



Satellite Chemical Co., Ltd.

Stock code: 002648



Satellite Chemical Co., Ltd.

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2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



CATALOGUE

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ABOUT THIS REPORT

About This Report

Overview

This is the third annual Environmental, Social and Governance (ESG) report of Satellite Chemical Co., Ltd. (hereinafter referred to as the "Report"). The Report provides a factual and objective account of Satellite Chemical Co., Ltd.'s sustainability activities in 2022, with a focus on its social, environmental, and governance performance.

Boundaries

Temporal boundaries of the Report: January 1, 2022, to December 31, 2022 (hereinafter referred to as the "Reporting Period"). Some information may extend beyond the Reporting Period. The Report is the annual report. Organizational boundaries of the Report: The Report covers Satellite Chemical Co., Ltd. unless otherwise specified.

Information Sources

The information and data disclosed in the Report are from the Company's statistical information or official documents. The currency amounts involved are measured by the Renminbi (hereinafter referred to as the "RMB").

Preparation Basis

Shenzhen Stock Exchange Guide No.1 on Self-Regulation of Listed Companies: Standardized Operation of Companies Listed on the Main Board

Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies: Business Matters (Revised in February 2023)

Shenzhen Stock Exchange Guide on the Environmental, Social and Governance Disclosure of Listed Companies (Consultation Paper)

Confirmation and Approval

The Report was prepared by Satellite Chemical's ESG report compilation team and approved by the Board of Directors for release on April 28, 2023, upon confirmation by the management.

References

For the convenience of presentation and reading, the "Company", "STL" and "we/us" in the Report refer to "Satellite Chemical Co., Ltd." and its subsidiaries. Other references are as follows:

Lianyungang Petrochemical	refers to	Lianyungang Petrochemical Co., Ltd.
Satellite Energy	refers to	Zhejiang Satellite Energy Co., Ltd.
Pinghu Petro Chemical	refers to	Pinghu Petro Chemical Co., Ltd.
Satellite Science & Technology	refers to	Satellite Science & Technology Co., Ltd.
Hubei Satellite	refers to	Hubei Satellite New Materials Co., Ltd.
STL USA	refers to	Satellite Chemical USA Corp.

Access and Feedback

The Report is available in both simplified Chinese and English. In case of discrepancies between the two versions, the simplified Chinese version shall prevail. Your comments are valuable to us and will help us improve our ESG performance. Please feel free to contact us.

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About STL

Message from the Chairman

The year 2022 was one of recovery and resumption. From a start-up on the shores of the South Lake, we have remained true to our original mission of "chemicals make a better life" and have insisted on green and low-carbon development. Following national industrial development strategies and the business philosophy to "contribute STL quality products, create a better life", we have realized numerous major technological and product innovation results and comprehensive, in-depth, and fundamental management innovations and changes. Now, we are firmly moving forward with our Double Five-Year Plans, aiming to "create a future with science and technology and build a low-carbon chemical sci-tech company of new materials based on the light hydrocarbon integration", among other accomplishments.

Throughout the year, all STL employees worked together with unified wisdom and strength under the strong leadership of the Company's Board of Directors. We followed green and low-carbon development principles and guided our business with the concepts of "technology leading" and "management leading". We accelerated project development and technological innovation by fully leveraging our advantages provided by industrial chain integration. We achieved satisfactory results through hard work and perseverance in the face of adversity. The Company's operating income in 2022 was RMB **37** billion , and its net profit exceeded RMB **3** billion, indicating steady progress toward the strategic goal of "building a low-carbon chemical sci-tech company of new materials".

In the year, STL made solid progress in project development.

The Lianyungang Petrochemical Olefin Comprehensive Utilization Project was fully operational as a result of our determination and hard work day and night, creating a benchmark and model for safe, environmentally friendly, and low-carbon development in the chemical industry. Simultaneously, we continued to strengthen our industrial presence, with a strong emphasis on expanding the comprehensive utilization of light hydrocarbons such as C2 and C3. Furthermore, we increased the capacity of our three major business segments: functional chemicals, polymer new materials, and new energy materials. As a result, we boosted STL's high-quality development and raised the industry's standard.



In the year, STL stayed firmly true to its original aspiration of green development.

We adhered to the safety and environmental protection principles that "safety is more important than profit" and "taking environmental protection seriously as our products". As the largest company of the green and low-carbon comprehensive utilization of raw materials in China, STL acted in accordance with the carbon peaking and carbon neutrality strategies and implemented numerous carbon-reduction measures for green and sustainable development. These initiatives led to STL's inclusion on the "Green Manufacturing List 2022" of the Ministry of Industry and Information Technology of the People's Republic of China and infused the Company's high-quality development with a strong green impetus.

In the year, STL added vigor and vitality to its workforce.

We put the development concept to "create a future with science and technology" into action by introducing leading and high-caliber experts and deepening our collaboration with universities. We maintained the core values that "the company grows together with its employees and society" and established a comprehensive human capital management system. We increased recruitment channels and provided intensive and targeted training for our workforce to build capacity, relying on the Company's strengths. This change enabled STL employees to develop a strong sense of vitality, cohesion, and influence, as well as realize the common goal of achieving happiness through struggle.

In the year, STL rolled out its strategy for internal and external governance.

We investigated the design and implementation of a high-level corporate governance system and established the business concepts of "technology leading" and "management leading". We created a three-in-one corporate governance structure, a solid ESG governance structure, and a corporate governance mechanism with clearly defined responsibilities, efficient operation, and seamless synergy, resulting in a comprehensive and solid three-dimensional governance network of STL.

In the year, STL achieved innumerable fruits in public welfare.

We took the initiative to assume responsibility for common prosperity in response to the guiding principles of General Secretary Xi Jinping's important speech on common prosperity. We launched the Jiaxing STL Public Welfare Fund, the first named after the Company, as well as ongoing programs to assist the elderly, students, people with disabilities, and the needy. All of this was part of STL's efforts to promote common prosperity.

We achieved satisfactory results in 2022 while remaining pragmatic and putting the diligence, innovation, and foresight of STL staff members into action. We demonstrated through high-quality development that "integrating the leadership of the Communist Party of China (CPC) into corporate governance is a right direction for STL" and "injected impetus for STL's business" with a quality improvement.

According to a proverb in Chinese, "In a boat race, those who row the hardest will win". At a new starting point in 2023, STL will work to achieve qualitative changes. We will work harder to advance "management leading" and "technology leading", with the goal of fostering the "HÉ" culture. We will continue to provide the Chinese manufacturing sector with role models of green, low-carbon, and high-tech development by firmly focusing on industry and practice. Closely adhering to China's solemn pledge to "peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060", we will contribute the STL power to addressing global climate and environmental issues. We will live up to our corporate mission that "chemicals make a better life" and share the "beauty of chemistry" with the world.

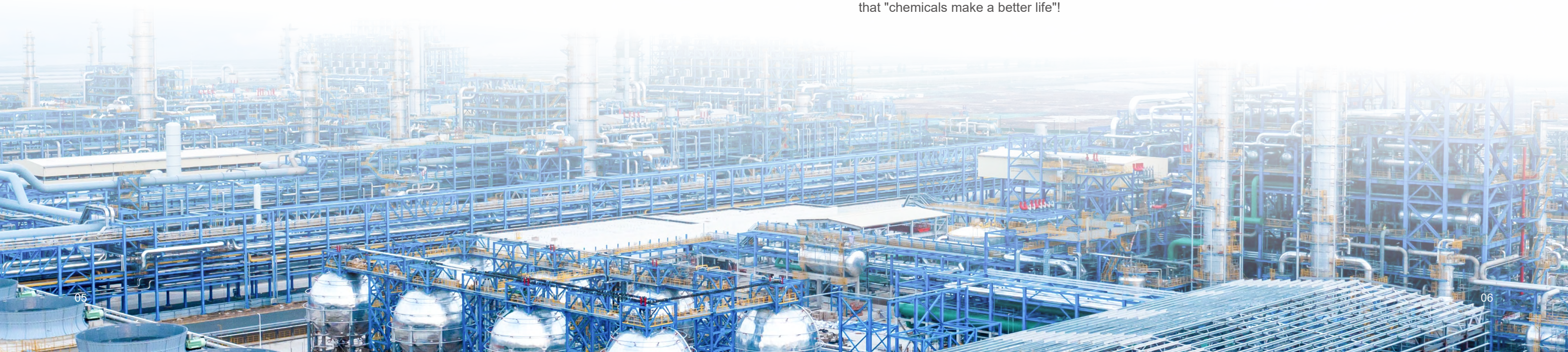
Company Profile

STL began its business with acrylic acid polymer new materials. New chemical materials have dominated our evolution since then. We have stayed true to our mission that "chemicals make a better life" over the years, focusing on the real economy and our profitable business. We have extended to the upstream to secure upstream raw materials, paving an innovative path not taken by our peers, and set a development strategy to "build a low-carbon chemical sci-tech company of new materials based on light hydrocarbon integration". We have launched applications in aerospace, rail transport, infrastructure engineering, automobiles, new energy, semiconductors, furniture, textile, and home care while working in functional chemicals, new energy materials, and polymer new materials, creating colorful fine products for a better life.

With science and technology, we shape the future. STL invested over RMB **1.238** billion in R&D in 2022, a **15.14** % increase year on year. We achieved technological innovation and optimization, ensuring the completion of the Lianyungang Petrochemical Phase II project in August 2022. We also made significant advances in developing key and core technologies and completing the construction of a 1,000-metric-ton/year **α-olefin** industrial pilot plant. We hastened the construction of STL's future R&D center in order to create a new platform to "create a future with science and technology".

We have worked hard to increase our human capital. STL had a technical R&D team of **992** people in 2022 and plans to build a thousand-person R&D team under its second Five-Year Plan. STL truly views human resources as capital for future growth. Since its initial public offering, the Company has introduced **3** restricted stock award schemes, **1** employee stock ownership scheme, **1** business partner stock ownership scheme, and **3** virtual equity awards for business units. It has established a modern management mechanism with value incentives and responded to the national policy on demonstration zones for common prosperity by establishing a value platform for employee common prosperity.

"Never forget why you started, and you will be able to complete your mission". STL has developed an advantage of industrial chain integration, beginning with polymer new materials. We are going deeper with innovations in the field of new low-carbon chemical materials, striving to be a sci-tech company that generates taxes for society, benefits for shareholders, and income for employees, and realizing the mission that "chemicals make a better life"!





February 15, 2022

The 2# plant for superplastic new materials was put into operation, marking STL's official entry into differentiated and high-end fine chemical new material products derived from ethylene oxide.



February 21, 2022

Lianyungang Petrochemical's Green Chemical New Material Industrial Park project was officially launched. The project is a downward extension of the light hydrocarbon integration industry chain to further deep processing of Lianyungang Petrochemical's C2 products, effectively increasing the added value of the products.



March 5, 2022

STL and Jiaying Xiu Zhou High School held a signing ceremony for the pairing agreement, under which STL donated RMB 1 million to promote education and training for ethnic minority students, improve their education facilities, and establish an education incentive mechanism.



May 28, 2022

STL's refined acrylic acid project with an annual capacity of 200,000 metric tons saw the contract officially signed, enhancing the comprehensive strength of the integrated industrial chain of acrylic acid and downstream new materials.



July 21, 2022

STL's new product promotion conference, with the theme of "Always Be with You", was concluded in Changsha. More than 100 representatives, experts, and researchers from the construction, energy, and macromonomer industries gathered together to explore the road of development of the polyether macromonomer industry.



August 8, 2022

A ceremony was held in Lianyungang for the contract signing the 40,000-metric-ton/year high-end packaging new material project (EAA) jointly launched by STL and SK Group. It marks the first EAA production base being launched in Asia.

Our 2022

► Milestones in 2022



August 26, 2022

A work conference on the C6 macromonomer standards and the second plenary session of the working group on the preparation of the VPEG and VBPEG organization standards were hosted at STL headquarters. The Company led the setting of the organization standards for C6 macromonomer, adding new momentum to industry development.



December 29, 2022

STL proposed to establish a Common Prosperity Public Welfare Fund to promote the deep integration of the real economy and public welfare.



December 29, 2022

Lianyungang Petrochemical's styrene plant was put into operation. It strengthened the industrial chain and made up for its shortcomings, extending to the high value-added industry with huge potential and broad development prospects in the downstream market.



December 8, 2022

STL continued to advance its growing together program by granting virtual equity to Satellite Science & Technology's employees.



November 10, 2022

The Company invited experts and partners in the acrylic acid and ester industries to gather on the shores of the South Lake. The event aimed to promote industry interaction and exchanges and to better provide quality solutions for industry chain customers.



November 9, 2022

STL USA was elected Vice President of the China General Chamber of Commerce (CGCC) Houston at its General Membership Meeting and Board Meeting 2022.



August 27, 2022

STL's Lianyungang Petrochemical Olefin Comprehensive Utilization Project was fully operational, injecting surging power into higher-quality development of the regional economy and China's goals of carbon peaking and carbon neutrality.

► Highlights in Performance in 2022

General



National Manufacturing Individual Champion Demonstration Enterprise

Ministry of Industry and Information Technology of the People's Republic of China and China Federation of Industrial Economics

Hurun China 500 Most Valuable Private Companies 2022

Hurun China

Zhejiang Top 100 Enterprises

Zhejiang Enterprise Confederation, Zhejiang Enterprise Directors Association, and Zhejiang Federation of Industrial Economics

Export Brands of Zhejiang 2022-2024

Department of Commerce of Zhejiang Province

201st among China Top 500 Manufacturers

China Enterprise Confederation and China Enterprise Directors Association

2022 Fortune China 500

Fortune and CICC Fortune

Zhejiang Province's List of "Forerunner" Enterprises in the Integration of Domestic and Foreign Trade

Department of Commerce of Zhejiang Province

Yangtze River Delta 100 Enterprises

Yangtze River Delta Enterprise Federation and Yangtze River Delta Entrepreneur Federation

Social Responsibility



Green Factory of the Petroleum and Chemical Industry for 2022

China Petroleum and Chemical Industry Federation

Recruitment Operations Benchmark

China Digital Human Resources Association

Enterprise Cultural Center of Zhejiang Province

Publicity Department, Organization Department and other Departments of the CPC Zhejiang Provincial Committee

Top 50 Sustainable Development Industrial Enterprises

Forbes China

Green Supply Chain of the Petroleum and Chemical Industry for 2022

China Petroleum and Chemical Industry Federation

Zhejiang Province's List of Leading Enterprises for a Community of Happiness 2022

Zhejiang Federation of Trade Unions, Publicity Department of the CPC Zhejiang Provincial Committee and other five ministries and commissions

National-Level Green Supply Chain Management Enterprise

Ministry of Industry and Information Technology of the People's Republic of China

Human Resources



Outstanding Collective in the Reform of Zhejiang's Industrial Workforce Construction in the New Era

CPC Zhejiang Provincial Committee and the People's Government of Zhejiang Province

China Top 10 Employers in the Petroleum and Chemical Industry

Chenhr.com and Yingcai Wanglian (Beijing) Technology Co., Ltd.



01

Quality to Foster an Excellent Brand

STL has always been dedicated to the social responsibility and mission that "chemicals make a better life" and rewards investors' trust with business stability. We insist on product quality control from the source and leverage our technical advantages to expand and innovate to provide customers with high-quality and satisfactory products and services and work with suppliers for win-win results.

- Creating Premium Products
- Improving Customer Service
- Practicing Responsible Procurement
- Boosting Industry Development



Creating Premium Products

STL regards product quality as the Company's foundation. To ensure product quality, we always prioritize our internal quality management system. We also invest in innovation and R&D to accelerate the digital transition. We promote the qualitative change of the Company to a low-carbon chemical sci-tech company of new materials based on light hydrocarbon integration and continuously contribute to the transition and upgrading of China's chemical industry by increasing our intrinsic safety and clean production capacity and accelerating the quality, efficiency, and power changes in the chemical industry. Furthermore, we are stepping up our efforts to protect intellectual property rights and promote the growth of the digital economy.

Quality Management System

STL is constantly working to improve its quality management system. We strictly adhere to *the Product Quality Law of the People's Republic of China* and *the Standardization Law of the People's Republic of China*. We have formulated *Quality Management System, an Incident Management System, Quality Management Regulations, and Critical Activities and Key Quality Control Points* in place. These internal management documents establish criteria for product quality, critical activity acceptance, and other processes. STL has also established a quality management system with "centralized leadership, hierarchical management, and division of responsibilities". The Company is assigns the responsibility of quality management to the general project manager, and the responsibilities of quality management and customer quality to the deputy manager of production and related personnel. The roles and responsibilities of quality personnel at all levels are clearly defined.

STL accelerates the transition and upgrading of traditional industries, vigorously develops new chemical materials and fine chemicals, and catalyzes the industry's digital transition to promote high-quality development. We adhere to the basic principles of market-oriented, innovation-driven, green and safe, open and collaborative, and draw fundamental impetus from reform and innovation in this course, which follows *the Guiding Opinions on Boosting the High-Quality Development of the Petroleum and Chemical Industries During the 14th Five-Year Plan Period*.

We carry out quality management in accordance with the ISO 9001 quality management system, which includes annual internal and external reviews as well as monthly special inspections of the quality system. We supervise the rectification of existing problems to ensure closed-loop management. Furthermore, we assess the Company's identification and compliance with laws and regulations, with a focus on key product quality control points. We conduct process inspections and have several quality-related systems in place to ensure quality and continuously improve quality issues.

STL practices "technology leading" to drive the Company's high-quality development in order to improve its presence in the industry chain. We take the initiative to establish organizational standards, demonstrating our commitment and responsibility to the orderly development of the C6 macromonomer industry and extending and intensifying industrial exchanges and collaboration. More importantly, it allows for resource sharing, complementing each other's advantages, a win-win ecosystem, and synergistic development in the industry, as well as bringing new energy to industry development.



Engaged in setting of the organization standards for C6 macromonomer

STL has worked with China National Chemical Information Center to progress the setting of the organization standards for C6 macromonomer. With the support of Tongji University, Beijing University of Technology, and Shanxi University, the Company has developed a test method for the double bond retention of C6 macromonomer, filling a quality gap in the industry, and completed the standard test and preparation. The standards are expected to be released in May 2023.

Conducting unscheduled application performance tests

STL conducts irregular application performance tests on products and has developed a database of product indicators and application performance correlation indices. Moreover, the customer-centric Company coordinates production plants to continuously optimize process parameters and improve product quality.

Advancing the work of the joint laboratory

The Company's joint laboratory continuously conducts tests to expand the application of C6 macromonomer and has developed a polycarboxylate water-reducing agent for gypsum-based self-leveling mortar. It features a fast flow rate and good flow retention, which can effectively improve the construction efficiency and ensure the construction quality. The laboratory has filed a patent application and has been granted.

Case Improving product quality control in collaboration with universities and research institutes

To promote product performance improvement and sustainable development, the Company has established a joint laboratory with Tongji University. The partnership aimed to develop application processes dedicated for polyether macromonomer customers, such as the synthesis process of viscosity-reducing polycarboxylate water-reducing agents. This move has not only solved the pumping problem of high-grade concrete but also broadened the application of vinyl polyethylene glycol ether. Moreover, the Company has developed an iodine value test method for vinyl polyethylene glycol ether and ethylene oxy-butyl polyethylene glycol ether, which provides effective support for product quality control.

