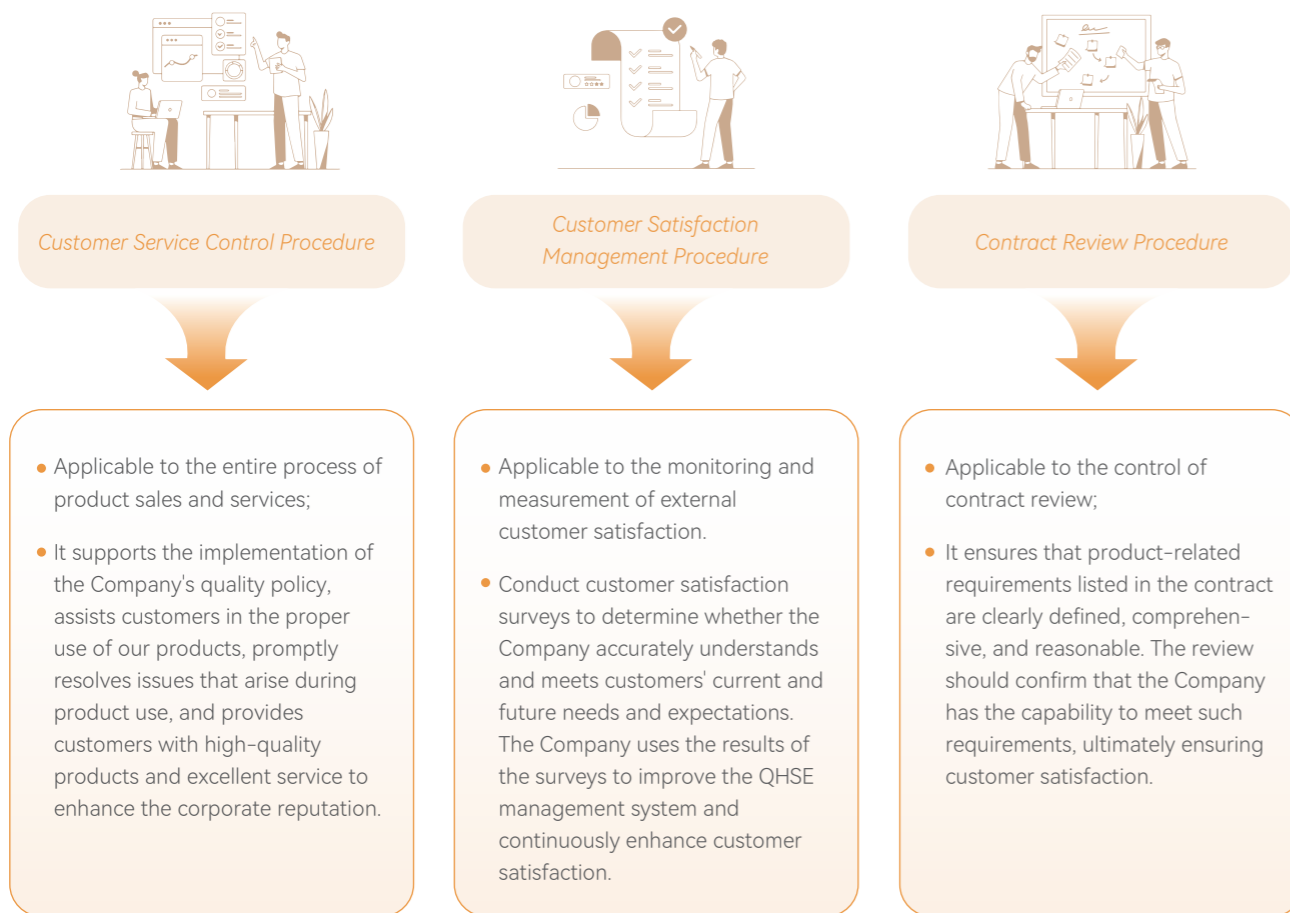
Each of Hengli Petrochemical's industrial parks sets annual quality targets based on its operational conditions and systematically breaks them down to functional departments, production workshops, and key positions. A routine target monitoring mechanism also has been established to track the achievement of quality targets on a monthly and quarterly basis, ensuring timely visibility into performance against objectives.

# Optimizing Customer Service

## Customer Service Management

The Company adheres to a market-oriented and customer-focused approach and continuously optimizes its customer service system. The Company has established the *Customer Service Control Procedure*, implemented comprehensive sales processes and refined after-sales service mechanisms to ensure prompt responses to and resolution of customer complaints and feedback. The Company also places a strong emphasis on strictly protecting consumer information security, enhancing customer satisfaction, and effectively meeting consumer needs.

Customer Service Procedure Framework

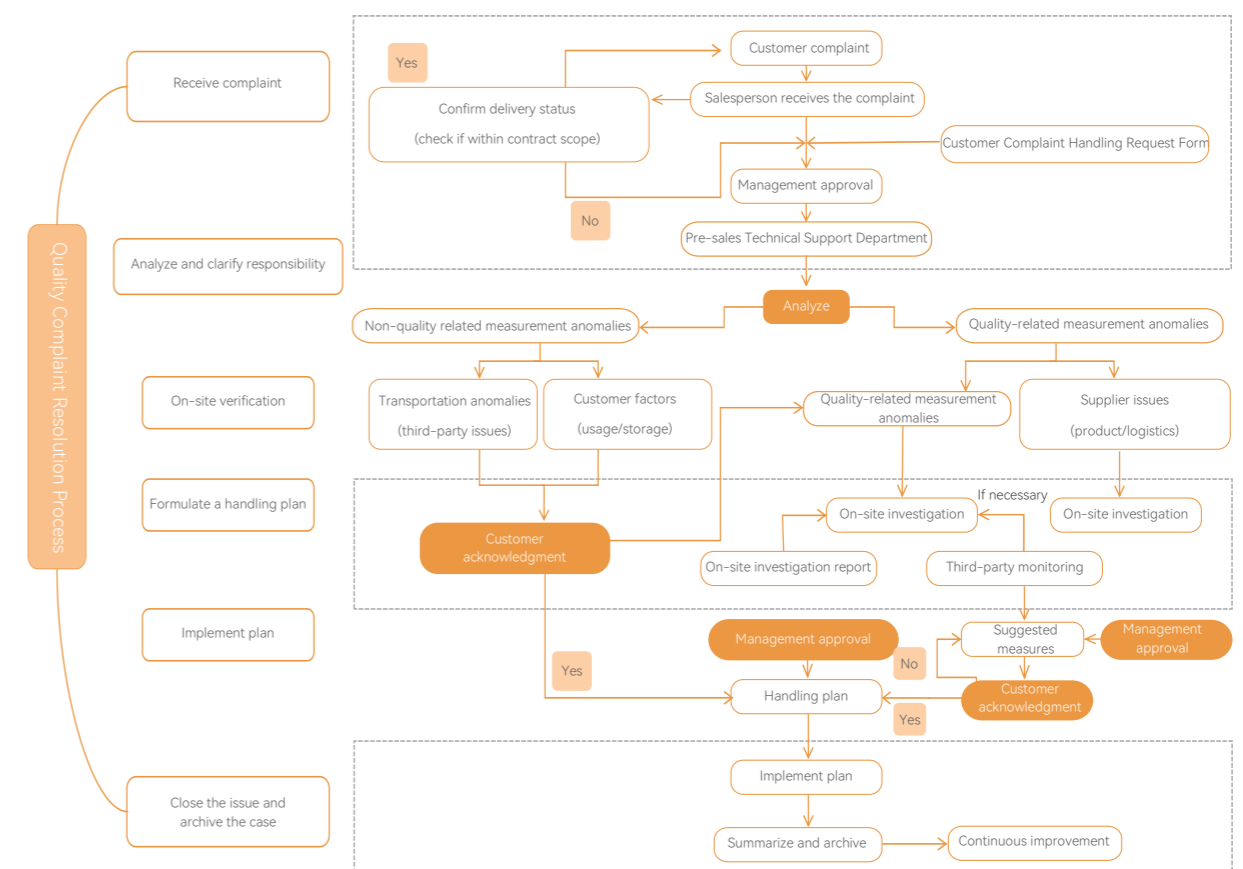


## Customer Communication and Satisfaction

The Company places a strong emphasis on customer satisfaction management. In accordance with the *Customer Satisfaction Management Procedure*, the Company distributes the *Customer Satisfaction Survey* to customers annually to collect feedback across dimensions such as product quality, packaging, logistics, and on-time delivery. Following the collection of the survey feedback, the Company conducts a systematic analysis of the data to prepare a Customer Satisfaction Survey Report. Based on the findings, targeted improvement actions are developed and implemented by the responsible departments, forming a closed-loop process of survey, analysis, improvement, and verification.

The Company has established a clear system for classifying and handling customer complaints. Customer complaints are addressed in accordance with the procedures set out in internal policies, including the *Customer Service Control Procedure* and the *Corrective Action and Continuous Improvement Procedure*. For significant quality issues, the Company conducts root cause analysis and implements long-term corrective measures using tools such as the 8D Report, and promptly provides feedback on the resolution to the customer. This ensures that every complaint is documented, followed up on, and resolved, effectively addressing customer concerns and safeguarding their rights and interests. During the reporting period, the Company achieved a 100% resolution rate for customer complaints.

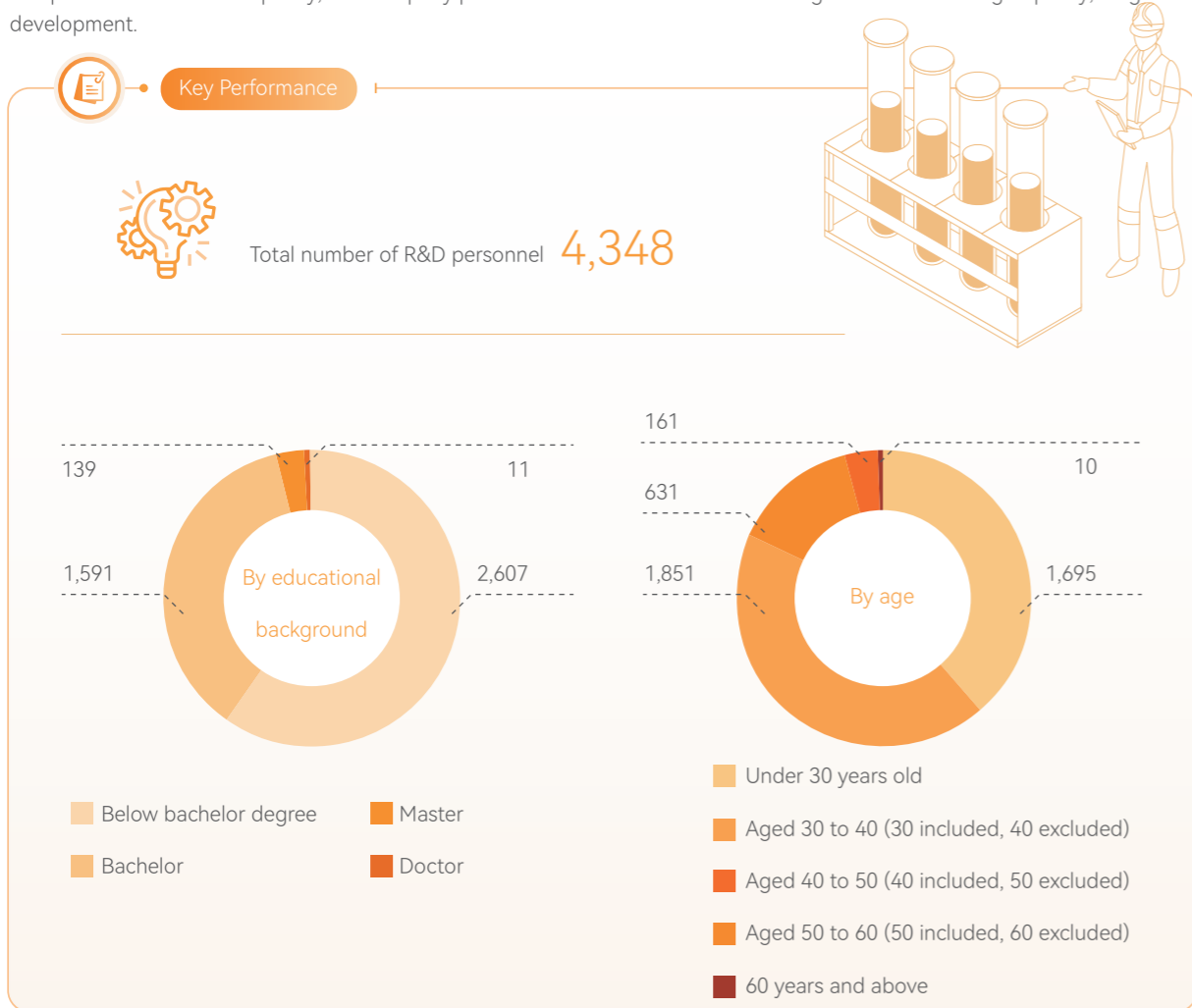
Customer Complaint Handling System Diagram



