



2020

# HENGYI

PETROCHEMICAL

SOCIAL  
RESPONSIBILITY  
REPORT







# CONTENTS

<b>About This Report</b>	<b>01</b>
<b>Message from the Chairman</b>	<b>02</b>
<b>Our Response to the Pandemic: Fight the Pandemic and Seek Development in Solidarity</b>	<b>05</b>
Making Orderly Arrangements to Ensure the Resumption of Work and Production	05
Securing Production Capacity to Reach Target Output	06
Safeguarding the Health of Our Overseas Partners	07
<b>Building a dream on an Isolated island and drawing a great chapter of the Belt and Road Initiative for China and Brunei</b>	<b>08</b>

## Section I About HengyiPetrochemical 14

Integrated Petrochemical Group	15
CSR Vision	15
Key Products	16
Organizational Structure	18
Key Performance	18

## Deepening Governance to Protect the Century-Old Business 20

Corporate Governance	21
Compliance Operation	23

## Scientific and Technological Innovation to Enhance the Ecological Value of the Industry Chain 26

Focusing on Quality: Innovation-Driven and High-Quality Development	27
Product Research and Development: Strengthening Differentiated Competitive Advantages	28
Digital Transformation: Revitalizing Productivity	29
Supply Chain Integration: Creating a C2M Closed Loop	31

## Building a Green, Ecological and Harmonious Home with Safe and Eco-Friendly Products 36

HSE Management: Establishing a Complete System	37
Safe Production: Ensuring Workplace Safety	37
Green Development: Adhering to the Environmental Protection Concept	39

## Empowering Employees and Creating a Sustainable Workplace 42

Protecting Employees' Rights and Interests	43
Supporting Employee Growth	45
Employee Caring	47

## Poverty Alleviation and Contribution to Society 50

Targeted Poverty Alleviation	51
Education Support	51
Public Welfare Donation and Poverty Alleviation	52

# About This Report

## Purpose of the Report

This report is prepared to properly communicate with stakeholders regarding aspects including the concept of CSR of Hengyi Petrochemical Co., Ltd. and its corresponding performance, and respond systematically to the expectations and requirements of stakeholders.

## Release Cycle

This is an annual corporate social responsibility report and the second of its kind issued by Hengyi Petrochemical Co., Ltd. after its listing.

## Reporting Period

The reporting period is from January 1, 2020 to December 31, 2020. However, in order to enhance the comparability and completeness of the report, part of the information is retrospective to previous years or extended to 2021.

## Scope of the Report

Hengyi Group	refers to	Zhejiang Hengyi Group Co., Ltd.
Hengyi (Brunei)	refers to	Hengyi Industries Sdn. Bhd.
Zhejiang Yisheng	refers to	Zhejiang Yisheng Petrochemical Co., Ltd.
Hainan Yisheng	refers to	Hainan Yisheng Petrochemical Co., Ltd.
Hengyi Polymer	refers to	Zhejiang Hengyi Polymer Co., Ltd.
Hengyi High-Tech	refers to	Zhejiang Hengyi High-Tech Materials Co., Ltd.
Haining New Materials	refers to	Haining Hengyi New Materials Co., Ltd.
Taicang Yifeng	refers to	Taicang Yifeng Chemical Fiber Co., Ltd.
Jiaxing Yipeng	refers to	Jiaxing Yipeng Chemical Fiber Co., Ltd.
Shuangtu New Materials	refers to	Zhejiang Shuangtu New Materials Co., Ltd.
Suqian Yida	refers to	Suqian Yida New Materials Co., Ltd.
Hangzhou Yijing	refers to	Hangzhou Yijing Chemical Fiber Co., Ltd.
Hengyi Caprolactam	refers to	Zhejiang Baling Hengyi Caprolactam Co., Ltd.
Hengyi (Brunei) PMB Petrochemical Project	refers to	The refinery & petrochemical project which invested and built by the Company in Brunei
PX	refers to	Paraxylene, a colorless and transparent liquid. It is used to produce plastics, polyester fibers and films



PTA	refers to	Purified terephthalic acid
PIA	refers to	Isophthalic-acid
PET and polyester	refers to	Polyethylene terephthalate, which is a fiber-forming polymer made from PTA and MEG through direct esterification and continuous polycondensation reaction
POY	refers to	Polyester pre-oriented yarn or partially oriented yarn
DTY	refers to	Draw textured yarn
FDY	refers to	Fully drawn yarn or polyester drawn yarn
CPL	refers to	Caprolactam
Differentiated yarn	refers to	A variety that is innovative in technology or performance or has some characteristics that are different from traditional yarns

## Reporting Data

If there is any discrepancy between the financial data disclosed in this report and those in the annual report, the annual report shall prevail. Other data is from the Company's internal statistics. Unless otherwise specified, the currency of denomination in this report is "RMB".

## Preparation Basis

The United Nations Sustainable Development Goals (SDGs) for 2030

ISO 26000:2010 - Guidance on social responsibility by International Organization for Standardization

China National Standard GB/T 36000 - 2015 Guidance on social responsibility

Guidelines for the Preparation of Social Responsibility Reports for Chinese Enterprises (CASS-CSR 4.0) by Chinese Academy of Social Sciences

Guiding Opinions on Better Fulfilling Social Responsibilities of State-owned Enterprises by the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council

Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Main Board by the Shenzhen Stock Exchange (2020 Revision)

## Reporting Commitments

This report was compiled by the social responsibility reporting team of Hengyi Petrochemical, reviewed by the Company's relevant senior executives, and approved by the Company's Board of Directors and Board of Supervisors. Hengyi Petrochemical hereby certifies that the report does not contain any false or misleading statements.

## How to View Report

This report was prepared in both Chinese and English. The electronic report is available on Hengyi Petrochemical's website at <http://www.hengyishihua.com/> and CNINFO at <http://www.cninfo.com.cn/new/index>.

## Message from the Chairman



The year 2020 is the final year of building a moderately prosperous society in all respects and implementing the 13th Five-Year Plan. It was also an extremely challenging year. In the year, the economic development was in a complex and tough situation. The task of reform and development was heavy and arduous. In particular, the COVID-19 pandemic brought an unprecedented impact on economic and social development. As a private Chinese enterprise with a strong sense of social responsibility, we, all "Hengyi Petrochemical person", overcame difficulties together under the guidance of the Company's Board of Directors. While successfully completing the tasks and goals in Hengyi Petrochemical's fifth Five-Year Plan, we have fully assumed our social responsibilities with practical actions. In pursuing high-quality development, we face time trend and difficulties head-on to assume our duty in the era.

### Winning the Battle against the Pandemic in Solidarity

We responded swiftly to the sudden outbreak of the pandemic in 2020. We actively coordinated and promoted pandemic prevention and control as well as production and operation activities at home and abroad. We took responsibility and built lines of defense against the pandemic. As one of manufacturers of raw materials for pandemic prevention products, Hengyi Petrochemical has lived up to the trust and fulfilled the mission placed upon us. We made every effort to resume work and production. We fought on



various fronts, including material production and supply, logistics transportation and support. We also took actions to "regain" time and benefits to ensure the Company's continued high growth momentum. In 2020, the Company ensured that no employees were diagnosed with or suspected of COVID-19 and that no employees were hospitalized for observation. This laid a solid foundation for the completion of the fifth Five-Year Plan tasks and targets. In addition, we actively supported the front line of the fight against the pandemic to protect the health of our overseas partners. Hengyi (Brunei) donated medical supplies and equipment valued at USD1 million to the Brunei Ministry of Health, showing Hengyi Petrochemical's sincere care.

### **Improving Governance and Sharing Growth Value**

We firmly implemented the new development concept in the year. To fulfill our responsibilities to our shareholders and creditors, Hengyi Petrochemical adhered to the compliance bottom line of standardized operations. We continued to optimize corporate and responsible governance. We also deepened our capital market operations and strengthened risk compliance control and investor relations management to continuously improve our development efficiency. In addition, we adhered to a prudent profit distribution policy to continuously and steadily reward our investors. This has laid a solid foundation for the Company to achieve high-quality development.

### **Scientific and Technological Innovation to Unleash New Development Momentum**

In 2020, we implemented an innovation-driven development strategy and continued to strengthen the management of scientific and technological innovation. By doing so, we can continuously improve our independent innovation and technological research and development capabilities and strictly guarantee our product quality. Focusing on multi-level and 3D industry arrangement in "Petrochemical Plus", we actively promoted the digital and intelligent industry transformation to continue to empower the Company's transformation and upgrade of the whole industry chain arrangement. Hengyi Petrochemical further strengthened its investment in scientific research and its external cooperation to enhance product development and customer service, as well as the implementation of an integrated supply chain system. We also promoted industry exchanges and cooperated with stakeholders such as customers and suppliers in a sincere and win-win manner.

### **Focusing on Safety and Environmental Protection to Build a Green Eco-Environment**

In the year, we adhered to the bottom line of safety and environmental protection with reverence for life and nature. While contributing to the development of the "Belt and Road" initiative and building a dual-chain development model of "polyester + Polyamide", we invested a lot of money to ensure safe production and develop green products. We focused on green manufacturing and circular economy in 2020. To actively respond to the national strategy of achieving carbon peak and neutrality, we enhanced our energy conservation and emission reduction to comprehensively improve our sustainable development capabilities.

### **Putting People First and Building a Harmonious Community**

In the year, we put people first and adhered to our social responsibility. We implemented the multi-win development concept and vigorously promoted green development. We gave care to our employees, facilitated industry progress and contributed to build a harmonious community. The Company uses Hengyi Enterprise University as a platform to empower employees and help them realize their personal value. Thusly, the whole Company has become more united and our team cohesion and working ability have also been enhanced. We will stay true to our original aspiration and mission. We will continue to help the poor and give back to society. We will take practical actions to help the needy and support the battle against poverty to build a harmonious and beautiful community together.

With diligence, we aim high. The year 2021 is the 100th anniversary of the founding of the Communist Party of China and the first year of the country's 14th Five-Year Plan. At a new historical starting point, we have drawn a grand blueprint for high-quality development in the next five years. We will continue to strengthen our sense of responsibility and commitment. We will take the initiative to adapt to the new situation and carry forward the hardworking and enterprising spirit. We will actively seek new opportunities in the changing environment. The Company will apply the new development concept to drive high-quality development. We will strengthen synergistic linkages and forge ahead. We will focus on the research and development of chemical fiber and textiles to achieve rapid and high-quality development.

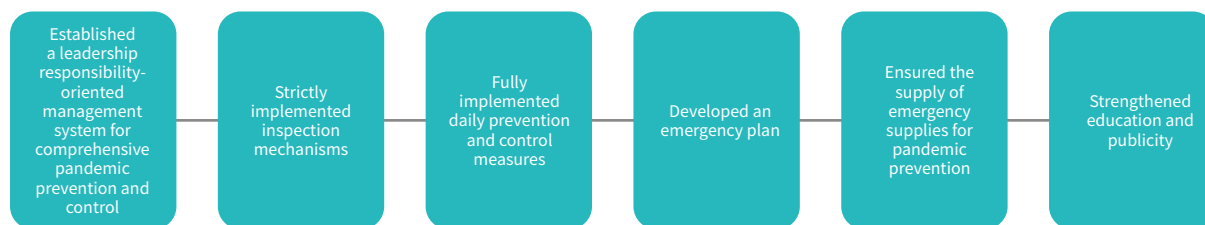
## Our Response to the Pandemic: Fight the Pandemic and Seek Development in Solidarity

In early 2020, the sudden outbreak of COVID-19 shattered the peace of people's lives. The overwhelming news of the pandemic and the increasing number of infected people made the whole country anxious. We united in fighting the pandemic and difficulties. Hengyi Petrochemical immediately responded to the anti-pandemic requirement. We conducted comprehensive deployment and scientific prevention and control, such as a "two-front" operation with the same target. We fully implemented the tasks of fighting the pandemic, ensuring the resumption of work, promoting reform and stabilizing growth. We strictly fulfilled the regular pandemic prevention and control requirement and consolidated the prevention and control measures at all levels. We thus established an effective prevention and control network that was coordinated at all levels. We took multiple measures to resolutely fight the battle against the pandemic. While ensuring our Company's stable pandemic prevention and control conditions, we actively provided strong support to society. This is a commitment and a responsibility.

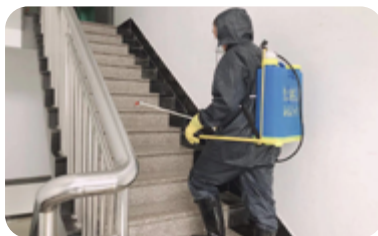
### Making Orderly Arrangements to Ensure the Resumption of Work and Production

In response to the COVID-19 pandemic situation and the "returning-to-work tide" after the Spring Festival, the Company immediately set up a leading group led by key leaders to protect the health and life of every employee. The Company also promptly formulated and activated an emergency plan and required leaders to take the lead in preventing and controlling the pandemic on the front line.

The Company formulated a well-organized plan to resume work and production and comprehensively deployed detailed measures. The Company actively implemented various tasks such as employee protection, environmental disinfection and material procurement. The Company conducted scientific and effective pandemic prevention and control at each plant. For example, the Company developed prevention and control measures according to the different stages of pandemic development and optimized these measures in real time and dynamically adjusted them.