Case Boosting the Company's technological innovation in collaboration among enterprises, universities, and research institutes

To facilitate the effective combination of necessary production factors for technological innovation, STL collaborates with higher education institutions. In 2022, the Company established a postdoctoral workstation with Zhejiang University to gain a forward-looking scientific perspective with the strength of the university's supervisory team. Moreover, STL collaborates with Dalian University of Technology on a project to recover hydrocarbon-containing carbon dioxide tail gas from the production process of the EO/EG plant, which is now under construction. The project captures and utilizes the carbon dioxide tail gas from the production process which has been directly emitted into the air. The successful implementation of such projects mark Lianyungang Petrochemical's contribution to China's strategy of carbon peaking and carbon neutrality.

R&D and Innovation Capabilities

► Innovation System Construction

STL is constantly improving its science, technology, and innovation (STI) system. We developed and implemented management systems for R&D, knowledge, and the security of human resources, funds, and supplies to support product and technology innovation, using *the Management Measures of the Research Institute for Polymer New Materials* as the overarching management rules.

We are committed to the development philosophy of "prioritizing innovation and focusing on three qualities". Under our talent philosophy to "assess the talents based on their abilities and contributions in addition to educational background and work experience", we have a set of talent management policies and measures tailored to the industry and our workforce. Furthermore, we have a dual-channel development model of "technology" and "management" to provide more opportunities for employees at all levels to advance their careers. We create a "specialized, professional, and international" workforce while also expanding and improving R&D personnel's ability to innovate. In this manner, we created a permanent mechanism for attracting, training, and incentivizing scientific and technological personnel, as well as a graded personnel training mechanism and a career planning system.

► Innovation Management Measures

STL is dedicated to product innovation and the digital empowerment of production management. With the use of intelligent digital technologies such as DCS, SAP, and MES, we have optimized and promoted the "five-in-one" safety management platform, as well as improved production efficiency and management capabilities. Simultaneously, we advance the development of digital factories and improve the application scenarios of "Intelligence+", "Robot+", and the industrial internet.

STL has created a three-tiered digital intelligence system comprised of an intelligent operation platform, intelligent factories, and intelligent equipment, with the SAP+ industrial Internet platform serving as the foundation. We advance the subsystems of digital and intelligent R&D, marketing, supply chain, manufacturing, finance, human resources management, HSE management, and process, with which we construct a "digital and intelligence-driven enterprise" and develop the Company's new competitiveness.

Case Setting footprints in the high-end polyolefin industry chain with breakthroughs in the supply of key and core new materials

To build a product R&D system based on industrial chain integration, STL has set footprints in the R&D of α -olefin and POE in the downstream ethylene industry chain. At the beginning of 2023, the Company's α -olefin industrial pilot plant achieved stable operation, reaching the intended target of the industrial pilot plant. Specifically, the quality of 1-hexene products has reached China's industry standards. For 1-octene, there has been no production plants in China and all products had to be imported. The new plant's 1-octene products have met the standards against imported samples, marking the successful start-up of the Company's independently developed α -olefin industrial pilot plant. In the future, STL will continue to strive for the mission that "chemicals make a better life" and leverage the advantages in the industrial chain to accelerate the advancement in new energy. We will make solid progress in our basic business, low carbon products, and set footprints in the high-end polyolefin industry chain. Seizing the market space brought by the new development pattern whereby domestic and foreign markets boost each other, we will meet people's pursuit of a better life.

► Protection of Intellectual Property Rights

STL places a premium on the management of scientific and technological outcomes. To strengthen STI management and catalyze STI progress, we have established *the Corporate Patent Management System*, the *Information Confidentiality Management System*, and other internal system documents. In the process of patent filing, we make explicit requirements in internal process codes and at meetings for all production bases, business units, research institutes, and other relevant units to conduct necessary surveys before filing a patent.

In 2022, patents filed: **107**
including invention patents: **39**

Patents granted: **93**
including invention patents: **27**

The year-on-year increase of the number of patents filed: **50.70%**

We offer instruction in intellectual property rights (IPRs) laws and regulations and the compliance with them. The Legal Affairs Department of the Company invites law firms to interpret IPRs laws and regulations and analyze relevant cases. The IPRs management commissioner trains departmental IPRs managers and answers their questions about *the Management Code of Corporate Intellectual Property Rights*, handbooks, and procedure documents. Following that, the departmental IPRs managers provide training for their departments, with approximately 70% of the training focusing on IPRs compliance.

► Commercialization of Innovation Results

STL invests continuously in R&D and innovation, commercializing innovation results and improving its research capability for key general technologies for enterprises. Under the concept of "technology leading", we continuously optimize our processes and seek cost-effective innovations. We are also expanding our high-value industry chain in order to bring differentiated products to market.

Case Launching leading projects to ensure energy security

STL provided additional impetus for Lianyungang to accelerate its "late-mover's catch-up" by launching the Lianyungang Petrochemical olefin comprehensive utilization project. It is a key project of Jiangsu Province as well as the base, leading, and flagship project of the Lianyungang national petrochemical base. It is critical in promoting Lianyungang's development of a world-class petrochemical industrial base and in boosting China's chemical industry's high-quality development. As the project is implemented, STL will focus on creating a benchmark and model for safe, environmentally friendly, and low-carbon development in the chemical industry, as well as making greater contributions to ensuring China's energy security.

Case Progressing innovation based on research projects to boost industry development

STL is involved in scientific research and innovation to help drive industry development. We conducted preliminary research on the dechlorination of raw material water in the production base and obtained some results. We developed an innovative separation process to minimize the chloride ion content through a series of operations and analyses. The success of this experiment implies that the recycling efficiency of raw material water will be greatly improved, empowering the industry in recycling and reusing.

Case Promoting green and low-carbon processes and technologies to boost high-quality development of the manufacturing industry

To further enhance enterprises' scale advantage and market competitiveness, a centralized signing ceremony for high-quality manufacturing projects in Pinghu was held in May 2022, which was themed by "Gathering Intelligence Power for Manufacturing in Pinghu for a New Future". The event was attended by Zhong Xudong, Secretary of the CPC Pinghu Municipal Committee, Zhou Junbo, Deputy Secretary of the CPC Pinghu Municipal Committee and Mayor of Pinghu, and other leading officials, as well as Gao Jun, Vice President of STL and General Manager of Pinghu Base, and other enterprise representatives. The Company's project in the event applied the green low-carbon process and technology developed by the Company independently. It enriched the Company's acrylic acid and ester products and will contribute to the higher-quality development of the regional economy and the national goals of carbon peaking and carbon neutrality.



Work Safety Management

STL believes that work safety is the lifeblood of an enterprise's steady development, a guiding principle for an enterprise's survival, and the foundation for an enterprise's long-term growth. We insist on the work safety principles of "safety first, focusing on prevention, integrated control, and all engaged", and we put the safety concept "safety is more important than profit" into practice. Furthermore, we are constantly evolving and improving our HSE management system. We focus on work safety management under the HSE management system framework, move faster to address hidden dangers, improve our risk control ability, and strengthen our contractors' safety qualification management.

► Safety Security Management System

STL implements *the Work Safety Law of the People's Republic of China and the Interim Measures for the Screening, Identification, and Control of Work Safety Accident Hazards*. We adhere to the safety and environmental protection concept that "safety is more important than profit" and assume responsibility for the ecological environment, as well as the work safety principles of "safety first, focusing on prevention, integrated control, and all engaged". We have developed a *Work Safety Accountability System* for all employees and established reputable organizations and institutions for safety management. We have enhanced our systems for ensuring work safety and advanced the standardization of work safety. At the end of the reporting period, all of our production bases and business units held the Level 2 Certificate of Work Safety Standardization for Enterprises.

STL pursues HSE management objectives and controls exhaustively all facets of production and operations using organizational, systematic, and funding assurance measures. We have created a comprehensive responsibility chain with no loopholes and assigned each level the primary responsibility for ensuring workplace safety. We evaluate and monitor the performance of *the work safety accountability system using* an evaluation mechanism. In addition, we conduct routine safety management evaluations and reviews of the safety standardization system's operation. We analyze the process based on the audit's findings to identify and eliminate safety and environmental risks. We use the PDCA method to enhance the operational efficiency of safety standardization in a scientific, regulated, and efficient manner.



Organizational Assurance

A work safety management structure with the general manager of the base as the principal person in charge, which extends to primary-level teams, has been established. Safety management institutions have been set up. Full-time safety management positions have been set up. Every workshop has safety managers to ensure the implementation of safety measures.

Systematic Assurance

Work safety management systems have been developed, including *the Work Safety Accountability System for All, the Hazard Screening and Investigation System, the Risk Management System, and the Major Hazard Management System*. They define the responsibilities and work requirements of departments and promote their compliance with safety management requirements.

Funding Assurance

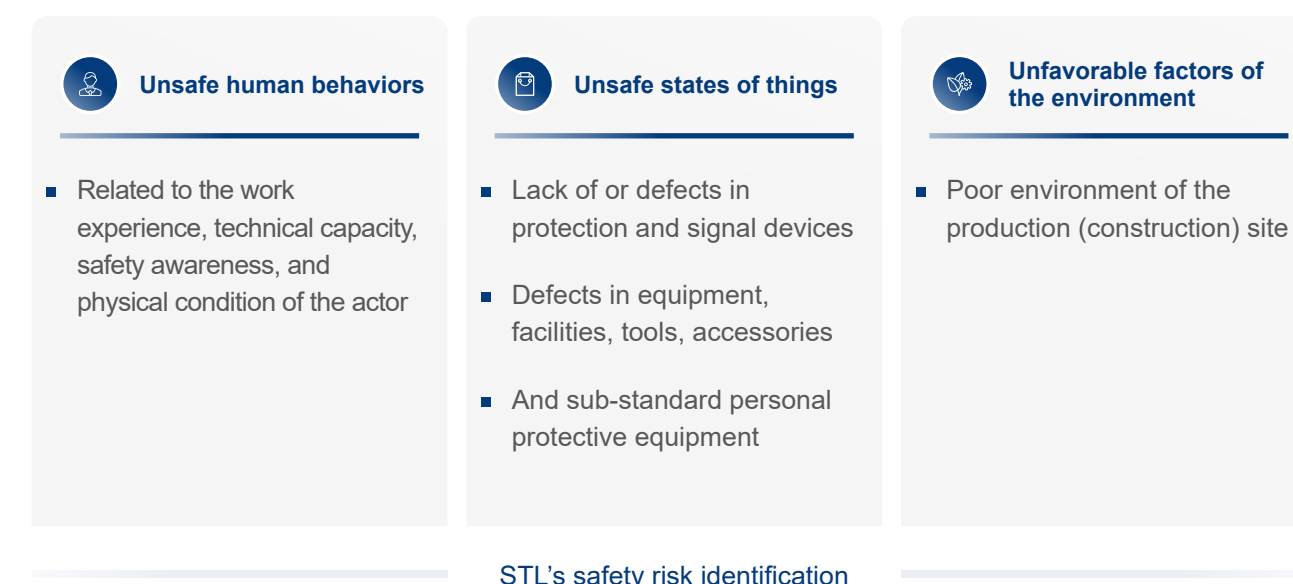
The Company has established a sound internal management system for corporate work safety expenses in strict accordance with *the Management Measures for the Drawing and Use of Corporate Work Safety Expenses*. It defines the procedures, responsibilities, and authority for the drawing and use of corporate work safety expenses, assigns responsibilities, and ensures that corporate work safety expenses are drawn and used according to regulations.

STL's safety assurance management system

► Work Safety Risk Identification

STL focuses on regulating safety risk management and hazard identification, screening, and control. In accordance with *the Guiding Rules for the Screening and Management of Potential Risks in Enterprises Engaging in Hazardous Chemicals*, we develop annual safety inspection plans that outline the frequency and scope of potential risk inspections for each department. We have initiated professional inspections of processes and equipment in an effort to prevent and reduce workplace accidents.

We have implemented rigorous risk screening for all aspects of production, identified a number of safety risks, and taken targeted steps to bolster our response, ensuring regular screening and strict control of safety risks. In addition, we have developed a safety risk screening APP and entered *the Guiding Rules for the Screening and Management of Potential Risks in Enterprises Engaging in Hazardous Chemicals and the Guiding Rules for Standardization Reviews* into the system's backend. We push the inspection items to designated inspectors via the WeCom to increase the effectiveness and quality of risk screening and to advance the development of risk identification systems and standards.



► Work Safety Assurance

We place a high value on work safety management and control, and we take steps to ensure it based on the results of our safety risk assessments. To ensure the Company's long-term development, we perform safety management throughout production and operations. To prevent and reduce work safety accidents, we have implemented a top-down safety assurance system, as well as measures such as increased supervision and management, an emergency response mechanism, and hazard screening and identification.

Safety Supervision and Inspection

- A top-down safety supervision system is established. The safety management department and professional departments observe the principle that "industry overseers, business overseers, and production and operation overseers must oversee safety". They supervise and assess safety issues from the safety management and professional management perspectives, respectively, to ensure that the issues are addressed and a closed loop is formed.

Improvement to Emergency Management

- An emergency management system under unified command and with intra-level coordination: The work safety emergency rescue command center leads and commands process handling, emergency rescue, alert and evacuation, emergency repair, environmental monitoring, and logistical support. Each department establishes its own emergency response organization to deal with work safety accidents within the department.
- A sound emergency organization system: The responsibilities of emergency teams are well defined. A 24-hour emergency contact line is available and managers and HSE personnel are arranged for night duty for emergency response and external contact in case of emergency.
- Revision of accident emergency plans: Emergency plan training and emergency drills are held regularly to test employees' emergency handling ability. Based on the results of the drills, emergency plans are revised and improved from time to time to develop an emergency handling operation procedure that is more practical and feasible.

Work Safety Performance Management

- Production bases and business units develop environmental protection and safety assessment indicators. These indicators are broken down and assigned to relevant divisions of each department and production plants, and included in the monthly and annual assessments of all relevant managers. That way, graded systematic management is performed, which enables tracking, implementation, and closed-loop management.

IT-Enabled Platform

- Information technology is applied to build a five-in-one platform for the Company, which integrates the information about major hazard monitoring, flammable and toxic gas detection and alarm, corporate safety risk zoning, production personnel attendance, and corporate production process management. Advanced technology is applied for closed-loop hazard management and IT-enabled risk control, to practice the Company's safety management concepts of "technology leading" and "management leading" in all aspects.



Building a dedicated information platform to facilitate safety management

To facilitate the IT-enabled management of work safety, we have improved the functions of the IT-enabled platform for work safety and achieved process-based and systematic regulation and constraints, focusing on solving the problems that have been unclear, unexpected, or under poor management. Lianyungang Petrochemical has established systems for safety hazard screening and identification, safety training, field inspection, GDS classified warning, electronic operation permits, and change management, which significantly facilitate work safety management.



Paperless Management

Since the IT-enabled management platform for work safety was put into operation, all work safety activities have been put online, which has improved the safety management system with data flow.



Precise Guidance for Field Operation Management

Each business module is capable of automatic data collection and displaying the results in bar charts or pie charts according to specific business or attributes, thus providing intuitive and accurate guidance for safety management for field operations.



One-Click Information Push

In the warning system of major hazards, a corresponding responsible person can be set for each warning level, and the abnormality warning information will be pushed to the person at the first time to guide them to take countermeasures.



Digital Construction of Dual Prevention Mechanism

Improvements are made to the functions of dynamic monitoring of the implementation of risk control measures, tracking and supervision of hazard screening and control, assessments of the effectiveness of the mechanism, automatic warning of abnormal conditions, and assessments, rewards, and punishments.

Lianyungang Petrochemical's IT-enabled platform for work safety

Case Holding emergency drills to enhance work safety emergency response capacity

In the national Work Safety Month, Jiaying Base hosted the 2022 Integrated Emergency Drill of Nanhu District and Chemical Clustering Areas for Hazardous Chemical Accidents, which was attended by heads of regulatory departments and enterprises. Jiaying Base demonstrated emergency response in coordination with surrounding areas in a Class-1 major hazard accident to enhance the ability to respond to safety emergency and display STL's social responsibility.

Lianyungang Petrochemical develops annual work safety accident emergency drill plans and carries out emergency drills for EO/EG spherical tank fire and explosion accidents and ethylene spherical tank fire accidents accordingly. In addition, it carries out emergency drills from time to time and organizes professionals to carry out evaluation, forming a pattern of regular and extraordinary emergency drills.

Case Constructing a risk grading and control system to strengthen safety risk control

To improve its safety management, Pinghu Base has conducted comprehensive risk identification and completed a risk grading and control system according to *the Implementation Guidelines of the Emergency Management Department of Zhejiang Province for Enterprises in Zhejiang Province to Construct Safety Risk Control Systems*.

During the reporting period, Pinghu Base established a change review team. The team used hazard and operability (HAZOP) analysis, failure mode and effects analysis (FMEA), and other analysis methods to conduct risk assessments, develop control measures, and strengthen risk control according to the content and scope of changes.

► Chemical Safety

STL places a high priority on chemical safety. We strictly adhere to all applicable national regulations, such as *the Regulations on the Safety Management of Hazardous Chemicals* and *the Regulation on the Administration of Precursor Chemicals*. We manage the entire chemical process, including registration, supervision, storage and transportation, use, and disposal, considering all potential health and environmental risks associated with chemical use.

We regularly register hazardous chemical information on *the Registration Information Management System for Hazardous Chemicals* and *the Work Safety Risk Monitoring and Early Warning System for Hazardous Chemicals of the Ministry of Emergency Management*. We register hazardous chemicals in strict accordance with applicable national regulations and established procedures, and apply for administrative permits such as the work safety production license for hazardous chemical manufacturers

Chemical Registration

We conduct regular chemical risk identification and evaluation, and risk and hazard screening for key chemicals under regulation. For chemical safety risk issues, we develop countermeasures and emergency plans

Chemical Risk Assessments

Chemical Supervision

We register the chemicals used in the production process and mark the corresponding safety information on the products and update them dynamically in compliance with national standards such as the Classification and Code of Dangerous Goods, the List of Dangerous Goods, and the Classification and Labels of Dangerous Chemical Substances Commonly Used

Chemical Phase-Out

We strictly comply with *the Catalog of Backward Work Safety Production Processes, Technologies, and Equipment of Hazardous Chemicals to Be Phased Out (First Batch)* and *the Catalog of Toxic Chemicals Prohibited or Strictly Restricted in China*. We conduct regular chemical screening to ensure that our production and operation activities never involve chemicals that are explicitly prohibited, mandated to be phased out, or mandated to be replaced by the state

We rigorously manage the transfer and storage of chemicals, as well as the risks associated with the transportation of chemicals in various forms. According to national standards, we have technical safety instructions and safety labels for hazardous chemicals for transporters, warehouses, and end users. The IGC code must be adhered to when transporting chemicals via ship. The design, construction, and equipment of transport vessels are governed. In addition, we use ethane as the primary energy source for ship operations, thereby establishing a sustainable and environmentally friendly maritime supply chain.

► Contractor Safety Management

We attach importance to contractor safety management. We put all aspects concerning contractors, including qualification review, assessments and inspections, and daily supervision, under a people-centric supervision and management model. We have strengthened communication with contractors, focusing on enhancing their safety skills and awareness, and built a strategic contractor team. In 2022, no contractor safety accidents occurred in our production bases and business units.

Review of Contractors' Safety Qualifications

- Contractors must have their safety qualifications and personnel qualifications reviewed before working at plant and sign *the Agreement on Safe and Environmentally-Friendly Engineering Construction*.
- Contractors must have their safety performance and reputation evaluated every year, which includes the fulfillment of contractor's responsibilities and obligations, organized construction, and safety management. The results will be used as the basis for contract renewal.

