



2025

Hengyi Petrochemical Co., Ltd

2025 Environmental, Social, and Governance Report

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About this Report

This is the seventh independent report released by Hengyi Petrochemical Co., Ltd. It comprehensively and thoroughly discloses the Company's environmental, social, and governance (ESG) information for the year 2025, responding to the concerns and expectations of stakeholders.

Organizational Scope

This report takes "Hengyi Petrochemical Co., Ltd." as the main entity, including its subsidiaries, branches, affiliated institutions, and related organizations.

Reporting Period

This report covers the period from January 1, 2025 to December 31, 2025. Some content may be appropriately extended beyond the stated period according to disclosure needs.

Reporting Standards

This report is prepared in accordance with the requirements of the Shenzhen Stock Exchange's *Self Regulatory Guideline for Listed Companies No. 17 – Sustainability Report (Trial)* and *Self Regulatory Guideline for Listed Companies No. 3 – Preparation of Sustainability Report*, and with reference to the Global Reporting Initiative's *GRI Sustainability Reporting Standards (GRI Standards) 2021*, the International Organization for Standardization's *ISO 26000: Guidance on Social Responsibility (2010)*, and the Ministry of Finance's *Application Guide to the Enterprise Sustainability Disclosure Standard – Basic Standard (Trial)*.

Explanation of Names

For ease of expression and reading, "Hengyi Petrochemical Co., Ltd." is referred to as "Hengyi" "the Company" or "we" in this report.

Data Description

All information and data cited in this report come from the Company's official documents, statistical reports, and financial reports. The material used in this report is provided by Hengyi employees and partners, for the sole purpose of disclosing Hengyi's sustainability management progress and not for commercial use. Any financial data disclosed in this report that differs from the annual report shall be subject to the annual report. Other data are from the Company's internal statistics. Unless otherwise noted, the currency used in this report is "RMB".

Report Access

The Company's Board of Directors approved this report on April 14, 2026. This report is available in both Simplified Chinese and English versions. In case of any inconsistency in content understanding, the Simplified Chinese version shall prevail. You can download this report from Hengyi Petrochemical Co., Ltd.'s website.

Hengyi Official Website: www.hengyishihua.com / CNINFO: www.cninfo.com.cn

Chairman's Statement

The year 2025 marks the conclusion of Hengyi's sixth Five-Year Plan, the planning year for the seventh Five-Year Plan, and the starting point for advancing toward the Company's second half-century goals. Amid evolving global industrial dynamics and energy transition, Hengyi upholds the corporate spirit of "Relentless Pursuit of Excellence" and, together with employees and partners, embarks on a new journey. ESG principles remain at the core of our approach to high-quality development. We are strengthening our foundation through strategic upgrading, driving breakthroughs through technological empowerment, demonstrating responsibility through green practices, and staying true to our original aspiration through shared development. With these efforts, we move steadily forward toward our vision of becoming "one of the world's top-tier petrochemical industry groups."



Over the past year, we have sharpened our focus on core businesses, creating new advantages across the industry chain. As a global leader in the integrated "refining-chemicals-fiber" value chain, we deepen the coordinated strategy of marine and inland development alongside oil-coal integration. Existing capacity has been operated safely, stably, and efficiently, while major projects drive structural optimization and industrial upgrading, enhancing our balanced, pillar-based integrated industrial structure. During the reporting period, Phase I of our Qinzhou Project in Guangxi successfully entered trial production, while the Hengyi PMB refinery and petrochemical Phase II project in Brunei progressed steadily. All ongoing projects advanced in line with their targets, laying a solid foundation for the Company's long-term development.

Over the past year, we have placed technological innovation at the forefront to unlock new drivers of industrial upgrading. The "Technology-Driven Hengyi" strategy has been advanced with firm momentum, as R&D intensity continued to rise and efforts focused on frontier fields such as green chemicals and the circular economy. We have brought together global innovation resources, strengthened the introduction of high-caliber talent, and steadily enhanced our capabilities in tackling critical core technologies. Sustained efforts in core fields—including chemical recycling of waste textiles and the production of high-quality polyester feedstocks—have accelerated the industrialization of research outcomes. Through these initiatives, technological innovation is powering our shift toward high-end, intelligent, and green development, injecting strong momentum into high-quality growth.

Over the past year, we have remained committed to green development, opening up new pathways in the circular economy. Guided by national strategies on green production, we embed green manufacturing and circular economy principles across our operations. A range of green initiatives—including photovoltaic power generation, esterification-based power generation, and resource recycling—have been advanced to support the development of a low-carbon and efficient production system. We have also established a comprehensive waste textile recycling network to enable resource reuse and environmentally responsible development. Meanwhile, we continue to promote green processes, new energy applications, and waste heat recovery technologies, fostering a resource-efficient and eco-friendly enterprise and accelerating the green and low-carbon transformation of the industrial chain.

Over the past year, we have put our people-first principle into practice, marking a new chapter in building a community with a shared future. With a focus on safeguarding employee health and rights, we continuously improve working conditions and refine our incentive mechanisms. Through the continued rollout of share repurchase programs and employee stock ownership plans, we have broadened access to the Company's development achievements. Meanwhile, we expand our charitable and educational funds to give back to society, supporting local development and improving livelihoods. By advancing coordinated growth among the Company, employees, investors, and communities, we demonstrate our unwavering commitment to social responsibility.

2026 is the first year of Hengyi's Seventh Five-Year Plan and a pivotal year for deepening our "One Drop of Oil, One piece of coal, and One garment" to "Two Strands of Fiber" development pathway while accelerating the cultivation of new quality productive forces. We will continue to uphold ESG principles, striving for stronger performance, a greener foundation, and a deeper sense of responsibility. Through dedicated effort, we will open a next chapter in Hengyi's high-quality development and deliver an even more outstanding ESG performance.

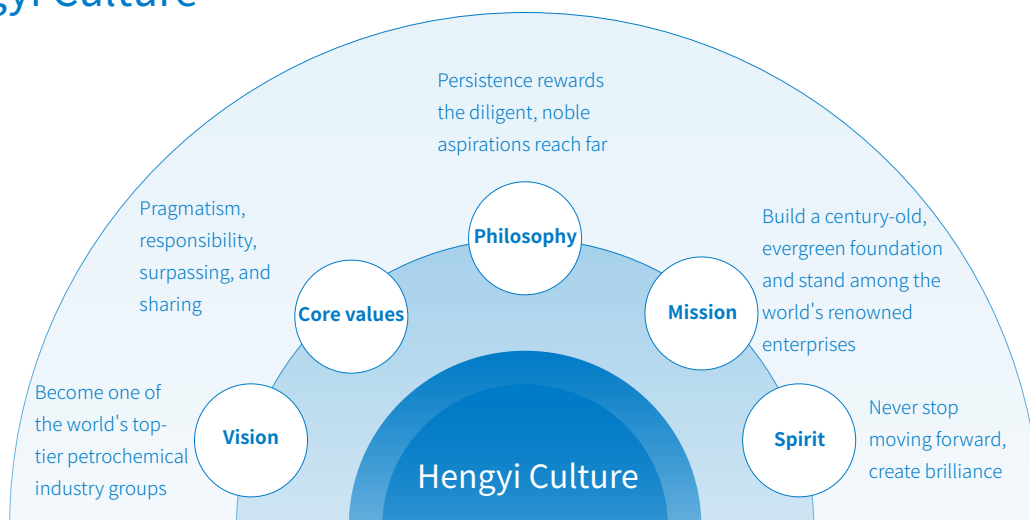
About Hengyi

Business Layout

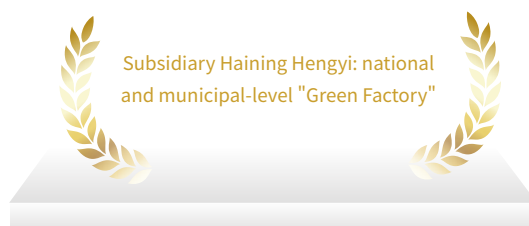
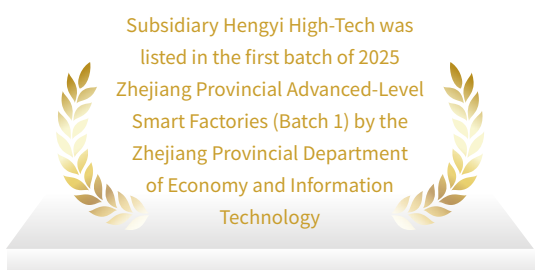
Hengyi Petrochemical (000703.SZ) is a global leader in the integrated "refining-chemicals-fiber" value chain. Anchored by its PMB refinery and petrochemical project in Brunei and fortified by domestic PTA-PET and CPL-PA6 facilities, the Company has built a closed-loop industrial chain from crude oil processing to chemical fiber products through cross-border coordination and vertical integration across the upper, middle and lower reaches. This has created a distinctive "polyester + nylon" dual-engine model with balanced growth across all business segments. We have now fully commenced the Brunei PMB refinery and petrochemical Phase II project to expand our global footprint and enhance our integrated chain competitiveness worldwide.

While maintaining industry leadership, the Company is accelerating the "Technology Hengyi" strategic advancement. Guided by the principles of "green manufacturing" and "circular economy", and focusing on its core business areas, Hengyi steadily promotes technological R&D, product commercialization, and process innovation for high-value-added products. At the same time, it actively drives the R&D and industrial application of supporting products such as catalysts, spin finishes, and additives, thereby solidifying the foundation for sustainable development. Driven by digital and intelligent construction, the Company strives toward the ambitious goal of becoming a leading domestic and world-class private multinational group in the "refining-chemicals-fiber" sector.

Hengyi Culture



Honors



ESG Highlights in 2025

Governance Performance

- Shareholders meetings held **4** times, meetings of the Board of Directors held **8** times
- Covering more than **100** investment institutions on both the sell-side and buy-side, reaching nearly **1,000** investor participations
- Disclosed on the official websites of Hengyi and SZSE **203** announcements
- Since its listing, the company's cumulative cash dividends exceeded RMB **5.6** billion
- The company implemented the **6** phases of the share repurchase program and has repurchased shares worth RMB **4.2** billion
- Anti-corruption & integrity training sessions held **6** times, **1,523** Participants, training **2,285** hours

Environmental Performance

- Invested in environmental protection RMB **850** million
- Total CO₂ emissions **7.99** million tons
- The emission intensity of VOCs decreased by **5**%, the emission intensity of particulate matter (PM), sulfur dioxide (SO₂), and nitrogen oxides (NOx) each declined by **10** %
- The company's PV installed capacity has reached **258,836** kW
- With annual green power generation-including solar PV, waste heat recovery, and esterification-based power exceeding **360** million kWh

Social Performance

- Invested in safety RMB **142.83** million
- Accumulated purchase under the ESOP **480.93** million, amounting to RMB **5.2** billion, benefited **14,580** employee person-times
- Valid granted patents **617** granted in total, national and provincial-level research **11** projects undertaken (as for 2025), **20** national and industry standards formulated or revised by the company
- Total donations RMB **25.07** million by Hengyi and its controlling shareholder Hengyi Group
- The company has organized employees participants in voluntary blood drives without compensation **26** times, Mobilizing **6,059** donors
- The company has provided local jobs in Brunei for **922** persons

Sustainability Management

The Company deeply integrates core ESG concepts and evaluation criteria into its entire management process. Based on its business characteristics and development realities, it has built a systematic and professional ESG management system. By systematically identifying key risks and opportunities in environmental, social, and governance areas, the Company establishes goal-oriented management and improvement mechanisms, coordinates the implementation of sustainability practices, and achieves an organic unity and virtuous cycle between corporate value enhancement and social responsibility fulfillment.

ESG Development Management

The Company has set up a top-down, multi-party collaborative ESG structure. The Board of Directors is the highest decision-making body for ESG governance, guiding the execution and implementation of the Company's sustainability work, providing important support for ESG development, and promoting the Company's ESG performance.



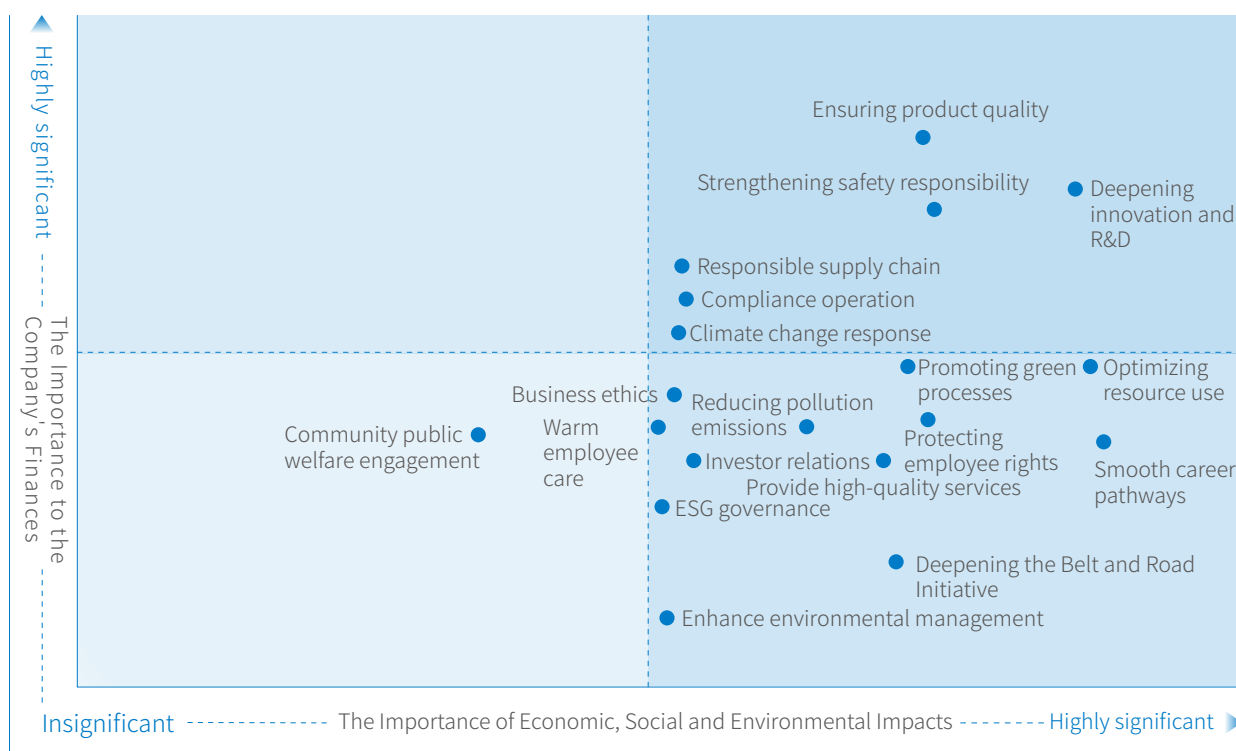
Stakeholder Communication

The Company attaches great importance to communication and exchanges with stakeholders. Through diversified channels, it understands stakeholder concerns, actively takes measures to respond appropriately, seeks stakeholder support and trust, and continuously improves social responsibility management.