The Company always puts the safety and health of its employees first. It scientifically built up a pandemic prevention and control barrier. The Company comprehensively inspected the personnel situation and required home quarantine for those who returned to the Company from other places and those who had been to risky areas. The Company also adopted flexible office and separate dining policies and provided pandemic prevention supplies to cut off the transmission route. The Company continuously implemented the "zero reporting" and "daily reporting" policy. The Company also comprehensively strengthened post-resumption measures such as disinfection and employee health monitoring to safeguard the lives and health of employees. In 2020, the Company ensured that no employees were diagnosed with or suspected of COVID-19 and that no employees were hospitalized for observation. This laid a solid foundation for accomplishing the tasks and targets for the whole year.



To effectively cut off the transmission of COVID-19, the Company thoroughly disinfected its production and office premises. The Company also strengthened the management of personnel and vehicle access to the plant and developed a mechanism to test the temperature of employees on duty and report daily on those returning to the plant. The Company thoroughly investigated the return of employees to their hometowns and the Company as well as personnel contacts. The Company also conducted timely communication and guidance to avoid excessive panic. The Company required that employees who returned to the Company and to their hometowns during the pandemic should be quarantined at home according to the specific situation. The Company assisted in providing relevant supplies.



## ■ Securing Production Capacity to Reach Target Output

Hengyi Petrochemical is a manufacturer of raw materials for pandemic prevention products. At the beginning of the pandemic outbreak, we received urgent requests for raw material supply from downstream customers. The Company shouldered its social responsibility and made every effort to solve the difficulties such as the shortage of production operators and the tight supply of production materials during the pandemic. Hengyi Petrochemical took the holiday but did not stop production to ensure the supply of raw materials. In addition, the Company increased the workload of production units to supplement the supply shortage and quickly promote the transformation from resuming work and production to achieving efficient production and reaching target output. The Company implemented a number of measures to ensure the steady growth of output, such as optimizing the production layout and establishing a "daily dispatch" mechanism for employees to return to work and a material supply guarantee mechanism. The Company also implemented a flexible employment policy and properly deployed its staff. All plants achieved efficient and stable operation at full load.



### Case

#### Suqian Yida took pandemic prevention as an order and helped the country to fight COVID-19 day and night

Suqian Yida's spunlace polyester staple fibers can be used to produce spunlace nonwovens, which is used to make the face mask barrier layer and disinfectant wipes. During the pandemic, the demand for pandemic prevention supplies such as masks, protective suits and disinfectant kits increased significantly. Suqian Yida, a raw material manufacturer for anti-pandemic products, adopted a 24-hour production mode in which employees could take a break but machines did not stop to ensure the supply of anti-pandemic raw materials. In addition, it accelerated the maintenance of production lines to boost the capacity release rate.

On February 24, 2020, Wang Yi, the Chairman of the Suqian Municipal Committee of the CPPCC and the Secretary of the Party Leadership Group, visited Suqian Yida and offered "four helps and four gifts". He highly praised Suqian Yida's creativity in solving the energy target issue and ensuring the supply of raw materials for pandemic prevention and control.



### Case

#### Hangzhou Yijing take responsibility to made urgent repair on wooden pallets to stabilize production

In February 2020, as one of the first companies to resume work in Xiaoshan, Hangzhou Yiqing focused on "stability" and made a concerted effort to promote the resumption of work and production in an orderly manner. However, the supply of wooden pallets was insufficient due to the difficulty in the supply of downstream raw and auxiliary materials. Therefore, product packaging and shipment were affected. Under the leadership of all party members and cadres, the Company arranged for employees to urgently repair the old wooden pallets and build wooden frames. The Company's party branch secretary, union chairman, department managers and directors took the lead in the repair. In just a few days, more than 8,000 wooden pallets were repaired and used for production. The repair ensured that the wooden pallets did not affect the production schedule and also ensured the steady progress of production and operation.

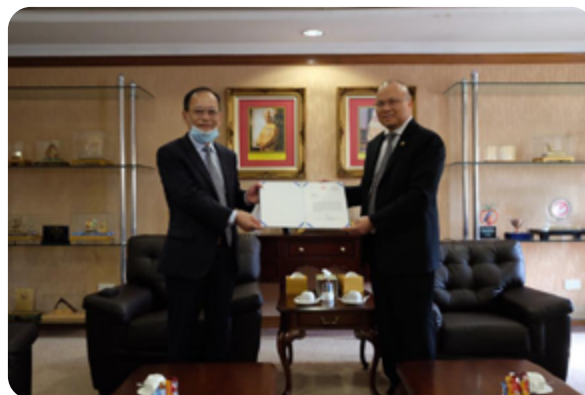


## Safeguarding the Health of Our Overseas Partners

The first phase of the Hengyi (Brunei) PMB Petrochemical Project, known as the Sino-Brunei flagship project, was successfully put into operation in November 2019. As an important player in the Belt and Road Initiative, the Company always emphasizes its social responsibility. We have been recognized by the Brunei government, society and people. We have received a lot of attention and support. The Company has become a model for Chinese enterprises to invest and build factories overseas.

Hengyi (Brunei) took proactive, precautionary measures in the face of the sudden COVID-19 outbreak. As early as the day Wuhan was locked down, Hengyi (Brunei) began to deploy measures to prevent and control COVID-19. The Company arranged for the quarantine of employees returning to Brunei after the holiday and strictly implemented all preventive and control measures. The Company launched a comprehensive pandemic prevention and control campaign. Since mid-March 2020, Hengyi (Brunei) has implemented closed management in Pulau Muara Besar where the project is located. Anyone coming to or leaving this island is subject to strict approval and body temperature inspection. The Company also encourages Bruneian employees to live on the island to reduce the risk of virus transmission from commuting.

On March 21, 2020, Hengyi (Brunei) donated medical supplies and equipment valued at USD1 million to the Brunei Ministry of Health to support Brunei government fighting against COVID-19. In just half a month, Hengyi (Brunei) overcame various difficulties and delivered critical care ventilators and multi-functional critical care electric hospital beds valued at more than USD400,000 to the Brunei Ministry of Health. However, it was difficult to procure anti-pandemic medical supplies in China and to transport the supplies outside of China. In addition, the Brunei government established a COVID-19 Pandemic Relief Fund. Therefore, after completing the procurement of two batches of supplies, Hengyi (Brunei) transferred the remaining funds directly to the COVID-19 Pandemic Relief Fund on April 9 for the urgent construction of the national quarantine center by the Brunei government.



Donation may have a price, but the love behind it is priceless. Hengyi Petrochemical donated generously to the Brunei government because we have the same experience and we share weal and woe. This donation shows the true friendship between Hengyi Petrochemical and Brunei as the two parties stick together in face of difficulties. Hengyi Petrochemical gave material assistance and sincere care to the Brunei government during the pandemic.



Brunei's Minister of Health Haji Mohammad Isham thanked the Chinese government for its strong support for Brunei's fight against COVID-19 at a press conference on April 3, 2020. Apart from thanking the Chinese Embassy in Brunei, he also mentioned the Chinese companies in Brunei, such as Hengyi Petrochemical, for their proactive assistance. On April 4, "Hengyi" was recognized for its support in an article titled "Chinese Embassy, companies support Brunei's COVID-19 fight" published in the Borneo Bulletin.





## Topic 2

# Building a dream on an Isolated island and drawing a great chapter of the Belt and Road Initiative for China and Brunei

The Hengyi (Brunei) PMB Petrochemical Project is an integrated refinery and chemical project that uses crude oil and condensate as raw materials. It is a joint project between Hengyi Petrochemical and the Brunei government. It is a key project of China's Belt and Road Initiative. In November 2018, Chinese President Xi Jinping paid a state visit to Brunei. During this period, the Hengyi (Brunei) PMB Petrochemical Project was included in the Joint Statement of the People's Republic of China and Brunei Darussalam.

- A key project of China's Belt and Road Initiative
- The largest overseas investment and construction project by a Chinese private enterprise to date
- Brunei's largest overseas direct investment project in recent years
- A Sino-Brunei flagship project

**Project full name:** Hengyi (Brunei) Pulau Muara Besar Petrochemical Project

**Project location:** Pulau Muara Besar in Brunei Darussalam (hereinafter referred to as PMB)

**Partners:** Hengyi and the Brunei Government

Project overview: Petrochemical units such as 8 Mt/a atmospheric and vacuum distillation unit, 3.3 Mt/a reforming unit, 2.2 Mt/a hydrocracker, 1.5 Mt/a single series aromatics combination unit, 2.2 Mt/a diesel hydrogenation unit, 1.28 Mt/a aviation kerosene hydrogenation unit, 1 Mt/a flexible coking unit, 120 Kt/a sulfur recovery unit, light naphtha isomerization unit and 180 Kt/a Nm<sup>3</sup>/h PSA, as well as terminals, tank farm, seawater desalination and other supportive utility works have been constructed. The total production capacity of refined oil is approximately 6 Mt/year. This includes gasoline capacity of approximately 2.7 Mt/year, diesel capacity of approximately 1.75 Mt/year and kerosene capacity of approximately 1.25Mt/year.



It took eight years from the establishment of the project in 2011 to the full operation of the project in November 2019. Hengyi Petrochemical is deeply rooted in PMB Island. We have witnessed the transformation of PMB Island from a barren and uninhabited land into today's modern petrochemical island. For Hengyi employees, these eight years have been a "dream building" process, and the dream is still going on.

Since the first time Hengyi (Brunei) set foot on PMB Island, Hengyi (Brunei) has been working arduously to reclaim a swampy and deserted island into an environmentally friendly and well-equipped industrial base.

March 2017	Set the first pile in the main installation area on PMB Island, and officially started the project
November 26, 2018	Interim delivery of the first set of sulfur unit
March 19, 2019	The first machine in the power station was started
May 2, 2019	The first ship's crude oil entered the tank farm, marking that the project had entered into the production trial run phase
July 12, 2019	Comprehensive trial run was smoothly carried forward
September 6, 2019	The initial commissioning for the atmospheric vacuum distillation unit was successful with qualified products produced
November 3, 2019	After full commissioning, wet commissioning with water and smooth operation, the project streamlined the whole plant process and achieved full production. Gasoline, diesel, aviation kerosene, PX, benzene and other products were successfully produced. This marks the successful commissioning of the Hengyi (Brunei) PMB Petrochemical Project. The project did not cause fire, pollution or injuries during the startup, which is an amazing performance in the petrochemical industry.



December 4, 2019	The first shipment of PX of the Hengyi (Brunei) PMB Project Phase I arrived at Hainan Yisheng, marking that Hengyi had opened up towards the upstream PX industrial chain.
April 9, 2020	Hengyi (Brunei) successfully produced naphtha for cracking. This product can increase the annual profit when compared with Indonesia's gasoline 88.





## The Hengyi (Brunei) PMB Petrochemical Project drives the enhancement of Hengyi Petrochemical's strength

### Realize the industry chain integration

After the project was put into operation, the Company's business has extended from the existing midstream and downstream PTA, polyester filament yarns, polyester staple fiber, polyester bottle flakes, polyester chips and CPL to the upstream PX, benzene and refining. This has effectively broken the bottleneck of raw materials and addressed the "last mile" issue in the whole petrochemical and chemical fiber industry chain. We are the first in the industry to achieve a balanced development model from crude oil refining to the polyester and nylon dual chain. This is conducive to our integrated, balanced and coordinated operation of industries, products and assets.

### Increase the Company's anti-risk capabilities

After the project is put into production, it can significantly improve the raw material supply structure for the existing PTA-polyester business of the Company, reduce market risks of raw material supply, is conducive to enhancing the Company's long-term profitability and risk reduction, effectively resist cyclical fluctuations, further consolidate, enhance and optimize the Company's core competitiveness, and promote sustained and stable growth of shareholders' interests.

### Achieve internationalized operation

After being put into production, Hengyi Petrochemical will realize the internationalization of the upstream industry, achieve the coordinated allocation of the Company's assets both at home and abroad, significantly improve the Company's overall profitability and risk resistance ability, truly realize the goal of "one drop of crude oil, two types of fiber", and gradually form a good production environment where both international and domestic resources, upstream and downstream can be utilized, marching its way into a leading petrochemical company with comprehensive strength in the world.

### Save business development cost

The project can enjoy long-term preferential tax policies. On the basis of natural geographical advantage and convenience in the procurement of crude oil, oil products are sold to local markets in Brunei or neighboring markets in Southeast Asia, thus leading to a significant reduction of freight at both the production and sales sides.

On September 16, 2020, Hengyi Petrochemical released an announcement regarding the second phase of the Hengyi (Brunei) PMB Petrochemical Project. Hengyi (Brunei) intends to invest in the construction of the second phase of the PMB petrochemical project to solve the fundamental problems of polyester raw materials, sustainable development and comprehensive enterprise transformation and upgrade. The second phase can help the the Company become larger, stronger and better quality in the petrochemical industry. It can also accelerate the improvement of the Company's production capacity structure. The second phase of the Hengyi (Brunei) PMB Petrochemical Project mainly covers refining, aromatics, ethylene and polyester. The four associated industrial chains are highly integrated and include 14 Mt/year of oil refining and 2 million tons/year of paraxylene. In addition, downstream 2.5 Mt/year of PTA, 1 Mt/year of PET, 1.65 Mt/year of ethylene and downstream further processing are also included.

The project will make full use of strategic overseas oil resources and employ advanced, mature and reliable technologies and appropriate process flows. The quality products produced by this project can satisfy downstream production and environmental requirements and meet the Bruneian and international market demand. The project will give a strong impetus to the development of the regional economy.