Safety Supervision for Contractors

- Monthly safety meetings are held for contractors to summarize and evaluate their on-site safety management. Contractors' safety managers must develop preventive measures for continuous improvement and upgrading.
- Contractor sites undergo monthly comprehensive safety inspections. Hazards in electrical wiring, environmental protection, and fire management must be rectified in a timely manner.
- Responsibilities are broken down, including putting contractors under departmental management and implementing a three-tier contractor blacklist.
- Contractors' health and safety systems and their certifications are included in contractor audits. Contractors will be recognized for their initiatives to improve operational facility safety and good safety practices.

Safety Training for Contractors

- Contractors' managers are organized to study laws and regulations and cases of work safety accidents in the industry to avoid similar accidents. They are also advised to conduct daily pre-shift safety meetings and check the implementation of training.



Special inspections of work equipment to improve contractors' safety management

To standardize the management of tools and apparatus in special operations, the HSE Management Department, together with the Equipment Maintenance Department and contractors' persons in charge (PIC), inspected tools and apparatus on construction sites. They verified item by item against the standards. Once a problem was identified, they communicated promptly on the site and obtain the contractor PIC's warrant to rectify, with clear rectification standards and timetable. That way, continuous improvements were made to contractors' safety management.



HSE Management Department's special inspection on tools and apparatus

► Creating a Safety Culture

In the belief that "rigor is care, self-discipline is protection", we employ objective and scientific investigation techniques to determine the underlying causes of past accidents in order to draw lessons from them. We have established an HSE training system to increase employee safety consciousness. Based on the strict implementation of the safety management system and safe operation procedures, we have improved the HSE training matrix for all employees and enhanced the progress toward safety KPI targets.

Throughout the reporting period, we conducted numerous safety training sessions and safety knowledge competitions to promote the safety culture, increase all employees' safety awareness, establish a corporate safety environment, and contribute to sustainable development.

In 2022,

Number of hours on safety training conducted
30,357 hours

Participants in safety training
86,195 persons

Study of Work Safety Regulations

- External experts are invited to train managers above the middle level of production bases and business units on *the Work safety law of the people's republic of China and the Fifteen hard measures for work safety*. The managers are promoted to prioritize work safety and act as the primary responsible person for work safety within their management.

Safety Culture Competitions

- Safety culture and knowledge competitions are held. The online exercises and exams stimulate employees' learning enthusiasm. The winners will be awarded.
- Firefighting competitions for emergency ability are held to enhance employees' emergency response ability, strengthen their awareness of fire safety, and test the emergency response ability through practical exercises.

Emergency Drills and Training for Safety Accidents

- Training is provided on the physical and chemical properties of hazardous chemicals and emergency first aid in daily contact and sessions are held for accident case and safety experience sharing to improve employees' safety awareness.

STL's work safety training

Case Safety management training to increase the awareness of safety responsibilities

During the reporting period, we hosted the second guardian training session to regulate the safety management in the operation process, improve the operation skills, and control operational risks for all employees. In that session, we improved employees' awareness of safety responsibilities and on-site guardianship skills, standardized safety management in the operation process, and identified and controlled operational risks.



STL's second guardian training session

We are committed to fostering the expansion of a culture of safety and assuming corporate responsibility. In addition to fulfilling our safety commitment, we contribute to bringing the public closer to the chemical industry, sharing our experience in safety management with our peers and fostering a culture of work safety.

Case Work Safety Open Day to promote the safety culture of chemical enterprises

To promote the corporate safety culture and deepen the public's understanding of the chemical industry, Pinghu Base held a Work Safety Open Day in June 2022, on which employees from member enterprises of the Pinghu Association of Work Safety Technology visited Pinghu Base's HSE Culture Experience Hall and Central Control Room. The Open Day brought the public up close to chemical plants. It also served as a window for Pinghu Base to the public, which was helpful for deepening the public's understanding of the chemical industry and changing their traditional perception of chemical enterprises.



Pinghu Base's Work Safety Open Day

Case HEC's visit for exchanges in work safety

For better exchanges in work safety, Pinghu Base's HSE Director led a delegation from Hangzhou Electrochemical Group (HEC) to visit the Central Control Room and the HSE Culture Experience Hall of the base in December 2022. The director made a brief introduction to STL's history, production scale, and other general information to the guests, focusing on the base's safety management experience in production management, safety operation procedures, and hardware facility configuration. In this visit, the two sides shared their experience in work safety and laid a solid foundation for better work safety exchange activities in the future.



HEC's visits and exchanges

► Safety Recognitions and Awards

During the reporting period, we took part in many competitions on work safety and strengthened our safety management, which was recognized and well-received by all sectors.

Award Winner	Award
Lianyungang Petrochemical Co., Ltd.	First prize in the "Blue Flame" Firefighting Skill Competition 2022
Zhejiang Satellite Energy Co., Ltd.	Top 10 Model Entities in Basic Work Safety Management in Jiaxing
	Emergency (Safety) Publicity and Education Experience Hall of Zhejiang Province
	Model for Operations in Limited Space of Pinghu



Improving Customer Service

SLT is dedicated to providing friendly, professional, and efficient services to customers while also developing a high-quality and dependable service system. We listen to our customers' needs and respond quickly, optimize the customer experience, and improve customer satisfaction in all areas, resulting in a stable and long-lasting relationship of trust with our customers.

Customer Service Management

STL strictly adheres to *the Civil code of the people's republic of China, the law of the people's republic of China on the protection of consumer rights and interests, and the Advertising Law of the People's Republic of China*. We have developed and revised *the Management Regulations on the Applied Technology Service of the Marketing Center* and enhanced the quality of our services and internal structure. In addition, in accordance with the principle of "making decisions and preventing risks based on the trend", we are constantly enhancing our market analysis and research and developing differentiated marketing strategies. Focusing on customers, we enhance the added value of our products, expand our stable and loyal key account base, and increase our industry influence, thereby enhancing our market standing.

We provide our service personnel with training to improve their management, leadership, and decision-making skills, thereby ensuring that our products will receive superior after-sales service. In 2022, STL conducted 31 internal service training sessions for a total audience of 1,578. They included training on integrity, special onboarding training, and sales and customer service skills.

Customer Satisfaction Management

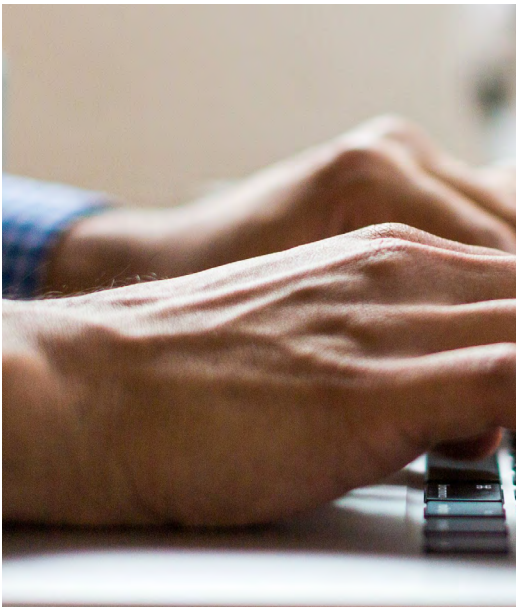
In an effort to provide customers with high-quality, efficient, and professional services, STL has established a complaint feedback processing system. We are committed to addressing customers' concerns, resolving their complaints on the first attempt, and providing timely feedback on the outcomes to improve the customer experience. In addition, we place a premium on our customers' requirements and engage them in yearly, in-depth dialogues. A customer satisfaction survey was conducted by STL in 2022. We modified the questionnaires based on each business unit's characteristics, including STL's brand, sales service, ethical integrity, technical support, after-sales service, logistics service, and future collaboration expectations. Following this, we sent them to our customers as URLs or QR codes. Customers filled out the questionnaires and returned them to the Company for processing.

In 2022, Complaint resolution rate

100%

Customer Satisfaction

100%



Practicing Responsible Procurement

STL strives for whole-chain quality management by continually shifting the focus of quality management to the early stages. We collaborate with our partners to ensure quality through quality management and technology development for mutual benefit. To continuously optimize the supply chain, we admit new suppliers based on the Company's operations and procurement needs, and we provide suppliers with production and operations training throughout the year.

Green Procurement

STL has created *the Management system for supplier performance assessments, the management system for supplier acquirement and the verification, management measures for supplier field Inspections, and the management measures for green supplier assessments*. These internal systems factor ESG performance of suppliers into supplier admission, evaluation, and other aspects, promoting sustainable supply chain management.

STL has revised *the Management measures for green supplier assessments* for supplier admission, giving priority to suppliers on *the Green Manufacturing List issued by the Ministry* of Industry and Information Technology or those who have passed the environmental management system certification and the energy management system certification. We assess green suppliers on a regular basis, sign the Agreement on green development and ecological civilization with key suppliers, and recognize and reward outstanding green suppliers. We are also involved in the application process for green parks, green supply chains, and green products. In 2022, Lianyungang Petrochemical was put on the List of Green Factories in Jiangsu Province (Third Batch) 2022 and ranked among the Leading Enterprises in Green Development for 2022; STL was recognized as a national-level Green Factory and Green Supply Chain Management Enterprise; Satellite Energy was put on the List of Green Factories in Jiaying (First Batch) 2022, and Pinghu Petro Chemical was put on the List of Green Factories in Jiaying (Second Batch) 2022.

STL always maintains a positive relationship with its suppliers in order to develop the supply chain. We communicate with our suppliers through environmental protection, integrity and anti-corruption training, and warehouse and delivery management to help them improve the quality of their products and grow alongside the value chain.

Sunshine Procurement

STL ensures that its procurement is fair and impartial and that its supply chain is open and transparent. We have a zero-tolerance policy for corruption and strictly prohibit commercial bribery. We expect our suppliers to strictly adhere to the *Management system for supplier performance assessments*, *the Notice on integrity responsibility*, and *the Management measures for procurement risk prevention*, as well as to strengthen supplier management.

We prioritize suppliers who have passed applicable environmental system certifications when selecting them. We sign *the Notice on Integrity Responsibility* with suppliers in order to convey the concept of "sunshine procurement" to them. Furthermore, we distribute questionnaires on the implementation of sunshine procurement in order to gain a thorough understanding of the supply chain and establish a clean supplier management system.

Case Integrity and anti-corruption training for suppliers to create a clean supply chain system

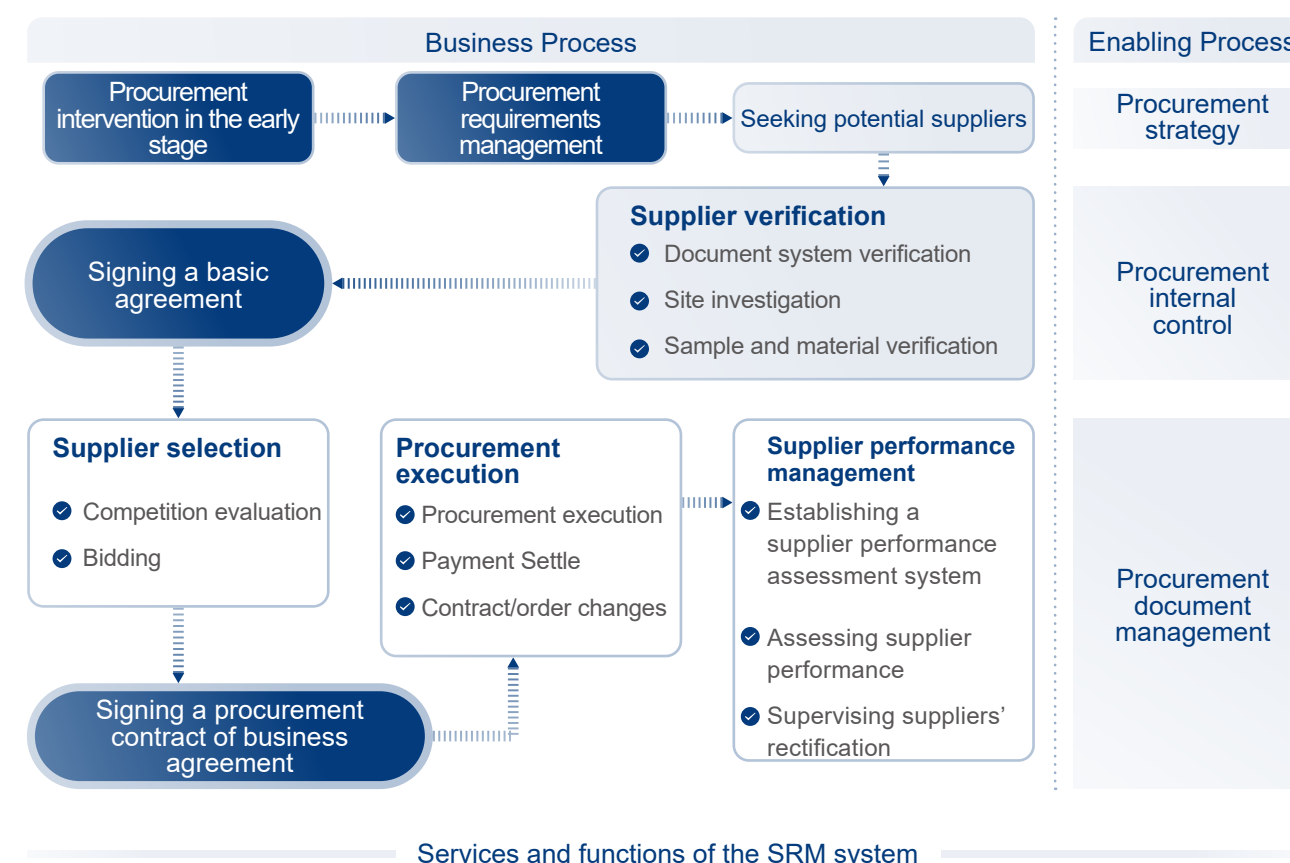
To further prevent corruption, STL hosted an online training session on *the Code of Conduct for Suppliers/Contractors* in February 2023, which was attended by over 200 key and core suppliers/contractors. We require all STL suppliers/contractors to fully comply with applicable laws, internationally recognized human rights standards, and ESG standards as specified in international conventions, so that they can progress and grow with STL and build a clean supply chain.



STL's online training session on integrity and anti-corruption

Smart Procurement

STL works hard to create a smart procurement platform as well as an ecological supply chain platform that covers all scenarios. STL established an SRM procurement system in 2022 in order to achieve all-around collaboration and interaction with suppliers, improve procurement management, increase procurement efficiency, and shorten the procurement cycle. The system disseminates bidding information, broadens the scope of sourcing, and assists management throughout the lifecycle of suppliers, from admission to performance management. As a result, it is constantly improving its internal pool of qualified suppliers and acquiring high-quality suppliers from the industry. STL also offers online quotation, bidding, and tendering tools to maintain reasonable control in an open, fair, impartial, and legally competitive environment.



Boosting Industry Development

We are acutely aware that corporate development is inextricably linked to industry development, and we are active participants in industry exchange events and members of several associations. As a result, we improve our business capabilities, foster industry information exchanges, and continue to deepen our collaboration with universities and research institutes. More importantly, we are assisting ourselves and the industry in meeting China's carbon peaking and carbon neutrality goals.

Serial No.	Name	Title	Level of the Association
1	Advisory Committee of Light Hydrocarbons and Aromatics, China Petroleum and Chemical Industry Federation	Deputy Director	National
2	China Inorganic Salts Industry Association	Executive Director	National
3	Chemical Standardization Sub-Committee, China Association for Standardization	Member	National
4	China Epoxide Industry Cooperation Organization	Executive Director	National
5	China Association for Public Companies	Director	National
6	Zhejiang Federation of Industrial Economics Zhejiang China Enterprise Confederation Zhejiang China Enterprise Directors Association	Director	Provincial
7	Zhejiang High-Tech Enterprises Association	Director	Provincial
8	Zhejiang Foreign-Invested Enterprises Association	Member	Provincial
9	Chemical Safety Association of Zhejiang Province	Vice President	Provincial
10	Listed Company Association of Zhejiang	Director	Provincial

STL's Association Membership in 2022

Case STL Cup Contest 2022 concludes, empowering technological iteration in the industry

In August 2022, the Admixture Industry Technology Contest 2022, which aimed to accelerate the technological iteration of macromonomer, was concluded in the factory of Chaoli (Jiangsu) Construction Materials Co., Ltd. More than 30 companies from all over China participated in the competition, in which they competed fiercely for four champions. STL, as a leading C2 light hydrocarbon cracking enterprise, encouraged the participating teams to use C6 macromonomer, thus boosting the rapid development of the industry.



Case Hosting a work conference on the C6 macromonomer standards to boost industry development

In August 2022, a work conference on the C6 macromonomer standards and the second plenary session of the working group on the preparation of the VPEG and VBPEG organization standards were hosted at STL headquarters, which added new momentum to industry development. Bai Jie, General Manager of STL's Marketing Center and a professor at China Building Materials Academy, attended the conference. At the meeting, STL organized discussions on the product indicators and testing methods used by the organization standards to improve their content. By leading the setting of the organization standards, STL fully demonstrated its determination and responsibility to maintain the orderly development of the C6 macromonomer industry, extend and intensify industry exchanges and collaboration, and achieve resource sharing, complementation of each other's advantages, a win-win ecosystem, and synergistic development in the industry.



Case China's first EAA project launched, driving high-quality industry development

In August 2022, a ceremony was held in Lianyungang for the contract signing the 40,000-metric-ton/year high-end packaging new material project (EAA) jointly launched by STL and SK Group from South Korea. It marks the first EAA production base being launched in Asia, which will contribute to the high-quality development of the industry. This project is of great significance. The two sides are highly compatible and complementary in development strategy, business growth, and business philosophy. This collaboration will further promote STL to optimize its industrial structure, strengthen and extend the industrial chain, and fill the gaps in the chain, and enhance its scale advantage and market competitiveness.



02

Governance to Seek Long-Term Steady Growth

A science-based and sound governance system is the basis for a company's long-term, steady business growth. STL adheres to compliance principles, consolidates the corporate governance structure, and upholds the political leadership of Party building in addition to business integrity and self-discipline. In addition, it optimizes the internal control management system in great detail to reduce risks in all aspects. By constructing an ESG governance structure and advancing ESG work, STL addresses the concerns of stakeholders and enhances the Company's sustainability capacity and performance.

- Insisting on Business Compliance
- Intensive ESG Governance



Insisting on Business Compliance

Business compliance is essential for a company's continued growth. STL continually enhances its governance structure, maintains the leadership of Party building, and intensifies its integrity education and oversight. It optimizes its risk control management system and takes every precaution to protect the Company's information security in an effort to improve the Company's overall governance.



Corporate Governance

► Governance Structure

STL adheres strictly to *the Company Law of the People's Republic of China*, *the Code of Corporate Governance of Listed Companies*, and all other applicable statutes, rules, and regulations. We have drafted *the Articles of Association of Satellite Chemical Co., Ltd.* and constructed a governance structure that consists of the General Meeting of Shareholders, the Board of Directors and its special committees, the Board of Supervisors, and the senior management. We continually improve our governance system and enhance our management, thereby constructing an effective governance system in which authorities and responsibilities are clearly delegated.

Under the Board of Directors, there are four special committees: Audit, Nomination, Strategy, and Remuneration and Appraisal. We fully consider the independence and diversity of the Board of Directors and consider the directors' experience and professional level. Among the current directors, there are three professors, two with a doctoral degree, and two with a master's degree. The directors are from different professional fields, such as finance, law, and the chemical industry, providing a more comprehensive perspective to improve the Board's decision-making and reduce the Company's risk exposure.