# Upholding Innovation-driven Development

## Governance

Hengli Petrochemical has established and implemented management policies, including the *New Product Development Management Procedure*, *Laboratory Management Regulations for the New Materials R&D Center*, and *Reward Management Measures for Independent Innovation*. By addressing multiple dimensions covering the end-to-end R&D process control, standardized laboratory operation and incentives for innovative achievements, these policies support a systematic, end-to-end innovation management system. The Company has established a specialized R&D organizational structure with clearly defined responsibilities across all layers. Concurrently, it has formulated annual R&D objectives and long-term strategic plans to clarify new product development pathways and future technological directions. By steadily enhancing core R&D capabilities and independent innovation capacity, the Company provides a solid foundation and strong momentum for high-quality, long-term development.



## Strategy

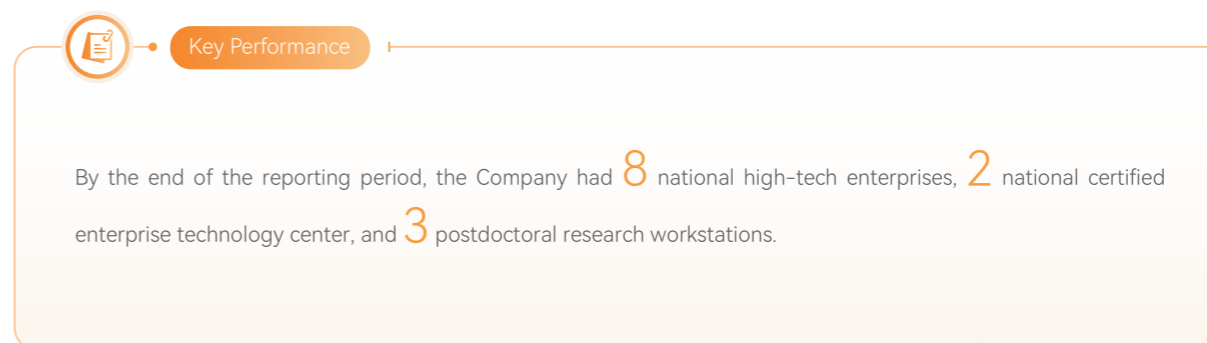
The Company has consistently adhered to an innovation-driven development strategy. Leveraging its specialized R&D platform, the Company focuses on addressing technological gaps and market pain points in the field of differentiated functional materials, concentrating its efforts on breakthroughs in cutting-edge technologies and the development of high-end products. Looking ahead, the Company will prioritize market demand, deepen R&D innovation efforts, and accelerate digital transformation. Through the existing platform, the Company will explore innovative technologies, optimize production processes and management efficiency, and foster new quality productive forces to support sustainability.

## Impact, Risk and Opportunity Management

The Company has established dedicated procedures for managing risks and opportunities in alignment with its production, operations, and technological innovation processes. By systematically evaluating potential risks and opportunities across the entire process, including market planning, project initiation, changes in requirements and pilot production, and promptly implementing control measures, the Company ensures that its R&D processes remain under control and that its innovation outcomes are effective. In addition, the Company places a high priority on protecting R&D confidentiality and intellectual property. It has established a comprehensive confidentiality management and intellectual property protection system, actively encourages and assists employees in applying for patents and intellectual property, and effectively safeguards the security of core technologies and innovative achievements.

## Innovative Outcomes

Hengli Petrochemical focuses on core market needs and technical bottlenecks in the industry. By establishing an evaluation system and a reward mechanism for technological innovation, the Company encourages employees to actively participate in the development of innovation projects. During the reporting period, the Company achieved significant breakthroughs in R&D and innovation, with several achievements receiving widespread recognition from the government and the industry.



Case Multiple Achievements were Selected for the "Textile Light" Specialized, Refined, Unique and Innovative List

In 2025, Hengli Chemical Fiber and Deli Chemical Fiber were successfully recognized for their robust R&D capabilities and outstanding technological innovations, with a total of seven achievements selected for the "Textile Light" Specialized, Refined, Unique, and Innovative Enterprises List.

The annual "Textile Light" Specialized, Refined, Unique, and Innovative Achievements Selection is jointly organized by the Industry Development Department of China National Textile and Apparel Council (CNTAC) and the Textile Light Science and Education Foundation. As an authoritative and benchmark event in the field of technological innovation within the textile industry, it aims to promote the commercialization of scientific and technological achievements and collaborative innovation across the industrial chain, thereby injecting new momentum into the high-quality industry development.

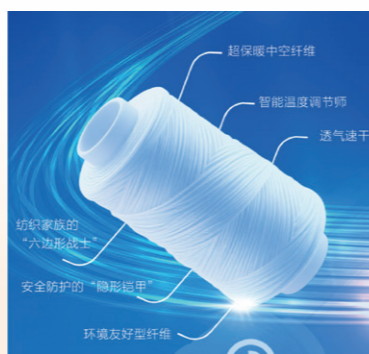
新产品目录		
项目编号	产品名称	单位名称
XP25044	超细旦超细旦工业丝	江苏恒力化纤股份有限公司
XP25045	锦纶超细旦工业丝	江苏恒力化纤股份有限公司
XP25046	乳酸基超细旦工业丝	江苏恒力化纤股份有限公司
XP25040	超细旦超细旦工业丝	江苏恒力化纤股份有限公司
XP25041	超细旦超细旦工业丝	江苏恒力化纤股份有限公司
XP25042	超细旦超细旦工业丝	江苏恒力化纤股份有限公司

新技术目录		
项目编号	项目名称	单位名称
XJ25136	超细旦超细旦工业丝关键技术	江苏恒力化纤股份有限公司

Case Hengke Advanced Materials Successfully Independently Developed "Cool-Warm Fiber"

In June 2025, Hengke Advanced Materials achieved a major breakthrough in the field of functional fibers with the successful independent development of a new generation of photothermal fiber, "Cool-Warm Fiber." Testing and certification by authoritative third-party institutions, including China Textile Standards (Zhejiang) Testing Co., Ltd., confirmed that the performance of the fiber has reached an advanced domestic level. Due to its superior performance, excellent dyeing uniformity, and significantly improved processability compared with similar products, the fiber has received high praise from customers and brand partners.



Case Kanghui New Material achieved a significant breakthrough in the protective base film for polarizing films

In 2025, Kanghui New Material achieved a significant breakthrough in the protective base film for polarizing films through technological innovation. Both production volume and quality have reached advanced industry levels, and the manufacturing process has met the standards of leading global enterprises. Significant improvements have been made in key product indicators such as heat resistance, defect rate and flatness, successfully breaking the long-standing reliance on imports of the high-end protective base film for polarizing films.

## Industry-Academia-Research Cooperation

Hengli Petrochemical continues to deepen comprehensive cooperation with universities and research institutions, establishing an integrated innovation system that links industry, academia, research, and application. Leveraging its industrial strengths and R&D capabilities, the Company has established long-term, stable and in-depth strategic partnerships with several leading domestic universities and research institutions to jointly tackle technical challenges, promote commercialization of research outcomes, and cultivate talent. Kanghui New Material, together with 10 entities including Dalian University of Technology, Shenyang University of Chemical Technology, Dalian University, and the Liaoning Academy of Agricultural Sciences, has jointly established the Liaoning Kanghui Petrochemical New Material Industry-Academia-Research Alliance.

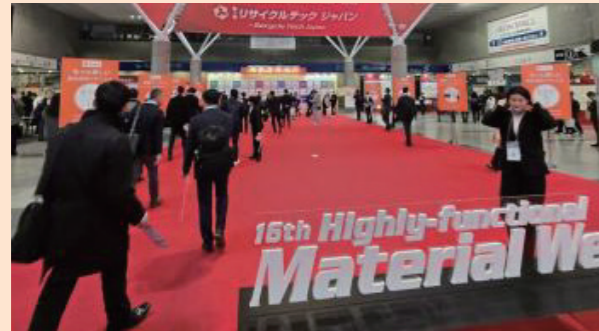
Project	Cooperating University	Cooperating Entity
Research on Low-precipitation Modified PBT Resistant to Refrigerant and Analysis of the Influence of Terminal Carboxyl Groups and Precipitation Amount in PBT Resin	Dalian University of Technology	Kanghui New Material
Development of new green functional polyester fiber materials technology	Donghua University	Hengke Advanced Materials
Development of new modified polyester fiber technology	Donghua University	Jiangsu Xuanda
Research and development of preparation technology for high and medium hollow polyester fibers	Nantong University	Hengke Advanced Materials
The development of hyper-realistic and functional polyester fibers	Nantong University	Jiangsu Xuanda
The application effect and ecological environment impact of PBAT biodegradable mulching film	Shenyang Agricultural University	Kanghui New Material
The development of high-strength and high-rigidity biodegradable polyester for both injection molding and blown film	Shenyang University of Chemical Technology	Kanghui New Material

## Industry Co-creation

The Company actively participates in the development of national standards, leveraging its technical expertise to support the standardized development of the petrochemical industry. It also actively engages in industry exchanges to share advanced technical concepts and practical achievements, while drawing extensively on the experiences of leading companies within the sector to drive technological innovation and foster collective progress in the industry.