In addition, the product structure of the second phase will be continuously optimized. On top of the first phase, the second phase will add ethylene and downstream further processing. The added capacity in the product solutions (such as downstream further processing of chemicals PP, PE, MEG, etc.) will help increase the added value of the products. In addition, the second phase of the Hengyi (Brunei) PMB Petrochemical Project will be equipped with the capacity to produce downstream PTA and bottle flakes. After the completion of the project, the Company will further improve the industrial chain integration and scale development. This will help reduce the Company's production cost and ensure stable raw material supply.



## The Hengyi (Brunei) PMB Petrochemical Project helps Brunei achieve its "Vision 2035"

### Expand Brunei's national economic aggregate

The project can fully meet Brunei's domestic market demand for oil products. It can attract more foreign investment and develop downstream oil and gas industries. When the second phase is completed, it will contribute 20% of Brunei's GDP growth. The project will help Brunei to increase its total economic volume and export scale. It will lay a more solid foundation for the economic and trade ties between China and Brunei.

### Empower the local enterprises in Brunei through local procurement

By understanding the distribution of industrial resources in Brunei and its surrounding countries, the Company strives to develop the local industrial resource market, procure locally, support the local economic development in Brunei, and help its local enterprises to achieve technological advancement. During the construction of the project, a total of 82 local Brunei companies won bids for project contracts, covering construction materials supply, construction survey services, bicycle supply, bus procurement, car rental, ambulance supply, chemical product supply, cleaning services, tug navigation services, etc.

### Create jobs

The project is expected to create 1,600 direct jobs. 40% of its staff has been employed locally and the proportion will be increased year by year. In addition, 2,000 indirect jobs are expected to be provided. In the second phase of the project, it is expected to add 4,000 direct jobs and tens of thousands of indirect job opportunities, so as to add new momentum to Brunei for long-term economic development.

### Increase business opportunities

The project can help the local people to develop downstream oil and gas derivative industries, open up the market for various engineering services in Brunei through supporting materials supply and services, promote the business development in apartment rental, catering, transportation and shopping in its surrounding areas, and continue to create businesses opportunities for the local enterprises.



## Responsibility keywords: achieving shared growth through discussion and collaboration

Since the launch of the Hengyi (Brunei) PMB Petrochemical Project, Hengyi Petrochemical has always adhered to the principle of achieving shared growth through discussion and collaboration to enlarge and share the "pie" in open cooperation. Brunei has a weak industrial foundation and limited environmental resources. The local public works and facilities cannot support such a large-scale investment project. Therefore, the project planning and design will focus on independent development, such as using self-built power stations and desalination plants to meet the project's water and electricity needs. Surplus power could be used to support the local residential grid. Freshwater and wharf resources may also be considered for sharing with other new investors.

## Responsibility keywords: high starting point, high standards

The Hengyi (Brunei) PMB Petrochemical Project is the first overseas petrochemical project that implements Chinese industrial standards from design, construction to manufacturing. The project has a high starting point and has been adhering to high standards since the start of construction. The project uses the world's advanced technologies, such as reformed aromatics and hydrocracking, which are the Honeywell UOP processes. As a flagship project of cooperation between China and Brunei, the Hengyi Brunei PMB Petrochemical Project represents the brands of "Hengyi" and the Chinese nation. It is a model project of win-win cooperation between China and Brunei.







8 DECENT WORK AND  
ECONOMIC GROWTH



11 SUSTAINABLE CITIES  
AND COMMUNITIES



12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION

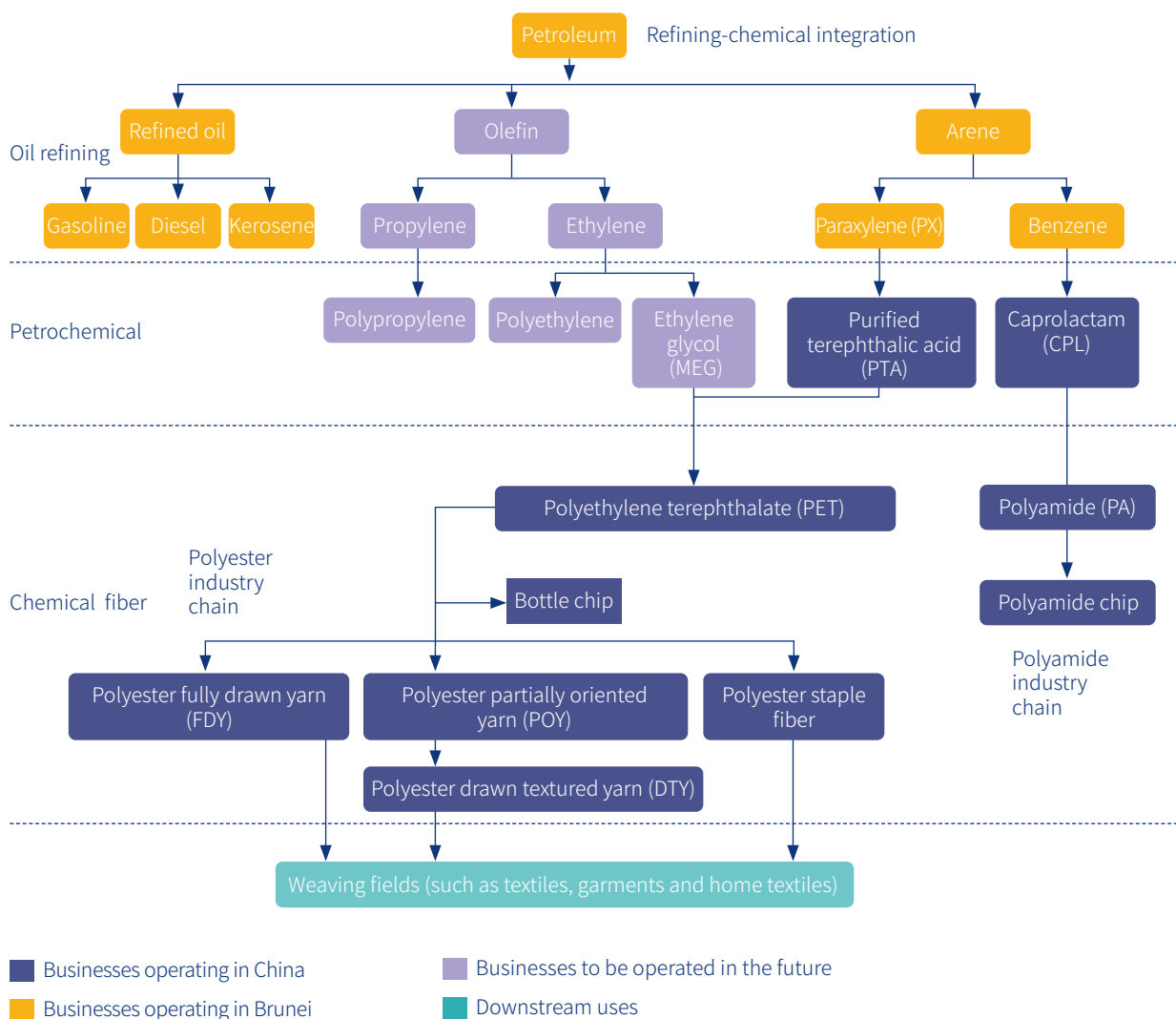


# Section I About Hengyi Petrochemical

## Integrated Petrochemical Group

Hengyi Petrochemical (stock code: 000703) aims to develop into a leading Chinese and world-class petrochemical corporation. At present, the Company has formed a "Petrochemical Plus" multilayer and multidimensional industrial arrangement which boasts a core business section of the petrochemical industry chain driven by "Polyester + Polyamide", a growing business section centered around the petrochemical finance, petrochemical trade and petrochemical logistics, and an emerging business section exploring differentiated fiber products and application of industrial intelligence technology.

### The petrochemical and chemical fiber industry chain in which the Company is engaged



Dedicated to the petrochemical and chemical fiber fields for years, the Company has developed into a leading company in the world integrating the industry chains of PX-PTA-polyester and benzene-CPL-polyamide. And it has built up a balanced and integrated "pillar" industry chain of crude oil-PX-PTA-polyester and crude oil-benzene-CPL-polyamide by applying a differentiated development model which built upstream refineries overseas and expanded its midstream and downstream industries in China.



## CSR Vision



## Key Products

The Company works with its strategic partners to achieve complementary advantages. It continues to extend its petrochemical industry chain, diversify its product ranges and improve its product structure. By doing so, the Company has effectively consolidated the core competitiveness of its main business, improved the profitability of its industry chain products and enhanced its ability to withstand market risk. The Company's key products include refined petroleum products such as gasoline, diesel and kerosene; petrochemical products such as paraxylene (PX), benzene, purified terephthalic acid (PTA) and caprolactam (CPL); chemical fiber products such as polyester pre-oriented yarn (POY), polyester fully drawn yarn (FDY), polyester drawn textured yarn (DTY), polyester staple fiber, polyethylene terephthalate (PET) chips and PET bottle flakes. Chemical raw material products are widely used to meet rigid needs that are essential to the national economy and the people's livelihood.

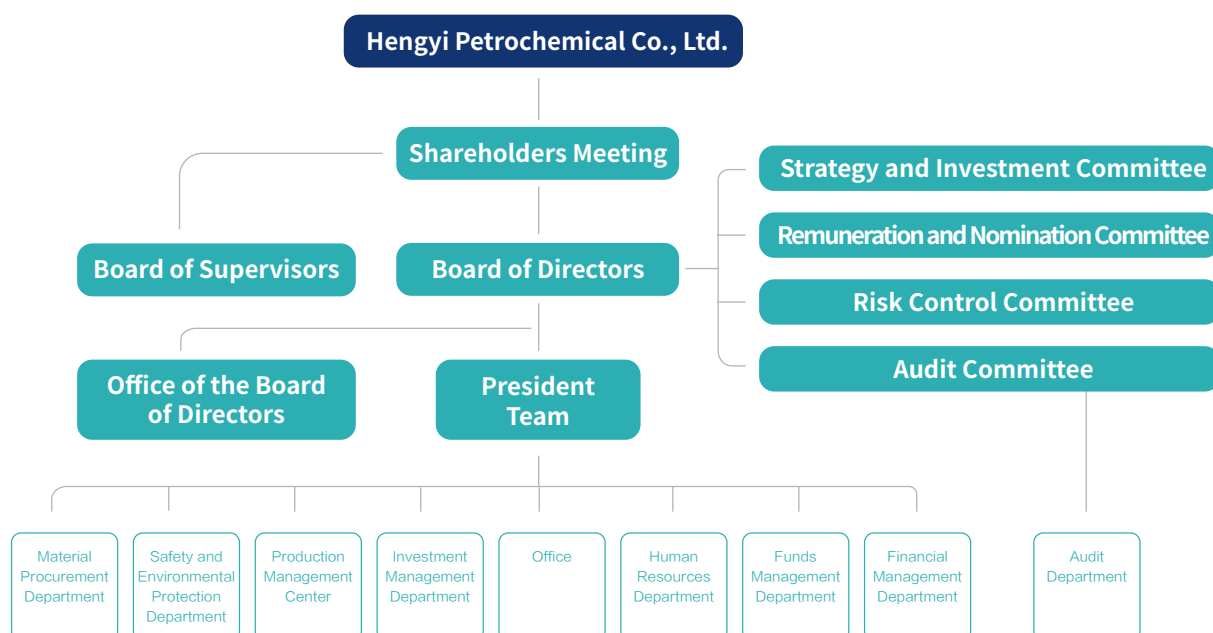
The Company continues to increase investment in new product development and insists on the guidance of green manufacturing and circular economy to actively support the national strategy to achieve carbon emission peak and carbon neutrality. Its polyester sector continues to focus on the development and commercialization of green, functional and bio-based polyester products. The Company optimizes its own sales system within the Company to proactively meet the market demand. It can fully explore and properly guide customers' demand by organically combining R&D, production and sales. Outside the Company, The Company also conducts strong cooperation with colleges and universities, and builds an industry-university-research ecosystem so as to support basic material research and efficiently explore cutting-edge key technologies.

## Product

## Application sectors

Refined oil		This is mainly used to fuel various power and heating equipment. It can supply fuel for automobiles, motorcycles, speedboats, helicopters and agricultural and forestry aircraft. It can also be used to fuel ships, diesel boilers and vehicles equipped with a diesel internal combustion engine (including trains).	
PX		This is a type of hydrocarbon and a colorless transparent liquid. It can be used in many areas. It is the main raw material for the production of PTA and is also used to make synthetic plastics, drugs and pesticides.	
PTA		This is mainly used to produce polyester products. It is widely used in various aspects of national economy such as garments, ornaments, electronics and construction. 75% of PTA is used for PET fiber, 20% for bottle grade PET chips and 5% for film grade PET chips. The downstream PTA sector mainly focuses on civilian use.	
PIA		PIA is a white crystalline powder or an acicular crystal. It is used to produce alkyd resins, unsaturated polyester resins and other polymers and plasticizers. It is also used to make motion picture film color couplers, coatings, polyester fiber dyeing modifiers and medicines.	
POY		This can be used to reprocess and produce DTY and fiber products with special styles. It is widely used in clothing and industrial fields.	
FDY		This can be directly used for weaving and for the production of garments, decorative fabrics, etc. This is widely used in clothing and industrial fields. It can also be used as an isolation material for making protective suits and other protective products.	
DTY		This can be used directly for weaving and is widely used in clothing and industrial fields. It is often used as garment fabrics and lining materials.	
CPL		This is mainly used to produce polyamide fibers, engineering plastics and plastic films. It is widely used in industrial and civil fields.	
PET staple fiber		This is mainly used to produce yarns, nonwovens and filling materials. The non-woven fabric can be used as a raw material for the production of face masks and the downstream disinfectant wipes and disposable protective products.	
PET chips		They are widely used for indirect spinning. They can be used to produce textile materials such as filaments and staple fibers. They can also be used for strip casting to produce plastics and other products.	
PET bottle flakes		They are mainly used for food packaging such as coke, beverage, water and oil bottles.	