Composition of the Board of Directors and the Board of Supervisors:

Unit: Person

Total number of directors 7

Independent directors 3

Female directors 3

Total number of supervisors 3

Employee supervisor 1

Meetings held in 2022:

Unit: Time

General Meeting of Shareholders 5

Nomination Committee 1

Board of Directors 7

Strategy Committee 1

Board of Supervisors 7

Remuneration and Appraisal Committee 4

Audit Committee 5

► Investor Relations Management

STL places a high value on investor communication and information disclosure. We avoid selective disclosure by disclosing the Company's information faithfully, accurately, and completely in strict accordance with *the Measures for the Administration of Information Disclosure by Listed Companies*. Every year, we train directors, supervisors, and senior management in this area in order to improve the quality and transparency of the Company's information disclosure and to fully protect minor shareholders' equal access to the Company's information.

We investigate novel approaches to investor relations management. Emails, phone calls, Shenzhen Stock Exchange's IRM platform, the WeChat official account, annual performance roadshow and on-site surveys are all ways we communicate with institutional and individual investors. On our official website, we also have an Investor Relations section. We are constantly broadening the channels through which investors can obtain information, deepening their understanding and recognition of the Company, and attempting to maximize shareholder interests.



In 2022

we answered over
1,000 calls from
investors

卫星化学 (002648.SZ)

2021年度网上业绩说明会

2022年03月30日 15:00-17:00

STL's 2021 Online Annual Performance Roadshow

held **1** online annual
performance roadshow

answered **103** inquiries on the
Shenzhen Stock Exchange's IRM platform

received **6** visits and
surveys of investors

Leadership of Party Building

STL always follows the leadership of Party building and integrates it into the corporate culture. Led by the CPC Committee of the Company, we transform Party building into the driving force of corporate operations and development, and internalize the advantages of Party building into the Company's productivity, competitiveness, and cohesion. The CPC STL Committee has two general branches and nine branches.

We provide regular and long-term Party history studies and education. We require all CPC members and cadres at the Company to continue their efforts in ideological studies, live up to the Party's standards, and preserve Party membership's advanced nature. In 2022, we held more than 100 theme Party Day events, organized CPC members to watch the opening ceremony of the 20th CPC National Congress and attend more than 50 sessions for studying and implementing the guiding principles from the report to the 20th CPC National Congress. Moreover, we supervised CPC members of primary-level branches to carry out collective and individual self-study.



As of December 31, 2022

STL had **499**

members of the CPC

29 probationary

members of the CPC

In the year, **73** people

submitted applications
to join the CPC

Case Party members practicing their original aspirations by taking the lead in public welfare initiatives for low carbon

To encourage CPC members to live up to the Party's standards and play a pioneering role, STL's production bases and business units jointly organized a large-scale Party building volunteer campaign with the theme of "Collecting Garbage to Promote Low Carbon" to progress regular and long-term Party building education. The campaign was about clearing and collecting industrial and domestic wastes scattered in industrial parks and the grain wharf in Dushangang Town, and sorting and transporting them. More than 200 employees participated in the campaign, in which they collected more than 20 bags of garbage for centralized delivery, restoring clean installation areas and coastlines. The campaign demonstrated that STL integrates Party education into daily life and maximizes the value of CPC members.

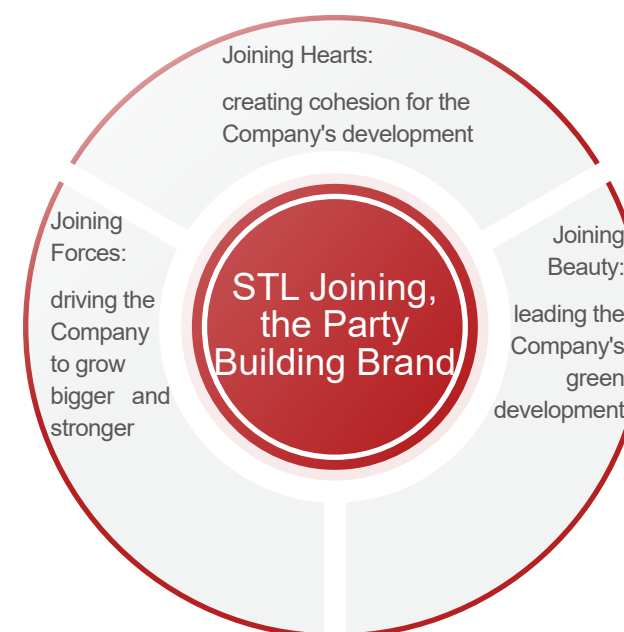


Collecting garbage on the coastline



Collecting garbage in an installation area

We emphasize Party conduct and vigorously promote the Party building brand, STL Joining. We proceed with integrating the corporate culture and Party building. We strive to foster a highland of honesty and integrity and create a Party branch image that is ideologically advanced, ethnically progressive, and responsible, laying a solid foundation for the Company's high-quality development to a higher level.



01

In May 2022, the Working Committee for Non-public Economic Organizations and Social Organizations of the CPC Municipal Committee launched the first "One Brand for One Enterprise" selection for special Party building brands of listed enterprises. STL's Party building brand, STL Joining, became the only selected enterprise in Nanhu District.

02

On December 29, 2022, Satellite Group held an inauguration ceremony for the Party Building Culture Center to create a solid position for the Party building to lead the high-quality development of the enterprise.

Integrity Supervision

► System Construction

STL values business integrity and has a zero-tolerance policy toward corruption. We created a *Management System for Anti-Corruption and Anti-Commercial Bribery*, as well as *Management Measures for Reports and Complaints*, and optimized the *Management Measures for Integrity, Self-Discipline, and Punishment and Prevention of Corruption*, *Integrity Management Measures for Gifts of All Kinds*, and *Integrity and Self-Discipline Guidelines for Employees*. These management systems require all employees to follow professional ethics consciously and to practice in a fair and self-disciplined manner.

To ensure integrity management and supervision, we established the Working Group of the Corruption Punishment and Prevention System (hereinafter referred to as the "CPPS Group"), which is in charge of the Company's anti-corruption and integrity efforts. Yang Yuying, Vice Chairperson of the Company, leads the group, which is made up of the heads of headquarters departments as well as key departments of subsidiaries, production bases, and business units. The group conducts integrity assessments of the management and conducts anti-corruption publicity and education.

The Audit and Supervision Department of the Company conducts special anti-corruption audits for major business segments such as procurement, sales, logistics, warehousing, quality inspection, and engineering construction every year. It performed 30 special audits in 2022. Furthermore, the department continuously monitors and advances the rectification of risk points to ensure integrity in all company operational aspects and improve operational efficiency and quality. The Audit and Supervision Department also holds integrity investigations and seminars. It thoroughly investigates and verifies complaints, reports, and suspected corrupt practices and strictly handles confirmed cases. During the reporting period, we sent *the Integrity Questionnaire* to our suppliers and customers, collected problems from supplier and customer feedback, and conducted investigations and verifications. There were no major violation cases in the Company.



► Training and Education

We provide regular integrity education and publicity sessions for all members of the Company, including the Board of Directors, key departments, suppliers and contractors, and part-time employees, to increase all employees' integrity awareness. We have also launched online integrity courses on the STL Business School platform. Every employee must attend at least two integrity training sessions per year. We use positive and negative typical cases to educate and guide middle and senior managers and directors to act with integrity and self-discipline, to devote themselves to their jobs, and to be impartial. They are required to review their performance in the annual integrity report. For employees at departments with a high risk of corruption, such as procurement, marketing, and engineering project management, we hold integrity conferences, morning meetings, practice exchanges, seminars, anti-corruption and summary conferences, and provide integrity education videos and corruption cases from peer companies. As a result, we promote and enhance integrity awareness while also advocating honor for integrity and shame for corruption.



Integrity education of the marketing center



An integrity conference of Lianyungang Base

The CPPS Group uses bulletin boards, seminars, and integrity warning posters to raise employee integrity awareness and prevent corruption and other business ethics violations.

All of our suppliers must sign *the Notice on Integrity Responsibility*. We make clear to our suppliers the principles of business conduct and the complaint and reporting channels, and we conduct an annual integrity questionnaire survey for all suppliers. During the reporting period, we provided two integrity and anti-corruption training sessions to all suppliers. The Audit and Supervision Department provided contractors with offline integrity training to help them communicate STL's demands and attitudes toward integrity to upstream and downstream partners.



Integrity courses on the STL Business School platform

► Reporting Channels

We have established a reporting telephone line, a reporting email, and a reporting mailbox as unblocked communication channels for employees, suppliers, customers, and other stakeholders. We encourage anyone in the know to report all discipline and law violations, fraudulent, and improper conduct via these channels. We promote the reporting channels internally and externally on promotional and communication occasions and posting posters.

Reporting Telephone Number	<ul style="list-style-type: none"> 0573-82058220
Reporting E-mail	<ul style="list-style-type: none"> Compliance@weixing.com.cn
Reporting Mailbox	<ul style="list-style-type: none"> Reporting mails should be sent to the CPPS Group; the address is No. 196 Fuqiang Road, Nanhu District, Jiaxing, Zhejiang Province, China In the headquarter building and the office buildings of subsidiaries, production bases, and business units, there are reporting mailboxes, which is managed by the CPPS Group The Company's internal network work platform has a Chairperson's Mailbox and a supervision and reporting mailbox

- The Company must reply to a report within 48 hours after receiving it.
- After receiving a report, the Audit and Inspection Department shall conduct an in-depth investigation of the incident after a preliminary assessment.
- External auditors or other institutions and functional departments may be engaged to assist in the investigation as necessary.
- In the course of the investigation, the investigator has the right to review relevant information of the entity or department under investigation on the site and to request the departments and people involved in the investigation to make explanations and clarifications on matters covered by the investigation.
- After the investigation is concluded, the Audit and Supervision Department compiles a written report and treatment opinions and submit them to the Chairperson, the head of the CPPS Group, and relevant managers.
- After the investigation report is approved by the Chairperson, the Corporate Management Department will draft the punishment opinion according to the investigation report and applicable systems of the Company, and publicize it in the Company's work platform after approval.

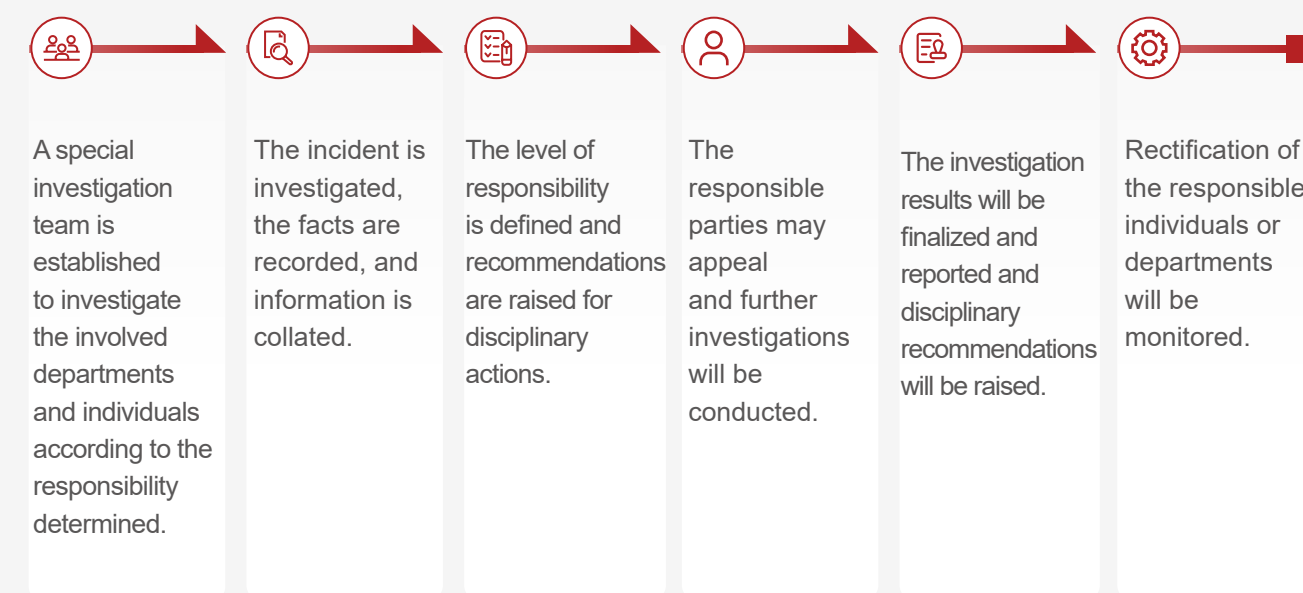
The report handling mechanism

► Protection of Whistleblowers

STL established *the Management Measures for Reports and Complaints* in place, which contains clear provisions on whistleblowers' confidentiality and privacy. To protect the whistleblower from retaliation, the whistleblower's personal information and the content of the report must be kept strictly confidential and not published without the whistleblower's consent. We promote whistleblower rewards but will not disclose personal information about them unless they consent. We will take firm action if retaliation against whistleblowers is discovered and confirmed. If it is determined to be a crime, it will be forwarded to judicial authorities, who will hold the offender accountable in accordance with the law. The Company was not involved in any litigation or administrative punishment related to corruption during the reporting period.

► Supervision and Accountability

We have developed *Management System for the Accountability of Work Errors* to encourage all employees to perform their duties and to increase their sense of responsibility. Employees who cause economic loss or other adverse effects to the Company by failing to perform their duties or performing their duties improperly will be punished once the case has been confirmed and the responsibility has been determined through investigations. We determine and locate the responsible person based on the nature of the error, the level of discipline, the category of discipline, and the definition of responsibility, and we hold accountability strictly in accordance with the incident investigation process. As the permanent management body for accountability, the President's Office revises and improves the system on a regular basis, as well as oversees, examines, and assesses its implementation. All employees have the authority to supervise problems in the Company's operations and management and report them to superiors, executives, the Disciplinary Commission, and the Audit and Supervision Department. We insist on objective and impartial responsibility determination and hold accountability strictly by rank and level.



Process of error investigation and holding accountability

Risk Control

In accordance with *the Basic Internal Control Norms for Enterprises*, STL has established an internal control management system for all business activities, which falls under the purview of the Board of Directors and is directly supervised by management. Business Departments, the Department of Corporate Management, and the Audit and Supervision Departments constitute three "lines of defense". In addition, we strengthen the mechanisms for work coordination and information sharing and continue to consolidate the risk control system, which integrates prevention, responses, and reviews.



The internal control management system

Business Departments

- Evaluate and identify key points and difficulties in business
- Optimize operational and process standards and prepare management regulation drafts or raise system construction needs
- Report to the Corporate Management Department to prepare and review documents

Corporate Management Department

- Prepare and review system texts submitted by business units
- Request business departments to prepare relevant system documents according to the system construction needs
- Collect data on KPIs every six months to analyze and evaluate the effectiveness of the system

Audit and Supervision Department

- Audit business activities whose results do not meet expectations
- Assess the implementation of existing systems and their deficiencies
- Appraise the performance of business operators and make rationalization suggestions for the Company to modify the system process

The three "lines of defense" for internal control

In terms of risk management, STL adheres to the business philosophy of "making decisions and preventing risks based on the trend". As the primary responsible entity, a business department identifies, tracks, and controls key risks within its business boundaries and develops risk prevention and response strategies to prevent the occurrence of major risks. During the reporting period, the Company identified a number of risks in information security, work safety, raw material procurement, product sales, and outward investment and then tracked and managed them to reduce the risk level in a timely manner.

Information Security Risk

All system administrators must log in to the system through the bastion host and files are encrypted with software to keep information secure.

Work Safety Risk

In the production area, monitoring hardware and software are installed, and security thresholds are set in the software system, with the automatic alarm mode on. Regular inspections are carried out by dedicated personnel to timely screen and identify safety hazards.

Checklist for Risk Identification and Rectification

Risk of Raw Material Price Fluctuations

Collective decision-making is adopted to reduce the risk of misjudging market trends. Hedging futures trading is conducted for major bulk raw materials.

Risk of Market Price Fluctuations

The marketing management team conducts weekly collective discussions based on market conditions and sets weekly standard sales prices for products.

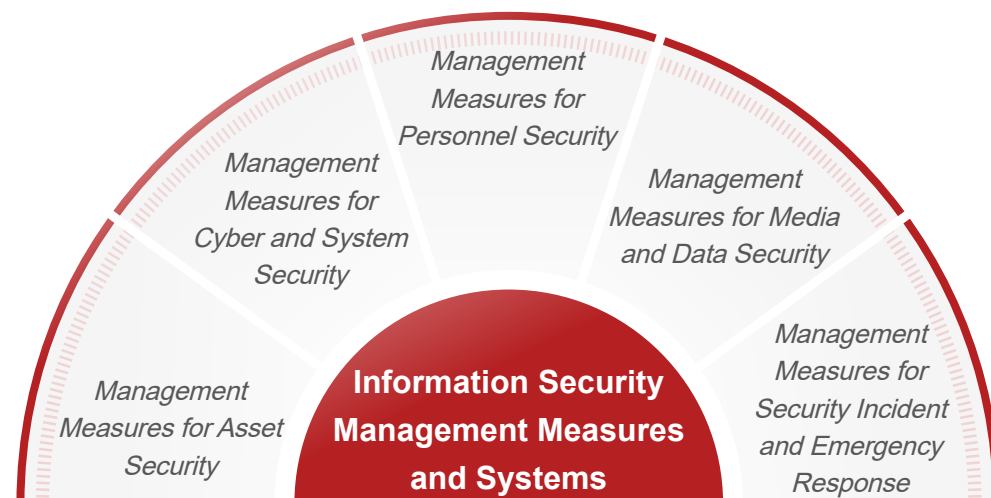
Outward Investment Risk

A tiered decision-making system is implemented. Investments are tracked after being made and the results are sent to the Company's management on a regular basis.

Information Security

► Measures and Systems

STL prioritizes information security and business information protection. We strictly comply with *the Cybersecurity Law of the People's Republic of China* and have internal systems in place, including *the Management Measures for Cyber and System Security*, *the Management Measures for Media and Data Security*, and *the Management Measures for Security Incident and Emergency Response*. In addition, we continuously optimize our information regulation and protection system to improve our information governance and security management.



STL's information security management measures and systems

► Security Initiatives

To ensure the effectiveness of the Company's information and data security management, we have adopted a number of technical and human security measures to protect the information and privacy of all employees, customers, suppliers, and other stakeholders, and we are certified for the classified protection of information system security.



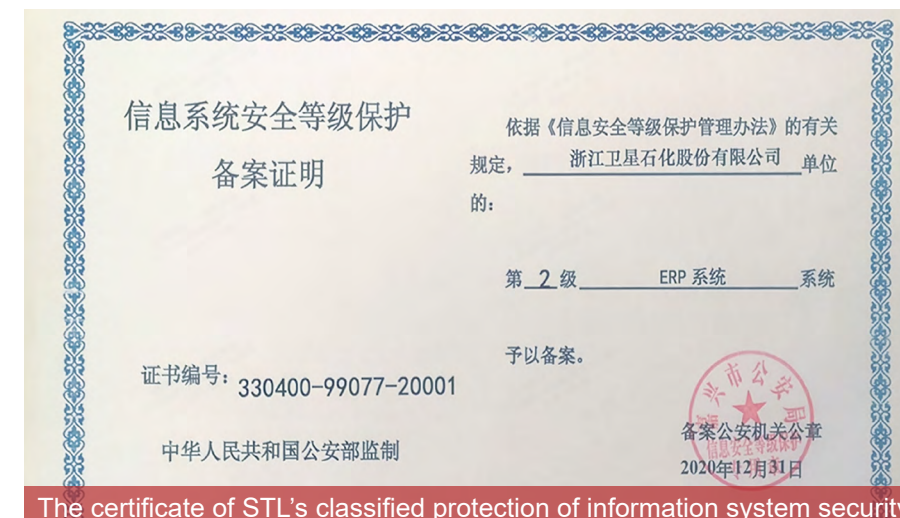
Technical Initiatives

- The core production operation control network is physically isolated from the office network.
- A firewall is deployed at the core exit of the external network to reduce the external exposure.
- Traffic probes and a state sensing platform are deployed to monitor network traffic and security dynamics and provide timely alerts.
- Antivirus software is installed on all PC terminals, and all files are encrypted in the ground.