Participating Entity	Standard	Type
Kanghui New Material Technology Co., Ltd.	Biodegradable mulching film for agricultural uses	National standard
Kanghui New Material Technology Co., Ltd.	Fibre grade polybutylene terephthalate (PBT) chip	Industrial standard
Jiangsu Xuanda Polymer Materials Co., Ltd.	Fibre grade polybutylene terephthalate (PBT) chip	Industrial standard
Jiangsu Xuanda Polymer Materials Co., Ltd.	High shrinkage polyester drawn yarn/torque-free polyester drawn textured yarns tri-different combined yarns	Industrial standard
Kanghui Nantong New Material Technology Co., Ltd.	Standard for separator of Sodium-ion battery	Group standard
Kanghui Nantong New Material Technology Co., Ltd.	Greenhouse gas emission accounting and reporting requirements: Battery separator enterprises	Group standard
Kanghui Nantong New Material Technology Co., Ltd.	Dry-process uniaxial stretching polyolefin separator for Lithium ion batteries	Group standard

Participate in industry activities



Japan High Performance Film Exhibition



The 8th Automotive High-Performance Membrane Materials Market and Technology (Taizhou) Forum 2025

## Digital and Intelligent Construction

The Company has vigorously advanced its "Intelligent Transformation and Digital Transition" strategy, establishing a digital ecosystem centered on the Henglink Industrial Internet Platform. By integrating intelligent systems such as NCC, MES, AWMS, AGV, and equipment management, and leveraging data sharing and interaction to break down silos, the Company has achieved end-to-end digital control across the entire supply chain—from raw material procurement and manufacturing to sales and service. This has effectively enhanced quality control, reduced production costs, and improved production efficiency.

During the reporting period, Hengke Advanced Materials, Hengli Chemical Fiber, and Deli Chemical Fiber were all awarded the title of "Advanced Smart Factory" of Jiangsu Province; Hengli Chemical Fibers received the national "Excellence-Level Smart Factory" honor; and Kanghui Nantong was successfully designated a national "5G Factory."

Case

Kanghui Nantong was selected for the list of "5G Factory" 2025 by the Ministry of Industry and Information Technology

In 2025, Kanghui Nantong's "Full-Link Cloud-Based Collaborative 5G Smart Manufacturing Plant for Functional Films" was selected for the Ministry of Industry and Information Technology of the People's Republic of China's the list of "5G Factory" 2025. The factory has achieved comprehensive connectivity across equipment, production lines, workshops, and the entire facility, significantly enhancing data transmission speed and stability. Leveraging the low-latency capabilities of 5G, sensor data from production lines is transmitted instantly to the control system, enabling rapid response to anomalies, automatic adjustment of production parameters, or the issuance of alerts, thereby effectively reducing production downtime.



Case

Hengli Chemical Fiber Recognized with National "Excellence-Level Smart Factory"

On September 4, 2025, the Ministry of Industry and Information Technology of the People's Republic of China released the "List of Excellence-Level Smart Factory Projects 2025." Hengli Chemical Fiber was successfully selected for the project titled "Flexible Parallel Smart Factory for Multiple Process Segments in Polyester Fiber Production." The construction of Hengli Chemical Fiber's smart factory features three key highlights: ensuring operational independence and controllability; supporting rapid product changeovers; and breaking through the limitations of existing facilities and equipment to establish a replicable and scalable benchmark for intelligent transformation in the industry. The implementation of the smart factory has yielded significant results: the CNC and network connectivity rates for key equipment have both reached 100%, AI technology is applied in over 26% of production scenarios, production efficiency has increased by 14%, and labor productivity per employee has risen by 15%, achieving a dual leap in both quality and efficiency.

## Intellectual Property Protection

The Company's intellectual property management is led by the general managers of each industrial park, promoting efficient collaboration and coordinated efforts across all departments. The Company has established a series of policies, including the *Intellectual Property Manual*, *Procedures for Acquiring Intellectual Property*, *Procedures for Maintaining Intellectual Property*, and *Procedures for Managing Intellectual Property Risks*, to advance the application and protection of the Company's intellectual property. The Company closely monitors industry and market trends, strictly mitigates intellectual property risks, and ensures that Company's business operations do not infringe upon the intellectual property rights of others.

The Company is advancing its certification of an intellectual property management system, with each industrial park actively pursuing applications and maintenance efforts. During the reporting period, Jiangsu Kanghui was awarded the honorary title of "2024 Benchmark Enterprise for Pre-examination Volume and Quality" by the Suzhou Intellectual Property Protection Center.

Certification to Intellectual Property Management System



Hengke Advanced Materials



Kanghui Nantong

Case

Several Subsidiaries Recognized with National-level Intellectual Property Honors

The Company has consistently prioritized innovation as its guiding principle, leveraging its strong independent R&D capabilities, comprehensive intellectual property protection framework, efficient technology commercialization capabilities, and standardized management systems. Hengli Chemical Fiber and Hengke Advanced Materials, its subsidiaries, have been successively recognized as "National Intellectual Property Demonstration Enterprise," while Deli Chemical Fiber and Kanghui New Material have been awarded the title of "National Intellectual Property Advantage Enterprises." These honors fully demonstrate the Company's strong capacity for independent innovation and its comprehensive strength in core technologies.



## Indicators and Targets

The Company has consistently focused on high-end functional materials that are urgently needed for national strategic purposes and has long been heavily reliant on imports. The Company has proactively invested in the R&D of cutting-edge materials technologies while simultaneously developing environmentally friendly products, thereby driving the industry's accelerated transformation toward high-end, more environmentally friendly, and more intelligent development.

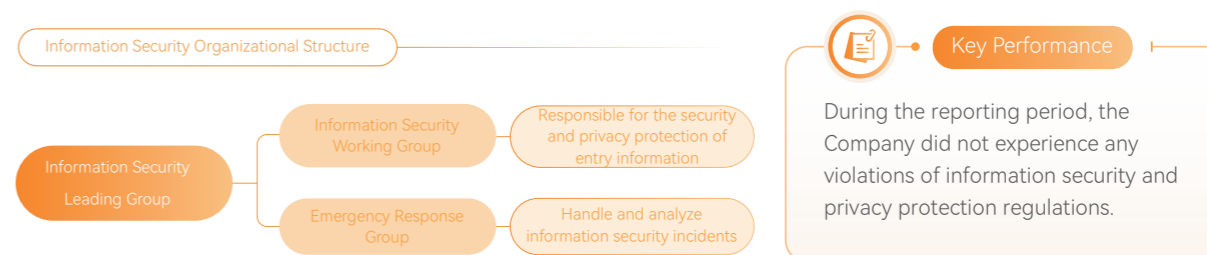
Key Performance

During the reporting period, the Company's R&D investment totaled **1,626** million yuan, representing **0.81** % of its revenue.

The Company has obtained a total of **2,039** patents, including **977** granted invention patents, **1,062** granted utility model patents, and **39** software copyrights.

## Strengthening Information Security Risk Management

Hengli Petrochemical has established the *Information Security Management System* and formed an Information Security Leadership Group to implement standardized end-to-end oversight of the Company's information systems, infrastructure and software operations, thereby effectively safeguarding the Company's trade secrets and the privacy of stakeholders, including customers and suppliers. The Company has also developed the *Cybersecurity Emergency Response Plan* and conducts regular emergency drills to enhance all employees' capabilities in preventing information security risks and handling emergencies. By upholding accountability, the Company builds a robust digital security barrier and fosters trust and accountability.



## Information Security Risk Management

The Company has established a comprehensive information security risk assessment system that identifies potential threats through regular scans and vulnerability testing, and implements targeted protective measures. The Company enforces a data classification management system, encrypting the storage and transmission of sensitive information, and deploying advanced technologies such as firewalls and intrusion detection systems to build a multi-layered security network. Additionally, the Company has established policies such as the *Cybersecurity Emergency Response Plan* to standardize the procedures for handling security incidents within the Company's information systems. The Company conducts regular drills and provides information security training to employees to enhance their ability to prevent and control information security incidents.

## Information Security Management Measures

The Company has established a series of management measures focused on physical security and cybersecurity to continuously improve the capabilities of network and data protection. During the reporting period, the Company collaborated with external specialized firms to conduct penetration testing and other services, performing comprehensive security vulnerability scans and simulated attacks across various servers. These practical tests were used to assess the effectiveness of system defenses, and targeted security enhancements were implemented based on the test results.

Physical Security Control	Strengthening the security management of the physical environment, including the security guarantee of computer rooms, uninterruptible power supplies for hardware equipment, etc.
Cybersecurity Control	Strengthening cybersecurity management, including security guarantees such as network architecture and firewall intrusion detection.
Information Security Control	Strengthening the security management of information, including security guarantees such as data encryption, backup and recovery.
Application Security Control	Strengthening the security guarantee of application systems, including the secure configuration of operating systems and the secure management of databases, etc.
Personnel Access Control	Strengthening the access authority management, including the security safeguards for permissions corresponding to employees' onboarding and departure.

## Sustainable Supply Chain

With a strong sense of responsibility and commitment, Hengli Petrochemical places high priority on building a secure supply chain. Grounded in integrity and guided by the goal of mutual benefit, the Company works with all suppliers in unity to foster a long-term, stable, and mutually trusting partnership ecosystem. The Company has established a series of policies, including the *Supplier Management Measures and the Supply Chain Risk Management Measures*, to ensure that the supply chain system operates in a standardized, efficient, stable, and controllable manner. Additionally, we have developed a digital supply chain management platform to enable real-time sharing and dynamic monitoring of critical data—such as supplier information, procurement plans, and logistics distribution—thereby continuously improving supply chain coordination efficiency and risk prevention capabilities.

### Supplier Management



In addition, guided by the principles of green development, the Company is actively promoting the development of a green supply chain. During the supplier selection process, it gives priority to environmentally friendly partners and regularly conducts supplier engagement and training to continuously improve the sustainability of the supply chain.

## Responsible Procurement

Hengli Petrochemical has signed an *Anti-Bribery Agreement* with its suppliers to establish robust safeguards against integrity risks at the source of its business operations and to optimize and refine the terms related to contract performance. The Company has conducted specialized integrity training for personnel in key positions, guiding procurement staff to maintain ethical interactions with suppliers and ensuring that they fulfill their duties comprehensively in accordance with laws and regulations.



## Equal treatment to small and medium-sized enterprises

The Company is committed to building a supply chain ecosystem that will benefit all parties involved. The Company is committed to upholding the principles of fairness and impartiality, treating all partners equally. The Company maintains consistent standards in areas such as partner admission, resource allocation, and operational support. By streamlining payment processes, we mitigate the financial pressure on small and medium-sized enterprises (SMEs) and provide technical support and training to help them improve their competitiveness. The Company has developed transparent procurement and partnership mechanisms to ensure that SMEs have equal opportunities throughout the bidding, contract execution, and contract performance.

## Chemical Safety

In chemical safety management, Hengli Petrochemical consistently balances compliance with safe production, upholding compliance standards and strengthening safety measures. The Company is fully committed to safeguarding the lives of its employees and mitigating all types of chemical safety risks, while also strictly controlling environmental hazards. By standardizing the management of chemicals throughout the entire process, the Company protects the ecological environment surrounding its facilities, thereby achieving the coordinated development of safety, compliance, and environmental protection.

### Chemical Management System

The Company has established the *Chemical Safety Management Policy* to strictly regulate the procurement, storage, use, and disposal of chemicals. Each industrial park has developed a hazardous chemical management mechanism tailored to its specific circumstances. The Board of Directors, as the body with ultimate responsibility for chemical safety management, provides overall leadership and coordination; the Strategy and Sustainability Committee is responsible for formulating, promoting, and overseeing the implementation of relevant policies and regulations, and the Safety and Environmental Protection Department leads the implementation of specific measures and regularly reports progress and results to higher authorities.