## Organizational Structure



## Key Performance

Category	Indicator	2020
Economy	Revenue (RMB)	86.43 billion
	Total profit (RMB)	4.526 billion
	Earnings per share (RMB/share)	1.08
	Number of R&D staff (person)	1,207
	Number of invention patent applications (case)	113
	Number of utility patents (item)	51
Safety	Major fire and explosion accidents (cases)	0
	Major environmental pollution accidents (cases)	0
	Major occupational-disease-inductive accidents (cases)	0
	Major chemical leakage accidents (cases)	0
Contributions to society	Total number of employees in service (person)	18,154
	Rate of employment contract signing (%)	100
	Rate of social security insurance coverage (%)	100
	Investment in targeted poverty alleviation (RMB)	8 million







# Deepening Governance to Protect the Century-Old Business

Hengyi Petrochemical is committed to implementing high-standard corporate governance. It strictly complies with the laws and regulatory requirements of the China Securities Regulatory Commission (CSRC) and the Shenzhen Stock Exchange on regulating governance and operations. The Company continues to improve its corporate governance structure. The Company has established sound internal rules and regulations to implement strict internal control and internal monitoring. It actively maintains relations with investors and fulfills its information disclosure obligations in an authentic, accurate, complete, fair and timely manner.

## Corporate Governance

Hengyi Petrochemical has established a modern enterprise system with the Articles of Incorporation as the core in accordance with the Company Law and other relevant laws and regulations as well as the actual company situation. This system ensures that the powers and responsibilities of the governance bodies, such as the Shareholders' Meeting, the Board of Directors, the Board of Supervisors and the senior management, are clearly defined and mutually restricted. The Company guarantees that all shareholders have timely access to information and equally enjoy all legal rights and interests stipulated in laws, regulations and rules.

### Governance Structure

The Company operates in strict accordance with the governance structure of the Shareholders Meeting, the Board of Directors, the Board of Supervisors and the management team. These governance bodies exercise their decision-making, executive and supervisory powers respectively in accordance with their duties. The Company has established a modern corporate governance system with scientific norms, effective check and balance and efficient operation.

**The Company held seven Shareholders' Meetings in 2020.**

#### Shareholders and the Shareholders Meeting

The Company regulates the procedures for convening and holding the shareholders meeting and voting at the meeting in strict accordance with the requirements of relevant laws, regulations and rules, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules for the Shareholders' General Meeting of Listed Companies, the Articles of Incorporation and the Rules of Procedure for the Shareholders' Meetings. The Company treats all investors equally to enable them to fully exercise their rights, and effectively protects the rights and interests of minority shareholders.

#### Directors and the Board of Directors

As of the end of 2020, the Company's Board of Directors consisted of nine directors, including three independent directors and one female director. The Board of Directors is responsible to the Shareholders' Meeting and convenes and holds the board meeting in strict accordance with the relevant regulations. The Board of Directors has four special committees including a Strategy Committee, an Investment Committee, a Remuneration and Appraisal Committee and an Audit Committee. These special committees perform their duties in strict accordance with the relevant laws and regulations, the Articles of Incorporation and their implementation rules. The procedures for convening and holding the board meeting were in compliance with the relevant regulations. The minutes of the board meetings are true, accurate, complete and securely kept. The meeting resolutions are accurate and were disclosed in a timely manner. The Company held the 41st Meeting of the Tenth Session of the Board of Directors on August 28, 2020. The resolutions on "Election of non-independent directors of the Board" and "Election of independent directors of the Board" were reviewed and approved at the board meeting. These resolutions were submitted to the Shareholders' Meeting for review and the relevant directors were elected. The election of the 11th session of the Board of Directors was successfully completed, which ensures the continuity of the Board's operations. This also ensures professional, regulated and scientific decision making and guides the good development of the Company.

**In 2020, the Company held 10 board meetings and included the following.**  
**One board meeting of Strategy Committee**  
**One board meeting of Investment Committee**  
**One board meeting of Remuneration and Appraisal Committee**  
**One board meeting of Audit Committee**

In addition, the Company strictly follows the relevant laws, regulations, regulatory documents and corporate policies to enhance standardized corporate operations and ensure that independent directors can effectively exercise their powers. The Company will continue to improve its governance structure and further bring into play the independence and professionalism of its independent directors to continuously make its decision-making more reasonable, standardized and scientific.



## Supervisors and the Board of Supervisors

As of the end of 2020, the Company's Board of Supervisors consisted of three supervisors, including two female supervisors. The members of the Board of Supervisors perform their duties in a responsible manner to all shareholders. They inspect and supervise the Company's business activities and the performance of duties by senior management in a responsible and diligent manner. This effectively protects the rights and interests of the Company's shareholders, the Company's interests and the legitimate rights and interests of the employees. This can also further standardize the Company's operation. The procedures for convening and holding the meetings of the Board of Supervisors and voting at the meeting were in compliance with the Rules of Procedure of the Board of Supervisors. The Company held the 33rd Meeting of the 10th Session of the Board of Supervisors on August 28, 2020. The resolution on "Election of Shareholder Representative Supervisors of the Board of Supervisors" was reviewed and approved at the meeting. The resolution was also submitted to the Shareholders' Meeting for review and supervisor election.

**The Company held nine meetings of the Board of Supervisors in 2020.**

## The Management

As of the end of 2020, the Company had nine senior executives. The management consists of petrochemical, materials science, finance, legal and marketing experts. The team has extensive industry background and project management experience, which helps the Company to seize market opportunities and implement them efficiently.

## Investors' Rights and Interests

### Regulating Information Disclosure to Fully Protect the Right to Be Informed

The Company attaches great importance to information disclosure. It has established an information disclosure system in strict accordance with the information disclosure laws and regulations as well as the new information disclosure rules and requirements of the securities regulator. This system conforms to the Company's characteristics and helps investors to objectively understand the Company's operations. The media designated by the CSRC and the website [www.cninfo.com.cn](http://www.cninfo.com.cn) disclose the company information in an authentic, accurate, complete, timely and fair manner to continuously improve the quality and transparency of the Company's information disclosure. The Company regularly discloses corporate governance information in the company website section - Investor Relations - to keep investors informed of the Company's status and provide a reference for investment decision making.

**The Company issued four periodic reports and 140 interim announcements in 2020.**

### Fully Utilizing the Independent Director Mechanism to Protect the Rights and Interests of Shareholders

The Company attaches great importance to the protection of the legitimate rights and interests of its shareholders, especially minority shareholders. The Company gives full play to the role of independent directors. In 2020, the Company's independent directors carefully reviewed all the resolutions submitted to the Board of Directors. They actively participated in the discussions and made independent and reasonable decisions based on their professional competence and experience. The interests of all shareholders, especially minority shareholders, were fully protected.

### Building a Multi-Level Investor Exchange Platform

Hengyi Petrochemical attaches great importance to investor relations management and regards it as an important way to achieve its value as a listed company and share prosperity with its investors. The Company provides diverse and convenient communication channels. The Company actively communicates with investors through many channels to establish and maintain good investor relations. These channels include telephone, e-mail, the investor relations interactive platform, the "Investor Relations" section on the company website, media interviews, earnings presentations, etc. The Company also conducts positive interactions with investors to enhance trust and support.

During the pandemic, the Company's investor relations team actively explored a variety of online communication channels and conducted smooth and efficient communication with investors at home and abroad. During the reporting period, the Company organized 18 investor communication activities. These activities included company research, industry strategy sessions, reverse roadshows, telephone exchanges and investor open days. The Company communicated with 377 investment institutions. This has enhanced investors' understanding of the Company's operations, business, development strategy and investment value.

## Sharing the Fruits of the Company's Development with Investors

To share the fruits of the Company's development with investors, Hengyi Petrochemical ensures stable performance and continuous profit growth based on the practical needs of its business development. In addition, Hengyi Petrochemical provides stable and lasting returns to investors and maximizes company value. The Company insists on safeguarding shareholders' rights and interests and guarantees a consistent and stable dividend policy.

Year	Net Profit Attributable to Owners of the Parent Company (RMB)	Total Cash Dividends (RMB)	Cash Dividends per Share (RMB/Share)
12/31/2020	3.072 billion	1.104 billion	0.30
12/31/2019	3.202 billion	1.137 billion	0.40
12/31/2018	1.962 billion	853 million	0.32
12/31/2017	1.622 billion	330 million	0.20
12/31/2016	830 million	162 million	0.10

## Paying Interest on Time to Protect the Rights and Interests of Creditors

Hengyi Petrochemical always adheres to honest and prudent operations. It safeguards assets and funds by establishing and improving asset management and fund utilization systems. It implements proactive and prudent financial policies to strengthen fund budget management and financial risk control. It complies with credit cooperation rules and maintains good cooperative relationships with various deposit/lending banks and financial institutions to minimize and resolve business risks and ensure the safety of company funds and assets, thereby effectively protecting the legitimate rights and interests of creditors. During the reporting period, there were no cases in which the Company harmed the interests of creditors.

## Compliance Operation

Hengyi Petrochemical insists on achieving high quality legally and compliantly. It is committed to establishing a compliance management system that meets its business development needs and is a best practice for the petrochemical industry. Various business activities and processes are implemented efficiently. The Company carries out compliance management. It has established and improved a comprehensive risk management system to address risks and challenges faced by the Company in the course of its operations and business development. The Company strictly controls potential risks in its operations and enhances its risk management capability, immunity and resilience. It develops and implements response plans that serve the company strategy and implements scientific decision-making to achieve sustainable growth.

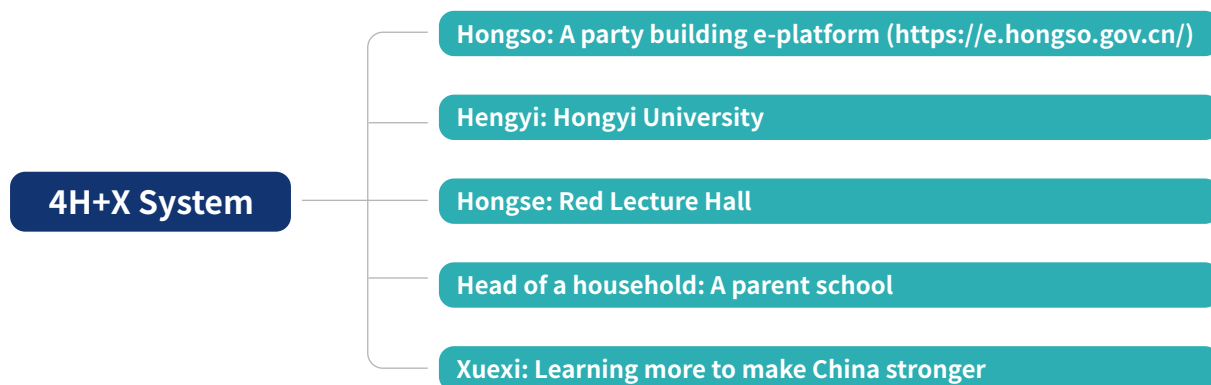
## Strengthening the Internal Control System

In 2020, the Company further improved and standardized its internal control system and adhered to law-abiding and compliant operations. The Company optimized processes and controlled risks based on existing policies. It comprehensively promoted the establishment and implementation of the internal control system by using the "assessment for development" approach. Thus, the Company has realized an operational mechanism for continuous self-examination and self-improvement of internal control policy and process management. In addition, the Company carried out a thorough evaluation of the effectiveness of the policy and process. It promoted the optimization of its internal control policy and process and the rectification of related deficiencies from top to bottom. These measures have effectively enhanced the execution of the internal control policy.

## Building an Anti-Corruption Culture

As an important link of "Focus on Pragmatism", a core value of Hengyi Petrochemical, being honest, clean and self-disciplined is an important value of Hengyi Petrochemical's enterprise development and employee growth. The Company always adheres to honest management. It actively carries out the construction of a clean company and integrates the construction into its corporate systems, culture and business activities. During the reporting period, the Company strengthened its internal supervision and complaint channels. The Company also incorporated anti-corruption in the whole process of corporate development and industrial expansion to prevent and control corruption and betrayal at the root. The Company safeguards integrity through supervision, advocates integrity through education and regulates integrity through policies. The Company has built an integrity and self-discipline mechanism to make employees unwilling, difficult and afraid to be corrupt. This mechanism motivates employees to take integrity as a virtue, pleasure and pride.

**"Corporate Center":** The Anti-Fraud Leading Group is headed by the Chairman of Hengyi Petrochemical. The Chairman authorizes the investigation of reported matters and makes decisions on the handling of employee fraud. The Audit and Legal Affairs Departments are responsible for internal auditing, work supervision and violation handling. They develop and continuously improve the Company's internal integrity policies and regulations. They also cooperate with the Discipline Inspection Commission in investigations.



Hengyi University held an anti-corruption educational meeting at the Company's headquarters. The meeting aimed to help employees from the procurement system of the engineering company to have a stronger sense of integrity and self-discipline. The employees also further studied the relevant requirements in the Regulations on Integrity Management for Employees of Hengyi Group at the meeting.