Stakeholder identification	Demands and expectations	Communication methods
 <p>Government and regulators</p>	<ul style="list-style-type: none"> • Compliance operation • tax payment • Waste emissions • Local employment promotion • Local economic development • Climate change and carbon emissions 	<ul style="list-style-type: none"> • Government supervision • Seminars, major events • Press releases/information announcements • Company website • Information disclosure
 <p>Shareholders and investors</p>	<ul style="list-style-type: none"> • Strengthened corporate governance • Performance growth and returns • Business ethics • Truthful, accurate, timely and complete information disclosure 	<ul style="list-style-type: none"> • Information disclosure • Results announcement meetings • Shareholders' meetings • Company website • Daily reporting and communication • Investor site visits • Hotline/email/WeChat official account
 <p>Employees</p>	<ul style="list-style-type: none"> • Equal employment, compensation and benefits • Employee care • Occupational health and safety • Smooth career development 	<ul style="list-style-type: none"> • Employee representative congress • Suggestion boxes/email • Employee activities • Website, WeChat official account
 <p>Customers</p>	<ul style="list-style-type: none"> • Integrity management • Good customer relationships • High-quality products and services • Product innovation • Protection of customer rights 	<ul style="list-style-type: none"> • Satisfaction surveys • Hotline/email • Customer feedback mechanism • Customer visits • Company website
 <p>Partners</p>	<ul style="list-style-type: none"> • Fairness and transparency • Responsible procurement • Intellectual property protection • Information and resource sharing 	<ul style="list-style-type: none"> • Regular visits • Supplier conferences • Hotline/email • Bidding meetings
 <p>Communities</p>	<ul style="list-style-type: none"> • Harmonious community development • Low-carbon and environmental protection • Public welfare and charity support • Job opportunities 	<ul style="list-style-type: none"> • Charity activities • Field research • Hotline • Media coverage

Materiality Assessment

To address the core concerns of our stakeholders, we conduct systematic ESG materiality assessments aligned with global standards, macro policies, and industry trends to scientifically identify key sustainability topics. We evaluate and prioritize these topics through a double-materiality framework, assessing their impact materiality and their financial materiality to the Company. These results directly inform and optimize our ESG strategy and execution. By standardizing the rigorous identification, and prioritization, we enhance resource allocation and management efficiency, providing solid decision-making support for the scientific formulation of ESG work plans.



- ### Double materiality topics
- Ensuring product quality
 - Strengthening safety responsibility
 - Compliance operation
 - Deepening innovation and R&D
 - Responsible supply chain
 - Climate change response

- ### Impact materiality topics only
- Optimizing resource use
 - Protecting employee rights
 - Smooth career pathways
 - Promoting green processes
 - Reducing pollution emissions
 - Provide high-quality services
 - Investor relations
 - Business ethics
 - Warm employee care
 - ESG governance
 - Deepening the Belt and Road Initiative
 - Enhance environmental management

▲ ESG Double Materiality Matrix in 2025

Enduring Commitment

Building a Sustainable and Thriving Industry



Part One



Contributions to UN SDGs



Guided by the spirit of "Relentless Pursuit of Excellence," Hengyi anchors its long-term growth on robust governance, fortifying its foundation for sustainability through rigorous internal controls and compliance. We differentiate ourselves through superior product quality and service, where a dedication to craftsmanship in every detail builds long-term customer trust. We harness technological innovation as a key driver of industrial upgrading, leveraging breakthroughs to boost energy efficiency and accelerate product evolution. Aligned with our vision to "build a century-old enterprise and join the ranks of world-renowned companies," we are dedicated to enhancing industrial resilience and driving higher quality and more sustainable growth.



Sound Governance: Laying the Foundation for Sustainable Growth 12

Quality First Constantly Crafting Excellence 20

Tech-Driven Leadership Charting a New Course in Smart Manufacturing 32

Sound Governance

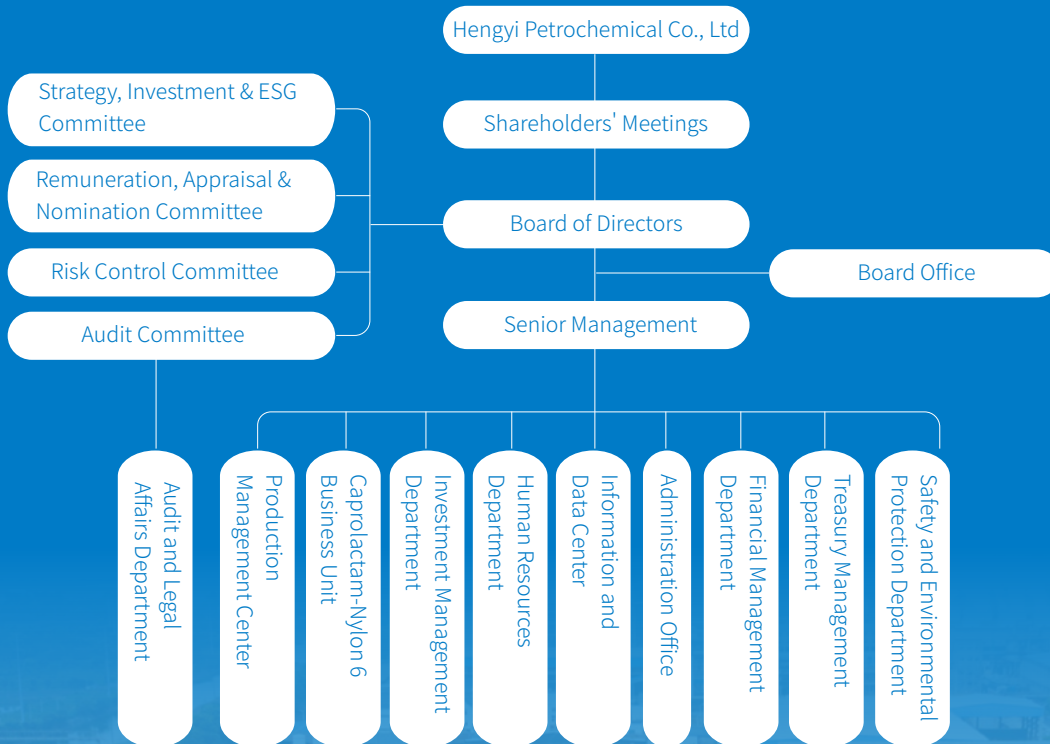
Laying the Foundation for Sustainable Growth

Hengyi continues to enhance corporate governance through a modern governance mechanism with clear responsibilities and effective oversight. The Company strengthens risk control and internal control systems, enhances investor relations management, upholds integrity and compliant operations, and adheres to Party leadership, through effective governance, we enable high-quality and sustainable development.

Corporate Governance

Governance structure enhancement

The Company strictly complies with laws and regulations, including *China's Company Law*, *Securities Law*, *Code of Corporate Governance for Listed Companies*, and *Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange(SZSE)*. We have established a governance structure with clear responsibilities and effective oversight, further improving the modern corporate governance system.



Contributions to UN SDGs



Shareholders and Shareholders' Meetings

The procedures for convening, holding, and voting at Shareholders' Meetings, as well as attendee qualifications, comply with applicable laws and regulations, including *China's Company Law, the Rules for Shareholders' Meeting of Listed Companies, and the Articles of Association*. The Company adopts a hybrid online and on-site voting system to fully disclose minority shareholders' voting results, safeguarding all shareholders' rights to information, participation in decision-making, and oversight of major resolutions.

2025 KPIs

4

Shareholders' meetings held

Directors and the Board of Directors

As the highest decision-making body, the Board of Directors is accountable to the Shareholders' Meeting and makes decisions on overall governance strategy, major operational matters, and ESG strategy. Board members perform their duties with a strong sense of responsibility, and regular training on laws, regulations, industry policies, and governance capabilities is organized to ensure scientific and standardized decision-making.

Board diversity

The Company places emphasis on board diversity in age, gender, professional background and professional competence. Directors possess extensive experience in industry and risk management across multiple fields, including finance, law, and economics.

The average age of directors and senior management is 48, with over half of the directors under 45, demonstrating the Company's modern, innovative and dynamic management.

Board independence

The Company has appointed 3 independent directors, including 1 with an accounting background.

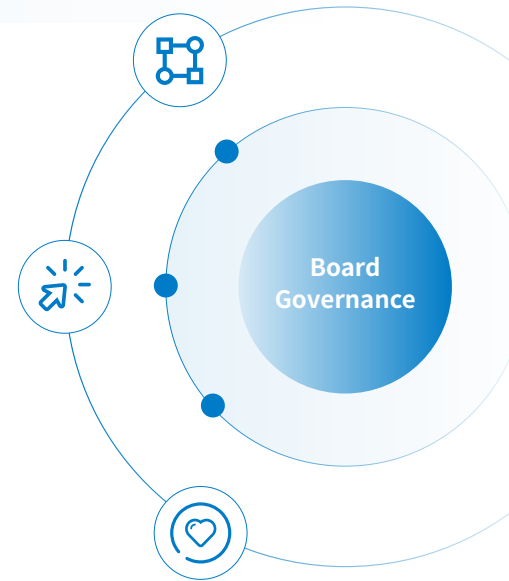
Independent directors owe duties of loyalty and diligence to the listed company and all shareholders, and comply with laws, administrative regulations, provisions of the China Securities Regulatory Commission, stock exchange rules, and the Articles of Association.

Independent directors play roles in checks and balances, supervision and oversight and professional advisory within the Board, safeguarding the overall interests of the listed company and the legitimate rights of minority shareholders.

Board professionalism

Board members possess relevant industry experience and expertise, combining strong leadership, innovation drive and risk management capability, thereby enhancing the quality and effectiveness of corporate governance.

The Company organizes directors and senior management to actively participate in professional training, continuously improving their theoretical knowledge and performance capabilities.



2025 KPIs

8

Board meetings held

9

Directors

3

Including independent directors

33.33

Share of independent directors

1

Female director

11.11%

Share of female directors



Honors

- Hengyi won the **2025 Best Practice Case of Listed Companies' Board Offices from the China Association for Public Companies**



- Mr. Zheng Xingang, Vice President, Board Secretary, and Chief Financial Officer of the Company, was awarded the **21st New Fortune Board Secretary Award and received the "2025 5A Evaluation for Board Secretaries of Listed Companies" from the China Association for Public Companies**



Senior management

The senior management serves as the Company's executive body and is appointed by and accountable to the Board of Directors. The General Manager, Deputy General Managers, Chief Financial Officer, and Board Secretary constitute the senior management and act as the core execution team for daily operations, reporting directly to the Board. The senior management translates strategies formulated by the Board into concrete actions. This includes strategic target decomposition and implementation, overall coordination of daily operations, financial management and risk control, and compliance execution. Through regular reporting to the Board, it ensures efficient, compliant and sustainable operations.

The senior management team consists of 7 experts in research and innovation, petrochemicals, engineering, procurement, sales, finance, and capital operations, with professional judgment capabilities and extensive management experience.

Key practices in strengthening corporate governance in 2025

- The Board has newly established a specialized governance structure centered on the Strategy, Investment, and ESG Committee, embedding ESG requirements into decision-making, operations, and risk management processes
- In accordance with the revised *Company Law*, the Board of Supervisors was abolished, and its functions are exercised by the Audit Committee of the Board
- A total of 35 regulations, including the *Articles of Association*, *Rules of Procedure for Shareholders' Meeting*, and *Rules of Procedure for the Board Meeting*, were revised to steadily enhance the standardization of corporate governance
- One female executive was newly appointed, continuously advancing management diversity and bringing broader perspectives and vitality into decision-making

Information disclosure and investor relations

The Company strictly complies with *the Administrative Measures for Information Disclosure of Listed Companies*, *the Guidelines for Investor Relations Management of Listed Companies*, and other relevant regulatory requirements. We have established a rigorous and clearly defined disclosure process and accountability system to ensure the authenticity, accuracy, and completeness of disclosed information. This enables shareholders to fully understand the Company's operational performance, financial position, and future development strategy.

2025 KPIs

203

Announcements disclosed on the official websites of Hengyi and SZSE

4

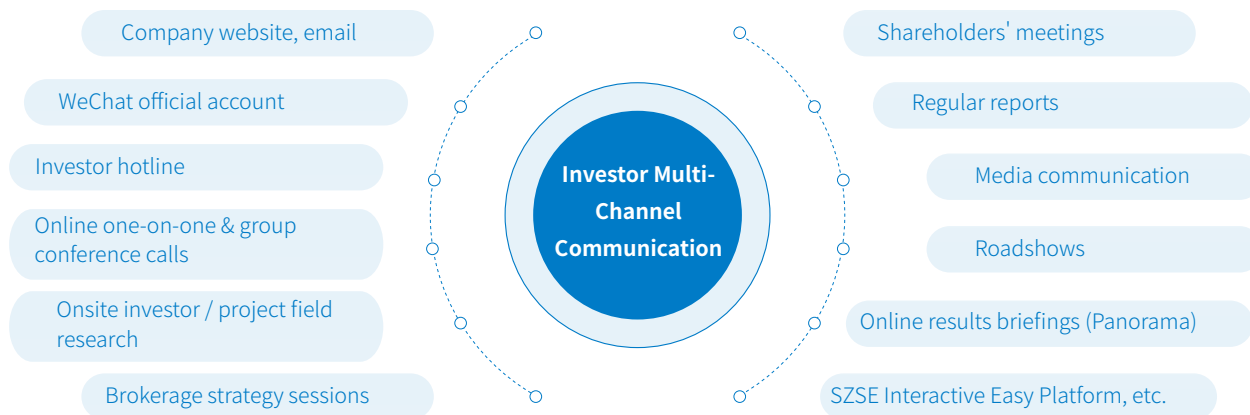
Regular reports issued

8

Investor exchange activities held

The Company actively promotes a multi-tier investor relations management system and maintains diversified communication channels to ensure shareholder supervision and feedback. Through performance briefings, brokerage strategy sessions, investor hotlines, and SZSE Easy IR platform, we engage with investors on business performance and development, sustainability and strategic planning. By establishing an efficient feedback mechanism to address investor concerns in a timely and professional manner, we actively convey corporate value and foster a transparent, efficient bridge for investor communication.

In 2025, the Board Office actively organized investor engagement activities, covering more than 100 investment institutions on both the sell-side and buy-side, reaching nearly 1,000 investor participations. We held two performance briefings to address around 100 investor questions, and provided timely and effective responses to 73 inquiries on the SZSE Easy IR platform.



Protecting shareholders' rights is a key focus of corporate governance. While striving to enhance operational performance and profitability, the Company strictly complies with *the Articles of Association* and relevant regulations and consistently prioritizes shareholder returns. Taking into account the Company's stage of development, profitability, and cash flow, we formulate and implement a stable, consistent and sound dividend distribution policy. This aims to deliver long-term and stable returns to shareholders.

2025 KPIs

RMB **5.6** billion+

Cumulative cash dividends since listing

RMB **200** million

Cash dividends in 2025

63.7 million

Shares repurchased and canceled

RMB **600** million

Transaction value of canceled shares

RMB **4.2** billion

Share 6 repurchase programs implemented, cumulative repurchase value

Compliance and Risk Management

The Company upholds the core governance philosophy of "compliance as the cornerstone, governance as the enabler, and ESG as the driver". We have established a governance framework led by the Board of Directors, supported by specialized committees, and coordinated across all departments. We also integrate compliance requirements, ESG strategy and business development, continuously improve compliance and risk management systems, and strengthen internal control and audit oversight. These efforts help maintain a strong compliance baseline and provide a solid foundation for stable and sustainable development.