### Chemical Management Strategy

The Company thoroughly implements the safety policy of "safety first, prevention-oriented, and comprehensive management," and diligently carries out all aspects of chemical safety management with meticulous attention to detail. The Company has reinforced its primary responsibility for production safety, breaking down organizational silos across departments and industrial parks to develop a chemical safety accountability system with full horizontal and vertical coverage. The Company strictly implements a dual-prevention mechanism combining risk classification control with hazard identification and rectification. It regularly conducts comprehensive chemical safety risk assessments to accurately identify potential risks at every stage, including procurement, transportation, storage, use and disposal. Additionally, the Company classifies these risks by level, develops a dynamic risk inventory, and develops specialized control measures for high-risk chemicals.

### Impacts, Risks and Opportunities Management

The Company conducts regular chemical risk assessments to accurately identify potential risks and performs internal audits on the compliance and effectiveness of chemical management to ensure the safe use of chemicals. Each industrial park has established comprehensive and specialized emergency response plans for chemicals, including the *Emergency Response Plan for Hazardous Chemical Leaks*, thereby establishing a complete system of response plans to standardize emergency response procedures for chemicals. These plans are regularly tested through leakage response drills to validate their effectiveness.



#### Key Performance

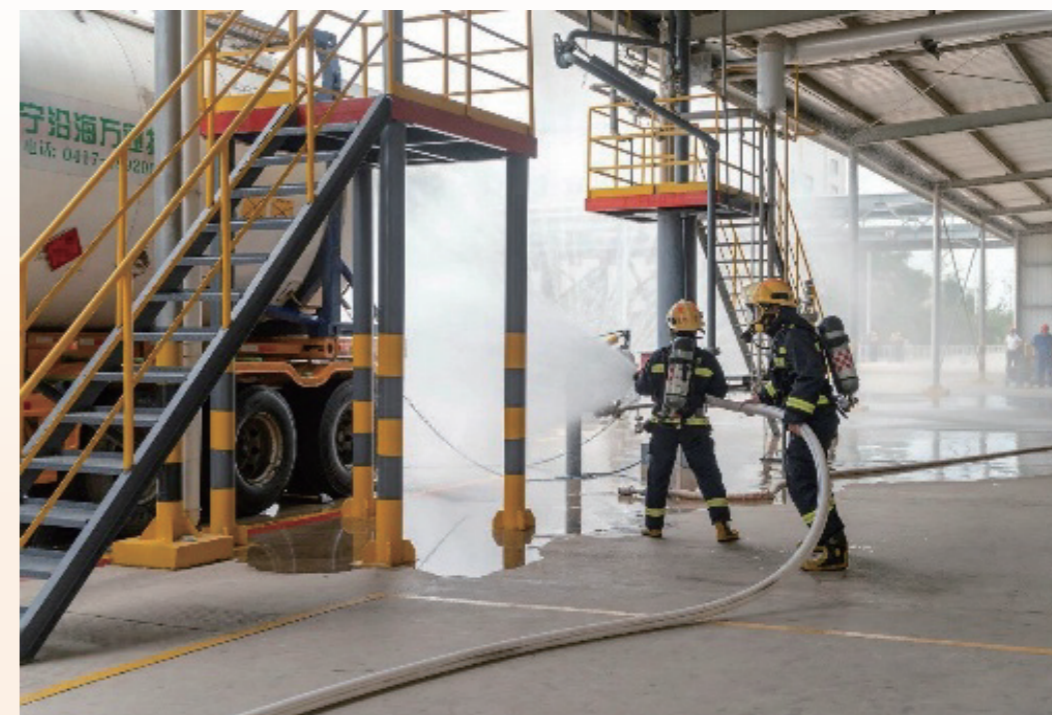
During the reporting period, a total of **3,606** chemical emergency drills were conducted.



#### Case

#### Emergency Drill for Tetrahydrofuran Leakage of Kanghui New Material

In June 2025, Kanghui New Material organized a specialized emergency response drill for tetrahydrofuran leakage. During the drill, personnel from all departments responded swiftly upon receiving the alarm and carried out response procedures in an orderly manner in accordance with the emergency plan. The drill effectively tested the practicality and effectiveness of the tetrahydrofuran leakage emergency response plan, enhanced employees' safety awareness and emergency response capabilities, and provided valuable experience for handling similar incidents in the future.



The emergency drill site for tetrahydrofuran leakage of Kanghui New Material

## Full Lifecycle Management of Chemicals

The Company has established clear management requirements for the procurement, transportation, production, storage, use, and waste disposal of chemicals to standardize employee operations, thereby effectively mitigating chemical-related risks.

### Chemical Safety Management Measures

- Procurement** → To ensure a legitimate procurement process, strict control is required over the process to guarantee that proper channels are followed and all documentation is complete. For precursor chemicals and explosives precursors, the Procurement Department is responsible for providing necessary materials in advance, and the Safety and Environmental Protection Department must complete the filing with public security authorities prior to purchase.
- Transportation** → Focus on controlling dynamic logistics risks and standardizing loading/unloading practices. We verify the qualifications of transportation units and vehicles, assign dedicated personnel to supervise loading/unloading, and enforce SOPs such as anti-static measures and flow rate control to ensure operational safety.
- Production** → Establish and refine safety operating procedures while ensuring hazard communication and personnel training. Signs warning of potential hazards are installed at work sites. These signs are accompanied by safety facilities, including systems designed to prevent fires and explosions, as well as alarms that detect combustible and toxic gases.
- Storage** → Implement a storage system that is categorized and zoned, enforcing the segregation of incompatible chemicals. We adhere to the "Four Strict Prohibitions" when it comes to specially controlled hazardous chemicals, and we implement the "Six Denials of Warehouse Entry" protocol for warehouse receiving. Chemicals classified as highly toxic are managed in accordance with the stringent "Five Pairs" protocol.
- Disposal** → Strict compliance with regulations on chemical hazardous waste disposal is mandatory, and qualified third parties must be commissioned for compliant treatment and disposal.

The Company complies with all applicable laws and regulations, including the *Measures for the Registration and Management of Hazardous Chemicals* and the *Regulations on the Safety Management of Hazardous Chemicals*. We conduct comprehensive surveys of all hazardous chemicals, establish unified management archives, and complete registration with local work safety supervision and administration departments as legally required. Building on this foundation, the Company continuously enhances safety operating procedures across all stages—production, use, storage, distribution, and transportation—and proactively accepts regulatory oversight to ensure compliant operations. For other chemicals, we conduct risk identification and assessment per regulatory mandates, establish dedicated management records, and implement systematic compliance controls to effectively safeguard personnel, property, and the environment.

The Company performs a "Chemical Safety Status Assessment" every three years. This assessment covers all chemicals in use and identifies their types and hazard characteristics. It also updates the management ledger. Additionally, we commission qualified third-party institutes to prepare Safety Data Sheets (SDS) for all products and intermediates. These are published via the national "Comprehensive Registration Service System for Hazardous Chemicals" and the big data platforms for the prevention and control of hazardous chemical risks in the regions where our subsidiaries operate. For all externally procured raw materials and chemical agents, we proactively request compliant SDS from suppliers. This ensures the full traceability and controllability of chemical information across the supply chain.

## Management of Restricted Substances

The Company continuously pays attention to and tracks developments in chemical regulations both at home and abroad. We strictly follow domestic laws and regulations, including the *Law of the People's Republic of China on Work Safety*, the *Regulations for the Safety Management of Hazardous Chemicals*, the *Regulations on the Administration of Precursor Chemicals*, and the *Measures for the Public Security Management of Explosives Precursors*, as well as international standards and customer requirements such as the EU REACH Regulation, POPs Regulation, the U.S. EPA's List of Hazardous Substances, and the SVHC List. Based on this, the Company conducts systematic identification and risk assessments of chemicals involved throughout the entire process—from material procurement to manufacturing—to ensure full compliance and continuously improve safety management standards.

The Company has completed the registration and filing of information regarding all chemical categories, production and import volumes on platforms such as the Comprehensive Registration Service System for Hazardous Chemicals, the Management Service Platform for Precursor Chemicals, and the Chemical Registration System. At the same time, the Company fully discloses the product names, corresponding regulatory requirements, and intended uses for all chemicals and products involving Substances of Very High Concern (SVHC), ensuring that no banned or restricted substances are used. This approach achieves comprehensive coverage, high transparency, and strict compliance in chemical management, thereby effectively ensuring the ability to comprehensively control chemical safety risks.



### Key Performance

During the reporting period, the Company's coverage rate of identification and supervision of the chemicals used reached **100%**.

All of the Company's products (including existing products and newly developed products) do not involve the use of any prohibited substances.



## Chemical Phase-out and Substitution

The Company prioritizes control at the source and systematically advances chemical phase-out and substitution with a forward-looking perspective. In compliance with national and local regulations—such as the Catalog of Backward Work Safety Production Processes and Equipment of Hazardous Chemicals to Be Phased Out (First Batch)—and informed by internal hazard assessments, we have established and continuously update our Chemical Phase-Out List, with clearly defined control pathways and timelines. We actively promote chemical substitution processes, systematically evaluating and prioritizing safer chemicals, biologics, or green raw materials to gradually reduce reliance on chemicals of concern. The Company has formulated a medium to long-term substitution plan, committing to phasing out all chemicals of concern in the future, thereby reducing safety and environmental risks at the source and driving the green and sustainable transformation of production processes.

### Chemical Substitution Measures



- We are advancing a chemical reduction plan for arsenic trioxide by replacing traditional laboratory analysis with gas chromatography, thereby eliminating the use of hazardous chemicals such as sulfuric acid, hydrogen peroxide, and arsenic trioxide. We have obtained multiple sets of test data during the reporting period and will continue to expand this initiative in the future.
- We continue to promote the adoption of green processes, replacing traditional glycerin with high-boiling-point plasticizers for starch plasticization to produce smoke-free, biodegradable starch-modified materials. This reduces chemical use at the source and improves resource utilization efficiency.

## Indicators and Targets

The Company has deeply integrated chemical safety management into its environmental protection and production safety systems, adhering to the principles of synergizing safety and environmental protection and unifying risk management with compliance. It has incorporated chemical safety indicators into its HSE management system, implementing unified planning, deployment and evaluation to achieve deep integration and coordinated management of chemical safety with environmental protection and safety operations. In 2025, the Company reported no chemical leakage incidents.

As of the end of the reporting period, Hengli Chemical Fiber, Hengke Advanced Materials, Jiangsu Xuanda and Kanghui New Material had obtained REACH certification. This certification is based on the requirements of the EU's *Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH)* regulation, ensuring that the Company's products do not pose a risk to human health or the environment during production, use, and disposal. Hengli Chemical Fiber, Hengke Advanced Materials and Jiangsu Xuanda have also obtained OEKO-TEX STANDARD 100 certification, which tests the ecological safety of textiles to ensure that products do not contain harmful substances.



REACH Certification for Hengke Advanced Materials



REACH Certification for Hengli Chemical Fiber



# 04

## People-oriented, Building a Responsible Future Together

· Employee Rights and Benefits

· Employee Growth

· Production Safety

· Social Welfare

· Rural Revitalization

SDGs



People-oriented and walking together with love. Hengli Petrochemical integrates employee care into all the details, legally safeguarding their rights and interests, listening to their voices, supporting their growth and development, and encouraging them to realize their self-worth in their roles. Driven by gratitude, we give back to society. The Company remains deeply committed to public welfare, spreading warmth and empowering strength through concrete actions, ensuring that the Company's corporate care benefits not only its employees but also reaches every corner of society in need.