# Scientific and Technological Innovation to Enhance the Ecological Value of the Industry Chain

As a pioneer and promoter of green manufacturing in the chemical fiber industry, Hengyi Petrochemical profoundly implements the innovation-driven development strategy. We continue to enhance innovation and the management of technological innovation and increases investment in science and technology. Hengyi Petrochemical targets key issues and deploys integrated scientific and technological resources to solve them. We also strengthen the commercialization of scientific and technological achievements, continuously foster new growth drivers and opens up new development space. The company invested 359 million yuan in scientific and technical research and development.

Hengyi Petrochemical is committed to the development of an innovation-driven and high-quality industrial ecosystem. This ecosystem includes information-based enterprise management, differentiated product development, intelligent manufacturing and systematic customer service. The Company is also dedicated to promoting innovation in technology and services and achieving digital transformation to improve industry productivity and promote ecological industry development.

## Focusing on Quality: Innovation-Driven and High-Quality Development

Improving product quality is an efficient means to promote the sustainable development of enterprises. Hengyi Petrochemical puts customers first and satisfies their needs by imposing high standards and strict requirements on product production, processing and inspection. It focuses on improving product sales and transportation efficiency and conducts inspections at all levels. It has increased staffing in after-sales service so that after-sales issues can be fed back to customers in time. The comprehensive quality management system has enabled the success of the Hengyi brand.

The Company has a dual industry chain of "polyester + polyamide". It needs to reduce process consumption and improve material performance for its integrated refining-chemical project in Brunei. To meet these significant and urgent needs, the Company targeted the great development opportunities brought by revolutionary technologies in functional materials, industrial catalysis, synthetic biology and biomass conversion. Therefore, the Company has established the Zhejiang University-Hengyi Global Future Advanced Technology Research Institute, the Joint Laboratory of Donghua University and Hengyi Petrochemical and the Joint Laboratory of Nanjing Tech University and Hengyi Petrochemical Co., Ltd. with Zhejiang University, Donghua University and Nanjing Tech University respectively.



Up to now, there are more than 40 projects under research on the university-enterprise cooperation platform. Through the joint efforts of the universities and the enterprise and the profound industry-university-research integration, the university-enterprise platform will be built into an international first-class new material research and development base. The platform will serve as a pool of top professionals and management talents in new materials, processes and equipment. It will precisely serve the countries and regions participating in the Belt and Road Initiative and train highly qualified talents in new fiber materials for them. It will become a demonstration zone for deep inter-school and interdisciplinary integration and profound industry-university-research integration. It will also be developed into a special zone for institutional and mechanism innovation.







## Product Research and Development: Strengthening Differentiated Competitive Advantages

By insisting on the idea of "quality wins", always keeping the market forward-looking around the consumers' yearning for a better life, continuously developing high added value and differentiated products, with specific targets for new products, Hengyi Petrochemical has gradually realized the "diversified, serialized, high-quality and unique" product structure.

Hengyi Petrochemical achieved the pilot-scale production and industrialization of new products in small-scale polyester production and chip spinning in 2020. These new products include a new generation of synthetic nylon and polyester fabric (SNP), eco-friendly antimony-free low-melting synthetic fiber and recycled cationic polyester fiber. The production of all products is stable at present. The product performance is excellent and has achieved the expected goal and received good customer feedback.

In 2020, Hengyi Petrochemical and its subsidiaries obtained 28 granted patents, including 8 invention patents. The Company's subsidiaries Hengyi High-Tech, Hengyi Polyamide and Henglan Technology have been certified as national high-tech enterprises.

### New Products and New Technology

Hengyi Petrochemical adheres to the green and sustainable development concept. It has successfully developed new PET (polyester) products that are recycled, made of bio-based materials and for safety protection.

- The Company has achieved the large-scale production of recycled environment-friendly polyester filaments. The products cover high value-added differentiated varieties such as fine denier porous, raw liquid coloring and cationic dyeable products.
- The Company has made a significant breakthrough in bio-based polypropylene terephthalate (PTT) technology. It has achieved industrial production and developed new elastic fibers such as T4 and T9. This bio-based material has a bio-based content of more than 37%. The use of this material can reduce non-renewable energy consumption by 40%.
- Flame-retardant polyester and polyester filament products have a high share in both the Chinese and international markets.
- The new polyester products developed (such as antibacterial copper oxide and antibacterial nano zinc oxide products) are well received by the market because they have better biocompatibility than traditional antibacterial products.
- The PTT industrialization technology innovation team led by Chief Scientist Prof. Li Xi was selected as the leading innovation team in Xiaoshan District. · Henglan Technology was included in the "Four Hundred" Key Technological Transformation Demonstration Project Program in Zhejiang Province in 2020.
- Shuangtu New Material's cationic composite cotton-like yarn, multi-functional polyester fancy composite yarn and spun rayon-like polyester embroidery thread passed the scientific and technological achievement appraisal.
- Jiaxing Yipeng's cellulose nanocrystal-based modified hydrophilic polyester fiber and quaternary co-polyester chip and fiber passed the scientific and technological achievement appraisal.
- Hangzhou Yijing's polyester fine-denier porous stretchy false-twisted deformed yarn and high-hollow fine-denier polyester filament passed the scientific and technological achievement appraisal

### Scientific Research Awards in 2020

Hengyi Petrochemical won the first prize of Zhejiang Province Chemical Industry Science and Technology Award in 2020 for its complete technology for the antimony-free and environmentally friendly polyester melt direct spinning filament.

Hengyi Petrochemical was given the Innovative Enterprise Award for New Product Development and Promotion by the China Chemical Fibers Association in June 2020.

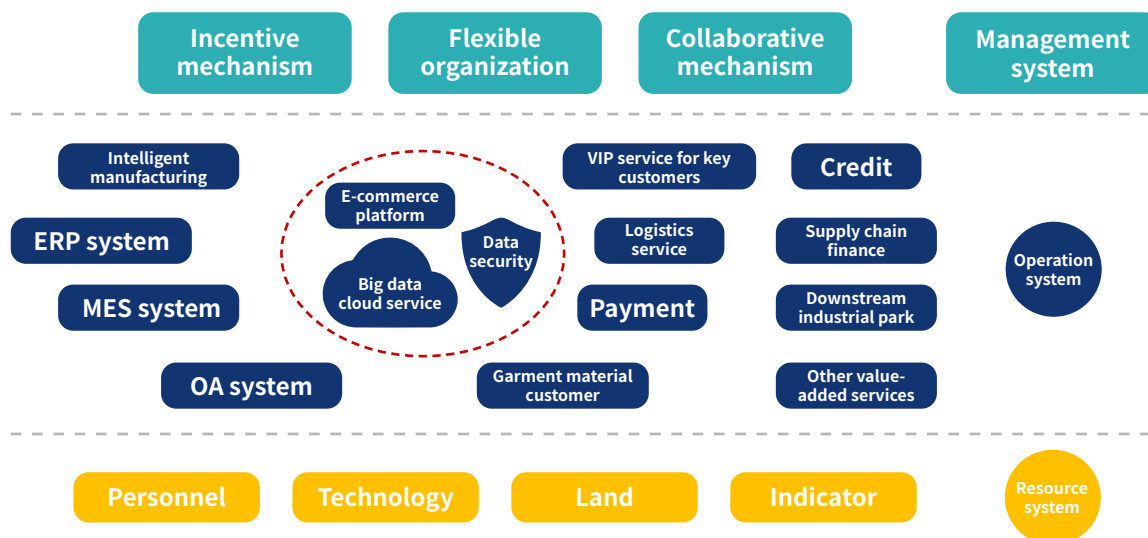
Henglan Technology obtained the certificate of Hangzhou Enterprise High-Tech R&D Center. It was also rated as the 2020 Hangzhou Patent Pilot and Demonstration Enterprise and received the honor of a leading innovation and entrepreneurship team in Xiaoshan District, Hangzhou.

Jiaxing Yipeng received the Governor's Quality Award in Xiuzhou District, Jiaxing City in 2020.

## Digital Transformation: Revitalizing Productivity

Hengyi Petrochemical promotes the management, operation and resource systems simultaneously with big data as the core based on the "Petrochemical Plus" industrial layout to build the Hengyi ecosystem.

Promoting the management, operation and resource systems simultaneously with big data at the core to build the Hengyi ecosystem



### Intelligent Manufacturing

Hengyi Petrochemical has continuously increased its investment in intelligent manufacturing since 2017. The Company has established a smart integrated Hengyi platform. It has also built a green factory for intelligent manufacturing with a focus on lean, automated and digital production to support the transformation from Made in China to Intelligent Manufacturing in China.

Relying on its existing industries, the Company focuses on the intelligent upgrade of old plants and the intelligent equipment configuration for new plants. It has accelerated its construction from intelligent manufacturing units and production lines to intelligent workshops and factories by investing in and optimizing automation and information technology. All equipment, systems, people and other factors are interconnected, interactive and collaborative through effective integration and interconnection technologies. Intelligent manufacturing takes the lead in customization, collaborative manufacturing, remote O&M and other types of new businesses, pushing ahead digital transformation of the enterprise.

Hengyi Petrochemical promotes integrated operation and maintenance and fully integrates the supply chain through vertical, horizontal and end-to-end integration to achieve quality and supply chain synergies and innovate the value chain.

**Vertical integration:** full automation in the factory is realized through hardware and software layout in the vertical production field.

**Horizontal integration:** digital supply chain is formed with resource and digital integration in such horizontal domains as logistics services, closed-loop marketing and production of auxiliary materials.

**End-to-end integration:** integration at all software ports in the industry chain is realized with various application software platforms, to form a digital value chain and evaluate the circulation efficiency of the industry chain in a digital way.





## Case

### Digital Intelligent Factory: Building an Industry Benchmark Enterprise of Intelligent Manufacturing

Haining New Materials has developed a construction project with an annual output of 1 million tons of differentiated environmental and functional fibers. This project's first set of production line G (with an output of 250,000 tons/year) and related supporting facilities became operational and formally produced qualified products in February 2020.

As one of the core projects under the Company's strategic plan, the Haining New Materials Project is currently the largest single-scale and intelligent project with the most advanced technology and equipment among industry players in China. The project is a concrete practice of Hengyi Petrochemical which explores digital transformation in the chemical fiber industry and strides forward from factory automation to intelligence.

Haining Hengyi aimed to build this new material project into an "unmanned factory". It aspired to build it into a first-class industry-leading intelligent factory in China. The most advanced intelligent manufacturing model is applied in the production process to create an intelligent high-performance fiber production factory. Moreover, the project will also improve in such fields as cascade utilization of energy, energy conservation and consumption reduction, "three wastes" treatment, to vigorously promote green manufacturing.

Four production lines have so far been put into operation. The first line G, the second line F, the third line C and the fourth line E became operational in February, July, September and November 2020, respectively. They are intelligent throughout the production process and use an advanced intelligent manufacturing model. The products produced by these production lines sell very well and have a good market response.

- Integrated engineering design and O&M enable the integration of design and the production execution system. They also enable all-round, multi-dimension and collaborative equipment operation and maintenance management.
- Digital manufacturing uses digital production, logistics and inspection equipment as well as cyber-physical technology to enable a lean manufacturing system that is efficient, flexible and low-staffed.
- An efficient supply chain system enables horizontal collaboration among enterprises, suppliers and customers, as well as efficient logistics operation management within and outside the enterprise.
- A transparent factory enables real-time status, schedule and task management of production, quality and supply chain.
- Total quality management and traceability system enable production process quality control, whole-process business quality control and supplier quality control to stimulate continuous improvement within the Company.
- Big data analytics-based performance assessment and continuous value stream improvement provide well-established solutions and expand the scope of services.

Reduce simple and repetitive physical work  
Reduce simple and repetitive intellectual work  
Flexible production  
Data creates value



Fast



Flexible



High-quality



Efficient







## Case

### Jiaxing Yipeng's 500,000-ton-per-year differential functional fiber upgrade project was put into operation

Jiaxing Yipeng, a subsidiary of Hengyi Petrochemical, has developed a 500,000-ton-per-year differential functional fiber upgrade project. This project was fully completed and put into operation in June 2020. It boasts an annual capacity of 500,000 tons of differentiated functional high-quality fully drawn yarn (FDY).

This project utilized Jiaxing Yipeng's existing land and invested in and built new polyester and FDY spinning equipment. In addition, it upgraded the original polymerization and spinning facilities. A flexible polymerization technique, polyester melt direct spinning technology and advanced intelligent manufacturing technology and equipment are used to optimize and upgrade the production process and product quality.



## Data Security

The Company attaches great importance to data security compliance and privacy protection. It continuously improves the construction of a data security management system. It also continuously optimizes the organization, system, operation and supervision of data security to fully implement its data security compliance obligations.

The Audit and Legal Departments audit the Company's high-risk areas. They will communicate with IT and business departments on information security risks in a timely manner. All these departments will work together to drive remediation plans and implement measures to ensure that the Company's overall information security risks are contained within acceptable limits to management. During the reporting period, the Audit and Legal Departments assessed the internal control of the Company's information systems. The assessment covered system change and O&M control, authority control, physical security and network security control. No significant internal control deficiencies were identified in any of the above areas.