Human Initiatives

- Access authority is assigned according to position responsibilities and materials are watermarked to ensure information security.
- Servers and backend management can only be logged in to via the bastion host, and the login log is regularly reviewed.
- Every important password is divided and kept by two people. The two people must enter the password simultaneously to enter the system background.
- The Company has developed security and prevention systems and improved the information security management system.



The certificate of STL's classified protection of information system security

► Risk Management

We assessed information security risks in the year and identified 13 of them. In response to problems like uncontrolled account authority management, bad emergency response for system security, omissions in the backup review mechanism, and a weak network anti-virus system, we have implemented an assignment management model for account authority, made emergency response plans, changed the backup strategy, and rolled out an equipment upgrade and iteration plan to make sure the security and stability of our information system.



Case An attack and defense exercise in collaboration with a professional company to comprehensively improve the Company's emergency response to information security

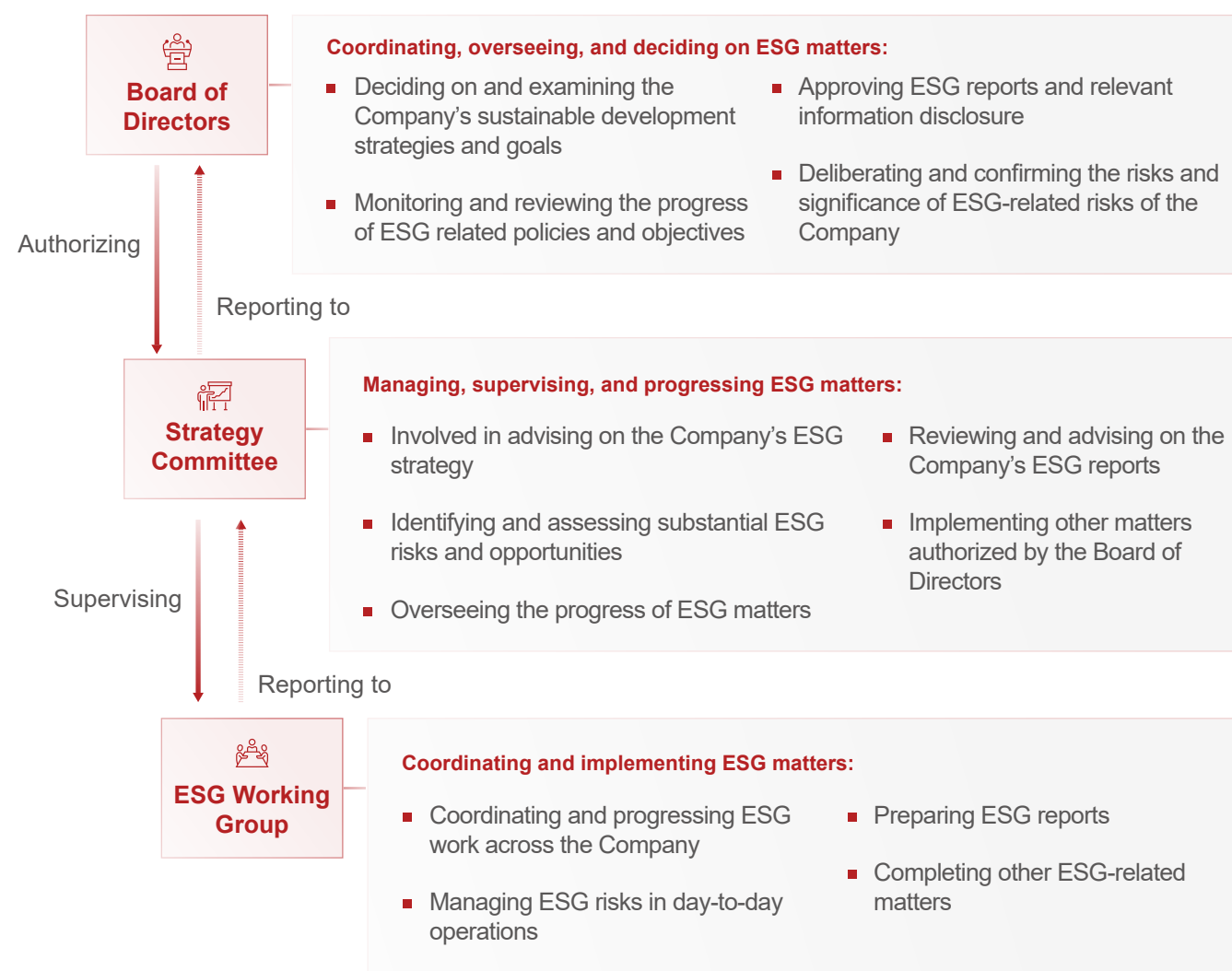
To increase the Company's risk prevention awareness and systematically enhance its security emergency strength, the Company's Information Security Center worked with a third-party professional company to launch a simulation exercise of malicious tampering attacks against the WEB page to examine employees' emergency response in daily operation and maintenance. Through the exercise, it has been established that when the WEB page is maliciously tampered, the security working team will immediately report to the command team, who will start the initial response mechanism of the emergency plan. The security operation and maintenance team makes the correct disposal to restore the WEB page to the normal state as soon as possible. A summary of the emergency exercise was made afterwards. The exercise optimized the Information Security Center's emergency disposal process and improved STL's ability to respond to cyber and information security emergencies.

Intensive ESG Governance

ESG governance is an essential component of corporate governance and a critical factor in an enterprise's long-term development. STL places a premium on integrating ESG development with business operations. We are advancing ESG in a systematic manner by establishing an ESG governance structure and defining the roles and responsibilities of each level. To provide clear guidance for deepening ESG governance, we actively communicate with stakeholders and comprehensively identify material ESG topics.

ESG Governance Structure

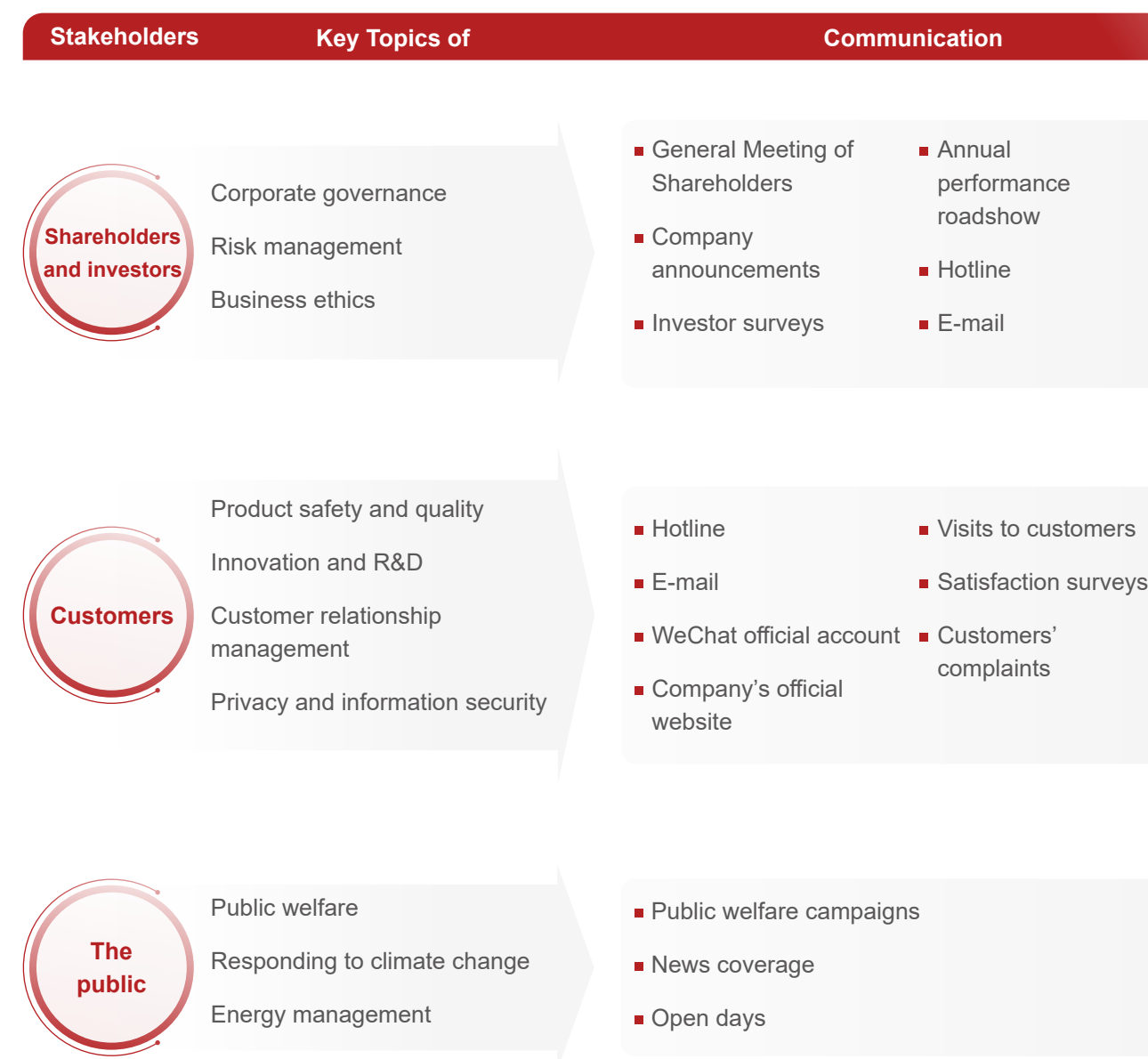
STL has established an ESG governance structure consisting of the Board of Directors, the Strategy Committee, and the ESG Working Group to systematically promote the coordination and supervision of the Company's sustainable development and improve all employees' understanding and awareness of and awareness of ESG issues. As the highest decision-making body, the Board of Directors is ultimately responsible for ESG issues. It deliberates and approves ESG strategies and objectives and monitors and inspects ESG policy implementation and goal progress. The Strategy Committee, which guides and supervises the Company's ESG management and practices, is responsible for the core ESG management. The ESG Working Group, comprised of departments of the headquarters, subsidiaries, production bases, and business units, is in charge of carrying out day-to-day ESG work and improving the Company's performance in all areas of ESG. The Strategy Committee and the ESG Working Group report and provide feedback on the progress of ESG work on a regular basis to the Board of Directors, allowing it to better understand and evaluate the current state of the Company's ESG development and make more scientific and effective ESG decisions.



STL's ESG governance structure

Communication with Stakeholders

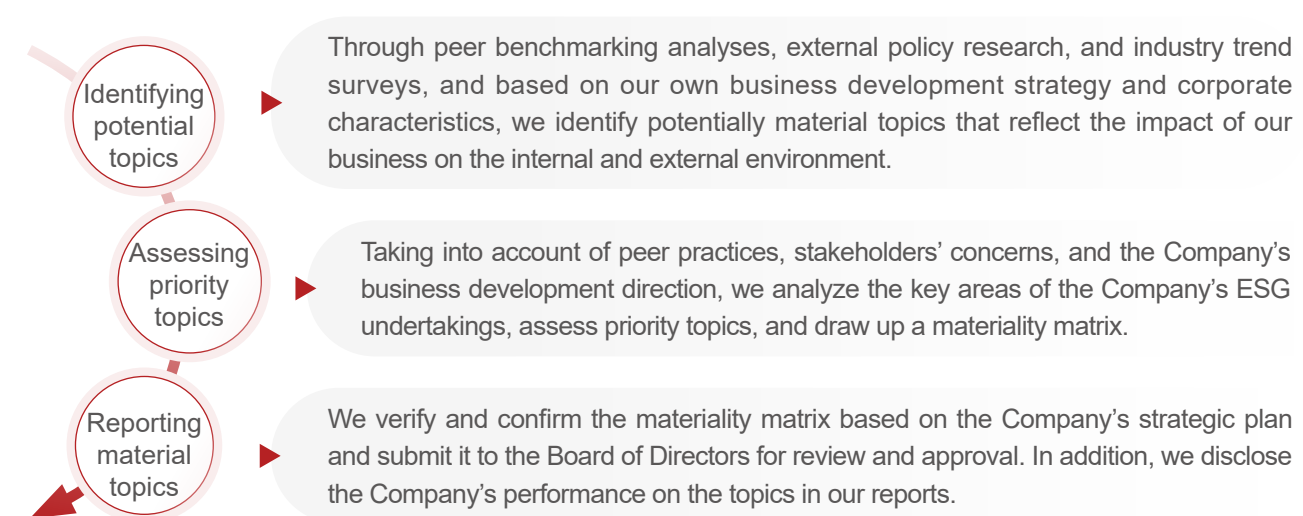
We are committed to developing strong partnerships and mutually beneficial relationships with our internal and external stakeholders, with the goal of achieving win-win outcomes. Shareholders and investors, governments and regulators, customers, employees, suppliers, and the general public are among our most important stakeholders. We maintained active communication with our stakeholders during the reporting period in order to understand their demands and concerns, and we responded to them with practical actions.



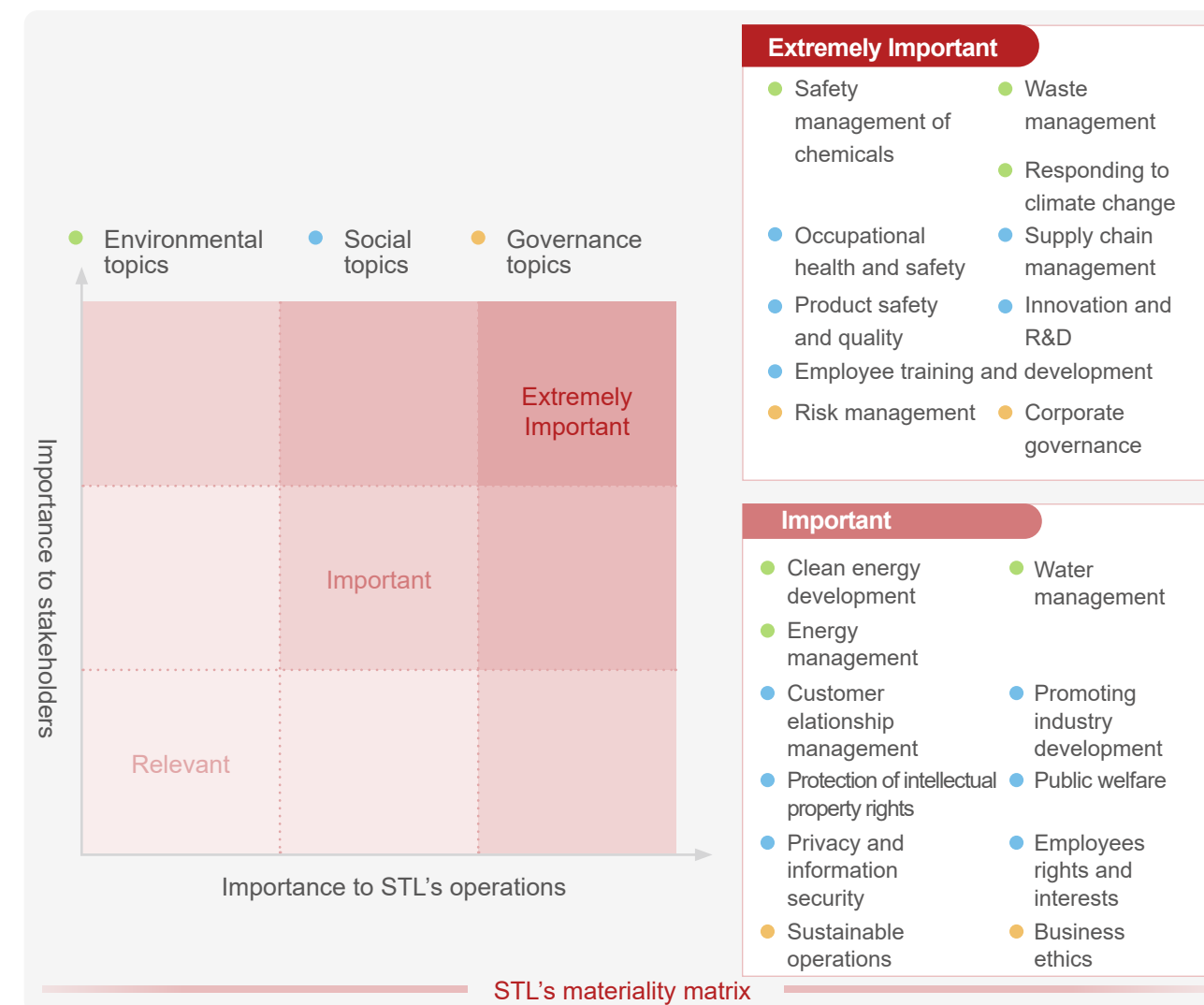


Material Topics

The impact of the Company's operations on the internal and external environment has been highlighted by STL through peer benchmarking analyses, external policy research, and industry trend surveys. Furthermore, we have screened out 21 ESG topics, including six environmental topics, 11 social topics, and four governance topics, and drawn them into a materiality matrix in consideration of the Company's characteristics, the state of sustainable development at the time, and stakeholders' priorities.



Process of the material topic analysis



03

Eco-friendliness to Create a Better Home

STL adheres to the business philosophy of "contribute STL quality products, create a better life", further implements green development, continuously strengthens environmental management, and improves environmental protection. We focus on the prevention and control of "Three Wastes" (i.e. wastewater, waste gas, and solid waste), strengthen the control for carbon peaking and carbon neutrality, and contribute to the development of ecological civilization. We always see environmental protection, energy conservation, and emission reduction as a crucial component of our social responsibility, follow the environmental protection philosophy of "taking environmental protection seriously as our products", and devote ourselves to developing into a green and ecological modern chemical enterprise.

- Strengthening Environmental Management
- Optimizing the Use of Resources
- Pollution Emissions Control



Strengthening Environmental Management

STL has always viewed sophisticated environmental management as the cornerstone of its green development, with a focus on "building an environmentally-friendly enterprise". Encouraged by relevant national and local policies, we have made concrete efforts to fulfill our commitment to reducing environmental impact, revised and improved our environmental protection system, and integrated environmental management into all aspects of our daily operations.

Environmental Management System

We strictly abide by all applicable laws and regulations in the locations where we conduct business, including the *Environmental Protection Law of the People's Republic of China* and the *Law of the People's Republic of China on Environmental Impact Assessment*. To standardize and limit our routine production and operations, we implement industry standards like the *Emission Standard of Pollutants for Petroleum Chemistry Industry* and the *Emission Standard of Pollutants for Synthetic Resin Industry*. The Company collects, identifies, and evaluates compliance with applicable environmental protection laws and regulations every year and created a number of Health, Safety, and Environmental (HSE) management systems, such as the *Environmental Protection Responsibility System* and the *Safety and Environmental Protection Facilities Management System*, in order to standardize the entire production and operations process.