## Employee Rights and Benefits

### Recruitment and Employment

The Company places a high priority on talent acquisition and the protection of employee rights. To that end, it has established a comprehensive institutional framework, covering recruitment, compensation and benefits, and career advancement. We attract talent through diverse channels, including campus recruitment, external recruitment, employee referrals, and school-enterprise cooperation. We adhere to the principles of fairness, impartiality, and transparency in our hiring practices. We are committed to ensuring a diverse and inclusive environment and do not discriminate against any job applicant based on gender, age, religious beliefs, or race. We provide employment opportunities for people with disabilities, veterans, and ethnic minorities, and strictly prohibit the employment of child labor.

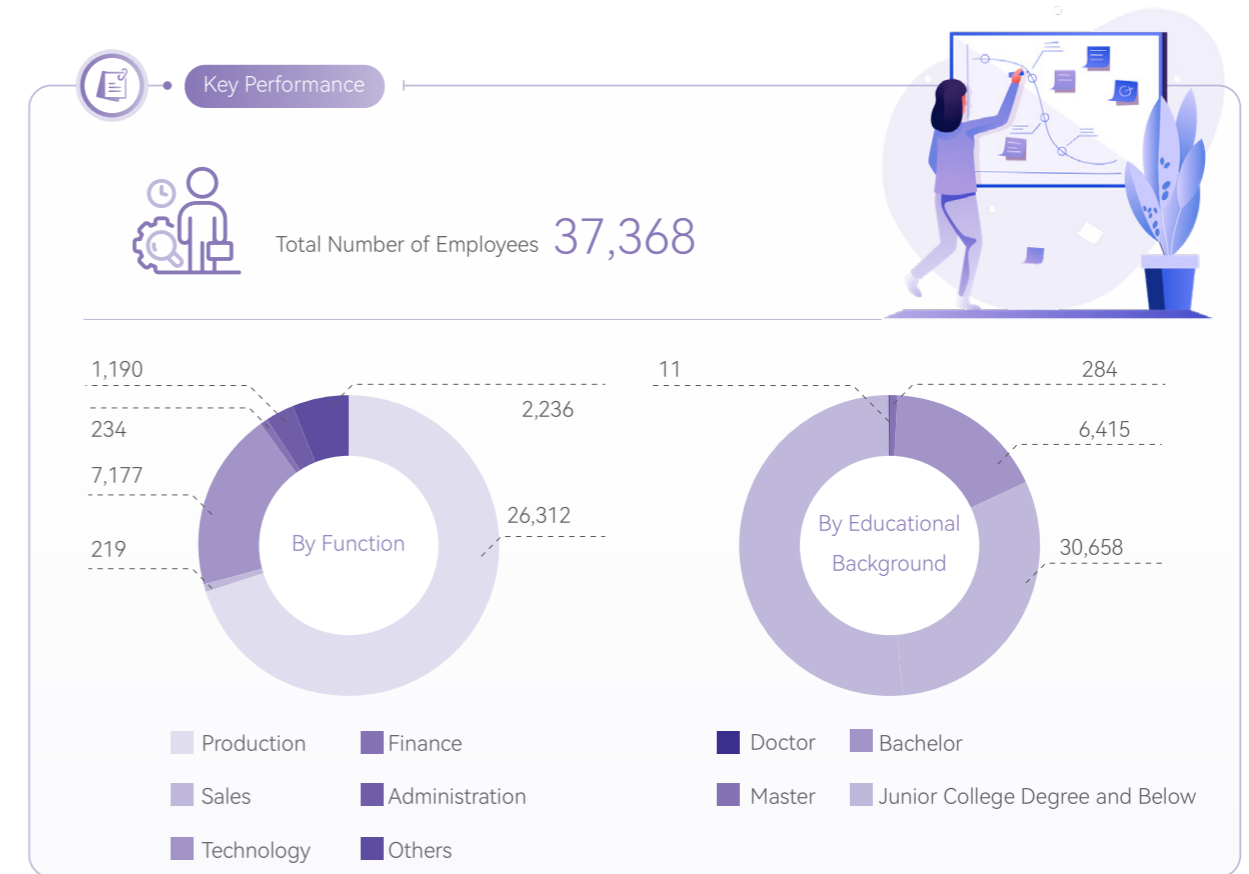


Scene of the campus presentation

Recruitment site for veterans

#### Key Performance

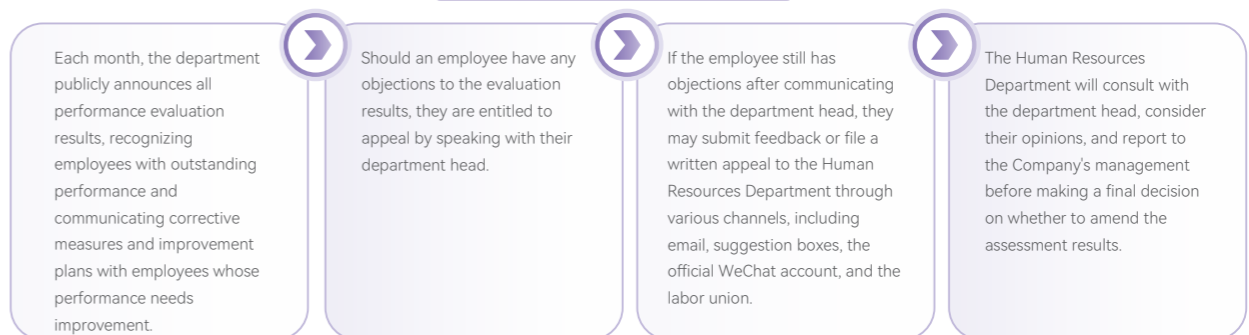
During the reporting period, the Company employed **35** employees with disabilities, **713** veterans, and **3,635** employees from ethnic minority groups. There were no incidents of labor discrimination.



### Compensation and Benefits

The Company offers employees market-competitive compensation and has established a robust grievance mechanism for performance evaluations. The Company adheres to the principle of "distribution according to work," ensuring that employees receive fair and equitable compensation. The Company has established a four-tier performance management system, continuously standardizing performance management processes and conducting regular performance evaluations. The results of these evaluations play a key role in the distribution of performance bonuses and the selection of outstanding employees, fully leveraging the motivational role of the compensation system in attracting and retaining talent. The Company places significant emphasis on performance communication and feedback, having implemented a "two-way communication" process between managers and employees to ensure the fairness and objectivity of evaluation results.

#### Performance Appeal Mechanism



Hengli Petrochemical offers comprehensive and favorable benefits to all employees, including but not limited to five social insurances and one housing fund, company-paid leave, cultural and recreational activities, and the Employee Stock Ownership Plan. The Company actively enriches employees' cultural lives, consistently attends to the needs of employees facing financial hardships, and is committed to enhancing employee well-being and satisfaction.

Benefits System

- Five Social Insurances and One Housing Fund
- Parental Leave, Care Leave, and Others
- Statutory Holidays Benefits
- Overtime Compensation
- Annual Health Check-up
- Employee Activity Center and Cultural & Sports Events
- Hardship Mutual Aid Fund and Employee Support Program
- Free Shuttle Service
- Employee Stock Ownership Plan



Key Performance

During the reporting period, the social insurance coverage rate was **98.16%**, the labor contract signing rate was **99.56%**, **52** employees took parental leave, and the return-to-work rate for those employees was **100%**.

## Democracy and Communication

The Company adheres to the principle of "people-oriented, collaborative governance and development," emphasizing the importance of employees' democratic rights and their ability to voice concerns. It is dedicated to fostering harmonious and transparent labor relations. In terms of democratic management, the Company strictly complies with national laws and regulations, establishing and improving a corporate democratic management system centered around the Employee Representative Congress (ERC). This ensures that employees legally enjoy the rights to information, participation, expression, and supervision. By utilizing platforms such as the ERC and trade union organizations, employees are enabled to actively participate in major company decisions, compensation and benefits adjustments, and other matters directly affecting their interests. Such practices facilitate scientific and democratic decision-making within the enterprise. During the reporting period, Hengke New Materials and Hengli Chemical Fiber reviewed multiple core policies through the ERC and completed the public disclosure procedures, effectively safeguarding employees' rights to information, participation, and oversight.

The Company has established a diverse and comprehensive set of communication channels. Each industrial park has established a variety of communication channels to meet their specific needs, including dedicated feedback hotlines, email addresses, physical mailboxes, online forums, and other channels. We foster an open and inclusive communication environment by organizing departmental team-building activities, cross-team events, corporate culture seminars, and skills training sessions.

## Employee Care

At Hengli Petrochemical, we recognize our employees as the cornerstone of our organization. We are dedicated to developing a comprehensive and supportive employee welfare program. The Company prioritizes the well-being of its employees, offering benefits that support their physical and mental health, career advancement, living expenses, and special groups. These initiatives aim to foster a sense of belonging, fulfillment, and happiness among employees across all aspects of their lives. Hengli Petrochemical's subsidiaries are committed to enhancing their support services. Employee dormitories are equipped with air conditioning and internet access, while residential areas feature amenities such as basketball courts, reading rooms, and supermarkets. The Company also offers a variety of benefits, including birthday gifts, festival gifts, and high-temperature allowances. The Company has enriched employees' leisure time and strengthened team cohesion through diverse cultural and recreational activities, such as basketball tournaments and variety shows. These activities ensure that every employee can work happily and live contentedly within the Hengli family.

Employee Activities



Trendy Toy Fair



Employee Basketball Game



Visit to the Memorial Hall



Music and Ideological and Political Course and the Awards Ceremony



Dragon Boat Festival Garden Party



Sports Day



In addition, we provide female employees with benefits such as prenatal checkup leave, maternity leave, and breastfeeding leave. We have established a mother-and-baby care room and organized special events for International Women's Day. We also arrange for female employees to receive the HPV vaccine, among other initiatives designed to support their well-being.

Case

"Hengmei: Her Power" series of activities

In anticipation of International Women's Day 2025, Hengli (Huizhou) Industrial Park organized the "Hengmei: Her Power" series of themed activities and extended festive greetings. During the event, the subsidiary invited medical institutions to provide thoughtful services for female employees, including dental health checkups and specialized breast screenings. Furthermore, it meticulously planned interactive craft-making sessions, enabling female employees to express their creativity and collaborate with one another in a tranquil and convivial environment, culminating in numerous heartwarming and aesthetically pleasing handmade creations.



## Employee Growth

### Employee Training

Hengli Petrochemical adheres to a "people-oriented" talent development philosophy and emphasizes the development and refinement of its talent management system, with the objective of building a highly efficient and cohesive team that is united in purpose and works in concert, thereby achieving mutual growth for both employees and the enterprise. Each subsidiary has developed a customized training management system to meet its distinct talent development requirements, progressively establishing a systematic and standardized framework for employee training management. The Hengli (Dalian Changxing Island) Industrial Park has established a dedicated training center and practical training base. It has formulated a series of training management regulations, including the *Measures for the Management of Practical Training Bases*, *Measures for the Management of Training Center Instructors*, and *Measures for the Management of New Employee Training at the Training Center*. The subsidiary has systematically upgraded and improved its core training management systems, established a company-level talent reserve pool, and developed a diversified curriculum resource system. These efforts have established institutional safeguards for the standardized, normalized, and professionalized delivery of employee training.