Operational compliance

Guided by integration, prevention, and full-process control, the Company builds a compliance management system deeply embedded in business operations, guided by integration, prevention, and full-process control. We promote compliance from passive response to proactive, value-based management. In 2025, the Company reported no incidents of non-compliance.



Internal control management

The Company strictly complies with *the Basic Standards for Enterprise Internal Control* and supporting guidelines. We update and improve our internal control system, forming a framework that is scientifically designed, practical, and effective in operation. Annual internal control assessments and systematic policy reviews are regularly conducted to ensure the effectiveness of internal control design and implementation. This approach enhances system completeness, standardization and process optimization, and further strengthens effective implementation.

The Company strengthens its foundational safeguards through operational audits, identifies and addresses risks through targeted special audits, and ensures closed-loop rectification through continuous follow-up. As a result, leveraging insights from a single audit, we drive compliance across the board and achieve organization-wide improvement, providing strong support for high-quality development and risk prevention.

2025 KPIs

12

Operational management and special audits

0

Major fraud incidents

Risk management

Hengyi continuously establishes a full-process, multi-level risk management system to strengthen overall operational stability. We strictly manage key financial matters such as investment, financing, and guarantees, and standardize approval procedures to mitigate financial risks. To address commodity price volatility, we apply futures hedging to mitigate market risk. For new projects, we implement tripartite supervision and conduct real-time monitoring of environmental and safety indicators to ensure compliant operations.

The Company continues to strengthen a company-wide risk culture through targeted training and emergency drills covering management, business units, and frontline operations. Overall risk awareness and capability are further enhanced. We continuously improve institutional frameworks, strengthen audit supervision, and precisely manage key risks to reinforce risk defenses. As a result, operational risks remain well controlled, providing solid support for sustainable development.

Business Ethics

Anti-unfair competition

The Company adheres to the principles of fairness and integrity, and strictly complies with China's Anti-Unfair Competition Law and other relevant laws and regulations. We continuously implement internal systems such as *Anti-Money Laundering Regulations*, *the Code of Business Conduct*, *Commercial Secret Management Measures*, and *Anti-fraud Guidelines*. In all market activities, we maintain a healthy and orderly competitive environment and firmly prohibit any unfair competition practices that disrupt market order, safeguarding our reputation and long-term development interests.

Anti-corruption and integrity

Hengyi has established an integrity culture guided by "honesty, transparency, and compliance," maintaining a zero-tolerance stance toward corruption. We regulate the exercise of power through a sound internal control and supervision mechanism, combined with continuous integrity education. In particular, for employees in key positions, we address both ideological foundations and institutional processes to foster a clean and upright business environment.

The Company has formulated the *Employee Integrity and Ethical Conduct Regulations* and continuously strengthens the integrity risk prevention system. Through process review and full-process control, we strictly manage key procurement processes and enhance supervision. We also improve the anti-fraud system and implement job rotation mechanisms to prevent organizational stagnation, ensuring transparent, compliant, and efficient operations.

The Company actively conducts integrity activities and daily promotion. Through case sharing, integrity culture building, and internal and external communication, we enhance employees' awareness of integrity and promote a culture rooted in minds and actions. We are dedicated to fostering a clean and upright working atmosphere to foster the defense line that employees dare not, cannot, and do not want to be corrupt.

Sharing integrity case studies

Integrity cases are posted monthly in elevator lobbies to educate and warn employees and suppliers through real-life examples. During holidays, integrity notices are also issued on the procurement system homepage and internal OA platform to strengthen employees' awareness of integrity red lines.

Strengthening integrity communication



In June, the Hangzhou Public Security Bureau was invited to deliver a special lecture business integrity and compliance awareness for employees and suppliers



In August, a visit was organized to the Zhejiang Provincial Legal and Disciplinary Education The session featured firsthand accounts from officials who had committed disciplinary or legal violations, including both a "first-in-command" and a young official.



In September, the Xiaoshan district procuratorate was invited to conduct a special training on integrity and compliance



In October, an integrity-themed tea culture hiking and tea museum visit were organized

2025 KPIs

6

Anti-corruption & integrity training sessions held

1,523

Participants

2,285

Training hours

Whistleblowing mechanism

Hengyi attaches great importance to complaint and whistleblowing management, and has established a comprehensive, multi-tiered mechanism. We provide multiple public channels, including email, telephone, and mailboxes, encouraging reporting of any solicitation or acceptance of improper benefits. We strictly safeguard whistleblowers' privacy and safety, establish a protection mechanism for whistleblowers, and treat all reporting materials as confidential. Retaliation is strictly prohibited, and any violations will be subject to accountability. Cases involving suspected illegal activities are referred to judicial authorities. Through these efforts, we effectively protect whistleblower rights and enhance the credibility of the reporting mechanism.

Public reporting channels:

Tel: 0571-83581890 (ext. 1890)
 Email: fwb@hengyi.com
 Fax: 0571-8279 7666



Party Leadership

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Hengyi thoroughly implements the overall requirements for Party building and the organizational line of the Party in the New Era. We continuously optimize the "13446" Party-building mechanism and promote an integrated model. Focusing on five dimensions—connection, linkage, collaboration, refinement, and integrity—we explore new pathways for the "Lian" framework. By enriching the "Upholding Original Aspiration, Advancing Hengyi Worldwide" Party building brand, we empower high-quality business development through high-quality Party building.



▲ Zhejiang University Party organization visits Hengyi Research Institute for theme Party Day activity

Party integration

We enhance Party leadership through the "Five Integrations" approach by embedding Party building into development planning and extending organizational coverage across the entire industrial chain.



Organizational development

We continuously optimize organizational structures and strengthen the "three teams" of Party secretaries, workers on Party affairs, and Party members. We also enhance the management of floating Party members, while standardizing the recruitment of Party members.

Party education

We conduct in-depth thematic Party education centered on "strengthening confidence, boosting morale, enhancing momentum, and promoting development." Leveraging platforms such as the "three meetings and one lecture" and theme Party Day activities, we carry out regular theoretical learning, policy communication, and ideological guidance. Furthermore, we focus on improving the relevance and effectiveness of this education, ensuring that responsibilities and pressure are effectively cascaded across all levels.

Quality First Constantly Crafting Excellence

Hengyi upholds a "quality first" philosophy and fulfills its quality commitments through rigorous full-process control. The Company implements responsible procurement by selecting compliant and high-quality suppliers, thereby ensuring product quality at the source. We focus on high-performance and differentiated development, expanding a diversified portfolio of advanced materials to meet evolving market demands. Guided by a customer-centered approach, we embed quality management across production and operations and uphold standards rigorously in all details, earning customer trust and market recognition through superior products and professional services.

Work safety Work safety management

The Company strictly complies with national laws and local regulations, including China's *Work Safety Law*, and follows the principle of "safety first, prevention foremost, and comprehensive management." We have established an HSE Management Committee, chaired by the Chairman of the Board, and strengthened the implementation of the work safety responsibility system at all levels. Each year, we convene HSE meetings and sign safety and environmental protection target responsibility letters at every level. Our "one-vote veto system" for major accidents ensures accountability is cascaded to departments, teams, and individual positions, leading to a fully integrated and closed-loop safety responsibility system.



Contributions to UN SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	17 PARTNERSHIPS FOR THE GOALS 
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The Company strictly implements internal policies and operating procedures, including *the Safety and Environmental Protection Assessment Measures* and *Special Operations Management Regulations*, to prevent and reduce work safety incidents. In 2025, we continued to strengthen our work safety standardization system and worked to establish a long-term safety management mechanism. As of the end of the reporting period, **5** subsidiaries had obtained Level three certification in work safety standardization, **1** achieved Level 2, and **1** passed Level 1 certification in road transportation safety standardization.

Case

Zhejiang Yisheng advances the development of safety informatization system

Zhejiang Yisheng, a subsidiary of Hengyi, established a Process Safety Management (PSM) system to comprehensively enhance digital safety management capabilities. In 2025, the PSM system integrated with the Intelligent Safety Risk Management Platform of the Qingzhi Chemical Industry Park in Beilun District. Through this connection, critical data—including safety information, special operation permits, and personnel positioning—were successfully uploaded. Additionally, the process alarm optimization system was implemented. In addition, we continued to engage external experts to conduct PSM enhancement training, further strengthening safety management capabilities at all organizational levels.



▲ 2D safety visualization platform

Safety risk control

Hengyi has thoroughly implemented the national *Three-Year Action Plan for Addressing the Root Causes of Work Safety Risks*. We are fully advancing the digitalization of the dual prevention mechanism, which integrates tiered risk management with hazard identification and governance. By conducting multidimensional risk identification across equipment and working environments, we have established a "four-color risk distribution map" to enable targeted control of high-risk areas. Concurrently, we employ a dynamic risk assessment mechanism to regularly update the risk database ensuring all risks remain under control.

Regarding hazard investigation and governance, the Company has established a three-tier mechanism comprising group-level supervision, subsidiary self-inspection, and expert-assisted inspection. We conduct targeted inspections on critical areas such as fire protection systems and machinery hazards. For identified hazards, we have developed a hazard inventory checklist, prepare rectification plans, and implement a "closed-loop tracking system" to ensure all identified hazards are fully rectified.

2025 KPIs

3,894

Safety inspections held

18,969

Hazards identified

100%

Rectification completion rate

Safety emergency management

Hengyi has established an Emergency Command Center led by the Chairman as Chief Commander and continues to strengthen our emergency response teams. We strictly adhere to the *Emergency Incident Response Procedures* to enforce our emergency protocols, outlining operational standards for the four phases of early warning, response, containment, and recovery. A "one-hour reporting mandate" has been implemented to ensure that all emergencies are reported to the emergency command center within one hour of occurrence, thereby enhancing rapid response and coordinated handling capabilities. Apart from a "1+N" integrated emergency response framework, and specialized emergency plans, we design emergency response cards and on-site emergency response procedures for key positions. Regular practical simulations and comprehensive emergency drills are conducted, to ensure timely and effective emergency response, with a focus on hazard identification, emergency response, and evacuation.

2025 KPIs

571

Safety emergency drills held in total

19,358

Participants

RMB 142.83 million

Invested in work safety

Safety culture development

The Company integrates a culture of work safety into its corporate DNA. While delivering comprehensive and multi-level safety education and training, we leverage multiple communication channels, including safety culture walls, safety management manuals, and daily safety tips disseminated via the official WeChat account. Meanwhile, rolling safety alert videos are displayed on workshop digital screens. Through these efforts, we reinforce work safety practices, enhance organization-wide safety awareness, and foster a robust safety culture.

2025 KPIs

Safety training per trainee

24 hours
(non-hazardous chemicals)

72 hours
(hazardous chemicals)

979
Safety training sessions held

100 %
Pass rate of safety training

14,927
Participants of three-level safety training for new hires



▲ Conducting themed training on "Safety Awareness and Emergency Responses across the Workforce"



▲ Live online training: Fire safety for industrial enterprises



▲ Fujian Yijin conducting HSE training

Chemical safety management

Hengyi strictly complies with laws and regulations such as the *Work Safety Law*, the *Regulations on the Safety Management of Hazardous Chemicals*, and the *Catalogue of Hazardous Chemicals*. We systematically identify and assess chemicals involved in materials and production processes, thereby enhancing our intrinsic safety levels.

2025 KPIs

Major chemical leaks and other safety incidents

occurred **0**



▲ Safe Storage of Chemicals

Chemical lifecycle safety management

The Company has established a comprehensive chemical safety management framework, including the *Chemical Management Procedures*, the *Chemical-Specific Safety Risk Checklists*, and the *Safety Data Sheets for Hazardous Chemicals*. Accordingly, we continue to strengthen safety management across the full lifecycle of chemicals, covering procurement, storage, use, transportation, and disposal.

Chemical Procurement Management

- Suppliers must possess a *Hazardous Chemical Business License* and provide compliant MSDS (Material Safety Data Sheets) and product safety labels.
- For first-time cooperative suppliers, on-site audits of storage conditions and transportation capabilities are required.
- Chemical procurement applications submitted through the ERP system must be countersigned by the HSE department.
- Purchase of unassessed substances not listed in the Chemical Registration List is prohibited.

Chemical Storage Management

- **Segregated storage:**
Store by physicochemical properties (e.g., flammables in explosion-proof cabinets, corrosives in isolated areas); incompatible substances must be strictly separated (e.g., acids and bases, oxidizers and reducers shall not be mixed).
- **Storage conditions:**
Warehouses equipped with temperature/humidity monitoring, ventilation systems, and leak containment facilities (e.g., berms, absorbent sand); maximum storage capacity shall not exceed 80% of designed capacity.
- **In/out registration:**
Dual-person, dual-lock management; record in/out time, quantity, and receiver; regular inventory to ensure accuracy; MSDS available; strict usage recording.

Chemical Use and Handling

- Operators must receive specialized training and wear PPE such as safety goggles and chemical resistant gloves.
- Highrisk operations (e.g., repackaging, heating) require a work permit and dedicated supervision.
- Chemical waste disposal: classify waste liquids, empty containers, and packaging; affix hazardous waste labels (including composition and hazards); entrust disposal to licensed companies; retain transfer manifests for at least 5 years.
- Discharge of waste into sewers or mixed storage is prohibited.
- Emergency spill kits (absorbent pads, neutralizers) shall be placed nearby.

Chemical Transportation Management

- **Internal transfer:**
Use explosion-proof forklifts or dedicated carts; avoid crowded areas; check container sealing; affix "Handle with care" labels.
- **External transport:**
Carriers must have dangerous goods transport qualifications; vehicles equipped with GPS and emergency equipment; accompany with "one book, one label" (MSDS, safety label) and transport emergency card.

Chemical Disposal

- Disposal and transport by qualified companies.
- Dispose of waste chemicals in accordance with regulations to avoid environmental pollution.

Chemical phase-out and substitution

The Company prioritizes source control in chemical management. We conduct comprehensive Hazard and Operability Analysis (HAZOP), Safety Integrity Level (SIL) verification, and reaction risk assessments to accurately identify potential chemical safety risks. Based on the results, we establish a dynamic risk classification and tiered control list and connect all major hazard sources to the National Monitoring and Early Warning System Version 3.0 for real-time risk monitoring. Furthermore, we re-conduct safety assessments whenever changes occur in processes, raw materials, or equipment, and execute the "three simultaneities" review for safety facilities (ensuring the simultaneous design, construction and operation of safety facilities with the main projects) to fortify our safety defense at the source.

In addition, the Company actively advances the phase-out and substitution of chemicals and strictly complies with the national phase-out catalogue. We have decommissioned outdated installations and high-risk storage tanks and established a long-term mechanism for the evaluation and phased withdrawal of obsolete facilities. High-risk equipment that fails to meet safety requirements is subject to rectification within a specified timeframe or mandatory elimination. We also actively promote green and safe substitution by replacing hazardous chemicals with low-toxicity, non-toxic and eco-friendly alternatives, achieving coordinated improvements in both process safety and environmental performance.

Contractor safety management

The Company has formulated the *Contractor Safety Management Measures* to standardize and regulate contractor admission review, process supervision, performance evaluation, and exit management. In terms of safety qualification review, contractors must submit business licenses, work safety permits, and special operation personnel qualifications. For high-risk operations such as working at heights and in confined spaces, specialized construction plans and emergency response plans are required. Concurrently, we sign Work Safety Management Agreements with contractors clearly and defining risk deposit standard. Additionally, to strictly control outsourced safety risks, we enforce a contractor blacklist system, blacklisting any contractor involved in safety accidents or concealing hazards and prohibiting cooperation for three years. We also hold monthly contractor safety meetings and regularly organize dedicated safety inspections for contractors to ensure workplace facilities meet safety requirements.