While implementing national standards and regulations, we strictly stick to local standards, including the *Ultra-low Emission Transformation (In-depth Treatment) Work Plan for Key Industries and Facilities in Lianyungang City*, the *Notice on Leakage Detection and Repair (LDAR)*, the *Emission Standards for Major Water Pollutants in the Chemical Industry*, the *Emission Standards for Volatile Organic Compounds the Chemical Industry in Jiangsu Province*, and other control requirements that are much more demanding than national standards.

We implement environmental management under the environmental protection philosophy of "taking environmental protection seriously as our products". The Board of Directors has set up a Strategy Committee, which manages and guides matters related to environmental management such as strategic planning, environmental target setting, environmental policy formulation and implementation management, climate change risk assessment, environmental performance, and environmental information disclosure, and reporting to the Board of Directors. During the reporting period, all the Company's production bases and business units strengthened the mode in which everyone engages in management. They have both built an environmental management structure with the general manager fulfilling the overall responsibility under the management of the Safety and Environmental Committee through the inter-departmental collaboration, and formed a thorough environmental management system with a clear division of labor and responsibility among all departments.

STL's environmental management inputs in 2022

Total investment in environmental treatment RMB 1,428.57 million	Time invested in environmental treatment 62,130 hours	Environmental punishment payments RMB 0
Number of environmental protection training hours 4,821	Number of environmental protection training sessions 1,826	
Number of environmental protection training participants 31,255	Environmental punishment accidents 0	



卫星化学 HSE管理手册（环保）

HSE Management Manual
(environmental protection)



STL's HSE Management Manual (environmental protection)

► Environmental Management Initiatives

The Company has implemented a number of initiatives in its business operations to reduce environmental impact according to the environmental management requirements by stepping up environmental monitoring, ensuring clean production, and putting in place pollution prevention measures to enhance its environmental management and pursue green development.

Implement environmental monitoring	Commission third-party institutions to conduct monthly emission data monitoring of environmentally friendly facilities
Regulate pollution emissions	Implement the relevant requirements in the emission permit, meet pollutants emission standards and control the total emissions in 2022
Identify pollution sources	Conduct in-depth investigations and rectification of VOCs and odor sources, and LDAR testing
Strengthen special inspections	Conduct daily environmental inspections and monthly special environmental inspections to implement corrective measures
Enhance control capabilities	Enhance the control capabilities of pollutant treatment processes, transfer and treat wastewater promptly, and implement compliant transfer and disposal of hazardous waste

STL's environmental management initiative

► Environmental Management System Certification

During the reporting period, the Company passed the ISO 14001 environmental management system certification audit, applied for and received the Pollutant Discharge Permit and Sewage Drainage Permit, continued to optimize the effectiveness of pollution control and emission reduction, and concentrated on the project implementation requirements of "economic benefits, legal compliance, and environmental improvement". We took a number of steps to strengthen our environmental management capabilities. All production bases and business units had obtained environmental management system certification by the end of the reporting period.

The Company actively promotes and conducts external third-party system certification and review. Our production bases and business units conduct internal audit and external review once a year, and a thorough external audit to renew the system certification every three years, with both internal and external audits covering all of our business areas.



STL's environmental management system certification

► Honors and Awards in Environmental Protection

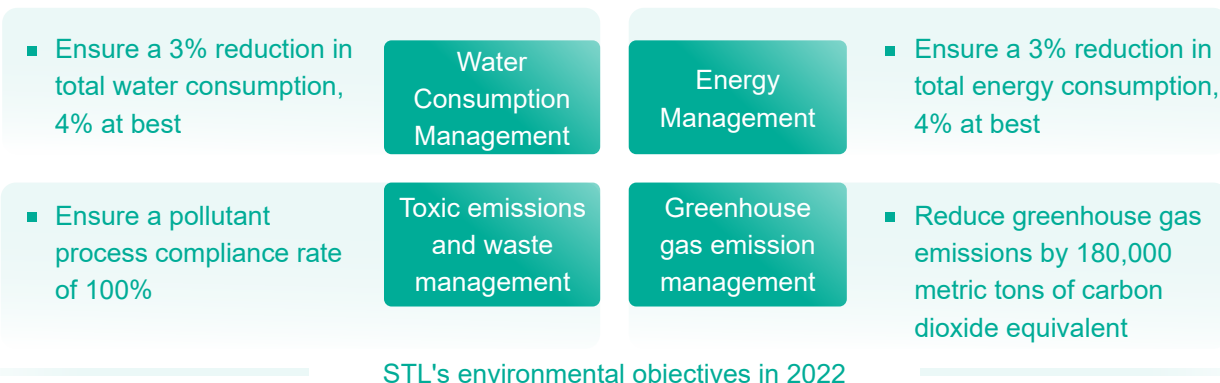
During the reporting period, the Company was recognized and praised by various parties for its impressive records in environmental management and green development, and earned a number of green awards:

Awardee	Award	Awarded by
Satellite Chemical Co., Ltd.	Green Factory in the Petroleum and Chemical Industry 2022	China Petroleum and Chemical Industry Federation
	Green Supply Chain in the Petroleum and Chemical Industry 2022	China Petroleum and Chemical Industry Federation
	National Green Supply Chain Management Enterprise	Ministry of Industry and Information Technology
	Top Ten "Beautiful Factory Development Demonstration Entity" in Jiaxing City in 2022	Jiaxing Municipal Federation of Trade Unions
	Outstanding Enterprise in Environmental Protection	Jiaxing Municipal Federation of Trade Unions
Lianyungang Petrochemical Co., Ltd.	Lianyungang Ethylene Derivatives Green New Material Engineering Technology Research Center	Lianyungang Municipal Science and Technology Bureau
	2022 Green Factory in Jiangsu Province	Jiangsu Provincial Department of Industry and Information Technology
	2022 Leading Enterprise in Green Development	Jiangsu Provincial Department of Ecology and Environment and Jiangsu Federation of Industry and Commerce
Zhejiang Satellite Energy Co., Ltd.	Jiaxing Green Factory (The First batch in 2022)	Jiaxing Municipal Bureau of Economic and Information Technology
Pinghu Petro Chemical Co., Ltd.	Jiaxing Green Factory (The second batch in 2022)	Jiaxing Municipal Bureau of Economic and Information Technology
Hubei Satellite New Materials Co., Ltd.	Niche-sector Leaders with High Market Share and Strong Innovation Capacity in Hubei Province	Ministry of Industry and Information Technology of the People's Republic of China

Environmental Objective Setting

To establish its brand in environmental protection, STL has set environmental objectives based on its business development and operations to continuously improve its environmental management capabilities, prioritized ecological protection and pursued green development throughout its production and operations processes, and accelerated the transition from passive management to active planning.

The Company set environmental objectives for 2022 to manage water use, energy consumption, toxic emissions, waste, and greenhouse gas emissions, respectively. To actively promote green development, strict quantitative targets have been established for environmental discharge volume, the pollutant process treatment pass rate, and the LDAR rate.



Case Comprehensively improved environmental management and accelerated the achievement of environmental goals

In 2022, to fully implement environmental management and promote the achievement of environmental targets, Lianyungang Petrochemical Co., Ltd. optimized its management of the "Three Wastes" to meet the emission standards, extensively tapped into its emission reduction capacity, and actively implemented key tasks such as VOC rectification, LDAR, and establishing data platforms for environmental protection facilities. The company made full use of advanced environmental monitoring means and the environmental data monitoring system to fully realize the real-time supervision of pollutant emissions and dynamic emission reduction adjustment to achieve emission reduction targets.

As of the end of the reporting period, all environmental objectives for 2022 had been met, including total emissions of wastewater, waste gas, and solid waste, the LDAR rate, and the pollutant process treatment compliance rate. In the future, the Company will further deconstruct each of its goals, map out the implementation strategy, and monitor the progress of goal attainment.

► Environmental Performance Management

STL places a strong emphasis on environmental performance. We have established a strict target achievement responsibility system and performed performance appraisal in accordance with *the HSE Performance Appraisal Management Measures*, which link environmental benefits to the remuneration of the responsible. We have strictly implemented requirements such as *the Incident Management System*, *the Ten Zero Tolerance Principles*, and *the Ten Safety Disciplines* to clarify responsibilities, enforce rewards and punishment, and motivate our employees to actively perform their environmental responsibilities.

To make comprehensive deployment in this area throughout the year, the Company issued the STL [2022] No. 01: *Notice on the Implementation of the Key Work Requirements for Safety and Environmental Protection* at the start of 2022. To fulfill the environmental protection responsibility at all levels, the Company requires that the president, as the first person responsible, take full responsibility for the corporate safety and environmental protection work and that the leadership sign the safety and environmental protection responsibility letter. We have also put in place a comprehensive safety and environmental performance assessment system and annual KPI assessment indexes related to HSE in the performance of production executives in charge, eight of which are concerned with environmental protection. We have put in place a "one-vote veto" system, linked environmental benefits to managers' pay, and delegated responsibilities to frontline teams and employees. Any violations of HSE regulations or Safety Committee requirements will be held accountable in accordance with relevant national laws and corporate systems, according to the Company.

Environmental Impact Monitoring

STL integrates environmental factor identification and environmental monitoring throughout its production and operations according to the principles of "economic efficiency, legal compliance, and environmental improvement". The Company adheres strictly to national industry standards, including *the Self-Monitoring Technology Guidelines for Pollution Sources: General Rule* and *the Self-Monitoring Technology Guidelines for Pollution Sources: Petroleum Chemistry Industry*, and the management requirements of the Pollutant Discharge Permit. We developed annual monitoring programs and monitored pollutant emissions in real-time using manual testing, online environmental protection monitoring devices, environmental protection monitoring platforms, the MES system, and the LIMS system to ensure pollutant emissions up to standards.

In the meantime, the Company commissions qualified third-party CMA testing organizations to conduct tests on plant wastewater, rainwater, organized and unorganized exhaust gases, noise at the plant boundary, soil, and groundwater in accordance with the Pollutant Discharge Permit's management requirements, ensuring that all monitoring points and testing factors are covered.

During the reporting period, the Company established a three-dimensional environmental management and supervision network under the guidance and supervision of third-party environmental monitoring and maintenance entities, government authorities, and environmental experts to be subject to the joint supervision of the surrounding citizens and businesses. These efforts are designed to ensure environmental protection compliance operations.

The Company organized

115 instances of

environmental monitoring in 2022



Emergency Management System

STL prioritizes the improvement of its emergency plan for environmental emergencies and preparing environmental safety emergency materials and equipment to enhance its capacity for preventing and responding to environmental incidents. The Company has prepared an emergency plan for environmental emergencies and submitted it to the Ecology and Environment Department for the record. The plan specifies the emergency organization, preparation, response, disposal, recovery, and other accident-related matters and standardizes the Company's process for responding to and disposing of environmental emergencies.

To enhance our employees' ability to respond to environmental emergencies, we have worked to raise their risk awareness. During the reporting period, the production bases and business units organized various emergency drills to respond to environmental emergencies according to the annual plan. The drills were successfully completed and yielded the desired results.

All production bases are outfitted with a full-time firefighting department and a pool designed to keep the polluted water in the event of an accident, which can effectively respond to and handle environmental accidents in a timely manner.



During the reporting period, the Company conducted

232 safety emergency drills

with **6,153**

participants in safety emergency drills

and **5,982**

participants in emergency skills training



Case Conducted environmental emergency drills to strengthen the capability to respond to emergencies

To further enhance the emergency response speed and rescue capability of employees, Lianyungang Petrochemical Co., Ltd. organized two company-level environmental emergency drills in 2022, including one for district-level radiation accidents in cooperation with the Xuwei New District authority, which comprehensively tested its emergency response speed and capability in the event of emergency environmental incidents. It also tested the effectiveness and applicability of its emergency response plan.



An emergency response drill at Lianyungang Petrochemical Co., Ltd.

Optimizing the Use of Resources

The Company actively promotes green and clean development, strives to strike a balance between corporate development and environmental protection, continuously improves the development of energy management systems, actively develops and deploys clean energy, and works to become a green and economical enterprise in all aspects.



Energy Management

STL strictly adheres to *the Energy Conservation Law of the People's Republic of China, the Electric Power Law of the People's Republic of China, the Energy Industry Standardization Management* and other regulations. We identify the requirements of energy laws and regulations for the Company, and translate them into control indicators and requirements in our operations. We have formulated internal policies such as *the Control Procedures for Energy Management Programs* and *the Control Procedures for Energy Evaluation and Review*, practiced energy management commitments in processes such as new project energy evaluation and acceptance, obsolete equipment elimination, and energy consumption limits, and implemented standardized energy-saving supervision and management for the entire production and operations.

The production bases and business units have actively responded to the Company's call for energy management by implementing measures such as optimizing their energy mix, phasing out obsolete equipment, enhancing energy efficiency, and optimizing production processes. We have taken multiple measures to coordinate energy consumption and strengthen the foundation of energy management. As of the end of the reporting period, all production bases and business units had obtained certification for their energy management systems.

STL adopts lightweight raw materials to produce olefins and leads the industry in comprehensive energy consumption.



Our energy intensity is **less than 300** kg of standard oil per metric ton



which is significantly **lower than** the national benchmark of **590** kg of standard oil per metric ton.

Case Application of lithium bromide to recover condensate and improve energy efficiency

To improve the efficiency of steam condensate recycling, Satellite Science & Technology Co., Ltd. has designed a set of in-depth waste heat utilization absorption refrigeration unit, to recycle the heat of steam condensate generated by the obsolete facilities and to replace the plant's purchased pure water by recycling the steam condensate after cooling down to turn into the pure water required for our production. The project recycles waste heat, solves heat pollution to the environment, recycles the steam condensate to save energy, and protects the environment.



It is expected to **save 1.849** million kWh of electricity



reduce 1,862 metric tons of CO₂ emissions annually

Build an energy management platform to track energy consumption and production data and analyze them to find the problematic areas and make adjustments

Phase out obsolete motors and chillers and replace them with energy-efficient ones that meet energy efficiency rating requirements

Conduct LDAR testing as planned, complete repair timely, reduce leakage, and promote cost reduction and efficiency initiatives

Optimize production process, and organize the technical reform of the hot water tank of liquid chlorine vaporizers and refrigeration machines, etc.

Provide energy saving and low carbon training, hold cost reduction and efficiency promotion meetings, follow up projects implementation, and solve identified difficulties promptly

Reasonably arrange the production plan, adjust the schedule of plant maintenance, and reduce unnecessary energy consumption

STL's energy management initiatives

Water Conservation Management

STL places great emphasis on the management of water resources in the entire industrial chain, strictly complies with *the Water Law of the People's Republic of China* and other pertinent laws and regulations, has formulated internal policies such as *the Energy Management System* and *the Water Quality Management System*, improves water efficiency, and effectively conserves water resources through multiple initiatives such as equipment optimization and technological transformation and innovation.

The Company implements water conservation management in all aspects of production and operations. We reduce fresh water consumption at the source, actively promote advanced water conservation technologies and equipment in production, enforce a number of water recycling initiatives, and bolster water conservation promotion to raise the awareness of water conservation among all our employees. During the reporting period, the Company implemented the entire process of water resource management from water saving at the source to wastewater reuse in all business areas and achieved remarkable results, and was awarded "Water Saving Benchmark Enterprise in Zhejiang Province".

Among them, Pinghu Base adopted water reuse measures in 2022, saving **1,776,600** metric tons of water;

Lianyungang Base adopted measures to recycle and reuse process condensate in 2022, saving **286,800** metric tons of water;

reclaimed water reuse measures saved **4,932,600** metric tons of water.

Water recycling

- Enhance the recovery of steam condensate and conductive heat flow to achieve recycling
- Collect rainwater around the fire fighting pool, pump it to the water treatment station, and then use it for replenishing the fire fighting pool

Process upgrade

- Strengthen the pelletization process control and reduce the frequency of pelletizing water replacement
- Use of surface evaporative air cooler and circulating cooling water air for cooling device in the circulating cooling technology

Equipment optimization

- Replace outdated bypass filters with energy-saving ones
- Strengthen the inspection of various water supply pipelines in plants, and conduct prompt maintenance to avoid leakage

Improve water efficiency

- Use backwash water for pharmaceutical dilution to improve the water recycling rate
- Use phosphorus-free/low phosphorus water treatment chemicals for circulating cooling water treatment technology, which can make the circulating water system reach a 7-time concentration and achieve a water-saving rate of 12.5%

► Water Risk Assessment

The Company has conducted relevant identification and risk assessment to identify potential risks in access to water resources for each production base and business unit.

Clean Energy

STL adheres to the concept of green development, responds actively to the *Cleaner Production Promotion Law of the People's Republic of China*, increases energy structure adjustment, focuses on low-carbon energy transformation, gradually develops and utilizes clean energy, and is committed to becoming a leader in clean energy supply and contributing to the improvement of the ecological environment. In 2022, the Company stated in the STL [2022] No. 01: Notice on the *Implementation of 2022 Key Work Requirements for Safety and Environmental Protection* that the company has made clean production one of its key work requirements to improve its clean production capabilities with advanced and applicable process technology and equipment.

To promote the transition to clean energy and reduce air pollutant emissions, Jiaxing Base has incorporated clean technology innovation into its overall development strategy and has implemented the transition from diesel to natural gas substitution in the waste gas incinerator; Lianyungang Base, based on their technical characteristics, has made full use of hydrogen, a by-product of ethane cracking and propane dehydrogenation processes, to realize the recycling of clean energy.

The Company supplies downstream businesses in the park with hydrogen. With the continuous improvement of the hydrogen pipeline network and supporting facilities, we have achieved a comprehensive utilization capacity of 21.81 million standard cubic meters of hydrogen energy per year, which will improve the conditions for realizing the circular economy and enhancing the quality of the park. Simultaneously, we are negotiating with several companies to provide new business opportunities for using hydrogen energy through hydrogen cooperation.

Case Made deployment in hydrogen energy to lead the industry in low-carbon development

In order to guide green and low-carbon deployment in the industry and promote low-carbon development, STL has further made deployment in hydrogen energy based on the existing C2&C3 industry chain. A large amount of by-product hydrogen produced in the ethane cracking and propane dehydrogenation process, with a purity of 99.999%, can be used directly as hydrogen energy, and the process route can reduce about 5.4 million metric tons of carbon dioxide per year compared with traditional coal hydrogen production. The Company plans to take the following measures to make full use of green hydrogen energy:

Plan hydrogen energy utilization demonstration projects in the park, including hydrogen energy shuttles for employee commuting and hydrogen energy storage projects

Work to implement the circular economy and renewable energy utilization in the park, providing green hydrogen supply for enterprises, and reducing carbon dioxide emissions caused by hydrogen production

Plan the development of chemicals with hydrogen as a raw material to form the industrial chain synergy and create a green and low-carbon production demonstration base

The Company is planning to use lithium bromide absorption chillers and waste heat-based and steam-driven water pump units to consume surplus steam produced at its bases and implement the green power and photovoltaic use. So far, some production bases have signed preliminary technical agreements on photovoltaic power generation projects, actively made deployment in clean energy, and promoted the low-carbon transition.

Case Actively developed photovoltaic systems to respond to the call for clean energy

To further implement our "HÉ" culture, the SAP Business Unit has implemented energy control, energy saving, and consumption reduction measures, and adopted photovoltaic power generation to realize electricity self-production and self-consumption. With these efforts, it ensured functioning production despite a power shortage.