New Employee Training

We prioritize the cultivation of a robust corporate culture, with a focus on enhancing employee belonging and satisfaction. Each subsidiary has established training policies and objectives tailored to its organizational structure and talent needs, providing new hires with systematic onboarding training. This approach ensures that new employees quickly integrate into the company culture and become familiar with the company's policies, procedures, and job responsibilities as soon as possible, laying a solid foundation for their future career development.



Regular Training

We prioritize long-term talent development and have implemented a comprehensive training system that covers all employees. In accordance with our annual training plan, we leverage online platforms such as the Hengli Business School and LINK Classroom, while drawing on our in-house trainer system and training resource library, to conduct extensive employee training tailored by level, category, and position, thereby fostering mutual growth between employees and the company.



Implementation of Key Training Programs - Hengli (Dalian Changxing Island) Industrial Park

Hengli (Dalian Changxing Island) Industrial Park organized new graduates, interns, and mid-career hires to participate in new employee orientation and new employee boot camps. These programs help new hires quickly familiarize themselves with the work environment, strengthen team cohesion, and foster teamwork. During the reporting period, a total of 108 new employee orientation sessions were conducted, reaching 2,005 participants; six new employee boot camps were organized, with a cumulative total of 438 participants.



Graduation ceremony for new employees

The Hengli (Dalian Changxing Island) Industrial Park has developed systematic rotational training programs for employees at different levels and across various departments. These programs were developed based on comprehensive training needs surveys. By optimizing end-to-end organizational management, the park has effectively enhanced employees' overall competence and job-specific skills, achieving full coverage of rotational training. In addition, the industrial park is committed to advancing information-based management and digital teaching initiatives. It promotes the use of the HENGLINK and HSE online training platforms, which enable employees to independently schedule training and provide feedback on their learning outcomes. During the reporting period, various departments within the industrial park conducted a total of 675 systematic rotational training sessions, with 8,228 participants. Furthermore, over 100 training sessions focused on enhancing management skills were conducted for middle managers, with a total of 1,759 participants.



Operational Training



Leadership Training

Furthermore, the Company has developed the "Hengli Classroom" online learning platform, which provides critical digital support for the Company's internal training system. It is widely used for new employee onboarding, various job-specific skills training, HSE-focused training, and management development programs. The platform offers a wealth of course resources, integrating systematic curricula developed by various industrial parks. The content encompasses a wide range of subjects, including technical operations, safety management, quality management, office skills, and professional ethics, thus catering to employees' diverse learning requirements.

Online learning platform



Key Performance	Unit	2025
Total Number of Employee Training Sessions	Time	25,669
Total Number of Employees Trained	Person-time	506,376
Total Duration of Employee Training	Hour	322,700
Average Training Hours Per Employee	Hour	8.64

## Support Employee Development

Hengli Petrochemical places significant emphasis on cultivating employees' personal qualities and fostering their career development. The Company fosters an environment conducive to ongoing professional development, recognizing the value of enhancing skills and academic qualifications. It actively promotes an organizational culture of learning and growth. The Company and its subsidiaries collaborate with numerous universities to provide employees with pathways for academic advancement. These pathways include programs for associate-to-bachelor's degree conversion, high school-to-associate degree programs, and part-time graduate programs. At the same time, the Company encourages its employees to participate in professional title evaluations and certification processes and provides the necessary training resources.

Case

Supporting Employees' Academic Advancement

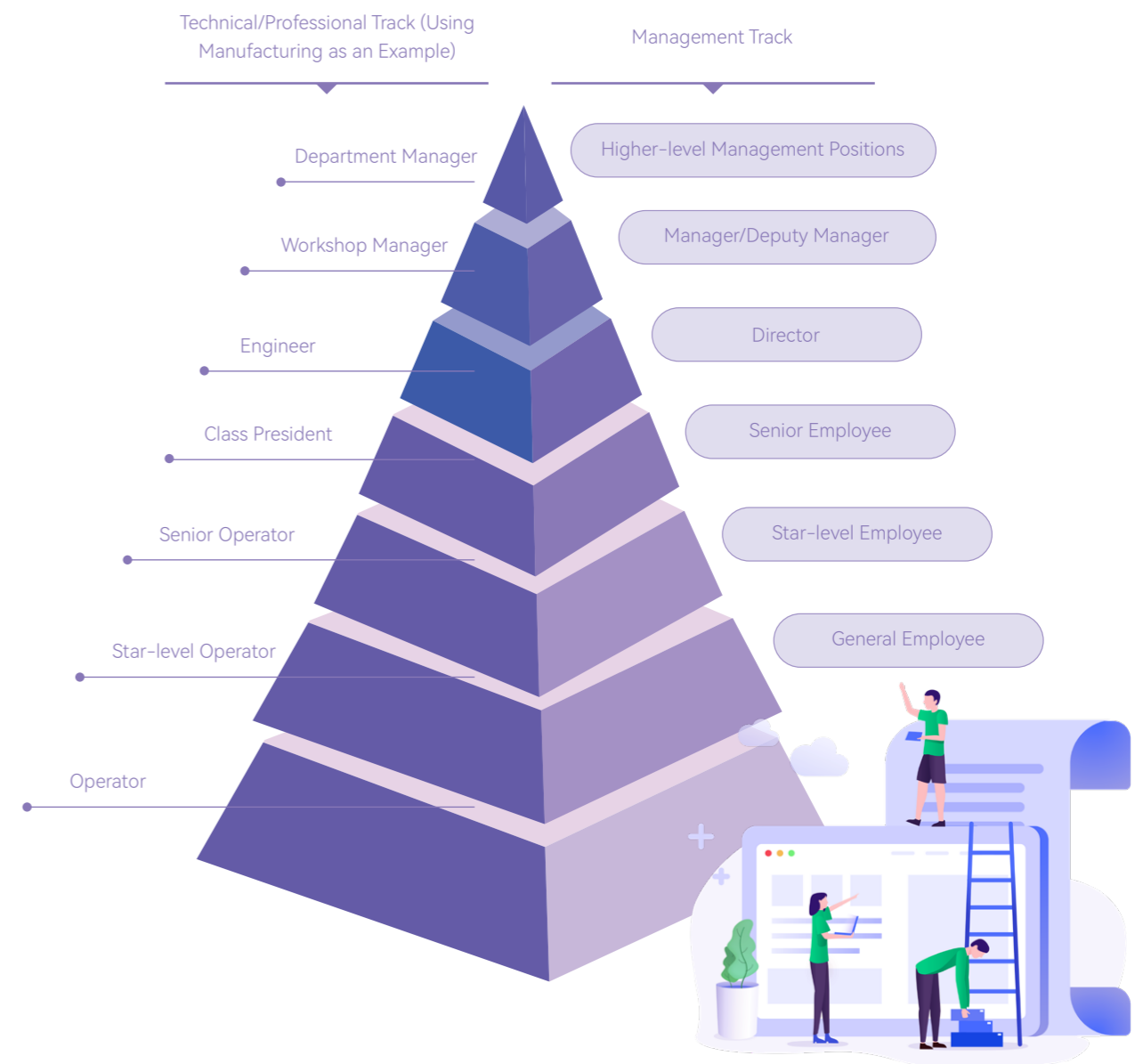
During the reporting period, the Hengli (Dalian Changxing Island) Industrial Park proactively engaged with several local universities, facilitating the enrollment of nearly 100 employees in academic upgrading programs. These programs offered opportunities to enhance qualifications, ranging from associate to bachelor's degrees and from high school diplomas to associate degrees. The industrial park also collaborated with Dalian University of Technology to facilitate enrollment for part-time graduate programs, with a total of nearly 40 employees actively participating. It also offered incentives and promotional opportunities to employees who obtained professional certifications, encouraging their participation in related training and assessments. In December 2025, the industrial park administered a vocational skills assessment for chemical process control operators, with 220 employees participating. Of these, the first group of 66 successfully passed both the theoretical exam and the practical assessment, earning the Senior Technician qualification.



Professional qualification assessment

## Employee Promotion

Hengli Petrochemical consistently adheres to the principles of "openness, fairness, and impartiality" in the scientific management of employee career development and has established a systematic career management system. The Company complies with relevant laws and regulations and has formulated a series of policies, including the *Management Measures for the Promotion of Frontline Employees*, *Management Measures for the Selection of Team Leaders and Above*, *Management Measures for Internal Job Transfers*, and the *Specific Training Plan for Reserve Cadres*. By adopting a dual-track development model that combines "management tracks" with "technical/professional tracks," and integrating a range of talent development programs, specialized incentive schemes, comprehensive performance appraisal systems, and promotion and grading systems, the company has created clear and diversified career development paths for its employees.



# Production Safety

## Safety Management System

Hengli Petrochemical has always adhered to the principle of "safety first, prevention-oriented, and comprehensive management," prioritizing the safety and occupational health of its employees above all else. The Company complies with laws and regulations such as the *Law of the People's Republic of China on Work Safety* and the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, continuously improving its safety management system by formulating the Work Safety Reward and Punishment System, Fire Safety Management System, and *Regulations on the Responsibility System for the Prevention and Control of Occupational Hazards*, among other regulations and operational guidelines. It has established a Work Safety Committee and specialized safety management bodies, creating a top-down safety management framework with clearly defined responsibilities at every level. Additionally, the company ensures accountability for work safety by directly linking safety assessment results to executive compensation and requiring all employees to sign the *Safety Responsibility Agreement*.

### Key Performance

During the reporting period, the proportion of the Company's major manufacturing subsidiaries obtaining the ISO 45001 occupational health and safety management system certification was **100%**.

ISO 45001:2018 Occupational Health and Safety Management System Certification (Partial)



Kanghui Dalian New Material

Hengli Petrochemical Refining

Hengli Petrochemical (Huizhou)

## Safeguard Production Safety

### On-site Safety Management

Hengli Petrochemical's industrial parks regard on-site safety management as the first line of defense in ensuring the seamless operation of production activities and the prevention of accidents. Guided by the principle of "safety first, prevention crucial, and comprehensive management," the Company has established a comprehensive on-site safety control system. This system is supported by systematic regulations, standardized operating procedures, strengthened behavioral management, and technical monitoring measures.



#### Work Permit Management

A strict permit approval and full-process supervision system is implemented for all on-site operations, particularly high-risk special operations. A comprehensive *Work Permit Management System* has been established to standardize requirements for special operations, such as Hot Work, confined space entry, work at heights, lifting operations, temporary electrical work, excavation, blind flange operations, and road closure operations. Prior to commencing any operation, a risk analysis and safety technical disclosure must be conducted, safety measures such as energy isolation must be implemented, and qualified supervisors must be assigned.



#### Personnel Behavior Management

By issuing safety notices and prohibitions, the Company regulates and enforces safety protocols and personal protective measures for on-site personnel. The Company has established the *Management Measures on Preventing the "Three Violations" in Work Safety*, which strictly prohibits and rectifies behaviors such as issuing commands against regulations, forcing workers to perform operations under unsafe conditions, and violating operating procedures.

### Key Performance

During the reporting period, the certification rate for special operations personnel and special equipment operators reached **100%**; the employee physical examination coverage rate reached **100%**; and zero major work safety accidents occurred.