▲ Zhejiang Yisheng: On-site safety training for contractor personnel

Product Quality Management

The Company strictly complies with the *Product Quality Law* and other applicable laws, regulations, and industry standards. In line with ISO 9001 and other management system requirements, we continue to improve a comprehensive quality management system, standardizing full-process product quality control and effectively preventing quality risks. As of the end of the reporting period, the Company has obtained the EU OEKO-TEX Class I certification, guaranteeing that hazardous substances and heavy metals remain within limits in compliance with international environmental standards. In addition, we conduct screening and testing for Substances of Very High Concern (SVHC) in accordance with the REACH Regulation to ensure that products are free from harmful substances.

2025 KPIs

10

Subsidiaries certified to ISO 9001 quality management systems

100%

Pass rate of outgoing inspection

Quality management process

The Company integrates product quality control throughout all stages of manufacturing. We adhere to the *Internal Quality Control Standards for Chemical Fiber Products, Management Measures for Product Complaints and Quality Incidents, Technical Standards for Raw and Auxiliary Materials, and Finished Product Protection Measures for Polyester Plants*. We establish clear requirements for strict control over the physical properties of chemical fiber products. Concurrently, we track, spot check, and manage quality metrics to ensure that our products remain under control and meet customer expectations for high quality.



- Develop acceptance standards for raw and auxiliary materials; inspect all incoming materials upon arrival. The Company has also established an exclusive OA process "D1014 – Quality Feedback for Procured Materials" to promptly address abnormal raw material feedback.



- Build a big data platform: each factory maintains a data ledger and uses on-site dashboards to monitor process control, strictly managing product quality stability.



- Establish a "Non-conforming Product Feedback Process" and "D0941 – Product Quality Evaluation Process" to timely evaluate abnormal quality products, segregate and sell them separately, and control the release of non-conforming products.

Quality culture

The Company is committed to deepening its quality culture. Through regular audits of our quality management system, diversified specialized technical training, the sharing of QC group achievements, and internal skills competitions, we strengthen quality awareness.

Case Hengyi launches its first Quality Month initiative

In September 2025, the Company launched its first Quality Month under the theme "Strengthening the Quality Foundation and Building the Hengyi Brand Together" to consolidate company-wide quality consensus. We leveraged new media, digital screens, banners, and visual displays to create an immersive atmosphere. Concurrently, we conducted quality management training, knowledge competitions, achievement exhibitions, specialized skills contests, and signature campaigns alongside the release of a "Quality Initiative Proposal." These activities significantly enhanced employee engagement and responsibility, integrated quality concepts into daily operations, and drove continuous improvements in product quality and process control.



Jiaying Yipeng skills competition



Zhejiang Yisheng skills competition



Haining Hengyi skills competition



Shuangtu skills competition

Precise Customer Service

The Company adheres to a customer-centered approach and continuously improves customer satisfaction through a robust after-sales service system and a comprehensive quality management system. We have established customer complaint channels, such as Hengyi Micro Mall and the 400 hotline, to ensure efficient handling and resolution of complaints, and promptly provide technical support and responsive services. In 2025, we distributed the Product Satisfaction Questionnaire via Hengyi Micro Mall, which showed a 99% customer satisfaction rate according to 2,275 completed questionnaires.



▲ Micro mall customer satisfaction survey

Responsible Supply Chains

The Company is committed to building a transparent, efficient, and collaborative sustainable supply chain system. We continuously improve full life-cycle supplier management, deeply implement responsible procurement principles, and support supplier development. We also promote supply chain resilience and sustainable development, working with upstream and downstream partners to jointly build a sustainable ecosystem.

Supplier management

The Company has established a supply chain management system covering the full life cycle of suppliers, enabling end-to-end management from onboarding, evaluation to exit. We have formulated a series of supplier management policies and procedures. These include *Measures for the Quality Management of External Suppliers*, *Supplier Admission Requirements*, *Measures for Supplier Inspection*, *Measures for Supplier Flight Inspection Management*, and *Regulation on Supplier Admission Management*. We rely on the Supplier Relationship Management (SRM) system to standardize key processes such as supplier onboarding and evaluation. This approach establishes a scientific and well-structured supplier management system to ensure stable supply support for corporate development.

2025 KPIs

8,237

Suppliers in total

1,320

Newly admitted suppliers

299

On-site inspected suppliers

Supplier full life-cycle management process



Supplier On-site inspection scoring criteria

- **Qualification certification (10 points):** including business license, tax information, financial condition, agency/authorization qualifications, ISO 9001 Quality Management System certification, and ISO 14001 Environmental Management System certification.
- **Production capacity (70 points):** covering six aspects, including major production equipment level, production processes, capacity status, and workforce allocation.
- **Performance (20 points):** evaluated based on historical cooperation scale and contract fulfillment performance.
- **Bonus items (8 points):** including design and R&D capabilities, national-level new product and new technology certifications, invention patents, national laboratories, and information systems such as ERP, SAP, MES, and warehouse management systems.

Responsible procurement

The Company upholds a responsible procurement philosophy and integrates sustainability requirements across the entire supply chain management system. We actively promote green and transparent procurement. Through standardized and transparent procurement operations, we work with suppliers to jointly fulfill social responsibilities and build a green, compliant, and sustainable responsible supply chain ecosystem.

Green Procurement

Advocate that suppliers use clean fuels and production equipment that minimize environmental impact; encourage suppliers to consider environmental and social aspects when providing products and services.

Sunshine Procurement

- Emphasize anti-fraud work; sign *Anti-Commercial Bribery and Integrity Agreement* with suppliers and procurement personnel, prohibiting any form of corruption or bribery.
- Establish a regular integrity awareness mechanism: weekly integrity education sessions for all employees; each month, select typical integrity warning cases and post them near elevator entrances, encouraging suppliers to proactively read and comply.
- Conduct special integrity education activities for management, procurement personnel, and suppliers to strengthen integrity awareness.
- Provide threefold incentives (spiritual honor, cash reward, performance bonus) for procurement personnel who report verified misconduct.

The Company has established a complaint feedback platform. The official complaint hotline of the audit and legal department is uniformly displayed across multiple channels, including the *Sunshine Procurement Agreement*, bidding documents, relevant contract clauses, and procurement desk signage. This ensures that complaint channels are open, transparent, and accessible. We promptly follow up, handle, and respond to all received complaints.

Complaint hotline: 0571-8358 1890

Complaint email: fwb@hengyi.com



▲ Engineering Company signing annual integrity agreement to clarify integrity responsibilities

Supplier empowerment

The Company focuses on long-term supply chain development and is committed to building a stable, collaborative supplier base. By implementing a system of recognition and rewards, we aim to instill a sense of honor among our suppliers, thereby strengthening their loyalty and engagement. Additionally, we have standardized communication channels by implementing a process for documenting and disclosing supplier interviews. All interview records are fully archived and incorporated into the supplier information database, thereby solidifying the data foundation of supplier management. In 2025, we conducted three rounds of systematic supplier interviews, covering **158** partner suppliers. We **gathered comprehensive feedback on collaboration workflows and service support** to continuously improve our management system and **enhance supply chain efficiency**.

Case

2025 annual outstanding supplier award ceremony successfully concluded

Hengyi held the 2025 annual outstanding supplier award ceremony under the theme "Joining Hands with Hengyi for a Win-Win Future," with separate venues at the Hengyi headquarters and Guangxi Hengyi. A total of 65 outstanding suppliers and over 120 corporate representatives attended the conference to strengthen partnerships and explore collaborative development. The ceremony recognized core suppliers of the Company as well as outstanding suppliers supporting major projects in Guangxi, expressing gratitude for their strong support in quality assurance, cost optimization, and project execution. Together, we are building a mutually beneficial, long-term, and reliable value ecosystem.



Tech-Driven Leadership

Charting a New Course in Smart Manufacturing

Hengyi places technological innovation at the core of its growth strategy, with increasing R&D investment in green chemicals and advanced materials while driving industrial application. We are accelerating our strategic shift from an industrial leader to an innovation-driven enterprise with global influence, setting the pace for industry-wide technological progress.

Innovation Activation

Talent base enhancement

The Company pursues a talent-driven and innovation-led enterprise strategy, boosting R&D investment and talent recruitment. We have built a full-cycle talent development and incentive system supported by deeper industry-academia-research collaboration, laying a strong talent base for technological innovation and high-quality growth. For core R&D personnel, we have introduced a long-term tenure system and established dedicated promotion pathways that integrate professional title evaluation with career advancement. This system now covers the top 2% of our research workforce and has significantly improved retention of key talent. We partner with Zhejiang University and Donghua University on targeted doctoral programs for in-service employees. Furthermore, a project-based profit-sharing mechanism motivates R&D teams by aligning individual contributions with shared outcomes.

2025 KPIs



Honor

"Development of novel titanium composite catalysts and complete technology for antimony-free eco-friendly polyester production" won the **First Prize of the Zhejiang Provincial Science and Technology Progress Award**.

Contributions to UN SDGs



Green product innovation

The Company continues to develop green products, and has launched Eticont eco-friendly polyester, Petale biodegradable materials, and chemically depolymerized products recovered from post-consumer textile waste. These products improve environmental performance and resource efficiency, driving a low-carbon upgrade across the industrial chain and sharpening our competitive edge in green innovation.

Eticont

Eticont, developed by Hengyi Research Institute under the Company, stands as a polyester product with full proprietary rights. Eticont uses a full titanium composite catalyst system to replace heavy metal antimony catalysts, addressing the long-standing issue of water and soil pollution associated with antimony catalysts in traditional polyester production. This eco-friendly, green, and health-conscious product achieves green circulation throughout the textile product lifecycle. In 2025, its application accelerated, and it was listed as a core promotional direction for the Company's green, high-value-added products.

Petale

Petale introduces "degradation factors" into the molecular structure, achieving biodegradation in industrial composting environments and solving the environmental problem of difficult-to-degrade traditional polyester. It passes the GB/T 19277.1 test, with a relative biodegradation rate exceeding 90% within 180 days, ultimately decomposing into CO₂ and water.

Recycled Materials from Waste Textiles

We have successfully developed a chemical depolymerization technology for recycling post-consumer textile waste. The resulting products match the quality of virgin polyester and can be processed into recycled polyester chips and fibers, primarily for apparel and home textiles, achieving closed-loop R&D from textile waste to new materials. In 2025, we invested in building a 300,000-ton-per-year recycled new materials industrial demonstration project in Jingzhou, Hubei Province.



PTT Composite Fiber

PTT composite elastic fiber is produced through bicomponent spinning of PET and PTT polymers using bio-based PDO, resulting in an eco-friendly fiber. The differential shrinkage between PET and PTT creates permanent helical crimps that provide inherent elasticity, and PTT's three-dimensional molecular spring structure ensures exceptional recovery properties.

TiO₂ Matting Agent for Nylon

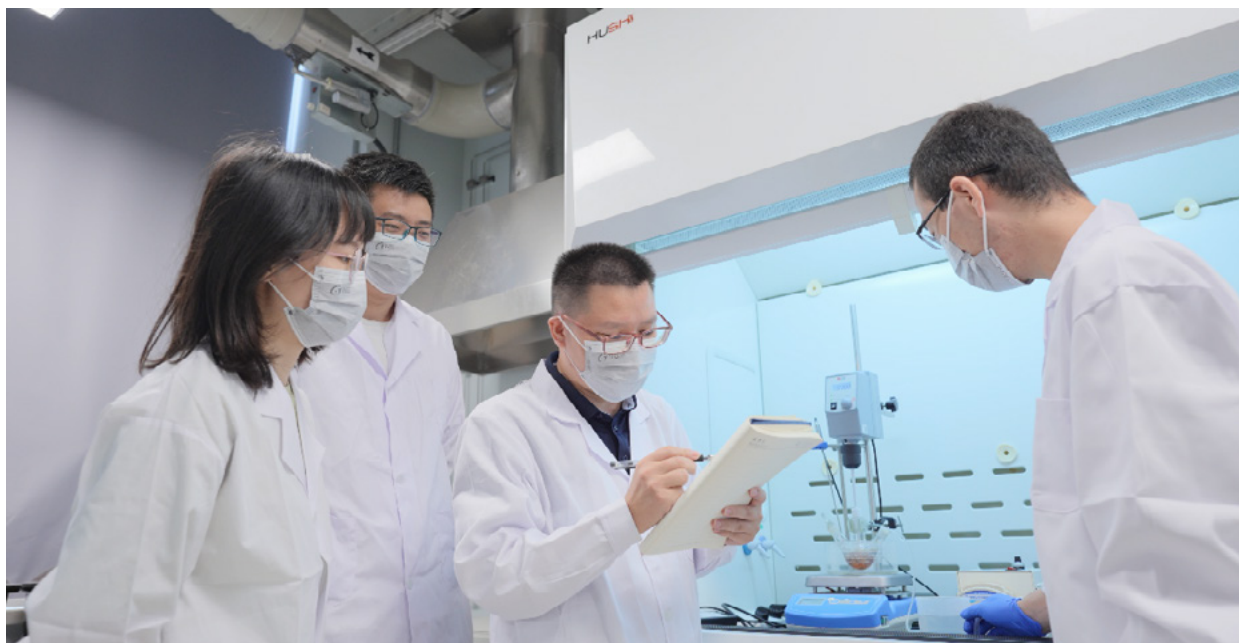
We focus on the technical bottleneck of the matting agent in the application of Nylon 6, and we have partnered with Donghua University to create innovative production processes. We have successfully developed the green manufacturing of TiO₂ matting agent for Nylon and complete set of technologies for industrialization of Fully Matte Nylon. Our product outperforms imported alternatives in key metrics, breaking long-standing foreign technology monopolies and reducing raw material costs for domestic nylon producers. This advancement accelerates the sustainable, high-quality development of China's synthetic fiber industry.

Flame-Retardant Polyester

Copolymerized flame-retardant polyester offers stable, long-lasting, and excellent flame retardancy, good hand feel and appearance, wash resistance, eco-friendliness, and non-toxicity. The fabric reaches B1 level according to GB8624-2012, with a limiting oxygen index above 32%.

Stain-resistant PA6

Stain-resistant PA6 stands out as a unique product developed with full proprietary rights by Hengyi Research Institute. Addressing the pressing market demand for domestic stain-resistant nylon fabrics, Hengyi embarked on the "key technology and industrialization project for stain-resistant PA6". This project has led to an independently developed novel stain-resistant agent through formula design, optimized polymerization processes, and upgraded polymerization equipment. Consequently, we manage to produce in-situ polymerized stain-resistant PA6 slices. Fabrics crafted from these slices offer permanent resistance to acidic dyes, eliminating the need for additional surface treatments.



R&D commercialization

The Company focuses its R&D on green and high-value solutions across five areas: materials, chemicals, recycling technologies, green processes, and overseas projects. We are accelerating the translation of R&D outcomes into commercial applications to support our green transformation and global expansion.

➤ Materials

We are deeply engaged in green and functional materials, with core products holding a leading market share. A number of high-performance materials and green chemicals have entered pilot and industrialization stages, and biodegradable materials have advanced to industrialization and market promotion stages.

➤ Coal-to-chemicals and Brunei projects

We are addressing key technology challenges in catalyst and purification technologies for coal-to-chemicals operations and the Brunei Phase II refining project. A full series of R&D projects has been initiated to provide technology support for our overseas operations.