Project Background

According to the "three-year action document", the Energy Conservation Office of Jiaxing Science City strengthened the inspections of enterprises, strictly implemented national laws and regulations on resource conservation, environmental protection, production safety, product quality, and other pertinent industrial policies, stepped up law enforcement efforts, and promoted the corporate improvement and upgrading in accordance with the law.

Project Development

The project made comprehensive use of the roof space of individual buildings (plants) in the SAP Business Unit plant to build photovoltaic power plants. It involved the roofs of 7 buildings, with a total construction area of 14,000 square meters, and the installed capacity can reach 1,343.52kw according to professional PV manufacturers.

Project Results

The project can result in an annual average reduction of 85.7 metric tons of standard coal, 93.58 metric tons of carbon dioxide emissions, 0.71 metric tons of sulfide, and 0.24 metric tons of nitrogen oxides.



STL SAP Business Unit's photovoltaic project

Raw Material Management

STL values resource utilization highly. To continuously improve the utilization rate of raw materials, we promote industrial materials recycling through technical transformation. We developed a raw material consumption strategy and integrated raw material consumption into departmental performance evaluation. Key personnel in relevant production departments have been motivated to reduce production costs and implement raw material management through the cost control and incentive mechanism.

During the reporting period, the Company's production bases and business units implemented a variety of initiatives to improve raw material management by reducing raw material losses in storage and the production process and increasing raw material utilization.

STL's energy management initiatives

Spray cold water on raw material storage tanks to reduce volatile losses during storage

Improve process stability and reduce raw material consumption

Increase the output by preventing leakage in our workshops

Upgrade the glycol distillation recovery system to improve the recovery rate

Strengthen process control, optimize process parameters, and reduce by-product output

Increase the production volume of renewable resource products

STL's Major Resource Consumption in 2022

Major direct energy consumption

Natural gas

152 million cubic meters

Ethane

94.7 thousand metric tons

Propane

10.4 thousand metric tons

Indirect energy consumption

Purchased electricity

2.188 billion kWh

Purchased steam

1.47 million metric tons

Water consumption

Total water consumption

32.12 million metric tons

Pollution Emissions Control

STL places a high value on pollution emission management, eliminates environmental protection weaknesses, makes consistent pollution prevention and control efforts, enhances the control capabilities of pollutant treatment processes, and establishes a full life-cycle pollutant management process. We have bolstered environmental protection monitoring and management at each discharge outlet, which regulates the emission and treatment of various pollutants and promotes sustainable social and environmental development.

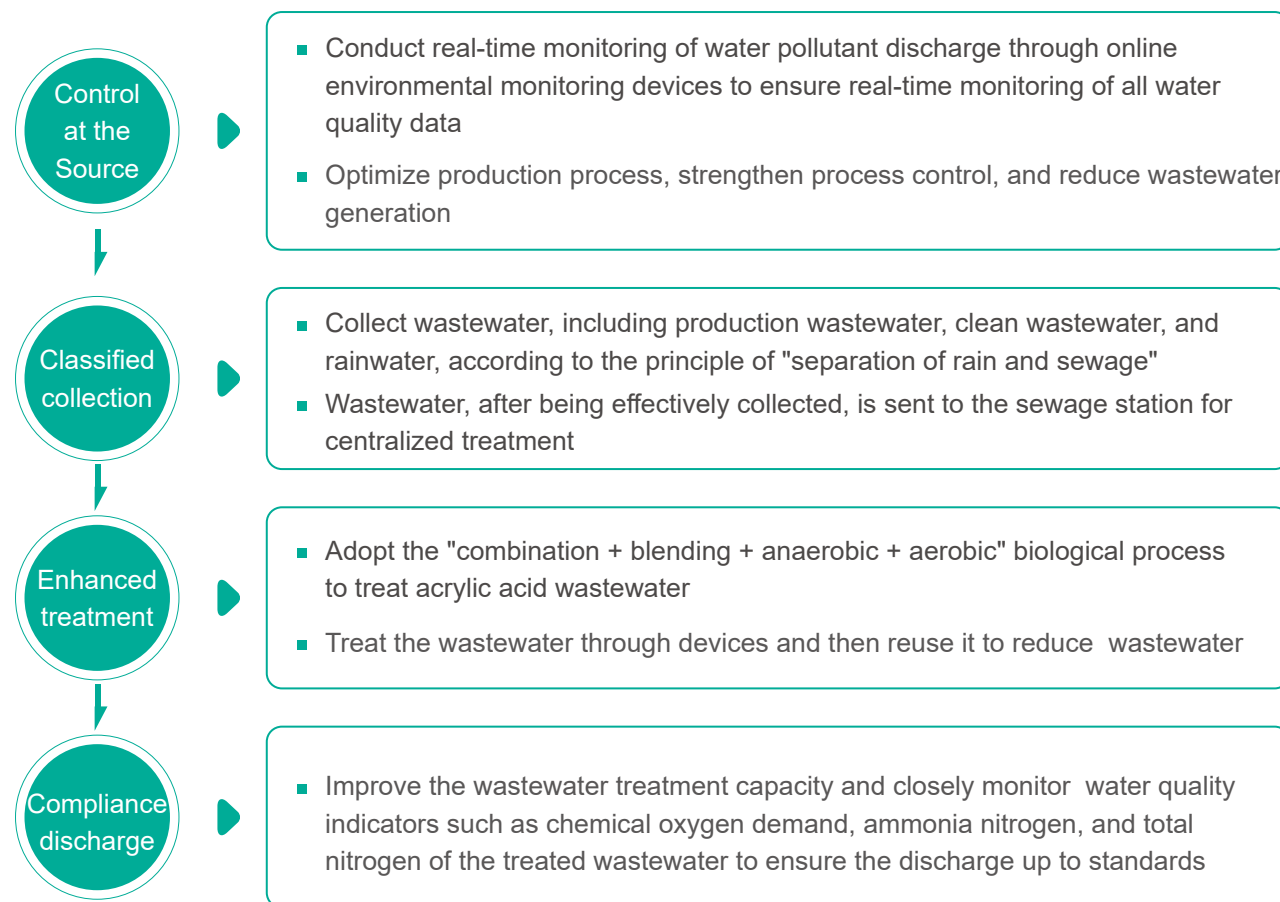
"Three Wastes" Management

STL strictly adheres to *the Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, *the Water Pollution Prevention and Control Law of the People's Republic of China*, *the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes*, and *the Soil Pollution Prevention and Control Law of the People's Republic of China*, and other pertinent laws and regulations on environmental protection, as well as industry standards such as *the Emission Standard of Pollutants for Petroleum Chemistry Industry* and *the Emission Standard of Volatile Organic Compounds for Chemical Industry*. We strive to strengthen pollutant emission management, establish pollutant treatment models, further optimize the treatment process, ensure that wastewater and exhaust gases are discharged in accordance with the standards and that solid waste is disposed of in a standardized manner to ensure green operations.

The Company has formulated internal policies such as *the Safety and Environmental Protection Facilities Management System*, and implements the full-process pollutant management of pollutants such as wastewater, waste gases, and solid waste from generation, treatment to standard emissions in accordance with the requirements of standard emission and total volume control. We have implemented the principle of "standardizing, reducing, and eliminating emissions" to enhance the quality of the corporate environmental protection and realize the overall sustainable development.

► Wastewater Discharge Management

The Company actively responds to the call for "zero and direct sewage discharge" by investigating the wastewater discharge thoroughly, renovating the facilities that separate rainwater and sewage, and installing several sets of wastewater treatment equipment to manage wastewater across production processes such as wastewater generation, collection, reuse, and discharge. These efforts are aimed at minimizing the negative impact on nearby surface water and groundwater, as well as strengthening the prevention and control of water pollution risks and reducing water pollution caused by our business operations. Following the implementation of these wastewater reduction initiatives, the Company reduced emissions by 6,996,000 metric tons in 2022.



Case Reuse acrylic acid wastewater to reduce cost and increase efficiency

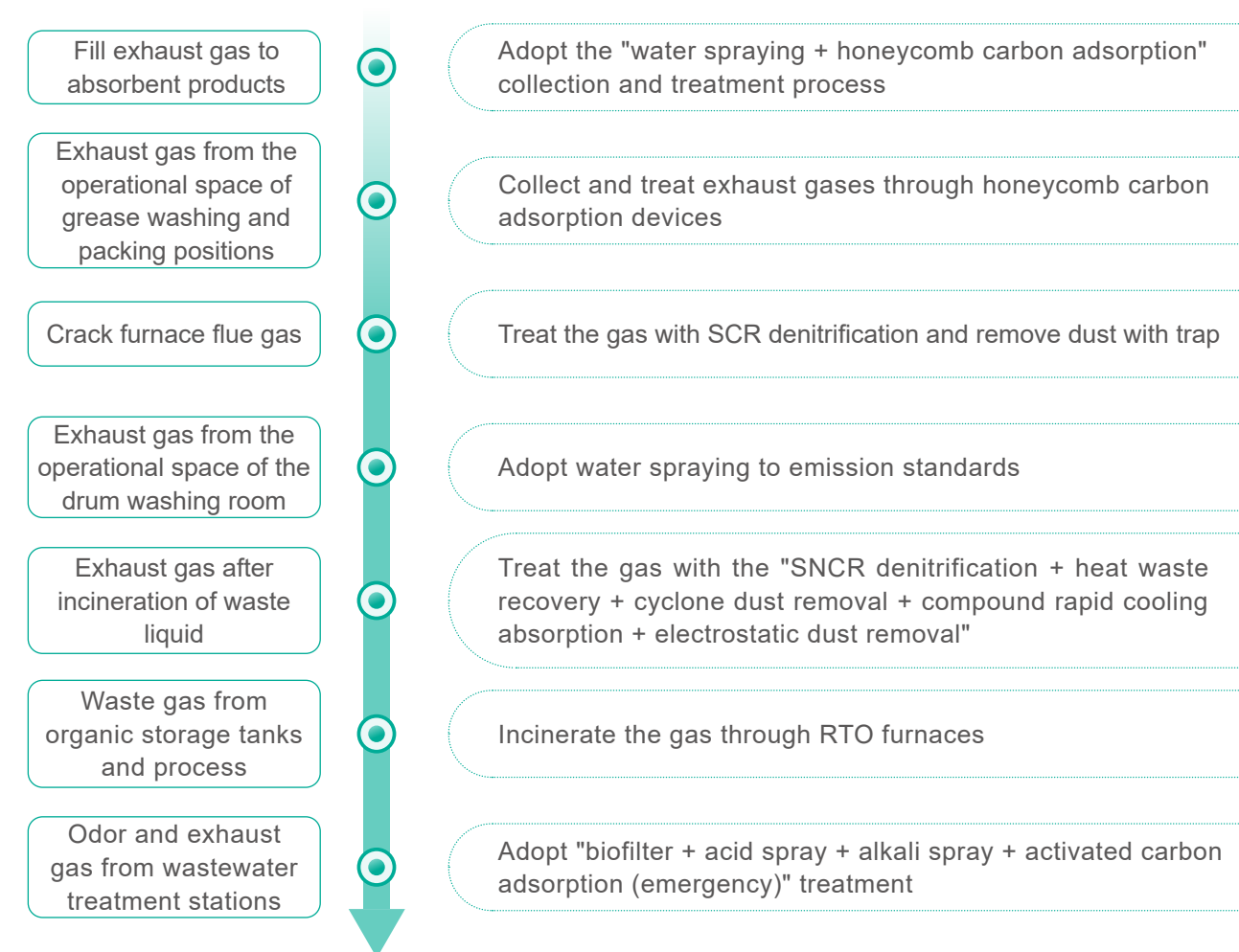
To reuse wastewater and improve resource utilization efficiency while reducing pollution emissions, Pinghu Base has installed a wastewater recycling unit for butyl acrylate with a capacity of a 30 metric tons per hour, which pre-treats high concentration neutralized wastewater from butyl acrylate facilities and recovers p-toluenesulfonic acid, acrylic acid and dilute alkali solution which are difficult to treat from the wastewater. The recovered p-toluenesulfonic acid and acrylic acid are reused as raw materials in the production of butyl acrylate, and the dilute alkali solution is reused for the neutralization process of butyl acrylate. The concentration of neutralized wastewater drops significantly after pretreatment by the recycling unit, which effectively reduces the workload of wastewater treatment station and realizes emission reduction, cost reduction and efficiency improvement.

► Waste Gas Emission Management

The Company's air pollution mainly includes volatile organic compounds (VOCs), sulfur dioxide (SO₂), nitrogen oxides (NO_x) and particulate matter generated in production and operations. We have strictly practiced air pollution prevention and improvement in all production bases and business units, and built several sets of high-efficiency industrial waste gas recycling and treatment facilities to reduce air pollution emissions while recycling materials. During the reporting period, there were no cases in which emissions did not meet the standards in any production base and business unit of the Company.

The Company actively responds to the national emission reduction requirements to strengthen the control of VOCs unorganized emissions in production waste gases, further LDAR testing, conduct routine environmental protection inspections and monthly special environmental protection inspections, and implement corrective measures to ensure that waste gas emissions meet the standards. All production bases and business units are equipped with RCO treatment systems, RTO treatment systems, alkali sprayers, activated carbon adsorption and other environmental protection facilities for exhaust pollutants treatment to ensure that the emission concentration is less than the required level in corresponding standards.

The Company has taken targeted measures to efficiently control the exhaust gases generated across the production process:



STL's main waste gas treatment initiatives

Case Full process control of production waste gas to promote high-quality and clean production

To actively fulfill its commitment to ultra-low emission, Lianyungang Petrochemical Co., Ltd. has continuously promoted air pollutant emission reduction and leakage prevention management through initiatives such as technology optimization and enhanced management, focusing on emission sources, strengthening the control of the full-production process, and monitoring exhaust gas emissions in real time. In terms of project design, the company has selected mature and advanced process technologies at home and abroad, which are in line with clean production and can achieve the goal of high-value, clean, and intelligent plant development.

Clean raw materials

Use ethane with little sulfur as raw material which is clean and has a high recovery rate in cracking units, simple process flow, and low comprehensive energy consumption. Ethane crackers have lower sulfur emissions and less environmental impact and are more advanced compared to other similar pollutant emission projects

Process optimization

Ethylene crackers adopt the Lummus technology. The exhaust gas generated in the operation process is given priority to full fuel gas recovery, and those that cannot be reused are disposed of by incineration after condensation and adsorption to meet the pertinent emission limit standards, reducing pollutant emissions from the source, process, and the end of the whole process

Real-time monitoring

Actively use LDAR testing and repair tools for production facilities, and complete leak testing for operational facilities on a quarterly basis. A total of 142,228 points have been registered and a total of four LDAR tests and retests have been conducted throughout the year



Lianyungang Petrochemical's whole process control of production waste gas

► Solid Waste Management

STL complies with the requirements of the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes*, adheres to the principle of "Reduce, Reuse and Recycle" in solid waste management, and has formulated the *Management Regulations on Solid Waste* to regulate the management and disposal of solid waste and to continuously promote its reduction and recycling.

The Company has enforced the whole process control from solid waste generation, collection, storage, transportation to disposal and utilization, improved the standardized hazardous waste management, established a solid waste supervision platform, strictly supervised the hazardous waste with information technology, and effectively prevented and controlled the environmental risks caused by hazardous waste. During the reporting period, the Company managed solid waste according to the Pollutant Discharge Permit's management requirements, and there were no solid waste disposal violations.

- Set up temporary storage warehouses for hazardous waste to ensure that the hazardous waste is collected by type and source according to the requirements of hazardous waste management
- Contact qualified professional waste disposal entities for waste transfer in accordance with relevant national solid waste transfer regulations
- Install waste liquid incinerators to dispose of heavy alcohols, tar, and other hazardous wastes, and WAO devices to dispose of waste lye

General solid waste

Hazardous waste

- Set up special warehouses to collect solid wastes, and conduct anti-corrosion and anti-permeation treatment on the warehouse floor to prevent waste leaks from contaminating soil and groundwater
- Actively reduce solid waste, dry the sludge, and reduce the water content of the sludge
- Uniformly arrange special vehicles to transport waste to landfills or hand it over to qualified entities for disposal on a regular basis

Case Installed waste liquid incineration devices to reduce hazardous waste generation

To strictly control the amount of waste generation, Pinghu Petro Chemical Co., Ltd. has built six sets of catalytic combustion devices while establishing production facilities. The devices adopt secondary catalytic combustion treatment, with the treatment rate of pollution factors reaching over 97%. Pinghu Petro Chemical Co., Ltd.'s hazardous waste primarily includes acrylic acid and ester heavy constituents. Through the waste liquid incineration system, the liquid distillation residue of acrylic acid and of acrylic ester can be treated, and after incineration and disposal, it can be turned into steam through the heat exchange in the waste heat boiler to provide energy. With the construction of the supporting incineration systems, the liquid distillation residue can be reduced by 25,000 metric tons per year.

Case Chemical method recycling technology is adopted efficiently to improve the resource recycling efficiency

Based on its advantages in R&D, production and sales of environmentally-friendly water-soluble poly-solid slurry, Hubei Satellite New Materials Co., Ltd. has applied its core technologies with independent intellectual property rights to material recycling and reuse, improved its product performance, and expanded the new degradable and recyclable material business.

As the first high-tech enterprise producing water-soluble environmental protection polyester from waste plastic bottles, Hubei Satellite New Materials Co., Ltd. has adopted chemical recycling technology which introduces hydrophilic groups and some high-performance monomers into polyester molecules to improve its water-solubility and film-forming properties, and produce degradable environmentally friendly protection slurry, which has been certified by Global Recycled Standard (GRS) Certification.

Hubei Satellite New Materials Co., Ltd.'s DCS automatic production line with an annual production capacity of 30,000 metric tons of water-soluble polyester slurry continues to run stably, providing a recycling capacity of 26,000 metric tons of waste plastics per year. The company will continuously strive to build a more complete eco-friendly new material ecosystem.

Indicator		Unit	2022
Waste	Total Solid Waste	10,000 metric tons	9.42
Exhaust gas emissions	Emissions of nitrogen oxides (NO _x) per 10,000 metric tons of products	metric ton/10,000 metric tons	0.59
	Emissions of sulfur dioxide (SO ₂) per 10,000 metric tons of products	metric ton/10,000 metric tons	0.07
	Emissions of volatile organic compounds (VOCs) per 10,000 metric tons of products	metric ton/10,000 metric tons	0.20
	Emissions of particulate matter (PM) per 10,000 metric tons of products	metric ton/10,000 metric tons	0.05
Wastewater discharge	Chemical oxygen demand (COD) emissions per 10,000 metric tons of products	metric ton/10,000 metric tons	41.72
	Ammonia nitrogen emissions per 10,000 metric tons of products	metric ton/10,000 metric tons	0.60
	Total organic carbon (TOC) emissions per 10,000 metric tons of products	metric ton/10,000 metric tons	0.52
Greenhouse gas emissions	Greenhouse gas (CO ₂) emissions per metric ton of product	metric ton of CO ₂ equivalent/metric ton	1.11

Soil and Noise Management

► Soil and Groundwater Pollution Prevention and Control

Every year, the Company prepares an annual environmental monitoring program in accordance with the requirements of the Pollutant Discharge and project environmental assessment, and pertinent technical specifications such as *the Guidelines on the Identification of Potential Soil Pollution Hazards in Key Supervision Entities (for Trial Implementation)* and *the Technical Guidelines of Soil and Groundwater Self-monitoring for Industrial Enterprises*. We have also hired qualified third-party environmental testing companies to keep an eye on the soil and groundwater. Simultaneously, we implemented anti-corrosion and anti-leakage ground treatment measures in the production area, storage and transportation area, raw material tank area, and other key areas, as well as strengthened daily inspection and inspection to prevent leakage contaminants from polluting the soil and groundwater.