## Safety Risk Management

### | Safety Hazard Investigation

Hengli Petrochemical's various industrial parks continue to deepen the dual-prevention mechanism of graded safety risk control and potential hazard identification and rectification. They dynamically adjust the list of graded safety risk controls and have formulated the Measures for the Management of Potential Hazard Identification and Rectification, establishing a risk identification and hazard screening system that covers all employees, all processes, and all areas.

The Company employs standard risk identification and analysis methods such as QAR, HAZOP, SIL, JHA, SCL, and LOPA. In accordance with regulatory requirements, it organizes workshops annually to conduct risk identification activities, compiles a company-wide annual safety risk identification and assessment report, and creates four-color risk maps for inherent risks and residual risks based on the assessment results. Concurrently, the Company compiles a list of major and unacceptable risks at the corporate level, develops management measures for these risks, and develops and promulgates corresponding management protocols to ensure that risks within the industrial park remain under control.

Case

"Snap and Report Hazards" Campaign

To enhance employees' awareness of potential hazards and inspection capabilities, Hengli Petrochemical's industrial parks have launched the "Snap and Report Hazards" campaign. This initiative encourages employees to conduct routine inspections of key areas—such as production workshops and hazardous waste storage zones—focusing on hazardous waste storage, fire protection facilities, and emergency response protocols. Upon identifying hazards, employees are encouraged to promptly take photos, upload them, and submit recommendations for corrective action. This approach aims to integrate hazard screening into daily operations and establish a long-term mechanism for workplace safety that involves everyone.



"Snap and Report Hazards" Campaign

### | Safety Emergency Management

Hengli Petrochemical and its various industrial parks have established a systematic, multi-tiered emergency management system. They have developed specialized emergency response plans for critical processes such as production, storage, and transportation, and regularly review and revise these plans to ensure their soundness and practicality. In the event of a work safety incident, the Company immediately activates its emergency response mechanism. In strict accordance with regulations including the *Regulations on the Reporting, Investigation, and Handling of Production Safety Accidents* and the *Provisions on Administrative Fines for Production Safety Accidents*, the Company reports the incident immediately, organizes response efforts, and initiates accident investigation procedures. Adhering to the "Four Let-Ups" principle (referring to leaving no cause unidentified, no responsible person unpenalized, no corrective measure unimplemented, and no educational lesson unlearned), the Company conducts root cause analysis, determines accountability, implements corrective measures, and provides education. Additionally, during the annual Production Safety Month and Fire Safety Awareness Month, the Company conducts comprehensive multi-scenario drills in collaboration with fire, emergency, and environmental protection departments to effectively enhance its overall capacity to handle emergencies, thereby ensuring the smooth and orderly operation of production and business activities.

### Case Safety Emergency Drills

Kanghui Nantong actively conducted emergency drills, which included demonstrations of on-site emergency response protocols in the event of sudden incidents, as well as fire rescue training scenarios conducted by the fire brigade in the coating workshop office area. This drill involved fire departments from three major industrial parks, featured broad participation, and covered a comprehensive range of scenarios. It effectively fostered a positive atmosphere where "everyone is emergency-ready," helping to build a safety-conscious team free of safety violations, potential hazards, and accidents.



Key Performance	Unit	2025
Potential hazard screening and rectification rate	%	100
Safety emergency drills	Session	4,343
Number of safety administrators	Person	533
Investment in production safety	Million yuan	554

## Contractor Safety Management

Hengli Petrochemical's industrial parks place a high priority on contractor safety. They have established management frameworks for contractor occupational health and safety, including the *Contractor Safety Management Measures* and others. These measures govern the selection, access, pre-entry preparation, on-site safety management, HSE training, and supervision and performance evaluation. They assess contractors' performance in areas such as operational qualifications and occupational health and safety, and stipulate that all of the Company's occupational health and safety management systems also apply to contractors and their on-site personnel. This ensures strict compliance with relevant laws, regulations, supervisory requirements, and applicable company policies throughout the collaboration. Each industrial park maintains close communication with contractors through regular thematic meetings and provides site induction training to ensure that all personnel entering the site possess the necessary safety knowledge and emergency response capabilities. The parks also urge contractors to comply with relevant safety regulations, use personal protective equipment correctly, promptly identify and rectify potential hazards, and continuously monitor and inspect the implementation of their HSE work.



Safety and Integrity Training for Contractors Upon Site Entry

## Safety Culture Construction

In alignment with the requirements of laws and regulations such as 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 *Measures for the Administration of Contingency Plans for Work Safety Incidents*, the Company continues to refine its work safety accountability system, systematically advance the development of a safety culture, and strengthen safety awareness among all employees.

The Company places great emphasis on the day-to-day integration of safety awareness and providing systematic training. Adhering to the principle of "prevention first, training foremost," it has established a safety education and training system that covers all employees, all positions, and all processes. In June 2025, Hengli Petrochemical's industrial parks proactively organized awareness and advocacy sessions, drills, and safety improvement initiatives centered on the theme of the 24th National "Production Safety Month": "Everyone Speaks Safety, Everyone is Emergency-Ready—Identifying Hidden Hazards Around Us." These initiatives have comprehensively enhanced employees' safety literacy.

### Case Various industrial parks actively carry out a series of fire safety activities

To mark Fire Safety Month, the Hengli (Suzhou) Industrial Park organized a series of activities, including a drill for the tank farm fire response plan, presentations on fire safety knowledge, and training on the use of fire safety equipment. These initiatives effectively tested the scientific soundness and practicality of the park's fire emergency response plan and strengthened employees' fire safety awareness and skills.

The Hengli (Dalian Changxing Island) Industrial Park organized a fire safety skills competition, combining fire safety training and awareness campaigns with fun sports activities. This initiative sparked employees' enthusiasm for participation and interest in learning, while enhancing their ability to respond to emergencies.

Companies within the Hengli (Nantong) Industrial Park held "119" emergency rescue skills competitions and assessments, incorporating safety knowledge and skills into these assessments and competitions to fully motivate employees to take the initiative in enhancing their safety skills training.

The Hengli (Huizhou) Industrial Park has organized a series of safety activities, including specialized training sessions, fire drills, inspections to identify potential fire hazards in the workplace, and firefighting skills competitions, fostering a strong culture where "everyone prioritizes fire safety and everyone participates in fire safety efforts."

The Hengli (Yangtze River Delta) Industrial Park conducted a fire drill and training session. The drill included three main components: using fire extinguishers, two-person hose deployment, and hands-on CPR practice. By using a competitive format to promote learning, the event assessed employees' practical firefighting skills and effectively enhanced the entire workforce's emergency response capabilities.

The Hengli (Suqian) Industrial Park conducted hands-on fire extinguisher training, organizing the park's fire brigade to lead frontline employees in simulated fire drills, ensuring that "everyone participates and everyone passes."

Hengli (Yingkou) Industrial Park, taking into account the specific challenges of winter fire prevention, organized a special training program as part of the "119" Fire Safety Awareness Month. Fifty-four volunteer firefighters from various departments and workshops actively participated in the training. The program covered topics such as the analysis of typical fire incidents, methods for identifying common on-site hazards, the use of firefighting equipment, and simulated fire suppression drills. It focused on enhancing the response efficiency and mental preparedness of the park's firefighters when confronting early-stage fires, thereby effectively improving the park's overall fire safety standards.



Fire Emergency Skills Competition of Hengli (Dalian Changxing Island) Industrial Park



The fire drill activity of Hengli (Huizhou) Industrial Park



Fire protection facility usage training at Hengli (Suzhou) Industrial Park



Hengli (Suqian) Industrial Park Fire Extinguisher Practical Operation training

Key Performance	Unit	2025
Total investment in safety education and training	Thousand yuan	3,552.7
Safety education and training sessions	Session	5,643
The number of participants in safety education and training	Person-time	244,974
The total duration of safety education and training	Hour	459,462
Coverage rate of safety education and training	%	100

## Occupational Health Protection

Hengli Petrochemical's industrial parks comprehensively safeguard employees' occupational health and safety during work operations through measures such as placing prominent warning signs in the workplace, conducting regular testing for occupational hazard factors, distributing standard-compliant personal protective equipment, and organizing annual health checkups. The Company regularly commissions professional institutions to conduct monitoring and assessment of occupational health hazards, establishes comprehensive occupational health surveillance records for employees, and dynamically tracks their health status. By leveraging family doctor clinics, the company has established a routine health service platform, enabling employees to access standardized occupational health management services without leaving the premises.



### Key Performance

During the reporting period, the coverage rate of occupational injury insurance for employees was **100%**. The rate of occupational health checkup has reached **100%**, and the incidence of occupational disease cases among employees has remained at **0** for many consecutive years.

## Social Welfare

Hengli Petrochemical adheres to the value of "serving society and giving back to society." The Company organizes public welfare activities such as tree-planting campaigns to protect the environment through concrete actions; it encourages employees to participate in voluntary blood donation to contribute to public health; and it prioritizes educational equity as a key focus of its public welfare initiatives, continuously donating special funds to primary and secondary schools to help advance educational equity; At the same time, the Company actively responds to national employment support policies and collaborates with local governments to host job fairs, taking concrete actions to support local efforts in stabilizing employment and safeguarding peoples livelihoods. During the reporting period, Kanghui New Material donated 100,000 yuan to the Experimental School in Bayuquan District, Yingkou City, to enhance educational quality, build science education facilities, and improve school conditions, including projects such as optimizing the campus learning environment and maintaining infrastructure. In addition, the Company contributed external donations and public welfare investments totaling 50 thousand yuan.

### Case

### Blood Donation Campaign

In June 2025, Kanghui New Material partnered with the Yingkou Central Blood Station to organize a series of voluntary blood donation campaigns, making a tangible contribution to social welfare. Company employees enthusiastically responded to the call during the campaigns, putting their commitment to public welfare into action. A total of 131 employees successfully donated blood. On December 25, 2025, Kanghui New Material received a commendation from the Liaoning provincial government. This honor recognizes not only Kanghui New Material's blood donation initiative, but also the compassion and dedication of all participating employees.



Case

"Volunteer Petrochemical, Green Beauty with Me" Tree-planting Activity

In November 2025, the Huizhou Chemical Industry Youth League Working Committee, in collaboration with the Daya Bay Blue Bay Public Welfare Association, organized a tree-planting event themed "Volunteering for the Petrochemical Industry: Green Beauty Starts with Me." Hengli (Huizhou) Industrial Park promptly organized a team of volunteers to participate in the event. The volunteers were enthusiastic as they worked to bring new greenery to the land.



## Rural Revitalization

With a focus on the national overall development, the Company is committed to supporting rural revitalization. We have long paid close attention to the development and construction of underdeveloped townships in Yanbian Korean Autonomous Prefecture. Since 2020, the Company has repeatedly allocated special funds for projects such as fostering local specialty industries, supporting education, and providing assistance to those in need. Additionally, the Company actively purchases local specialty agricultural products, supporting the "going global" of these products through concrete actions. Through practical and effective measures, the Company helps the Yanbian region consolidate and expand the achievements of targeted poverty alleviation, promotes the rural revitalization of industries, and improves the well-being of the people. During the reporting period, the Company's investments in poverty alleviation and rural revitalization reached 345 thousand yuan.