➤ Green processes

Our proprietary hydrogen peroxide fluidized-bed unit has been commissioned in Guangxi, using green technology to reduce carbon emissions and improve efficiency and ensure compliant operations.

➤ Chemicals

We are promoting the industrialization of catalysts, matting agents, spin finishes, masterbatches, and other auxiliary agents, while concurrently developing high-performance monomers and green bio-based monomers.

➤ Recycling technologies

We have achieved a breakthrough in chemically depolymerizing post-consumer textile waste to recover polyester monomers. Pilot testing has been successfully completed, and the technology is now moving into commercial deployment, creating a high-quality closed-loop recycling system for textile waste.

Case

Guangxi Hengyi New Material project launched — Technological innovation empowers the full industry chain

In October 2025, Phase I of the Guangxi Hengyi 1.2-million-ton-per-year integrated caprolactam-polyamide project achieved full-process integration and entered trial production. The project incorporates multiple proprietary green and low-carbon patented technologies, combining advantages in technology, integration, and product mix. In close collaboration with the Brunei refining project, it strengthened downstream capabilities and enhanced value creation across the full refining-chemicals-fiber chain, driving the industry toward higher-end, smarter manufacturing.



Digital and Intelligent Development

The Company is steadily advancing its digital and intelligent transformation in step with broader technology trends, while exploring innovative AI applications in marketing. Built on the Hengyi Brain platform, we have created an integrated visual operations platform combining online trading, financial services, and warehouse logistics, improving operational efficiency and management effectiveness. We are also accelerating deploying digital tools in project management, business secret protection, and records management to streamline workflows, strengthen data security, and expand intelligent applications. Our efforts fuel innovation and high-quality growth with strong digital and intelligent support

AI-powered marketing assistant

The AI-powered marketing assistant serves as a key enabler of data-driven marketing. Through natural language interaction, it responds to data queries in real time, rapidly extracting key metrics and analytical insights to help marketing teams grasp sales trends and customer behavior, enabling them to move quickly from data to action. The assistant also performs in-depth, multi-dimensional data analysis to build precise customer profiles, shifting our marketing approach from broad outreach to targeted engagement with tailored solutions that improve customer satisfaction and loyalty.



IPR Protection

The Company enforces its *Intellectual Property Management Policy and Business Secret Protection Management Policy* and works to establish a sound intellectual property rights(IPR) and trade secret protection system. Dedicated IPR specialists are embedded in project teams to manage patent strategy throughout the R&D process. We strengthen closed-loop management of R&D records and strict controls over confidential information to prevent infringement and leakage risks.

We prioritize high-quality patent creation and standards leadership, and are actively cultivating patent-dense products to grow the scale and quality of our proprietary IPR portfolio. Through structured, professional management, we protect our innovation outcomes and support technological innovation and industry compliance.

2025 KPIs

As of the end of 2025

617

Valid granted patents granted in total, including

499

R&D patents

118

Intelligent manufacturing patents



Honor

Post-consumer textile waste recycling technology was included in the **2025 High-Value Patent Development List**.

Industry Collaboration

The Company deepens industry-academia-research collaboration with a focus on commercializing research outcomes and addressing industry challenges. We deepen our partnerships with Zhejiang University, Donghua University, and other leading universities, and have established regular exchange mechanisms such as the Hengyi Chair Professor and Hengyi Scholars programs. Under a "company-led challenges, university-developed solutions" model, we jointly tackle key technology challenges. A dedicated foresight research office is in place to coordinate university-enterprise cooperation, work with sales and product development teams and engage external experts to provide technical guidance. Several frontier technologies have been advanced to pilot testing. The integrated approach accelerates research commercialization and fosters an open, collaborative innovation ecosystem.

2025 KPIs

11

National and provincial-level research projects undertaken

20

Standards developed or revised as a contributor, including

12

National standards

3

Industry standards

5

Group standards

Case

Partnering with Huading to advance nylon value chain technology

In February 2025, Hengyi Research Institute signed a strategic cooperation agreement with Yiwu Huading Nylon Co., Ltd. to collaborate across the full value chain on advanced technologies including Easy-Clean PA6. Leveraging award-winning research, the partnership is jointly advancing functional fiber R&D, market development, and commercialization to drive green upgrading and value creation in the nylon industry and accelerate the transformation of R&D outcomes.



Shared Growth

Advancing Together Towards a Sustainable Future



Part Two



Contributions to UN SDGs



Hengyi recognizes that business growth is inseparable from the well-being of the communities we serve. We pursue high-quality development guided by a commitment to giving back to society. Green and low-carbon development is integral to how we operate. We continue to deepen green production and low-carbon transformation to protect our shared home by fostering harmony between industry and nature. We invest in our people by building development platforms and support systems that enable every employee to grow alongside the Company. We contribute to a better society through public welfare initiatives and engagement in the Belt and Road development. Together with our partners, we are building a more sustainable and better future-in harmony with the environment, people, and society.



Green and Low-Carbon Practices Embracing Ecological Harmony	40
People-Centric Approach Building a Talent Powerhouse	52
Community Engagement Bringing Warmth and Better Livelihoods	60

Green and Low-Carbon Practices Embracing Ecological Harmony

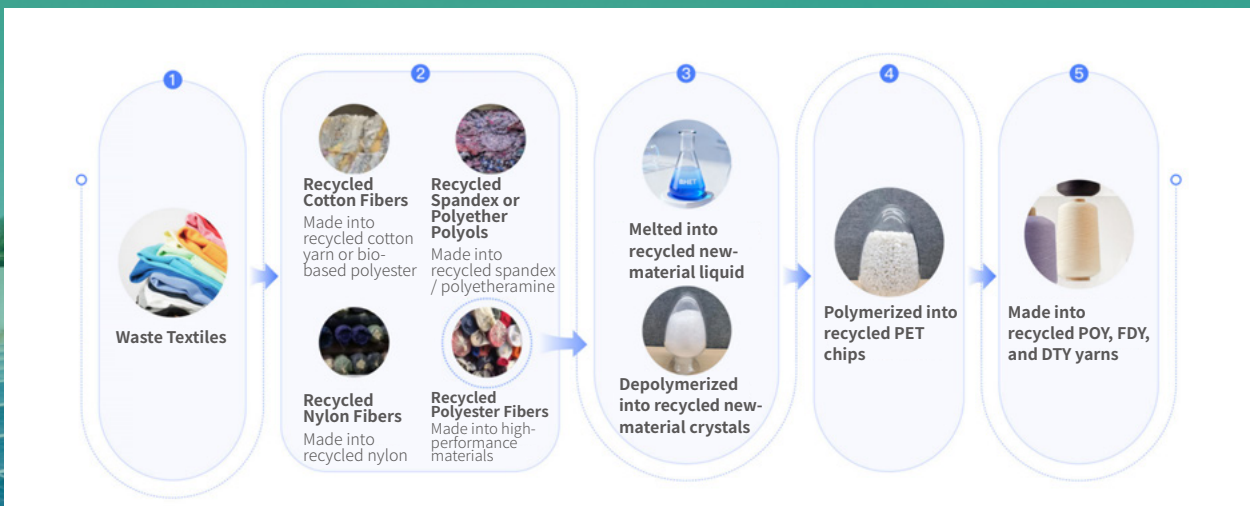
Hengyi upholds the principle that "lucid waters and lush mountains are invaluable assets," steadfastly pursuing a path of ecological priority and green, low-carbon, high-quality development. The Company integrates efforts to reduce carbon emissions, mitigate pollution, expand green transition and promote growth, while accelerating the implementation of carbon peaking and carbon neutrality ("dual carbon" for short). We continue to optimize our energy mix, deepen clean production and circular resource use, and build our "Green Hengyi" competitive edge. By driving green transformation across the entire value chain, we are making green a defining feature of our high-quality development.

Circular Economy

Hengyi focuses on high-value recycling of post-consumer polyester textiles and explores circular economy practices. The Company has independently developed the "Yi Recycling" platform, which leverages chemical recycling technology to establish a collection network spanning urban and rural areas, achieving fiber-to-fiber closed-loop recycling.

Biochemical recycling for resource circulation

- Unlike conventional mechanical recycling, "Yi Recycling" draws on chemical recycling technology developed by Hengyi Research Institute to create a complete regeneration pathway from post-consumer textiles to new textile products. After sorting, discarded garments are processed into high-end green recycled materials at circular economy parks using eco-friendly processes. These materials are then regenerated into polyester fiber and other green fibers for reuse in textile production, closing the resource loop.



Contributions to UN SDGs



Building a recycling network linking consumers to industry

Through an innovative model combining government guidance, corporate leadership, and industrial chain collaboration, Hengyi has built an omni-channel collection system that combines digital services with physical networks. The offline network integrates service stations, supply and distribution system, and government resources across multiple provinces to establish a physical network covering both urban and rural areas:

- "Yi Recycling" entered into a strategic cooperation with the Henan Renewable Resources Industry Association. Leveraging the association's industry resources, as well as Yihuishou's technological strengths and operational experience, both sides will drive the transformation of Henan's waste textile industry from basic recycling to refined and high-value utilization
- "Yi Recycling" entered into a strategic agreement with the Yueyang Municipal Government. Under this agreement, Yi Recycling will systematically build a multi-category textile collection network in Yueyang and establish a regional sorting facility in Huarong County. The Company is also partnering with Anta Kids to advance a school uniform industry project in Yueyang.
- "Yi Recycling" established business cooperation with the Zhejiang South region of SF Yishoufa. By empowering end courier stations with waste textile recycling capabilities, the two parties help hundreds of Yishoufa stores in Zhejiang South boost revenue and pursue green development. Comprehensive cooperation in the Zhejiang Central region is also advancing rapidly
- "Yi Recycling" in collaboration with CITIC Bank Xiaoshan Sub-branch, launched the "Old Clothes Renewed, Green Together" waste textile recycling campaign. By harnessing financial sector support to empower green and low-carbon development, the initiative pioneers a new model for banking institutions to put sustainable, low-carbon practices into action.

Solving last-mile recycling challenges

Online, the Yi Recycling WeChat mini-program offers one-click booking and door-to-door courier pickup, improving collection efficiency while turning each collection point into a micro-hub for the circular economy:

- "Yi Recycling" has officially launched within the Company, on university campuses, and in residential communities. The public can bring unwanted textiles, including clothing, shoes, bags, plush toys, curtains, rugs, and cushions, to designated collection events. Participants receive cash or gifts in return, experiencing firsthand how waste becomes a resource and building lasting recycling habits.
- "Yi Recycling" launched the "Recycle Together, Love Never Idles" Green Campus Relay initiative. All proceeds from the campus collections were donated to the Rui'an Disabled Persons' Federation to support welfare programs for people with disabilities, creating a complete loop of resource recycling and community giving.



Honor

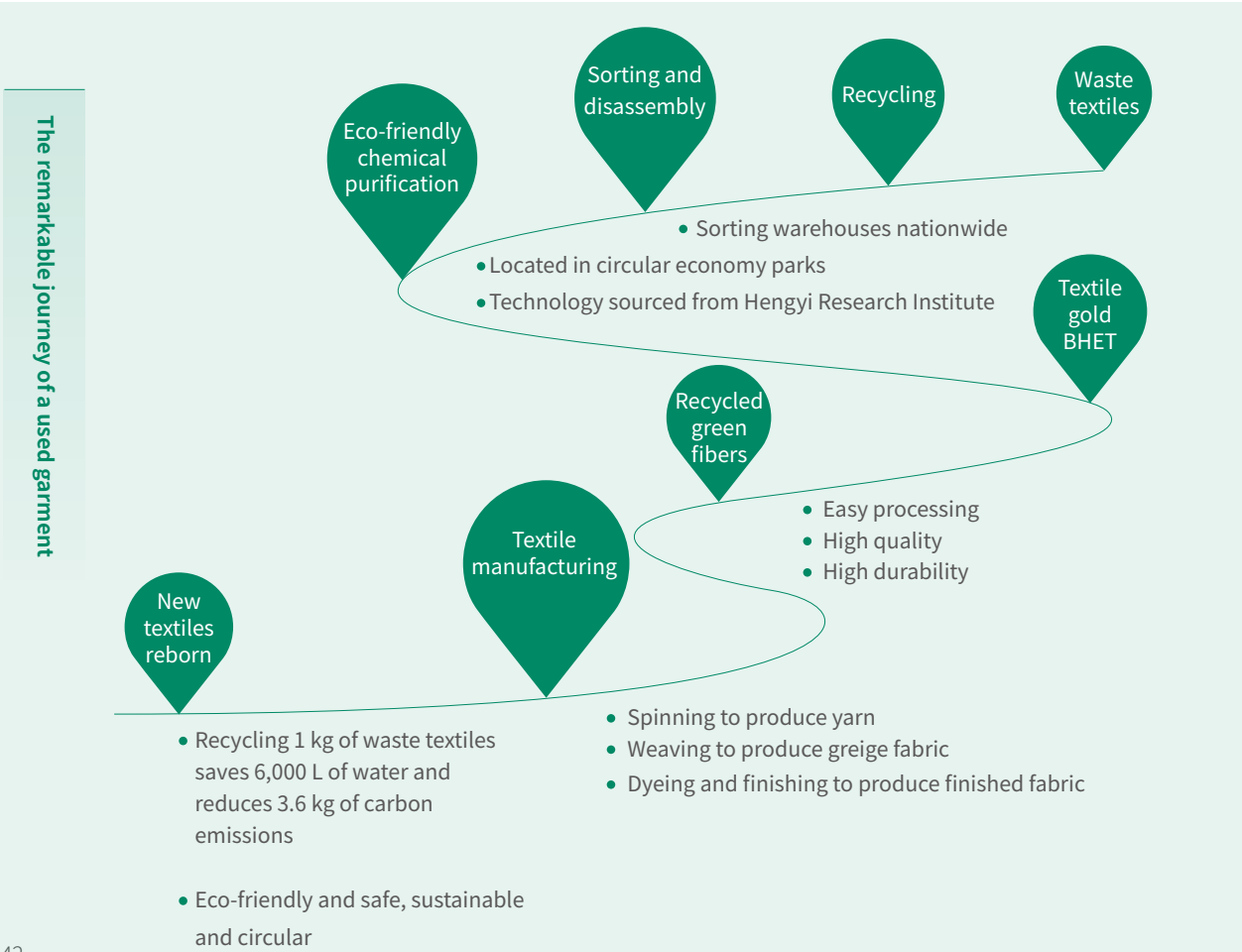
"Yi Recycling" was appointed **Vice-Chairman Unit of the China Resource Recycling Association.**



▲ Green Home Warm Recycling Initiative



▲ Green Campus Relay Initiative



Climate Change Response

In response to the opportunities and challenges posed by climate change, Hengyi actively aligns with China's carbon peaking and carbon neutrality strategy and continues to strengthen its climate response framework. Guided by the Carbon Peaking Action Plan, the Company carries out carbon reduction initiatives, advances energy conservation, and expands into the development and utilization of clean energy. We are accelerating our transition to a green, low-carbon industrial structure while enhancing our low-carbon management capabilities.

Tighter carbon emissions management

The Company has fully integrated climate-related matters into its ESG management framework. The Board of Directors oversees the development and execution of climate strategy and targets. The HSE Management Committee is responsible for coordinating and advancing carbon management across the organization. It has established a carbon management system centered on carbon intensity control, supplemented by total emissions control. The Committee coordinates and supervises carbon emissions management across all departments, providing the organizational and institutional foundation needed to deliver on the Company's "dual carbon" goals.