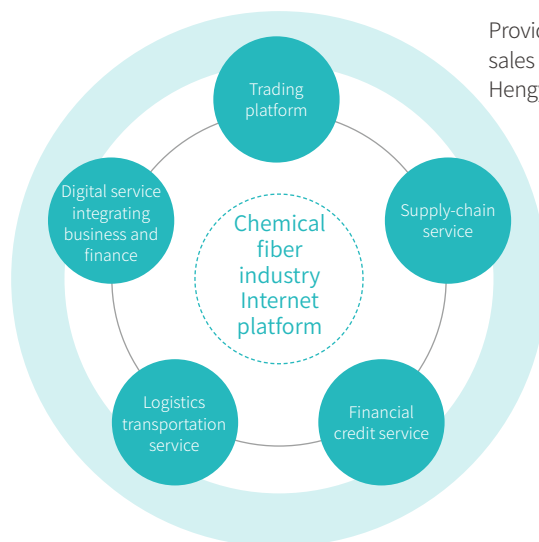
## Supply Chain Integration: Creating a C2M Closed Loop

Hengyi Petrochemical's integrated supply chain platform focuses on the petrochemical supply chain service and the "Petrochemical Plus" multi-level and multi-dimensional industrial layout of the petrochemical finance according to the development characteristics of the petrochemical industry. Then, this platform can further deepen internet-based advanced manufacturing. The Company has progressively promoted the Hengyi e-shop, the closed-loop marketing order project and the logistics TMS system. It has also promoted projects such as the single-spindle data flow, the product quality database system and the SCM supplier management system. The promotion of these projects has formed a digital and integrated management application platform for procurement, production, warehousing, marketing, logistics and customer service information. This platform enables the closed-loop management of production, supply, sales and logistics. This ensures that the Company's unit investment, manufacturing and logistics costs are at a highly advantageous level when compared with other industry players.

Hengyi Petrochemical is dedicated to building an open and sharing industrial internet platform in the petrochemical field. The Company integrates industry data based on this platform and provides digital solutions for the global chemical fiber industry while realizing the digital transformation of its own business. The Company aims to achieve internal operation integration and public operation of Hengyi Industrial Internet Platform by 2022, and become an Internet leader, data integrator, standard setter and service provider in the chemical fiber industry.

Provide enterprise informatization, supply chain integration and cloud services based on the industry and industry focus of downstream enterprises

Provide logistics and cost-sharing transportation services based on the industry and regional focus of downstream enterprises



Provide online procurement services and sales channels for enterprises based on Hengyi's new B2B trading platform

Provide financing services for enterprises based on order receivables or warehouse receipt pledges by using transaction data from the new B2B trading platform

Provide funding and credit services for enterprises based on Hengyi's financial credit services, the bank's credit overlay and the risk control of the digital operation and perception platform

## Hengyi E-Shop

With the vigorous promotion of the "Internet Plus" initiative by the country and the acceleration of the Internet-based development in the whole industrial field, Hengyi Petrochemical has timely customized a chemical fiber e-commerce platform - Hengyi e-shop - to meet the market demand and its own development needs. Focused on online sales of polyester and chemical fiber products, Hengyi e-shop integrates price inquiry, quick order, market information, intelligent logistics management platform (HTTMS), financial services and aims to provide a brand new business pattern for the downstream customer to improve efficiency and reduce cost.



### Order during a promotional event

Customers can participate in various activities launched by the Marketing Center, such as time-limited, group and sec-killing purchases

### Regular order

The most common way to place an order by customers

### Contract-based order

Customers who have signed contracts with us can place orders at a better price

### Supply-chain financial order

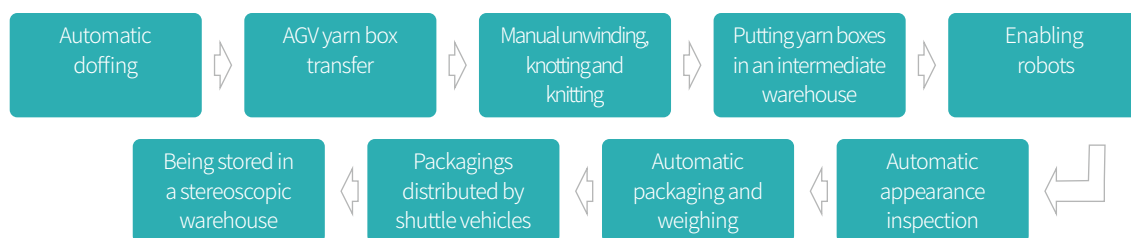
Customers with Yikongdai accounts can place orders directly on Yikongdai's "Bulk Order" module and enjoy a fixed price service

### Pre-order

When products are out of stock, customers can make a pre-order. The order will be automatically generated when the product is available.

## Whole-Process Intelligent Logistics System

As the first promoter of the whole-process intelligent logistics system in the industry, Hengyi Petrochemical integrates the system doffing, package and stereoscopic warehouse of finished products through AGV transfer, fiber stereoscopic warehouse for temporary storage and transport line of finished products, which is beneficial to the multi-process operation and information process for the fiber spindle.



The whole-process intelligent logistics system realizes the whole-process and automated docking and greatly improves the efficiency of production and service.

Automatic plate clearing project	Automatic cruise positioning, avoidance of obstacles and spraying of silicone oil via wireless Ethernet. The plate clearing may be completed in two minutes, increasing the efficiency by 60%.
Automatic doffing project	It reduces work load for employees, decreasing the turnover rate of winding workers, and reduces hair and dirt from employees, providing the equipment foundation for the digital transformation of the factory.
Automatic detection project	Unified detection standard is adopted and only 3 seconds is needed for the detection of a spindle, increasing efficiency by 40%. The inspection accuracy of fiber with greasy dirt and forming is above 99%; Appearance detection image library and database are established to trace back to the root of the problem for real-time feedback and early warning of production.
Automatic packaging project	It frees up the labor force and increases the packaging efficiency as well as personnel stability.
Stereoscopic warehouse	The stereoscopic warehouse is capable of 14-day storage with the daily receipt of 640 tons. The chopped fiber package will be automatically transported from the workshop to the stereoscopic warehouse. The warehouse management system is capable of automatic storage, delivery, stocktaking and exception handling, which promotes general productivity by 20%.

## Intelligent Warehousing System

The warehouse management system is a significant part of the whole supply chain integration. Warehouse management is always the core of logistics management. There are many problems in the traditional chemical fiber factory in goods placement, sorting, matching, tracing and control. On the other hand, with the change in the manufacturing environment, the product cycle becomes shorter, and the small-batch flexible production mode will become normal and standard. It requires accurate management of the storage area, storage location and cargo location of the warehouse, and requires connection with different stereoscopic warehouses to realize fine and digital management.

To solve the storage problems and meet the modern market demand, Hengyi Petrochemical has developed an intelligent warehousing system and put it into use in Shuangtu New Materials and Suqian Yida.

### Intelligent warehousing system

1

Through the integrated management of interface, storage location management and other tools, the correctness of inventory will be ensured, and shelf and pick-up route guidance can be provided.

2

A variety of loading/unloading strategies have been developed, such as FIFO, first-out in the near effective period, first-out in the near packaging volume, goods unpacking and picking to ensure the availability and ordering of inventory, reducing sluggish products and inventory costs.

3

Validity management, storage history analysis, sluggish products analysis, in-stock inspection and form conversion will be carried out to ultimately realize the whole-process support for the purchase, receiving and warehousing, inventory checking, material allocation, production and delivery, sales and delivery as well as miscellaneous items, achieving the full life-cycle management of products and promoting the synergistic effect of all processes.









**Building a Green, Ecological  
and Harmonious Home  
with Safe and Eco-Friendly  
Products**

## HSE Management: Establishing a Complete System

In 2020, Hengyi Petrochemical continued to optimize its HSE management system based on its business needs and sustainable development concept. The Company has effectively improved its HSE performance by standardizing the management's HSE accountability system. It has promoted the construction of its HSE culture in an orderly manner by educating the grassroots staff about environmental protection and occupational safety and protection.

### System Improvement

The Company adheres to the management of business and safety and follows the guidelines of unified leadership, localized supervision, responsibility fulfillment, hierarchical management, classified guidance and full participation. The Company has developed its own HSE management system in strict accordance with the ISO14001 and ISO45001 requirements. Hengyi Petrochemical released seven basic management policies in 2018. Then, it improved and released 11 safety and environmental protection management policies, such as the Potential Risk Identification and Control Policy and the Environmental Protection Management Policy. Hengyi Petrochemical prepared and released 18 safety and environmental management policies to further optimize the corporate HSE system. In addition, the Company has strengthened the review of the HSE systems of its subsidiaries to ensure that their HSE systems are in compliance with national laws, regulations and standards as well as the company management policies.

### HSE Assessment and Performance Management

Hengyi Petrochemical continues to improve HSE management performance. It optimizes the HSE governance structure based on the clarified localized HSE management organization and responsibilities. Hengyi Petrochemical issued and implemented the Measures for the Assessment of Workplace Safety and Environmental Protection in 2020. The Company assesses the safety and environmental protection of its subsidiaries based on the accident conditions and their daily work. The assessment includes subsidiary self-assessment, an assessment of the regional director and a comprehensive assessment conducted by the Safety and Environmental Protection Department. The assessment covers the implementation of the responsibility system, field management, the identification and management of hidden hazards, environmental protection management and fire safety management. Emergency management, education and training management, occupational health management and the "three-simultaneous" construction project management are also included. This assessment can effectively improve safety and environmental protection performance.

The Letter of Responsibility for Safe and Clean Production specifies the reward and the punishment. For example, one of the targets is: no administrative penalty and up-to-standard exhaust gas and waste water discharge; and if an employee meets all the targets, he/she will receive the annual special environmental protection award and year-end bonus.



## Safe Production: Ensuring Workplace Safety

Workplace safety is the lifeline of an enterprise's long-term development. Hengyi Petrochemical always puts people and safety first, keeps enhancing employees' awareness of not crossing the "red line" for workplace safety and makes every effort to ensure workplace safety.

The Company further implemented its post responsibility system in 2020. It strengthened potential risk identification and management, strictly implemented accident management and emphasized basic management. It also strengthened the management of direct operation procedures and strictly managed the key areas and key procedure control. The Company identified 531 potential risks throughout the year and had a 99.2% correction rate.



## Case

### Storage Site Fire Safety Training

To strengthen the warehouse fire safety and improve the fire safety awareness and emergency response capabilities of employees, the Company conducted a storage site fire safety training for the relevant personnel from the Production Management Center and 120 employees from the Storage and Transportation Department of 14 subsidiaries on March 24, 2020.

In this training, typical safety accident cases were shared to reveal the dangers of safety accidents and the importance of accident prevention. These cases were studied from four perspectives and based on the characteristics of the storage and transportation workshop. These perspectives are the characteristics of fires in storage places, the fire hazard level of spinning warehouses, the responsibility of fire safety in storage places and the daily fire safety management. In addition, the hazard factors and types of hazards in the daily work of the Storage Department were also analyzed to help everyone to better ensure fire safety.



## Standardized System Construction

Hengyi Petrochemical applies full effort to streamline the work process for safe production, and continuously improves the workplace safety management. In 2020, the Company developed a workplace safety program, checked problems in line with standards and got a clear picture of the Company's situation, and invited a third party to score its safety system. In addition, all subsidiaries made serious rectifications according to their actual situation, improving the intrinsic safety level through streamlining the work process for safety production.

Through the efforts to streamline the work process for safety production, the Company has further defined the roles and responsibilities of each position. Full participation of all staff in the streamlining process helped to improve workplace safety; the overall control of workplace safety and occupational health in all links of production and operation activities improved the environment for safety production; the workplace safety management system was established to realize the systematic safety and health management, standardized post operation, intrinsic safety of equipment and facilities and positioned operation appliances; and continuous improvements were made to strengthen the basic safety management. The overall safety management level was significantly improved as a result.

## Risk Identification and Management

Accurate identification and scientific control of risks as well as the timely identification and control of hidden dangers are basic and effective for an enterprise to improve the safety management level and prevent accidents. Hengyi Petrochemical exerts itself to establish a dual prevention mechanism, i.e., risk classification control and potential risk identification and control, building two firewalls to prevent accidents. The Company carries out risk identification tasks based on the Notice on the Construction of a Double Prevention System. Subsidiaries also thoroughly identify, assess and classify risks. The Company has also developed risk control measures and implements hierarchical control. It has established a risk ledger and comprehensively identifies and manages potential risks based on the risk ledger to move forward the key points of workplace safety.

## Hazard Source Management

The Company has developed the Hazardous Source Assessment Management Procedure and other corresponding management procedures in accordance with relevant regulations to better identify, control and monitor hazardous sources. These regulations include the Regulations on Safety Management of Hazardous Chemicals (China State Council Decree No. 591), the Regulations on the Administration of Precursor Chemicals (China State Council Decree No. 445) and the Safety Measures and Accident Emergency Response Principles for the First Batch of Key Regulated Hazardous Chemicals (Regulatory Division III of the State Administration of Safety and Security [2011] No. 142). During the reporting period, Hengyi Petrochemical continuously managed hazardous sources to eliminate them in a timely manner or to control the risk in the uneliminated ones. The Company implemented a number of optimization measures and projects in 2020. The Company also routinely tested workshop air quality, equipped employees with work safety equipment and conducted occupational health checks for them in accordance with risk management and relevant requirements and other relevant regulations. Then, the Company took measures to ensure that the protective measures in place were reliable and effective.



## Workplace Safety Month

China had its 19th Workplace Safety Month in June 2020. The Company aimed to firmly establish the safe development concept, prevent and solve safety risks, eliminate safety hazards in a timely manner and effectively reduce workplace safety accidents. Therefore, the corporate HSE Committee decided to launch a company-wide workplace safety month campaign with the theme of "Eliminating Accident Hazards, Building a Solid Safety Line". All subsidiaries actively responded to the Company's call and organized various activities. Through a series of activities such as training on awareness promotion and implementation, knowledge competition, technological competition, safety inspections and drills, the safety skills of all staff were further improved and the construction of a culture of safety is continuously enriched.