# Appendix

## Appendix 1: GRI Standards Index

Chapter		GRI Standards Index
About the Report	/	2-2/2-3/2-25/2-26/2-27
Message from the Chairman	/	2-22
About Hengli Petrochemical	/	2-1/2-6/2-4/201-1
Sustainability Management	Sustainability System	2-12/2-13/2-14/2-18/2-19
	Stakeholder Engagement	2-16
	Materiality Assessment	2-12/2-13/2-29/3-1/3-2/3-3
Governance as the Cornerstone, Fostering Long-Term Prosperity	Corporate Governance	2-9/2-10/2-12/2-17/2-18/2-19/2-20/2-29/405-1
	Risk Management	2-15/207-1/207-2
	Business Ethics	205-1/205-2/205-3/206-1
Green and Low-Carbon, Safeguarding Our Ecological Home	Environmental Compliance Management	2-27/101-2/101-4/101-5/304-1/304-2
	Response to Climate Change	201-2/305-1/305-2/305-4/305-5
	Controlling Pollutant Discharge	303-1/303-2/305-6/305-7/306-1/306-2/306-3/306-5
	Efficient Utilization of Resources	302-1/302-3/302-4/303-1/303-2/303-3/303-4/303-5
	Seizing Clean Technology Opportunities	305-5
Value Symbiosis, Achieving Excellence with Craftsmanship	Product Quality Management	416-2/417-2
	Optimizing Customer Service	/
	Upholding Innovation-driven Development	/
	Strengthening Information Security Risk Management	418-1
	Sustainable Supply Chain	2-8/204-1/308-1/308-2/409-1/414-1
	Chemical Safety	403-2/403-5/403-6/403-7

Chapter		GRI Standards Index
People-oriented, Building a Responsible Future Together	Employee Rights and Benefits	2-7/201-3/401-1/401-2/401-3/403-3 /403-6/403-7/404-3/405-1/406-1/406-1/408-1/409-1
	Employee Growth	2-7/404-1/404-2
	Production Safety	2-27/403-1/403-2/403-5/403-6/403-7/403-8
	Rural Revitalization	415-1
	Social Welfare	203-1/413-1
Appendix	GRI Standards Index	/
	SSE Sustainability Reporting Index	/
	Key Performance Form	/

## Appendix 2: SSE Sustainability Reporting Index

Dimension	Issue	Chapter of the Report
Environmental	Response to Climate Change	Response to Climate Change; Seizing Clean Technology Opportunities
	Pollutant Emissions	Controlling Pollutant Discharge
	Waste Disposal	Controlling Pollutant Discharge
	Ecosystem and biodiversity protection	Environmental Compliance Management
	Environmental Compliance Management	Environmental Compliance Management
	Energy Utilization	Efficient Utilization of Resources
	Water Resource Utilization	Efficient Utilization of Resources
	Circular Economy	Efficient Utilization of Resources; Seizing Clean Technology Opportunities
	Social	Rural revitalization
Contributions to society		Social Welfare
Innovation-driven		Upholding Innovation-driven Development
Ethics of science and technology		/
Supply chain security		Sustainable Supply Chain

Dimension	Issue	Chapter of the Report
Social	Equal treatment to small and medium-sized enterprises	Sustainable Supply Chain
	Safety and quality of products and services	Product Quality Management; Optimizing Customer Service
	Data security and customer privacy protection	Strengthening Information Security Risk Management
	Employees	Employee Rights and Benefits; Employee Growth; Production Safety
	Due diligence	Sustainability Management
Governance	Communications with stakeholders	Stakeholder Engagement
	Anti-commercial bribery and anti-corruption	Business Ethics; Sustainable Supply Chain
	Anti-unfair competition	Business Ethics

Note: The Company's business does not involve scientific research, technology development, or other activities in ethically sensitive domains such as life sciences and artificial intelligence. With reference to Article 43 of the Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial), the Company is not required to disclose the topic of ethics of science and technology.

### Appendix 3: Key Performance Form

Environmental Key Performance			
Theme	Indicator	Unit	2025
Environmental Compliance	Environmental protection investment	Million yuan	838
	Environmental accident	Case	0
	Violations of environmental laws and regulations	Case	0
	Compliance rate for pollutant monitoring	%	100
	Availability of environmental protection facilities	%	100
	Implementation rate of the environmental protection "three simultaneous" requirement for construction projects	%	100
	Coverage of operational sites for environmental audits	%	100
Waste Gas	Nitrogen Oxides (NOx)	Ton	4,616.06
	Sulfur Oxides (SOx)	Ton	1,908.69
	Particulate Matter (PM)	Ton	349.96

Environmental Key Performance			
Theme	Indicator	Unit	2025
Waste Gas	Volatile Organic Compounds (VOCs)	Ton	587.33
	Total waste gas emissions	Ton	5,588,908,418
	Waste gas emission intensity	Tons per million yuan of revenue	27,807.45
Wastewater	Total wastewater discharge	Ton	28,505,410
	Wastewater discharge intensity	Tons per million yuan of revenue	141.83
	COD emissions	Ton	751.84
	Ammonia nitrogen emissions	Ton	9.98
	Total phosphorus emissions	Ton	5.68
	Total Nitrogen emissions	Ton	188.65
Waste	General waste discharge	Ton	3,435,469
	Hazardous waste discharge	Ton	153,946
	Hazardous waste intensity	Tons per million yuan of revenue	0.77
	Compliance rate of hazardous waste disposal	%	100
Energy Consumption	Thermal coal	Ton	10,318,192
	Natural gas	10000 m <sup>3</sup>	44,854
	Total amount of purchased electricity	MWh	5,493,252
Water Resources	Water withdrawal	10000 tons	20,612
	Conventional water withdrawal (fresh water)	10000 tons	14,907
	Unconventional water resources withdrawal	10000 tons	5,705
	Total water consumption	10000 tons	7,309
	Water consumption intensity	Tons per million yuan of revenue	363.64
	Total water usage	10000 tons	699,968
	Volume of circulating water	10000 tons	679,356
	Circulating water water rate in total water usage	%	97.06

Environmental Key Performance			
Theme	Indicator	Unit	2025
Clean Technology	Clean technology investment	Million yuan	238
	PV power generation	kWh	202,079,909
	Biogas power generation	kWh	361,129
	Biomass fuel	tce	343,035
	Total renewable energy consumption	tce	367,915
Carbon Emissions	Total greenhouse gas emissions	tCO <sub>2</sub> e	45,949,346
	Greenhouse gas emission intensity	tCO <sub>2</sub> e/million yuan of revenue	228.62
	Scope 1 greenhouse gas emissions	tCO <sub>2</sub> e	38,434,129
	Scope 2 greenhouse gas emissions	tCO <sub>2</sub> e	7,515,217

Social Key Performance			
Theme	Indicator	Unit	2025
Innovation and R&D	Total number of R&D personnel	Person	4,348
	By Educational Background		
	Below bachelor degree	Person	2,607
	Bachelor	Person	1,591
	Master	Person	139
	Doctor	Person	11
	By Age		
	Under 30 years old (30 excluded)	Person	1,695
	Aged 30 to 40 (30 included, 40 excluded)	Person	1,851
	Aged 40 to 50 (40 included, 50 excluded)	Person	631
	Aged 50 to 60 (50 included, 60 excluded)	Person	161
	60 years and above	Person	10

Social Key Performance			
Theme	Indicator	Unit	2025
Innovation and R&D	By Age		
	R&D investment	Million yuan	1,626
	Ratio of R&D investment to revenue	%	0.81
	Total number of patents	Patent	2,039
	Number of granted invention patents	Patent	977
	Number of granted utility model patents	Patent	1,062
	Number of software copyrights	Patent	39
	National high-tech enterprises	Company	8
	National certified enterprise technology center	Company	2
	Postdoctoral research workstations	Company	3
Information Security	Violations of information security and privacy protection regulations	Case	0
Product Quality	Resolution rate of customer complaint	%	100
Chemical Safety	Number of chemical emergency drills	Time	3,606
	Chemical leakage incidents	Case	0
Employee Composition	Total number of employees	Person	37,368
	By Function		
	Production	Person	26,312
	Sales	Person	219
	Technology	Person	7,177
	Finance	Person	234
	Administration	Person	1,190
	Others	Person	2,236
	By Educational Background		
	Doctor	Person	11
Master	Person	284	
Bachelor	Person	6,415	

Social Key Performance			
Theme	Indicator	Unit	2025
Employee Composition	By Educational Background		
	Junior college degree and below	Person	30,658
	Social insurance coverage rate	%	98.16
	Labor contract signing rate	%	99.56
Employee Training	Total number of employee training sessions	Time	25,669
	Total number of employees trained	Person-time	506,376
	Total duration of employee training	Hour	322,701
	Average training hours per employee	Hour	8.64
Safety Production	Investment in production safety	Million yuan	554
	Potential hazard screening and rectification rate	%	100
	Safety emergency drills	Session	4,343
	Number of safety administrators	Person	533
	Total investment in safety education and training	Thousand yuan	3,552.7
	Safety education and training sessions	Session	5,643
	Number of participants in safety education and training	Person-time	244,974
	Total duration of safety education and training	Hour	459,462
	Coverage rate of safety education and training	%	100
	Certification rate for special operations personnel and special equipment operators	%	100
	Employee physical examination coverage rate	%	0
	Number of major production safety accidents	Case	100
	Incidence rate of occupational diseases	%	0
	Coverage rate of occupational injury insurance for employees	%	100
	Occupational health checkup rate	%	100

Social Key Performance			
Theme	Indicator	Unit	2025
Social Contribution	External donations and public welfare investments	Thousand yuan	50
	Investments in poverty alleviation and rural revitalization	Thousand yuan	345

Governance Key Performance			
Theme	Indicator	Unit	2025
Corporate Governance	Number of independent directors	Person	3
	Independent directors ratio	%	37.5
	Number of female directors	Person	1
	Female directors ratio	%	12.5
Tax Compliance	Payments of all types of taxes	Billion yuan	13,128
	Material tax-related litigation or arbitration	Case	0
Business Ethics	Execution rate of the Anti-commercial Bribery Agreement	%	100
	Coverage rate of business ethics training	%	100
	Cases of corruption or bribery litigation	Case	0
Information Disclosure	Temporary reports	Copy	81
	Periodic reports	Copy	4



## Feedback

Thank you for reading the *Hengli Petrochemical Sustainability Report 2025*. To improve Hengli Petrochemical's efforts in environmental, social, and governance aspects, further enhance our sustainable development capabilities and levels, and strengthen communication with all sectors of society, we sincerely hope that you will provide valuable feedback and suggestions on our work and report amidst your busy schedule.

Multiple Choice (Please check ✓ in the appropriate box)

1. Your overall evaluation of Hengli Petrochemical's 2025 Sustainability Report:

Good    Average    Needing    Improvement    Not Applicable

2. How well do you think Hengli Petrochemical performs in environmental protection?

Good    Average    Needing    Improvement    Not Applicable

3. How well do you think Hengli Petrochemical performs in scientific and technological innovation?

Good    Average    Needing    Improvement    Not Applicable

4. How well do you think Hengli Petrochemical performs in corporate governance?

Good    Average    Needing    Improvement    Not Applicable

5. How well do you think Hengli Petrochemical performs in employee rights and interests?

Good    Average    Needing    Improvement    Not Applicable

6. How well do you think Hengli Petrochemical performs in social welfare?

Good    Average    Needing    Improvement    Not Applicable

7. How well do you think Hengli Petrochemical performs in sustainable supply chain?

Good    Average    Needing    Improvement    Not Applicable

8. Do you have any other opinions on Hengli Petrochemical's sustainable development efforts?

\_\_\_\_\_