Carbon Emission Reduction Targets	2025 Annual Progress
Using 2025 as the baseline year, the company aims to limit the increase in Scope 1 and Scope 2 carbon emissions to within 25% by 2030.	Total carbon emissions in 2025: 7.99 million tons.
The Company advances its carbon peaking and carbon neutrality work in a strong, orderly, and effective manner, clarify its goals and tasks, accelerate the green transformation of production and lifestyles, and promote economic and social development based on efficient resource utilization and green, low-carbon development, so as to ensure the achievement of carbon peaking by 2030 and carbon neutrality by 2060 as scheduled.	The Company continues to implement carbon reduction measures, including the use of clean energy, innovation in low-carbon products and technology research and development, optimization of production equipment and processes, carbon accounting, and carbon emissions trading.

Amount and intensity of carbon emissions	2025
Total CO ₂ emissions (million tons)	7.99
Total Scope 1 CO ₂ emissions (million tons)	6.31
Total Scope 2 CO ₂ emissions (million tons)	1.43
Total Scope 3 CO ₂ emissions (million tons)	0.25
Intensity of CO ₂ emissions (million tons/RMB billion)	0.07
Green Electricity Trading Volume (10,000 kWh)	51,015
Green Certificates Purchased (10,000 certificates)	40

*Note: Hengyi carbon dioxide emissions increased year-on-year in 2025, mainly due to the commissioning of Phase I of the 1.2 million-ton-per-year caprolactam-polyamide integrated industrial project by its subsidiary Guangxi New Materials Company in October 2025, which added new production facilities and production capacity.

Case

Contributing to ASEAN climate strategy dialogue for Brunei's low-carbon development

On June 23, 2025, Hengyi Industries Sdn Bhd (Hengyi Brunei, or Hengyi Industries) was invited to attend the Brunei's National Workshop on the ASEAN Climate Change Strategic Action Plan (ACCSAP) 2025–2030, hosted by Universiti Brunei Darussalam (UBD). Company representatives participated in panel discussions, offered expert recommendations aligned with Brunei's national climate priorities, and formally submitted a stakeholder feedback form. Through this high-level policy dialogue, Hengyi Brunei voiced its support for low-carbon transition and green development. The engagement also deepened the Company's understanding of emerging climate policies across ASEAN and Brunei, strengthening its climate governance and low-carbon planning capabilities to better contribute to regional climate action and local sustainable development.



▲ Hengyi Brunei attended the Brunei National Workshop on the ASEAN Strategic Action Plan on Climate Change 2025–2030, hosted by Universiti Brunei Darussalam (UBD)

Energy efficiency

The Company's energy consumption and carbon emissions primarily originate from production operations, involving energy sources such as raw coal, purchased electricity, and natural gas. Hengyi has built a systematic energy management platform to standardize and strengthen energy management at each plant and workshop, enabling real-time monitoring of energy consumption and centralized energy oversight. To advance energy conservation and emissions reduction, the Company optimizes its energy mix, invests in technical upgrades, and manages carbon assets, steadily increasing the share of clean energy, improving energy efficiency, and reducing both direct and indirect energy consumption.

Energy management system

The Company complies with China's Energy Conservation Law and related regulations and develops its energy management system. To enhance the standardization, rigor, and precision of energy management, Hengyi has established policies including the Energy Statistics Management Standards and the *Energy Management Inspection and Assessment Measures*. These policies define energy management responsibilities for each subsidiary and department, enforce the principle of "whoever uses energy is accountable," and implement an energy-saving target accountability and performance evaluation system. Hengyi has also deployed a smart energy management platform powered by big data analytics to identify energy-saving opportunities. The platform enables real-time data collection, automated ledger generation, and multi-dimensional reporting, providing data-driven support for energy efficiency retrofits and consumption planning while continuously improving energy utilization and management precision.

Clean energy substitution

Hengyi develops and deploys clean energy solutions, including renewable energy and waste heat recovery technologies. Through key initiatives such as achieving 100% rooftop PV coverage in factories, constructing PV pilot generation bases, and deploying peak-valley energy storage systems, the Company continues to optimize its energy mix and increase the share of green electricity consumption, driving the green, low-carbon transformation of its production processes.

2025 KPIs

In 2025, the Company added **132.896** MW of new PV installed capacity, bringing cumulative PV installed capacity to **258.836** MW , with annual power generation of **165.71** GWh. Through energy storage systems for peak shaving and valley filling, the Company deployed a cumulative energy storage capacity of **113** MW , with annual charging volume of **29.72** GWh.

Case

Brunei SINAR project officially commissioned

As the largest solar project currently operating in Brunei, the Hengyi Brunei Natural and Renewable Energy Sustainable Integration Project (SINAR) was successfully commissioned on Pulau Muara Besar (PMB). The project has a planned installation capacity of 476 MWp and is being built in three phases across rooftops, open spaces, artificial lakes within plant areas, coastal land and open spaces of PMB. In 2025, the first 52 MW of PV capacity was installed and brought online to maximize solar power generation. Once Phase I is fully operational, it is expected to generate up to 84,000 MWh of clean electricity annually, meeting 7% of the Hengyi Brunei refinery's total energy demand and effectively displacing coal-fired power. This milestone marks a critical step in deeply integrating renewable energy into petrochemical refinery operations and provides strong momentum toward Brunei's national renewable energy targets.



Case

Hengyi Logistics hydrogen-powered truck delivery — A zero-carbon freight pathway

On March 25, 2025, Hengyi Logistics took delivery of five hydrogen-powered trucks at its Haining base and officially activated the United Hydrogen H₂aaS integrated service package, opening a new chapter in zero-carbon freight. The project adopts a "hydrogen vehicle plus supporting services" model, with concurrent driver training covering both theory and hands-on operation to ensure safe and efficient deployment. This partnership is a key step in Hengyi's "dual carbon" commitment and green transition. By replacing conventional fuel with hydrogen fuel, the initiative reduces logistics carbon emissions and builds a safe, efficient, and low-carbon modern freight model that is replicable across the industry.



▲ Hengyi Logistics hydrogen truck delivery

Energy conservation and consumption reduction

The Company advances its energy conservation and emissions reduction plan through a range of measures: phasing out high-energy-consumption motors and equipment, adopting advanced process control technologies, implementing energy efficiency retrofit projects, and optimizing production processes. These measures collectively reduce energy consumption at the source.

Boiler Advanced Control System

By introducing, commissioning, and putting into operation the boiler advanced control system, the key process indicators of the boiler system have been significantly reduced compared with manual control, thereby optimizing combustion efficiency.

Supporting Waste Heat Recovery Power Generation

The Company introduced advanced waste heat recovery technology to effectively collect residual heat generated during the production process, including tail-end high-temperature gas, esterification steam, and various types of waste heat from desulfurization processes. This enables the cascade utilization of low-grade energy. As of the end of the reporting period, more than approximately 95% of production capacity had been equipped with supporting waste heat power generation.

Environmental Compliance Management

Hengyi complies with the *Environmental Protection Law*, the *Environmental Impact Assessment Law*, and other applicable regulations. The Company has established a comprehensive environmental management framework and developed the *Environmental Protection Management System* and the *Environmental Self-monitoring Plan* as the foundation for its environmental management. As of the reporting period, ten subsidiaries had obtained ISO 14001 Environmental Management System certification.

2025 KPIs

RMB **850** million
Invested in environmental protection



Honor

Subsidiary Haining Hengyi was awarded the **"Green Factory"** designation at both national and municipal levels

Environmental emissions monitoring

The Company has built a digital safety and environmental information platform. Online monitoring devices installed at major discharge points track pollutant emissions and the operating status of treatment facilities in real time, ensuring full compliance with regulatory standards.

Environmental impact assessment

The Company engages qualified third-party agencies to conduct environmental assessments. For new construction, reconstruction, and expansion projects, the Company requires simultaneous design, construction, and commissioning of environmental facilities, and projects may only proceed after receiving environmental assessment approval.

Environmental risk inspection

The Company conducts environmental inspections across its subsidiaries, rigorously examining the operation of environmental facilities and identifying non-compliant practices to ensure that waste gas and wastewater meet discharge standards and solid waste is properly disposed of.

Zhejiang Yisheng appoints ten voluntary environmental supervisors from surrounding communities each year to carry out routine environmental monitoring and oversight.

Environmental emergency management

The Company continuously updates the *Specialized Emergency Response Plans for Environmental Incidents* at both headquarters and subsidiary levels. Regular environmental emergency drills are conducted to test and strengthen response capacity and to prevent ecological risks.

To manage environmental risks during seaborne crude oil offloading, Hengyi Brunei continues to advance oil spill emergency assessment services at the West Wharf, including spill modeling for new crude oil types and regular offshore oil spill response drills.

Environmental capacity building

The Company promotes green office practices by retrofitting energy-efficient lighting, consolidating air compressor usage, and upgrading equipment to reduce electricity consumption.

Employees are encouraged to use new energy vehicles for commuting. The Company has also added new energy non-road mobile machinery on-site to support low-carbon operations.

Employees participate in environmental education programs and public welfare activities. Company-wide awareness campaigns are held on World Environment Day to strengthen environmental consciousness.

Case Internal and external training for environmental compliance

To improve environmental management and clean energy capabilities, Hengyi Brunei has launched a series of targeted training programs that embed compliance and green development principles across the organization. On July 17, 2025, the Company invited specialists from Brunei's Pollution Control Department (PCD) to deliver a session on EPMA2402016 environmental regulations for mid-level managers. The session provided a systematic overview of local environmental requirements and compliance priorities, strengthening management's awareness of environmental responsibilities and risk prevention. In the same month, the Company organized an internal training session on PV energy for relevant personnel, covering clean energy fundamentals, application scenarios, and operations and maintenance essentials to build technical readiness for upcoming PV deployment. The Company also developed standardized training materials, including a Wastewater Management Training module, covering wastewater classification, treatment processes, on-site operations, and management protocols to enhance the technical skills of frontline operators. Through this systematic training framework combining internal and external expertise across targeted topics, Hengyi Brunei continues to strengthen its environmental compliance foundation and support safe, low-carbon local operations.



Water Stewardship

2025 KPIs

1.95 million
Fresh water saved

Hengyi prioritizes the efficient use and management of water resources. In compliance with national water conservation policies and regulations, the Company has developed the Water Conservation Management Measures and other institutional frameworks to standardize water resource management. A dedicated water conservation team develops monthly water-saving plans based on planned production volumes, strengthens monitoring and control of water use, and drives continuous progress toward environmental protection targets. The Company advances lean water management through technical retrofits of water-saving facilities, enhanced inspections of utility systems, and employee engagement in water conservation. All production, domestic, and process water is sourced exclusively from municipal supply, minimizing impact on surrounding natural water bodies.



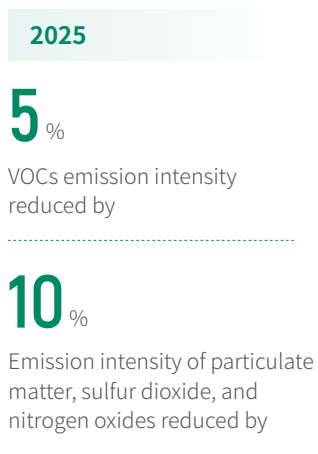
▲ Water-saving manufacturing equipment

Pollution Reduction

The Company complies with the Atmospheric Pollution Prevention and Control Law, the Water Pollution Prevention and Control Law, the *Law on the Prevention and Control of Environmental Pollution by Solid Wastes*, and applicable local emission standards. Hengyi improves its internal pollution control system, rigorously managing waste gas, wastewater, and solid waste to ensure all pollutants are properly treated and discharged in compliance with regulatory standards.

Waste gas

The Company implements source-level controls and applies targeted treatment strategies for different types of waste gas generated during production. Emissions of dust, non-methane total hydrocarbons, acetaldehyde, flue gas, and other pollutants are strictly controlled, and all waste gas undergoes rigorous treatment before discharge to meet compliance standards. In 2025, VOC emission intensity decreased by 5%, while the emission intensities of particulate matter (PM), sulfur dioxide (SO₂), and nitrogen oxides (NO_x) each decreased by 10%.



Treatment and emission methods for different exhaust gases	
➤	Flue gas from boilers Discharge through chimneys after the combined process of "bag dedusting + SNCR and SCR denitration + limestone gypsum desulfurization"
➤	Spinning exhaust gas Discharge through exhaust funnels after treatment by oil smoke purifiers
➤	Waste Gas from Wastewater Treatment Stations Add sodium hypochlorite scrubbing based on its strong oxidation principle to enhance VOCs treatment in wastewater exhaust gas
➤	PTA dust Discharge through exhaust funnels after treatment by pulse dust collectors
➤	Organic exhaust gas Use RTO (Regenerative Thermal Oxidation) installations to improve the incineration efficiency to over 95%



▲ Bag filters



▲ Sodium hypochlorite spray equipment



▲ Desulfurization tower

Wastewater

The Company complies with the *Water Pollution Prevention and Control Law* and local discharge standards, managing water pollution prevention and control across every stage of wastewater generation, collection, treatment, and discharge. At the source, the Company follows the principle of separating clean water from polluted water, rainwater from sewage, and different categories of wastewater. A well-established plant collection system, combined with anti-corrosion, leak-proof, and seepage-proof measures, ensures that all wastewater streams are separately collected and systematically managed. For treatment, high-concentration production wastewater is first pretreated through stripping units, then combined with low-concentration wastewater and domestic sewage for advanced purification at the wastewater treatment station using a "pretreatment + anaerobic + two-stage aerobic biochemical" process. For resource recovery, a portion of treated wastewater enters the reclaimed water reuse system, achieving a reuse rate of reclaimed water of 87–93%.