## Green Development: Adhering to the Environmental Protection Concept

Hengyi Petrochemical, adhering to the concept of sustainable development, strengthens sci-tech innovation and product R&D, continuously develops green products with high technological content, low resource consumption and less environmental pollution, promotes the transformation and upgrading of the textile and chemical fiber industry, and leads a high-quality, high-benefit, low-consumption and zero-pollution development of enterprises, making greater contributions to the development of the industry.

## Antimony-Free Environmentally-Friendly Polyester Product - Eticont

There are a number of disadvantages of antimony catalysts commonly used in traditional polyester production. For instance, heavy metal antimony which is somewhat poisonous will precipitate toxicity in PET dyeing, therefore polluting the environment. And then, the waste final PET products will expose ten thousand tons of antimony to nature every year, causing irreversible pollution.

In order to meet the national development plan of green production and consumption as well as the development concept that sci-tech innovation creates a better life, Hengyi Petrochemical has listed the environmentally-friendly antimony-free polyester as a key R&D project. Through independent project approval and independent R&D, with two years' efforts, the Company has overcome many technical difficulties, replaced antimony catalysts with titanium catalysts, adopted titanium catalysts and a composite catalyst system with a new coordination chemical structure, developed the antimony-free environment-friendly polyester product - Eticont, and realized mass production, with all indicators meeting national and corporate standards. Eticont is a product with high quality and fully independent intellectual property rights. It can be used to fundamentally solve pollution problems. The Eticont quality was further improved during the reporting period. The Company sold 9,346 tons of Eticont products in 2020, with a 98.5% sales rate. Eticont is widely used in baby clothes and facial mask fields.

### Solving the Environmental Pollution Problems of Downstream Enterprises of the Industrial Chain

The influence of antimony-containing polyester products on the environment in the downstream of the industrial chain is mainly reflected in dyeing, printing and finishing. In the process of printing, dyeing and finished treatment, pollution will be caused if the antimony precipitated exceeds the relevant index value. Antimony-free polyester products avoid antimony pollution from subsequent dyeing and printing from the source and guarantee stable production and operation of the downstream enterprises.

**Antimony-free green environment-friendly polyester products help to build a green textile lifecycle**

### Building a Green Life Cycle for the Whole Industry Chain

We label our product green, not only because the manufacturing process is green, but also the life cycle of the product, such as usage and other steps. Clothes made from antimony-containing fabrics, once discarded, will release antimony into water and soil whether they are burnt or put in a landfill. Antimony pollution can be avoided completely if clothes are made antimony-free. The launch of antimony-free polyester products makes it possible for the whole industry to run green.

While reducing costs and increasing efficiency, capacity and profitability, Hengyi Petrochemical always keeps in mind its social responsibility as an industry leader. Existing chemical fiber production generally utilizes petroleum resources. The conflict between the increasing depletion of petroleum resources and the growing demand for chemical fibers is becoming more and more prominent. Chemical fibers are discarded as waste after being used. Such waste has become a major source of environmental pollution. Discarded chemical fibers take 40 or 50 years or even hundreds of years to be completely decomposed in nature. Thousands of animals die every year due to their accidental ingestion of such waste. According to European studies, 50% of the world's human feces contain microplastic particles.

The industry lacks effective chemical fiber recycling methods due to current technical limitations. Chemical fiber waste can basically only be landfilled or incinerated. The natural degradation of these wastes takes decades or even centuries, which takes up a lot of land resources. As a leading chemical fiber manufacturer in China, Hengyi Petrochemical actively assumes its social responsibility. It has established research projects and achieved initial results in biodegradable green fibers and bio-based materials prepared from renewable resources.

## Green Production

Hengyi Petrochemical makes comprehensive use of all kinds of clean resources and production waste. It improves equipment and technological processes to develop better production processes. It also develops and improves green technologies to ensure proper pollution prevention and end-of-pipe treatment. In 2020, Hengyi Petrochemical continuously improved its environmental monitoring system and established an environmental monitoring data assessment platform in the corporate OA system to enhance the monitoring of environmental data. The Company achieved a 100% wastewater and waste gas compliance rate.

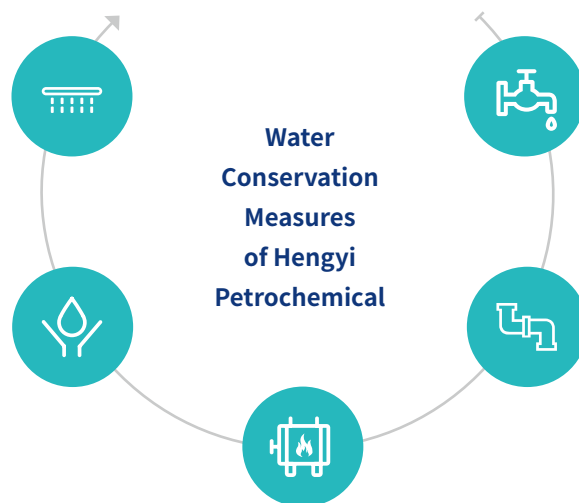
Hengyi Petrochemical keeps enhancing its environmental protection efforts in its daily management. It strengthens internal assessment and strictly enforces emission standards. It also promotes its energy conservation and emission reduction by improving production processes and equipment. The Company invested a total of RMB82,319,100 in environmental protection in 2020.

## Water Resource Management

The water quality is monitored throughout the project from pre-design, operation to completion. For example, Hengyi High-Tech monitored the chemical oxygen demand and ammonia nitrogen in the water during the pre-design and operation of the project with an annual output of 500,000 tons of environmentally friendly functional fibers.

Sprinkling and air conditioning are modified for spinning. Sprinklers are replaced and water pump motors are additionally provided with frequency conversion to control water in all plants, which save water and electricity while maintaining normal working conditions.

Novel water economizer is employed. For example, Jiaying Yipeng changes the ordinary packing water collector to the M-wave water collector and adds an FRP baffle in the middle of the cooling tower, so as to protect cooling water from wind and reduce the tap water consumption.



Tap water is replaced by water recycled from production. Tap water is replaced by reclaimed and recycled water for melt filter cleaning.

Underground water pipe is relocated to the ground. For example, the Hengyi Polymers Plant, one of our oldest plants, has strengthened leakage detection and reduced waste of water after relocating the pipeline underground to the ground.

Condensed water is reused. Companies such as Suqian Yida and Hengyi High-Tech use condensed water instead of soft water for waste heat boilers, and the heat can also raise the inflow temperature, saving both energy and coal. The amount of water saved is about 2-3 tons/hour.







# Empowering Employees and Creating a Sustainable Workplace



## Protecting Employees' Rights and Interests

### Equal and Compliant Employment

In accordance with the Company Law of the People's Republic of China, the Labor Law of the People's Republic of China and other laws and regulations, Hengyi Petrochemical regulates the Company's personnel and labor management, so that the Company's employment, position, appointment and dismissal, transfer, retirement and other matters are compliant and the Company strictly implements national regulations and standards in aspects of labor safety and health system, and social security. At the same time, the Company provides employees with competitive salaries and welfares to help the Company achieve its competitive advantage in the talent market.

The Company advocates the concept of "respecting employees and appointment on merits", and introduces a large number of interdisciplinary talents every year to ensure diversification. In recruiting and employing, no employees are treated differently by the Company due to differences in gender, age, ethnicity, beliefs, etc., and no employees are discriminated against and harassed by the Company which are prohibited by other applicable laws. Equal employment and development opportunities are provided for each employee to Hengyi Petrochemical building a tiered and high-caliber talent team.

At present, the Company has formed an international and professional management and operation team with expertise, laying the foundation for the sustainable and healthy development of the Company's business. Meanwhile, with the continuous expansion of the Company's scale, the Company has established a sound internal system based on advanced domestic and foreign organizational management experience, to further optimize its organizational structure, continuously improve its organizational management and operation efficiency, and bring into play the advantages of scale synergy.

Indicator	Unit	2020
Workforce	Person	18,154
Percentage of workforce by gender	%	2.88
Members of the CPC (including probationary members of the CPC)	Person	8.22
Percentage of female employees	%	25.77
Percentage of female managers	%	0.84
Percentage of employees at manager level and above	%	1.54
Percentage of employees with college degree and above	%	27.50

### Salary System

Protecting the basic rights and interests of employees is the foundation of the stable development of enterprises. Hengyi Petrochemical attaches great importance to build harmonious labor relations, protecting the legitimate rights and interests of employees, improving the social security policies, and establishing a competitive salary and welfare system.

Hengyi Petrochemical provides its employees with a complete compensation and welfare system. The current salary range of the Company is competitive and fair. Every year, the Company determines the scope and range of salary adjustment in the current year based on its own operating conditions and the actual situation of the industry and region. In addition, salary adjustment may also be made according to the relevant rules in case of rank and salary adjustment for employees.

The Company implements a salary structure combining salary and performance incentives. The employee's salary is determined by three main factors: company revenue, department performance and individual performance, which encourages the employees to strive for their best to get the pay they deserve. At present, scientific and effective salary & assessment incentive policies (monthly/quarterly/annual) are prepared for different industries and different job types such as technology, R & D, production, sales, etc., and corresponding performance awards are provided based on the assessment results.

## Welfare System

Hengyi Petrochemical pays all social insurances for its employees in full and on time in strict accordance with the national policies and regulations, and strives to build a welfare security system that enables employees to have no worries about the future.

Indicator	Unit	2020
Rate of employment contract signing	%	100
Rate of social security insurance coverage	%	100
Attainment Rate of occupational health and safety education	%	100
Rate of physical examination and health file coverage	%	100
Rate of employees attending the labor union	%	100
Rate of employee training coverage	%	100

### Welfare system for employees of Hengyi Petrochemical



#### Housing

The Company provides housing for employees (employee dormitory, standard double room, standard single room, couple's room or suite according to different posts and ranks), and provides a certain amount of rent subsidy for qualified employees.



#### Transportation

The Company provides free shuttle buses, corresponding subsidies for self-provided cars that meet the conditions of public use, and vehicle subsidies for qualified company managers.



#### Dining

The Company provides an internal restaurant (employee canteen, cafeteria and private room) with abundant dishes and reasonable prices. The frontline staff may also enjoy a meal allowance.



#### Medical and health

The Company provides employees with physical examinations, including new employee physical examination, annual physical examination, occupational disease examination, etc., and pays supplementary commercial insurance and mutual medical assistance for the physically impaired.



#### PTO and holidays

The Company strictly implements applicable policies and regulations to ensure the days-off and vacation days of employees, and provides employees with corresponding benefits for birthdays, holidays and job anniversaries.



#### Others

The Company also helps employees with respect to issues of settlement and school entrance for children and provides assistance for needy employees.

## Employee Incentives

Employees are the most valuable commodity of Hengyi Petrochemical. Hengyi Petrochemical has always adhered to the core value of "sharing benefits with the strivers". The Company adheres to the implementation of the talent strategy and build a development community with employees in a variety of ways.

In order to promote the long-term and sustainable development of the Company's talent team and share the Company's development results with employees, since 2015, the Company has implemented the restricted equity incentive plan two times and the employee stock ownership plan four times, which has fully aroused the enthusiasm of employees and effectively promoted the attraction of high-level talents. Through the establishment of the long-term development sharing mechanism, the sense of belonging and cohesion of employees is effectively enhanced, which lays the talent foundation for the Company's long-term development.

In 2020, Hengyi Petrochemical further clarified the awards and selection rules of the company-level excellence evaluation to encourage technological innovation, management improvement, quality improvement and commend outstanding individuals with outstanding performance.

## Supporting Employee Growth

### Career Development

Hengyi Petrochemical always adheres to the people-oriented principle and advocates the employee concept of "joint creation and sharing and joyful development". In terms of talent introduction, the Company always adheres to the concept of openness, pragmatism and innovation, and timely adjusts the strategy of talent introduction and cultivation according to the different development stages of the Company.

During the "Five-Five Strategy" period, the Company has undergone rapid development and proposed the "New blue plan" talent project, which recruited and cultivated a large number of excellent reserve forces. At the same time, in order to promote the internal management reform, the Company has provided opportunities for younger executives to get involved in senior management. In the company's main business segments, a number of outstanding young executives have been selected. The rapid and efficient talent management measures not only promote the sound internal talent development atmosphere, but also provide a guarantee for the development of the Company.

In order to standardize the Company's job and rank management system, expand the career development channels of employees in management, specialty and operation, fully explore the value of human resources and improve organizational effectiveness, the Company has developed the Job and Rank Management Policies. While establishing the three-channel career development, the Company adopts differentiated evaluation means according to the professions, so as to improve the scientific and rational evaluation, gradually expand the career development path, realize scientific appointment, and help employees realize their value and dreams.



#### Case

#### Opening up the Operator Development Channel, Comprehensively Implementing the Post Skill Identification

The vocational skill level recognition system is an important part of the national promotion by classification of the talent evaluation mechanism reform. It is an important guarantee for promoting skill improvement actions and smoothing the growth channel of skilled talents. It is also an important move to promote the spirit of model workers and craftsmanship and cultivate knowledge-based, skilled and innovative labor.

The Company became the first batch of vocational skill level recognition institutions in Xiaoshan District, Hangzhou in August 2020, and it can carry out independent assessment of skill levels and issue the Vocational Skill Level Certificate based on its own job characteristics and production needs and in accordance with national standards.