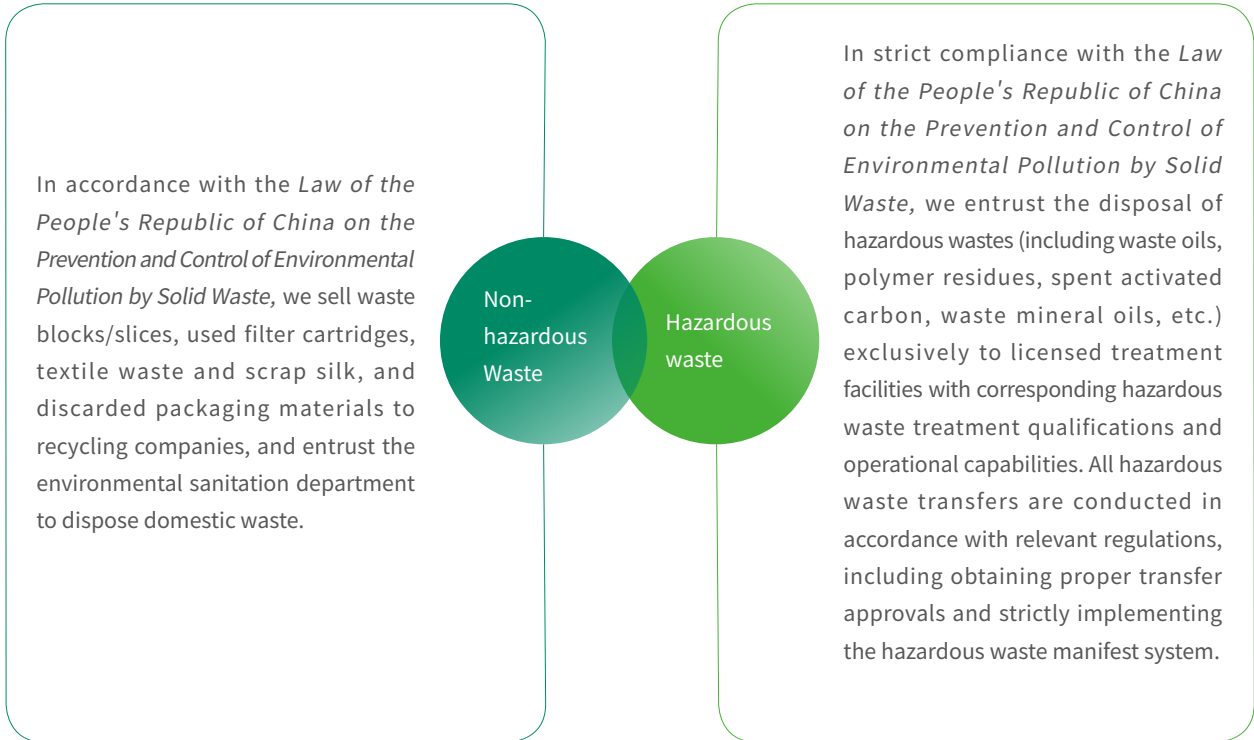
▲ Ultrafiltration equipment



▲ Reclaimed water treatment equipment

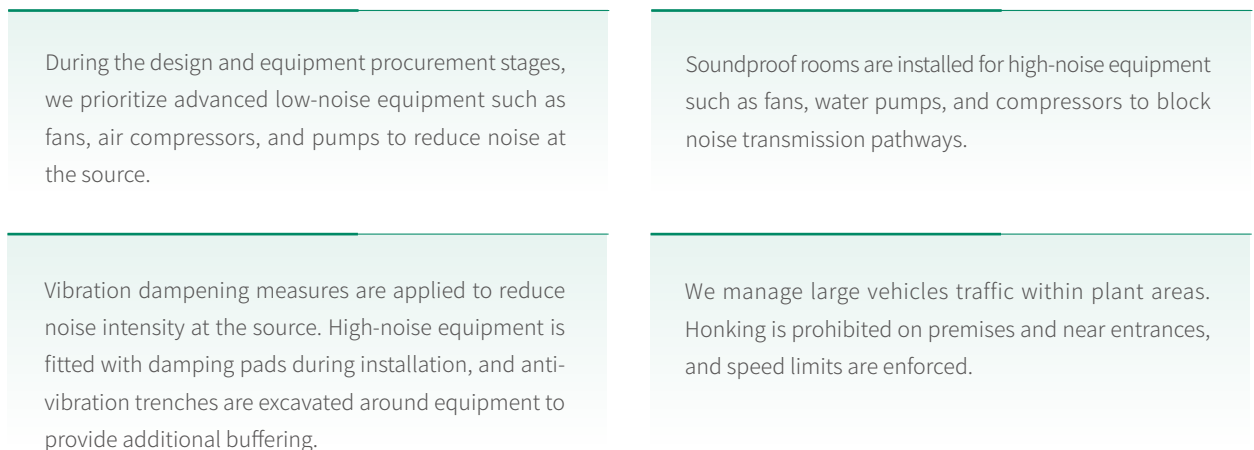
Solid waste

Guided by the principles of reduction, recycling, and harmlessness, the Company has established a comprehensive solid waste classification ledger system. The entire process of waste, from generation, collection, and storage through transport and final disposal or reuse, is strictly managed to ensure all waste categories are handled safely and properly.



Noise

The Company places emphasis on noise pollution prevention and management, steadily improving the acoustic environment around and within its project sites.



▲ Noise control measures included

People-Centric Approach

Building a Talent Powerhouse

Committed to people-oriented management and talent-powered development, Hengyi takes effective measures to safeguard employees' fundamental rights and interests, and establishes a comprehensive compensation and benefits system. In addition, the Company has implemented multi-level training mechanisms to empower employee growth. This not only boosts our core competitiveness, but also empowers employees to thrive together with the Company.

Employee Rights Protection

Recruitment and employment

The Company strictly complies with the Labor Law, the Labor Contract Law, and other relevant laws and regulations, as well as internal employment management measures such as the *Recruitment and Employment Management Measures*, the *Labor Contract Management Measures*, and the *Personnel Movement Management Measures*. We work to develop our own human resources (HR) management system to achieve end-to-end digital management of HR-related business for all subsidiaries. Committed to creating an equitable, diverse, and inclusive workplace, we ensure no inequities in employment based on ethnicity, race, gender, religious beliefs, or other factors, and respect each employee's right to free choice of employment and equal employment opportunities. Furthermore, we firmly oppose any form of forced labor, discrimination, and inequality, safeguarding employees' legitimate labor rights and interests.

2025 KPIs

17,511

Employees in total

602

Employees with disabilities

1,195

Ethnic minority employees

963

Overseas employees

100%

Labor contract signing rate

Contributions to UN SDGs

3 GOOD HEALTH AND WELL-BEING

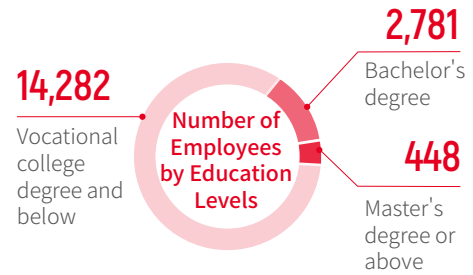
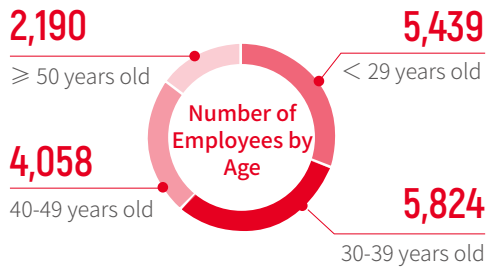


5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH





Compensation and benefits

We have established the *Compensation and Benefits System* and the *Employee Leave Management Measures*, striving to build a compensation system with both market competitiveness and internal equity. We also continuously improve employees' working conditions and employee welfare system to lay the foundation for harmonious and stable labor relations.

To promote continuous improvement in employee performance and organizational efficiency, we enforce total compensation controls. While further advancing workforce efficiency enhancement initiatives, we also pioneer the "shared contracting" mechanism. This approach fully energizes employees and effectively boosts workforce productivity through work sections and production lines contracting. The resulting cost savings are then rewarded to front-line employees as contracting allowances, ensuring performance and merit-based compensation. This approach fosters a virtuous cycle where organizational efficiency improvement and employee income growth go hand in hand.



Democratic management

We further optimize democratic management through institutionalized, standardized, and legally-compliant efforts. By improving our workers' congress system and expanding our diversified communication channels, we establish efficient and transparent employee communication platforms, and effectively safeguard employees' rights to information, participation, and expression.

Democratic Communication Channels

Symposiums

+

Questionnaire Surveys

+

Mailbox

+

Hengyi Official WeChat official account and videos

+

"Hengyi Seniors" grass-roots political committee mechanism

2025 KPIs

100%

Labor union participation rate

100%

Collective contract signing rate



▲ Shuangtu hold workers' congress for democratic discussions on HR system revisions

Occupational Health and Safety

In accordance with the *Work Safety Law*, the *Law on the Prevention and Control of Occupational Diseases* and other relevant laws and regulations, the Company has formulated the *Regulations on Occupational Health Management* and has continuously improved the full-process occupational health management system. During project construction, we strictly implemented "three simultaneities", ensuring the simultaneous design, construction, and operation of occupational disease prevention facilities with the main projects. During project operations, the Company has carried out occupational hazard detection, occupational health checkups for employees, hazard notification, labor protection equipment provision, special training, and hidden hazards investigation and management in a standardized manner. Regular testing and dynamic risk assessment are conducted for pollutants such as noise, dust, and toxic substances, and comprehensive occupational health records are established to ensure that all management is in line with national occupational health standards. Furthermore, the Company consistently offers health checkups, healthcare, support and psychological counseling to protect employees' physical and mental health in all aspects.

2025 KPIs

0

Cases of Occupational Disease

100%

OHS Participation

100%

Health & Safety Training Coverage



Free eye examinations for employees



Free eye examinations for employees



Zhejiang Hengyi Polymer conducts occupational health checkups



Zhejiang Hengyi Polymer hosts Xixiao Riverside Run for Fun event themed "Joyful Jogging, Vibrant Health"

Unblocked Career Pathways

Building talent development systems

At Hengyi, employee capability building is regarded as a pillar of its talent development strategy. We have developed a multi-dimensional growth platform for employees with a systematic and diversified training system. We radically implement "Blue Series" training programs to intensify structured training for new hires, key talents, and newly promoted managers. In addition, we continue to promote vocational skill certification and grassroots industrial management training for front-line employees to comprehensively enhance their professional competencies and management capabilities. Through these efforts, we ensure strong talent support for the Company's high-quality development.

2025 KPIs

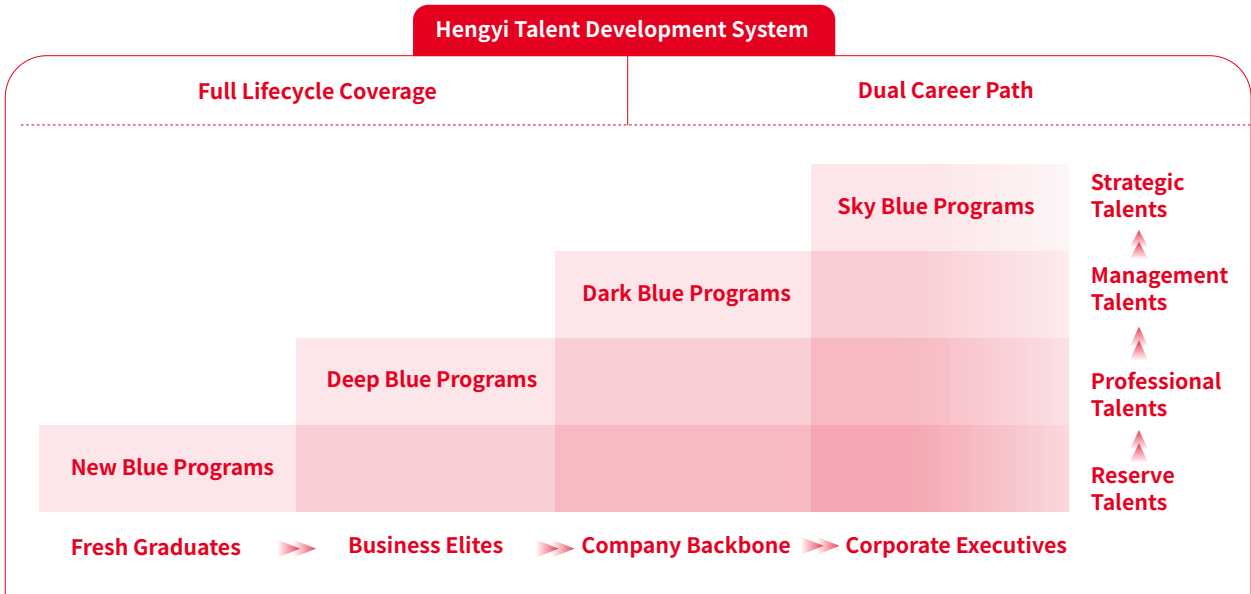
120 hours

Annual training hours per employee

100 %

Employee training coverage rate

"Blue" series training programs



▲ In March 2025, the learning phase of the 2024 Sky Blue Program (for functional management) concludes successfully



▲ Hengyi Research Institute successfully completes the "New Blue Program"—a onboarding training program for new hires

Vocational skill certification

Based on our national occupational skill level certification pilot platform—the first batch authorized in Xiaoshan District, we have developed special skill certification management measures for multiple technical fields, and established a standardized evaluation system and certification procedures for skilled talents to streamline internal occupation skill level certification. As of the reporting period, 1,766 employees have passed the assessment and obtained the "Senior" occupational skill level certificate, effectively consolidating the Company's high-skilled talent base.

Cross-border collaborative talent development

The Company continues to develop cross-national university-enterprise cooperation platforms with local educational institutions in Brunei, including Universiti Brunei Darussalam (UBD), Universiti Teknologi Brunei (UTB), and Institute of Brunei Technical Education (IBTE). Through multi-party joint schooling and targeted training, we systematically carry out cross-national skilled talent development.

Front-line manager training

The Company has launched diversified training programs tailored to front-line management and industrial talent demands. For key front-line employees, we offer management capability enhancement training such as team collaboration, communication skills, on-site management, and execution. For rank and file employees, we offer professional training such as mechanical, electrical, and instrumentation (MEI) courses, position-specific safe operating procedures, and 6S methods. We also work to cultivate high-potential sales professionals and internal trainers, and set up academic advancement programs together with universities to provide further education and career growth channels for front-line employees.



▲ Front-line manager training

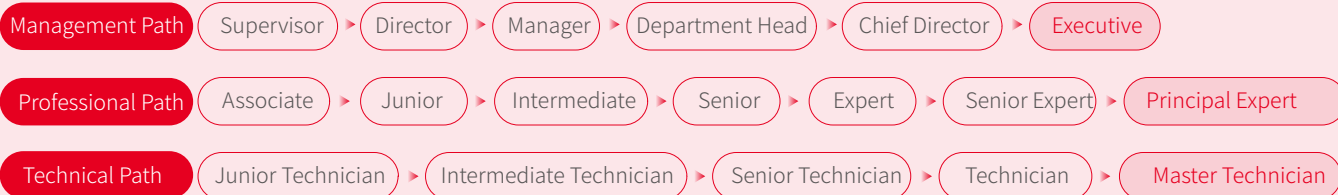
"Hengyi Craftsmen"

The Company regularly organizes cross-company and multi-trade skill competitions to enhance training and select talents. Winners are presented with competition rewards, and outstanding skilled talents are selected into the talent pool. We strive to build a high-caliber industrial talent team and cultivate "Hengyi Craftsmen".

Opening up career development channels

The Company provides employees with diversified and comprehensive career development platforms. Through three parallel and interconnected career promotion tracks—managerial, professional, and operational, supported by a structured job rank management system, we offer clear and transparent career progression trajectories tailored to different positions and growth stages.

Through fair, transparent, and quantitative talent evaluation mechanisms, we streamline talent selection, appointment, and promotion processes to ensure person-job fit and merit-based appointment. In this manner, we fully unleash the potential of employees, and empower the upskilling and personal breakthroughs in their career journey, enabling simultaneous personal value fulfillment and high-quality development of the Company.



Colorful Employee Life

Hengyi strives to create a warm and caring workplace based on a "family-oriented culture". Our regular heartwarming initiatives—spanning holiday benefits, birthday care, and family open days, as well as diversified team building activities—bring employees closer and boost team cohesion. Our employee care efforts effectively boost employees' sense of belonging, well-being, and loyalty, and foster a positive corporate culture built on warmth, harmony, unity, and unity.

Holiday employee care



Dragon Boat Festival activities

Hengyi food festival



Cultural and sports competitions for team building



The 7th Employee Sports Meeting



Tug-of-war competition

Heat Relief Care Initiative



Community Engagement

Bringing Warmth and Better Livelihoods

Committed to charitable and social impact initiatives, Hengyi launches diverse public welfare programs, including volunteer services, educational donations, and community engagement, to support disadvantaged groups and community development. In this manner, we practice corporate social responsibility with concrete actions and contribute to social harmony.

Support for the "Beautiful Countryside" Initiative

In alignment with the national rural revitalization strategy, the Company actively contributes to "Beautiful Countryside" Initiative to fulfill its corporate social responsibility. Leveraging our advantages, we promote synergy across industrial, talent, cultural, and ecological development, and prioritize industrial and educational assistance. By mobilizing multi-stakeholder resources to implement targeted measures, we support industrial upgrading, environmental progress, and livelihood improvement in rural areas. Through tangible actions, we advance all-round rural revitalization and build livable, workable, and harmonious villages together.

2025 KPIs

contributing to industrial revitalization in Xinjiang rural regions with a total procurement amount of RMB

150,000

Case

Purchasing distinctive agricultural products from Xinjiang to boost industrial development

In July 2025, Hengyi purchased Xinjiang grapes through targeted procurement, totaling RMB 150,000. Through the consumption-driven assistance, the Company supported this development of local specialty industries and boosted farmers' income growth, thereby contributing to industrial revitalization in Xinjiang's rural regions.



Contributions to UN SDGs

4

QUALITY EDUCATION



8

DECENT WORK AND ECONOMIC GROWTH



9

INDUSTRY, INNOVATION AND INFRASTRUCTURE



11

SUSTAINABLE CITIES AND COMMUNITIES



Case Supporting cultural education through ICH paper^o cutting on campus

A paper-cutting work created by an intangible cultural heritage(ICH) inheritor from Hengyi was donated to Turpan No. 1 Primary School in Xinjiang. This initiative inspires young hearts with the beauty of the living heritage, and enriches school cultural life. Through such heartwarming educational assistance, we contribute to rural cultural progress.



Community Engagement

The Company actively promotes community engagement and service with "Hengyi Employee Hub" serving as a bridge connecting the Company with local communities. We engage in community governance, cultural development, and environmental improvement to promote neighborly mutual aid and community integration. Our goal is to build a harmonious and friendly community, and build a wonderful homeland with the community.

Case "Hengyi Employee Hub" hosts Children's Day event to support children's growth

On May 30, the Infant and Toddler Growth Center of "Hengyi Employee Hub" held the Children's Day event themed "Children's Hearts and Dreams", which attracted 23 families. The event featured parent-child games, handicraft making, and a cotton candy station to promote family bonding and help children build children's hands-on and social-creating a warm, joyful space for employee families.



Case "Hengyi Employee Hub" hosts classic reading club to enrich employees' cultural life

On August 23, Hengyi Labor Union held the 23rd Reading Club themed "Dreaming Back to Grand View Garden : Tales of Jinling" at Hengyi Employee Hub, with 16 employees participating. Drawing on Dream of the Red Chamber, the event used quizzes, performances, and games to help employees appreciate a literary classic, enrich their cultural life, and foster a scholarly atmosphere.



Corporate Philanthropy

Committed to "giving back to society what it has given us", we actively practice our corporate social responsibility through charitable activities such as volunteer services, educational assistance, and blood donation. Solid steps are taken to advance educational donations, special fund programs, and other philanthropic projects to integrate into local development, spreading warmth and gathering forces for good.

2025 KPIs

RMB **25.07** million

Total donations by Hengyi and its controlling shareholder Hengyi Group

26

Blood donations organized

6,059

Blood donors

Case

Hengyi employees donate blood to spread warmth for social good

On August 6, Hengyi held the 24th group blood drive, drawing active participation from employees across all bases. On-site physical examinations, blood collection, and other processes were carried out in a standardized manner. In addition, the Company thoughtfully provided energy supplements to ensure donors' safety and comfort.

Among the participants were caring employees who have persisted for years, as well as CPC members, veterans, and researchers. A total of 145 employees donated 50,500 milliliters of blood, demonstrating corporate philanthropy and our employees' dedication.



Contribution to the BRI

We actively respond to the Belt and Road Initiative (BRI). By fully leveraging our industrial advantages, we tap into overseas markets and adhere to localized operations. We also take solid measures to advance overseas employee care initiatives such as the "Hengyi for the Future" and "Hengyi Cares", and contribute to local community development and economic transition of Belt and Road partner countries.

Promoting local development

Building on our strengths in industries, management, and construction, we actively deepen China-Brunei economic and industrial cooperation, and practice localized operations. Through proactive communication and integration with local development, we deeply engage in local construction to support Brunei's economic and industrial development, and strive for. Through tangible actions, we achieve win-win synergies between the Company and the locality, contributing to high-quality BRI cooperation.

Case

Phase-II Hengyi-Brunei PMB refinery and petrochemical Phase II project fully launched

The Brunei PMB refinery and petrochemical project in Brunei is not only a key pillar of Hengyi's globalization strategy, but also a flagship project for high-quality BRI cooperation. It has manifested immense strategic value since its inception. During the two summit talks on November 18, 2018, when President Xi Jinping visited Brunei, and on February 6, 2025, when Brunei Sultan Hassanal visited China, the Hengyi-Brunei PMB refinery and petrochemical project, as a flagship project under the BRI, was officially included in the joint statements of the two states twice.

The Phase I project now operates under a proven and mature model, accumulating rich experience for the overseas operation of the Phase II project. On January 5, 2026, Hengyi announced the full-scale launch of the Phase II project, with designed capacity optimized and adjusted to 12 million tons per annum, and focusing on high value-added products such as diesel, paraxylene (PX), and benzene. Once completed, the Phase II project will form strong industrial synergy with the Phase I project, thereby driving Brunei's economic growth and promoting bilateral economic and trade cooperation. It will set an example for high-quality BRI cooperation.



Empowering local talents

Hengyi Industries has always prioritized local talent development and employee rights protection. In strict compliance with Brunei labor regulations, it develops a comprehensive employee care system covering talent training, employee rights protection, benefits provision, and cultural integration. Through structured training, localized promotion, diversified benefits, and cross-cultural integration, the company continuously improves local employees' professional competency and sense of belonging, and fosters an international working environment that is stable, diverse, respectful, and inclusive.

2025 KPIs

922 persons

Local jobs provided by the Company in Brunei

Structured local talent development

- We implement comprehensive localization strategy, prioritize hiring local talents, and establish a full-cycle training system covering new hire onboarding, operational skills, professional engineering, and management capabilities.
- We fully launch competency-based succession planning for local talents in refineries, and build clear promotion channels to facilitate the promotion of local employees to key operational and managerial positions.
- We deepen school-enterprise cooperation and conduct local campus outreach activities to cultivate petrochemical professionals.

Full-process employee rights protection

- We revise our HR management system, strictly implementing zero-tolerance policies against discrimination, harassment, child labor, and forced labor, and respecting diverse nationalities, genders, religions, and cultures.
- We open up accessible complaint channels, with no major labor disputes, discrimination, or harassment cases received throughout the year.
- We implement transparent salary adjustments for foreign employees based on performance and service length, ensuring equal pay for equal work and equitable development opportunities.

Diversified benefits and cross-cultural care

- We provide more paid annual leave than legal minimum. Foreign employees are entitled to 6 weeks of home visit leave every six months with round-trip airfare reimbursement.
- We purchase medical, accident, and overseas special injury, and other commercial insurance for all employees with monthly outpatient reimbursement.
- We organize football and badminton competitions and other cultural and sports activities, and host employee appreciation dinners to enrich employees' lives.
- We respect religious beliefs and customs. By addressing religious holiday and prayer demands, implementing bilingual policies and cross-cultural management training, and hosting multicultural activities, we promote integration among Chinese and foreign employees.



▲ Hengyi Industries hosts the 3rd Annual Staff Appreciation Ceremony

Engaging in overseas philanthropic initiatives

Hengyi Industries deeply integrates into Brunei society with its "Hengyi for the Future" and "Hengyi Cares" programs. The former focuses on education and talent development and the latter focuses on community charity. Through all-round efforts in education support, assistance for disadvantaged groups, community engagement, and cultural inheritance, we fulfill corporate social responsibility with tangible actions, and serve as a strong bond connecting Chinese and Bruneian people.

Case "Hengyi Cares" spreads warmth and positive social energy

Hengyi extends care to every corner of the community, manifesting humanism with actions.

- **Assisting disadvantaged groups** We regularly provide financial support and material supplies to multiple non-profit organizations, including SMARTER Brunei, Pusat Ehsan, KACA, YASKA, and Space for Autism. By doing so, we deliver care and warmth to special groups and orphans.
- **Organizing employee blood drive** In July 2025, the Company organized a voluntary blood drive with extensive employee participation. They pass on compassion with blood donation and alleviate the pressure of the local blood center.
- **Promoting multiculturalism** We respect local religious beliefs and cultural customs. By organizing donation activities during Ramadan and celebrating the Maulid (Prophet's Birthday), we promote understanding and integration among employees from different cultural backgrounds, and foster social harmony.
- **Supporting national and social campaigns** We demonstrate our corporate responsibility in national development by actively attending and sponsoring national-level campaigns such as the Ocean Week, Maritime Week, and Teachers' Day Walk.



Case "Hengyi for the Future" lights up the hope for education

Hengyi Industries continues the three scholarships with Chinese and foreign institutions, including Universiti Brunei Darussalam (UBD), Universiti Teknologi Brunei (UTB), and Institute of Brunei Technical Education (IBTE), to develop the petrochemical talent pipeline in Brunei. Meanwhile, O Level, A Level, and Excellence Award for Higher Education Students have been established and presented to encourage young students to pursue excellence. The company continuously cultivates local young talents to exert far-reaching educational influence.



Prospects

The year 2026 represents a critical juncture for Hengyi—both in advancing high-quality development with strategic resolve and in connecting the first and second halves of our "Centennial Hengyi" journey. Looking ahead, the Company will continue to strengthen endogenous growth drivers and steadily advance major strategic initiatives, including coal chemical projects and high-end new green and circular materials. By further diversifying feedstock sources and deepening product integration.

The Company will further enhance its modern corporate governance framework by strengthening compliance operations, risk management, and internal controls, thereby improving governance soundness and transparency. At the same time, we will continue to elevate investor relations management and disclosure quality, advancing value communication in tandem with brand building. Through steady operations and sustained growth, we are committed to delivering long-term value to shareholders and all stakeholders.

The Company will leverage green and low-carbon technologies, together with digital and intelligent solutions, to empower traditional industries in enhancing quality and efficiency. Building on this, we will continue explore more sustainable circular development pathways, steadily advancing the strategic transformation from a manufacturing enterprise to a technology-innovation-driven enterprise.

The Company will uphold the safety development bottom line and strictly enforce quality standards, while upgrading its customer service system to earn market trust through high-quality products and professional services. At the same time, we remain firmly committed to a people-oriented approach, further enhancing employee care and career development systems, and building growth platforms to fully unlock talent vitality. Ultimately, we strive to achieve shared development between the Company and our employees.

The Company will actively fulfill its social responsibilities by deepening public welfare initiatives and community engagement while strengthening volunteer services. At the same time, we will advance overseas projects with high standards and further integrate into the Belt and Road Initiative, supporting Brunei's "Wawasan 2035" and deepening bilateral economic and trade cooperation. With a global perspective and a commitment to pragmatic action, we are dedicated to building a privately owned multinational chemical enterprise group characterized by technological leadership, cost competitiveness, and ecosystem synergy.



Appendix

ESG Key Performance

Economic

Indicator	Unit	2023	2024	2025
Operating income	billion	136.1	125.5	113.5
Total assets	billion	108.0	107.5	109.6
Production capacity	10,000 tons/year	4,162	4,335	4,522
-Chemicals (including PX and benzene)	10,000 tons/year	265	265	265
-Refined oil	10,000 tons/year	565	565	565
-PTA	10,000 tons/year	2,150	2,150	2,150
-PIA	10,000 tons/year	30	30	30
-Polyester fiber (including polyester filament, polyester staple fiber, and polyester chips)	10,000 tons/year	752	755	938
-PET (including RPET)	10,000 tons/year	360	530	530
-Caprolactam	10,000 tons/year	40	40	100
-Polyamide	10,000 tons/year	0	0	60
Quality inspection pass rate	%	100	100	100
Customer satisfaction after sales	%	99	99	99

Social

Indicator	Unit	2023	2024	2025
Total number of employees	headcount	15,548	16,014	17,511
Percentage of female employees	%	26	26	27
Labor contract signing rate	%	100	100	100
Social insurance coverage	%	100	100	100
Percentage of ethnic minorities employees	%	6	7	7
Female in senior management	headcount	2	3	2

Social

Indicator	Unit	2023	2024	2025
Female in middle management	headcount	148	180	185
Total amount of employee stock ownership plan	billion	4.4	5.2	5.2
—Total shares purchased	Million share	366.84	480.93	480.93
—Benefited employees	headcount	12,080	14,580	14,580
Cumulative number of shares traded in share repurchase transactions	Million share	270.17	399.20	403.14
Training hours per employee per year	hour	116	120	120
Training coverage rate	%	100	100	100
Occupational health examination coverage	%	100	100	100
Invested in safety production	million	139.87	169.49	142.83
Fatalities from safety accidents	headcount	0	0	0
Safety training hours per employee	hour	12(Non-hazardous) 48(hazardous)	12(Non-hazardous) 48(hazardous)	24(Non-hazardous) 72(hazardous)
Security training	session	916	961	979

Environmental

Indicator	Unit	2023	2024	2025
Invest in Environment	million	522	400	850
Carbon dioxide emissions	10,000 tons	809	794	799
Carbon dioxide emissions intensity	million tons/RMB billion	0.06	0.06	0.07
SO ₂ in Exhaust gas	tons	1,867	1,373	979
NO _x in Exhaust gas	tons	3,646	1,936	1,588
COD in Wastewater	tons	814	589	466

Environmental

Indicator	Unit	2023	2024	2025
Ammonia Nitrogen in Wastewater	tons	12	4	3
Amount of Hazardous Waste	tons	558	437	931
Consumption of crude oil	10,000 tons	819	848	881
Consumption of coal	10,000 tons	187	193	247
Annal PV power generation	10,000 kWh	6,514	12,530	16,571
Emission intensity of mercury and its compounds	mg/m ³	0.000070	0.000067	0.000080
Industrial Freshwater Consumption	10,000 tons	5,161	4,086	3,151
Industrial Freshwater Consumption Intensity	million tons/RMB billion	0.38	0.33	0.28

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Feedback Sheet

Dear readers,

Thank you for taking the time to read the 2025 ESG Report of Hengyi Petrochemical Co., Ltd. amidst your busy schedule. To provide more valuable content to stakeholders and keep improving our report preparation and ESG performance, we sincerely invite you to leave your opinions and suggestions. Please leave your contact or send feedback to : hysh@hengyi.com, thank you very much for your suggestions and comments.

Tel.: _____

E-mail: _____

Address: _____

For Hengyi, what category of stakeholders do you belong to:

- Government
 Shareholder/Investor
 Employee
 Customer
 Supplier
 The public
 Academic/
 research institutions
 Social organization/non-governmental organization
 Industry association/partner
 Media
 Other ()

Your evaluation of this report:

	Very	Good	Average	Poor
Report structure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Wording	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information disclosure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Layout design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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



HENGYI