At the end of 2020, Hengyi's polyester sector enterprises actively promoted the vocational skill level recognition, which mainly involve three types of work including chemical fiber post-processing, chemical fiber polymerization, and spinning. The skill levels include technician (level 2), senior workers (level 3), intermediate workers (level 4) and junior workers (level 5). Up to now, the vocational level recognition for technicians and senior workers has been completed, and a total of 365 people have passed the recognition by Hengyi's polyester sector enterprises, with a pass rate of 81%. The staff of the Hangzhou Xiaoshan Human Resources Examination Training and Skill Appraisal Center supervise the quality of the recognition process.

The combination of rigorous and standardized vocational skill level evaluation process and the Company's internal skill level evaluation not only standardizes the evaluation standards for skilled talents, but also broadens the development channels for skilled talents, enabling Hengyi Petrochemical to move more firmly on the road of developing and training skilled talents in future.



## Employee Training

Hengyi Petrochemical attaches great importance to the cultivation of talents, continuously provides various training and learning resources for employees, continuously improves skills and social competitiveness of employees, and promotes the sustainable development of employees' careers.

The Company has established an corporate university -- Hengyi University, which makes full use of the abundant internal and external studying resources to promote the cultivation of talents and the growth of the business team, and pays attention to enhance reforming and leading capacity for strategy driving, playing a core role in the learning organization. Hengyi University has also carried out the Dandelion Plan, which lays a solid foundation for the accumulation and inheritance of knowledge and experience through the cultivation of internal lecturers and the construction of curriculum system.

### Corporate University to continuously support talent growth and knowledge accumulation

#### "Blue" Series Talent Training Program of Hengyi University

**Deep Blue Talent Training Program:** It promotes the management and leadership improvement of senior managers of the Company through continuous learning, benchmarking learning, and business management issue discussion.

**Light Blue Talent Training Program:** As a project for developing tiered talent, it trains outstanding managers from business talents to management talents for the Company in the next 1-2 years. In 2020, cadre training and backbone training were carried out continuously for all business units under Hengyi, involving production, sales, research, and vocation four systems, and covering classroom teaching, subject research, tutor instruction, team building, professional output, on-the-job practice, self-improvement and other fields.

**New Blue Talent Training Program:** As the core project of the Company's talent reserve and future talent training, it enables new college students to quickly become outstanding Hengyi people through systematic training. In 2020, the New Blue Program introduced and trained a total of 180 college students, and its training content covered the topics of induction training, internship in factory, tutor instruction, business adaptation and periodic retraining.

#### Leadership Institute to Further Improve Management and Leadership of Hengyi Management Staff

**Hengyi lectures:** Improve management and leadership of the Company's management staff by inviting external outstanding entrepreneurs, outstanding managers, domain experts and scholars, and company executives to give lectures. In 2020, Hengyi lectures covered the topics of legal risks, mergers and acquisitions, organizational management and listing operations, continuously expanding the horizons of management staff.

Carry out Happy Reading Programs among the management staff in Hengyi, to improve the leadership and learning ability and promote the construction of study-type organizations through management staff group reading and online sharing.

#### Industry College to Support the Industrial Development and Management Improvement

Industrial technology lectures carry out learning exchanges through the integration of industrial technology resources inside and outside the enterprise. In 2020, by cooperating with external R&D, procurement and integration experts, industrial lectures were continuously held, covering process technology, technology advances and industry trends to promote the industry.

#### Dandelion Program to Promote Knowledge Productivity

The Company is vigorously conducting training of internal trainers and the construction of a curriculum system. Through course development, knowledge accumulation, and skill competition, a series of projects including production process lectures, upstream and downstream course development, product customer complaint special seminars have been carried out, more than 20 certified lecturers have been trained, and more than 30 courses have been certified.

Hengyi University Network School has been in operation for 4 years. There are currently 4,000 online students and a cumulative online learning time of 35,000 hours. The Company has developed and designed 155 copyright courses, purchased 322 external excellent courses, and created 56 special learning projects for employees at all levels, covering technical lectures, production specialties, general capabilities, and professional knowledge. With professional standards for knowledge production, the Company greatly improves the knowledge productivity and the construction of study-type organizations.



#### Promoting Professional Talent Cultivation and Supporting Business Development

Through the development of product knowledge and sales case and the competitions of sales case, the Company has offered courses for selling products, typical sales cases and courses for typical sales cases, and cultivated sales experts into internal lecturers, to support the improvement of sales talent cultivation system and the improvement of business capability.

## Occupational Health

Hengyi Petrochemical always puts the health of employees first and regards it as an important responsibility and obligation. The Company advocates a healthy culture, establishes a safety and health management system by continuously carrying out occupational health and safety training and regularly organizing free occupational health examinations for employees every year, encourages employees to balance work and life to form a harmonious atmosphere where the company sincerely cares about employee development and improve the happiness sense of employees.

## Employee Caring

"Joint creation and sharing and joyful development", "Staying in Hengyi and building a harmonious home" and "Allow employees to grow with the enterprise", these concepts are the profound embodiment of Hengyi Petrochemical culture. Hengyi Petrochemical cares about its employees, having made plans based on its actual situation to show solicitude for all employee groups and meet their needs, ensure the healthy growth of employees and improve the satisfaction of employees with the Company.

## Caring for Female Employees

The Company strictly protects the rights and interests of female employees, realizes equal pay for equal work between men and women in terms of salary fixing, salary adjustment and benefits, and gives full play to the positive role of female employees in the Company's operation.

## Caring for Disabled Employees

As one of the largest welfare enterprises in Zhejiang Province, Hengyi Polymers has employed 531 disabled workers, accounting for 33% of the total number of employees. Since the establishment of the welfare enterprise in 2001, the Company has recruited more than 1,000 disabled employees, making great contributions to the social employment of the disabled.

In addition to Hengyi Polymers, each subsidiary company of Hengyi Petrochemical actively responded to the call of Disabled Persons' Federation and employed more than 200 disabled workers in 2020, making a positive contribution to the society. As an obligation of the enterprise, Hengyi Petrochemical pays employment security funds for disabled persons on time.



### Case

#### Helping the Disabled Find Jobs

As a company of social responsibility sense and undertaking, Hengyi Petrochemical tried our best to assist people during the epidemic by helping the disabled realize their dream of employment. In early March 2020, during the recruitment process with the Jiaxing Xiuzhou recruitment team in Yongshan County, Zhaotong City, Yunnan Province, Jiaxing Yipeng immediately offered employment opportunities for 20 disabled after learning that some disabled persons with certain working capability in the local area had no work, and finally recruited 13 of them after video interview.

Humanistic care	Cultural life	Medical security	Training and education
Hengyi Petrochemical is very concerned about the physical and mental health of disabled workers, regularly organizes various kinds of care and relief activities and gives a certain amount of subsidies to workers with family difficulties at the same time.	Hengyi Petrochemical creates a safe, convenient and comfortable living environment for disabled workers and regularly organizes various kinds of recreational and sports activities, to meet the living needs of disabled workers and enrich the leisure life of disabled workers at the same time.	Hengyi Petrochemical pays social insurance for all disabled workers and staff, participates in Hangzhou in-service staff medical mutual assistance project for the disabled workers of the Company, and organizes regular physical examinations, providing effective protection for the disabled workers' health and medical care.	In order to strengthen the education and training of disabled workers, improve their overall qualification and ensure that disabled workers can better adapt to their jobs, Hengyi Petrochemical has carried out various kinds of safety knowledge lectures and job skills training for the disabled workers. In addition, the Company has offered educational promotion courses, and many disabled workers have obtained various operational qualification certificates and college and undergraduate degrees through this training.

## Working Happily

In order to listen to the employees and understand their needs and demands, and ensure practical and effective corporate governance, Hengyi Petrochemical has developed several communication channels such as Rational Proposals, General Manager's Mail Box, and an official WeChat account. Besides, the Company motivates employees through cultural and honor motivation, development and bonus incentives to fully tap their potential, and encourage them to innovate.



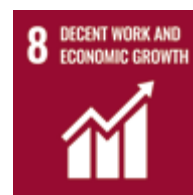
### Case

#### Knowing Employees' Opinions and Conducting an Engagement Survey

As an important measure for enterprise sustainability, employee engagement is closely related to the organization's business performance. The employee's continuous and stable engagement is beneficial to long-term development of an enterprise. In order to continuously and efficiently hear the opinions of the grass-root employees, Hengyi Petrochemical organizes the engagement survey on a regular basis, covering all levels of employees. And the employees actively participate in and provide feedback in the survey. In 2020, survey proposals were collected from employees in terms of compensation and benefits, canteen, primary level management, holiday, dormitory and cultural development. After the survey, all units take concrete actions to show care for their employees.

Regular recreational and sports activities are arranged for enriching the spiritual life and building the character of the employees. Affected by the epidemic, cultural activities were suspended in the first half of 2020. In the second half of the year, under the premise of adequate protective measures, the classic brand culture was restarted. The Company held the First "Caprolactam Cup" Three-man Basketball Game, the Eighth "Top Ten Singers" Contest, the Fifteenth "Hengyi Cup" Men's Basketball League, and the Seventh "Love Each Other" Youth Queuing-Up Event. The Company enhanced the vitality and cohesion of employees by enriching the activities.









# Poverty Alleviation and Contribution to Society



## Targeted Poverty Alleviation

Hengyi Petrochemical resolutely serves the overall situation of the Party and the State, implements the decisions and deployments of the Party Central Committee and the State Council, adheres to the new development concept, and fights "three tough battles" against risk, poverty and pollution, to vigorously protect and improve people's livelihood. It responds to the call for targeted poverty alleviation actions of the State and governments at all levels while helping fight against extreme poverty and revitalize the countryside. The Company conducts targeted poverty alleviation by industrial poverty alleviation, charitable donations, and talent poverty alleviation, which has achieved certain results.

During the reporting period, according to the arrangement of the Ningbo Municipal Party Committee and Municipal Government to carry out poverty alleviation cooperation between the east and the west, the Company was identified as the targeted poverty alleviation partner of Jilin Wangqing Beier Technology Co., Ltd., and signed the "Yanbian Prefecture Agricultural Specialty Deep Processing Project" with the Wangqing County People's Government. The Company's main task is to build a constant temperature warehouse of 2,500 square meters and purchase refrigeration and product testing equipment and other supporting facilities, with an annual fine packaging capacity of 2,500 tons of edible fungi. The construction period is from July 2019 to July 2020.

In November 2020, after deliberated and approved by the 4th meeting of the 11th session of the Board of Directors of Hengyi Petrochemical, the Company donated RMB 10 million to Hongde Hope School in Hongsibao District, Wuzhong City, Ningxia through the Wuzhong Red Cross for education-related matters.

## Education Support

The study path of young people has always been the focus of Hengyi Petrochemical's public welfare. Over the years, Hengyi Petrochemical has remained true to our original aspiration, fully supported the development of education, tried our best in terms of education and poverty alleviation, increased support for talent training, and makes contributions to the development of education in China. In 2018, the Hengyi Group, the majority shareholder of Hengyi Petrochemical, donated RMB 140 million to Zhejiang University Education Foundation, supporting the "Double First Class" construction of Zhejiang University. It also donated RMB 100 million to the Hangzhou Normal University Education Foundation, to set up the Hangzhou Normal University Hengyi Qiu Jianlin Foundation, contributing to cultivating and rewarding talents and scientific research projects.

## Public Welfare Donation and Poverty Alleviation

"Make money at society and donate some of it for society." Over the years, as a leading enterprise in the industry, Hengyi has given back to society and assumed social responsibility while developing. Since the establishment of the first RMB 2 million "Love Project" fund in Xiaoshan in 2002, Hengyi has donated more than RMB 600 million. It has set up the RMB 100 million Hengyi Charity Fund in Zhejiang Provincial Charity Federation and Xiaoshan Charity Federation respectively. It has donated RMB 20.83 million to Xiaoshan Charity Federation for 10 consecutive years, supporting social charities such as "Spring Breeze Action" and targeted poverty alleviation projects.



# Hengyi Petrochemical

## Meets the UN Sustainable Development Goals (SDGs)

Chapter	Secondary Titles	Corresponding SDGs
Topic 1 Our Response to the Pandemic: Fight the Pandemic and Seek Development in Solidarity	Making Orderly Arrangements to Ensure the Resumption of Work and Production Securing Production Capacity to Reach Target Output Safeguarding the Health of Our Overseas Partners	  
Topic 2 Building a Dream on an Isolated Island and Drawing a Great Chapter of the Belt and Road Initiative for China and Brunei		  
About Hengyi Petrochemical	Digital Chemical Fiber Group CSR Vision Key Products Organizational Structure Key Performance	  
Deepening Governance to Protect the Century-Old Business	Corporate Governance Compliance Operation	
Scientific and Technological Innovation to Enhance the Ecological Value of the Industry Chain	Focusing on Quality: Innovation-Driven and High-Quality Development Product Research and Development: Strengthening Differentiated Competitive Advantages Digital Transformation: Improving Productivity Supply Chain Integration: Creating a C2M Closed Loop	  
Building a Green, Ecological and Harmonious Home with Safe and Eco-Friendly Products	HSE Management: Establishing a Complete System Safe Production: Ensuring Workplace Safety Green Development: Adhering to the Environmental Protection Concept	       
Empowering Employees and Creating a Sustainable Workplace	Protecting Employees' Rights and Interests Supporting Employee Growth Employee Caring	  
Poverty Alleviation and Contribution to Society	Targeted Poverty Alleviation Education Support Public Welfare Donation and Poverty Alleviation	     