Groundwater pollution prevention and control measures are implemented on the basis of the "control at the source, control at the end, pollution monitoring, and emergency response" principle in order to control the entire process, including pollutant generation, leakage, diffusion, and emergency response.

Control at the source

Take appropriate measures to prevent and reduce pollutant leakage in the process, pipelines, equipment, sewage storage, and treatment structures; and lay pipelines as visually as possible. This means that pipelines should be installed on the ground as far as possible so that pollutants can be detected and early detection as early as possible

Pollution monitoring

Implement a groundwater pollution monitoring system covering the production area, including establishing a comprehensive monitoring system, installing advanced detection instruments and equipment, and building scientifically and reasonably designed groundwater pollution monitoring wells to ensure timely pollution detection and control

Control at the end

Implement impermeable treatment on the ground in the polluted area to prevent spilled pollutants from seeping into the ground, and collect the pollutants left on the ground and transfer them to the sewage treatment station for treatment; impermeable treatment is conducted by area type in exercising control at the end

Emergency response

Once the groundwater pollution accident occurs, immediately start the emergency plan, and take emergency measures to control groundwater pollution so that pollution can be treated well

STL's soil and groundwater pollution prevention and control measures

► Noise Control

STL strictly adheres to the *Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise*, strengthens the identification, analysis and evaluation of noise hazards, and enforces noise pollution control from noise sources, transmission channels, and noise receptors in all aspects. During the reporting period, the Company conducted regular noise monitoring at the plant boundary, and ensured that the sound environment at the plant boundary of our production bases and business units met the requirements for third-class zone quality and had no negative impact on the surrounding environment.

The Company has considered noise control during its plant planning and design, and arranged production devices in zones according to their noise intensity if the process allows, with noisier devices placed or buildings without sound sources (such as auxiliary plants, warehouses, large facilities such as towers, tanks and containers that do not produce noise, and green belts) built as far as possible on the side away from noise sensitive areas outside the plant as barriers to separate them from noise sensitive areas. Noise-intensive machinery and equipment, such as large machine pumps and molding and packaging machinery, are installed within the plant workshops and the machine base is damped to reduce the noise impact on the environment inside and outside the plant.

According to the 2022 Annual Noise Inspection Report, the Company's plant boundary meets the standard limit value of a third-class zone in the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB 12348-2008), and the sound environment quality can also meet the requirements of the daytime and night time standards of a third-class zone of the *Environment Quality Standard for Noise* (GB 3096-2008).



Greenhouse Gas Emission Reduction

STL actively responds to the national strategies of carbon peaking and carbon neutrality, implements *Zhejiang's "14th Five-Year" Plan for Industrial Green Development* and the *"Made in China 2025" Action Plan*, and views "green and low-carbon development" and "scientific and technological innovation" as drivers of high-quality development. The Company places a high value on greenhouse gas emissions management and has established feasible carbon reduction targets based on its business type and operating conditions to accelerate its transition into a low-carbon, technology-driven chemical and new material enterprise.

The Company's main greenhouse gas sources are fossil fuels, industrial production processes, and net purchased electricity and heat consumption. The Company places a high value on carbon examination and accounting efforts, considers independent accounting units to be legal persons, and accounts for greenhouse gases generated by the production system in accordance with the *Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Chemical Production Enterprises in China (for Trial Implementation)* and technical guidelines issued by the relevant state departments. Its scope includes all production units of manufacturing bases and business units.

As the largest green and low-carbon raw material comprehensive utilization enterprise in China, STL has positioned itself as an industry leader in the strategic transition to new energy and new materials, focusing on energy-saving and carbon-reduction efforts from three angles: at the source, in the process, and at the end, continuously empowering low-carbon factories with technology and implementing green manufacturing and clean production.

Carbon reduction at the source

- Produce olefins with lightweight raw materials, leading the industry in comprehensive energy consumption of products
- Use higher energy-efficiency equipment

Carbon reduction in the process

- Conduct clean production review to achieve energy saving, carbon reduction, and pollution reduction
- Optimize product process, improve production output, and reduce greenhouse gas emissions

Carbon reduction at the end

- Build carbonate facilities to maximize the use of carbon dioxide
- Actively recover and reuse waste heat, to reduce the workload of heating furnaces to save fuels

STL uses lightweight raw materials to produce olefins, and its carbon intensity is significantly lower than that of coal-to-olefins. The Company has two sets of facilities that crack ethane to ethylene with a capacity of 1.25 million metric tons per year, which can reduce CO₂ emissions by about 22.8 million metric tons per year, and two sets of propane dehydrogenation to propylene facilities with a capacity of 450,000 metric tons per year, which can reduce CO₂ emissions by about 7.7 million metric tons per year. We can reduce CO₂ emissions by more than 30 million metric tons per year.

Case

Implemented CO₂ refining and recovery to help accelerate energy saving and carbon reduction

To accelerate the progress in energy saving, carbon reduction and pollution reduction, Lianyungang Petrochemical Co., Ltd. implemented a CO₂ refining and recovery project with a capacity of 300,000 metric tons per year in 2022. The project establishment and design were completed in January 2022, and the preparation of the project environmental impact assessment report was completed and approved by the competent environmental protection authorities in the same year, and construction was started. During the reporting period, the project equipment procurement, civil construction and plant construction tasks were all completed. The project was at the equipment installation stage at the end of 2022, and can recycle up to 300,000 metric tons of CO₂ per year after it is put into operation.

► Greenhouse Gas Emission Reduction Promotion and Training

To improve understanding and comprehension of the national strategies of carbon peaking and carbon neutrality, the Company organized a variety of carbon emission management-related publicity and training activities in 2022, calling on all employees to contribute to the carbon reduction and emission reduction targets and to practice the green development concept.

In the meantime, the Company educated all employees on carbon peaking and carbon neutrality through seminars, team meetings, and conferences held in the office daily, during shifts, and on Environment Day. As a result of the training, the participants better understood green production, travel, office, and other carbon reduction actions, and they expressed their intention to contribute to reducing global warming.

In 2022, the Company compiled training materials on carbon peaking and carbon neutrality and conducted carbon emission management-related training activities for managers, covering topics such as the types of greenhouse gases, climate change caused by greenhouse gas emissions, carbon verification, carbon trading, and global carbon reduction targets.

Case Conducted "dual carbon" training to strengthen the "dual carbon" concept

To enhance the understanding and grasp of the dual carbon strategy among all our employees, the Polymer Emulsion Business Unit and SAP Business Unit of Jiaxing Base hired Hangzhou WIT Assessment Co. Ltd. to provide on-site training sessions themed "Interpretation of China's Carbon Peaking Target and Carbon Neutrality Vision", "Carbon Market, Carbon Trading, and Enterprises' Carbon Asset Management", "Carbon Accounting and Verification" and "Carbon Peaking and Carbon Neutrality Path Planning". Through the above-mentioned training, all employees have grasped the basic concept of pertinent knowledge such as "carbon peaking and carbon neutrality", had a basic knowledge of the carbon tax, carbon emission rights, and carbon verification, laying the foundation for the future dual carbon efforts.

Case Promoted carbon peaking and carbon neutrality in new employees' onboarding training and carbon reduction for all

To actively carry out clean production review and practice low-carbon goals, Lianyungang Petrochemical put efforts in carbon peaking and carbon neutrality during new employee onboarding training and environmental protection training days. The company promoted the low-carbon life from the daily habits and lifestyles to corporate carbon reduction efforts, so as to ensure that all employees have a clear understanding of the strategic objectives of carbon peaking and carbon neutrality after their join the company.

Case Organized our employees to learn the latest laws and regulations to strengthen their cognitive awareness of

To strengthen the awareness of energy saving and emission reduction of all employees, Pinghu Base organized internal learning and training on *Measures for the Administration of Carbon Emissions Trading (Trial Implementation)* and the *14th Five-Year Plan for Energy Saving, Consumption Reduction, and Optimization of Energy Resources Allocation in Zhejiang Province*. The training covered energy engineers, environmental protection engineers, accountants in all positions in the financial management department, and leaders in charge of the relevant departments. Several external experts were invited to explain the trading process, precautions and future trends. This training raised the awareness of all employees and enhanced their knowledge of basic concepts, so that this work was prioritized internally and made the cognitive preparation for an entry into the carbon trading market in the future.

Green Office

Through the green office initiative, STL supports the concept of living a low-carbon life and has developed *the Implementation Rules for Seven Basic Employee Behaviors* and other policies to strengthen green office management in the office and guide all employees to practice a green and low-carbon office style. We encourage our employees to begin with small steps to save resources, reduce waste, strengthen the green concept with a focus on details, and collaborate to create a zero-carbon future.

Encourage double-sided printing to make full use of paper resources	Air conditioners should not be kept lower than 26 degrees Celsius, and be shut down at a required time	Promote the paperless office initiative by adopting the OA approval system and OUTLOOK e-mail for daily communication in the office
Improve the electricity management system, such as the time to turn on the lights and ACs, and the time to turn on and off the equipment	Strengthen water and electricity conservation efforts and promotion, raise our employees' awareness, and incorporate water and electricity conservation into their daily behavior assessment	Implement waste classification and recycle and sell all kinds of paper products for secondary use



STL's green office initiatives

Biodiversity Conservation

STL recognizes the importance of protecting natural resources and biodiversity. We strictly adhere to national ecological protection related requirements, implement ecological protection during the initial project construction assessment, production, and operations, avoid projects in ecologically vulnerable areas, and implement efficient measures to lessen impacts on the ecological environment and protect biodiversity. The Company's production bases and business unit projects adhere to the ecological environment control programs, the main functional area plan and the general land use plan, and do not cross the ecological protection red line.

The Company continuously improves the monitoring mechanism of ecological protection and restoration protection, implements effective measures to prevent the impact on biodiversity throughout the entire process of production, ensures the quality of ecological environment protection and biodiversity, and realizes sustainable development. The Company had no significant incidents that harmed biodiversity during the reporting period.

Make active soil and water conservation efforts in construction projects, prepare soil and water conservation reports, and report for the record	Use APEOS-free auxiliaries to ensure that the products are non-biotoxic and meet environmental requirements	Develop aldehyde-free products with formaldehyde content lower than 16 mg/kg to meet the requirements of Class A textile applications
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STL's biodiversity conservation initiatives

04

People-Centricity to Build a Harmonious Society

STL adheres to the guiding principle that "the company grows together with its employees and society". We care for our employees by safeguarding their fundamental rights and interests according to the law and by prioritizing their growth and development as we pursue the STL Dream with them.

- Empowering Employees' Development
- Fulfill Social Responsibility

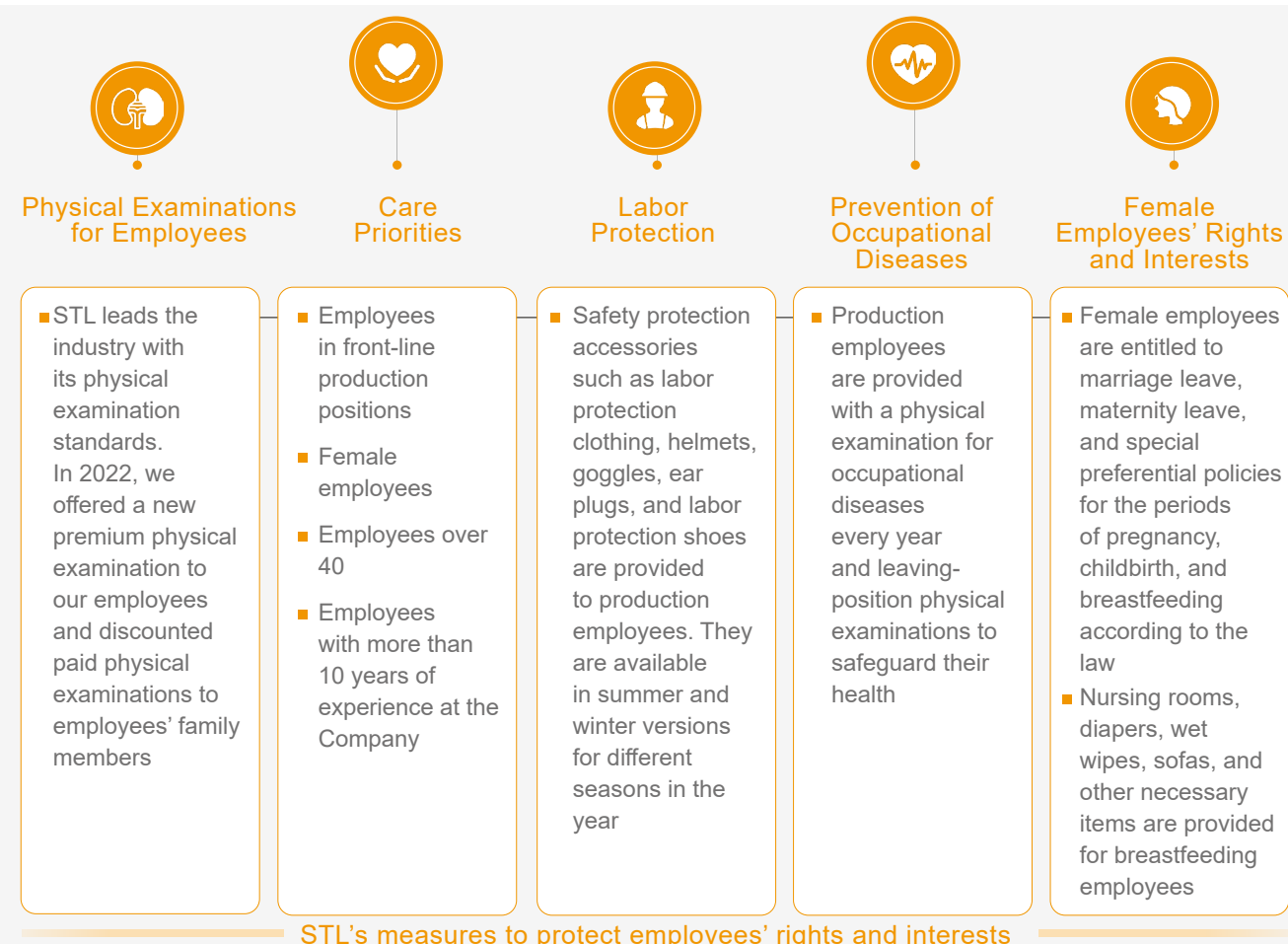


Empowering Employees' Development

STL regards people as the Company's most valuable asset and seeks out high-caliber employees through a variety of channels. We keep open promotion channels for employees based on the needs of the Company's development, and we provide the necessary support for employees' career development and personal growth. Furthermore, we continue to improve our employees' happiness at work and in life and to create a favorable environment for their development.

Employees' Rights and Interests

STL protects employees' rights and interests in strict accordance with *the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Regulation on Work-Related Injury Insurance*. To fulfill our commitment to creating a legal and fair workplace and protecting our employees' rights and interests, we take a zero-tolerance approach to child labor and oppose all forms of forced and compulsory labor. Furthermore, we follow national regulations regarding employees' working hours, national holidays, paid leaves, and overtime pay, manage employees' occupational health and safety, and protect female employees' labor rights and interests. Continuous efforts are made to improve internal supervision and communication mechanisms to ensure the rights and interests of employees.



STL's employee data in 2022

Introduction of Talent

STL adheres to the concept to "assess the talents based on their abilities and contributions in addition to educational background and work experience" in employment. We are constantly broadening talent introduction channels to attract high-caliber overseas technicians, senior business operators and managers in the industry, and technical experts for production base projects, in order to build a solid talent pool for the development of STL, according to the Company's strategy.

Talent Fairs

- We participate in job fairs for candidates with a master's or doctoral degree and overseas candidates to seek overseas R&D and operation management candidates with high academic qualifications.
- We support employees in applying for talent projects at the provincial level or above on the Candidate + Enterprise Platform collaborative program.
- During the reporting period, STL supported four employees to be included in the national Overseas Talent Attraction Program, one employee to be included in the national Special Support Program, and one to be included in the Provincial Leading Talent List.

Recruitment Team

- We have set up a dedicated recruitment team for professional recruitment.
- We have optimized and expanded our recruitment channels by introducing three headhunting suppliers, resulting in a larger platform for talent supply and more candidates of higher quality.
- We are piloting virtual headhunting recruitment and employees are encouraged to complete difficult talent recruitment tasks.
- During the reporting period, we recruited 39 people at the manager level or above and 154 people at the supervisor and engineer level, all of whom have a bachelor's degree or above.

Diversity in Employees

- STL fully respects the differences in our employees' cultural backgrounds and is committed to creating a fair and diverse workplace.
- Discrimination based on nationality, race, social class, religion, and gender is prohibited in employment, salary and compensation, job assignment, and promotion.
- As of the end of the reporting period, STL employed 123 people of foreign nationalities and from minority ethnic groups.

STL's talent introduction measures

Compared to that in 2021, the total workforce in 2022 increased by

 **16.28%**

Number of applicants for national programs:

 **6**

Number of new employees with a master's or doctoral degree:

 **46**

Number of applicants for provincial programs:

 **2**

STL's talent introduction data for 2022

Case Advancing collaboration with universities to expand talent introduction channels

STL is active in broadening channels for talent introduction. We have launched projects in collaboration with Zhejiang University, Tongji University, and East China University of Science and Technology and built platforms for the collaboration with universities and research institutes. We have established provincial research institutes, enterprise postdoctoral workstations, enterprise academician workstations, and national joint laboratories. In addition, we have set up scholarships at East China University of Science and Technology and Jiaxing University to enhance the Company's employer brand and visibility at established universities and enhance our appeal to talented people.

Employee Growth

STL promotes employees' continuous development, shared growth with the Company, and invests in their development. To that end, we are constantly pursuing more diverse, science-based, and efficient training, broadening employee promotion channels, and stimulating their enthusiasm through various means, thereby empowering them to grow in all aspects.

► Employee Training

STL is dedicated to developing a world-class workforce. We organize a variety of training sessions in order to improve our employees' quality and professional skills, as well as to progress regulated and standardized training.

STL's Employee Training Management Model



STL's employee training data for 2022



Training Coverage **100%**

Total Training Attendance

159,099

Total Training Duration

516,154 hours

Guided by our strategic goals and based on position needs, we launch diversified training courses to improve employees' professional skills and job competency and support new employees in fitting in their positions and the Company in training marketing personnel.

Star Class

- STL offers the Star Class, an onboarding training program for new employees, to help fresh graduates change from students to workers, understand the Company's history and corporate culture, and master the methods and basic skills in the workplace.
- Star Class has enriched the training content and form by adding courses on culture case sharing, workplace stress relief, workplace etiquette, and time management. They facilitate the trainees to transform, integrate, and be enhanced through learning, engagement, and experience.



Sailing Class

- STL started the second phase of the Sailing Class program in June 2022 to strengthen the management workforce, consolidate basic management, and enhance managers' professional knowledge and management practice.
- After four months of study and practice, 30 trainees passed the examination.



Marketing Elite Training

- During the reporting period, STL launched special marketing training courses for employees at the director's assistant level and above, regional managers, and supervisors, to strengthen marketing personnel training. The courses were about marketing strategies, key account acquisition, and customer maintenance and management.



Employees' Skill Competitions

- During the reporting period, STL sent 51 employees to participate in skill competitions at the district level or above. Among them, four won first prizes, six won second prizes, and two won third prizes.



Employee Incentives

STL has a solid compensation and incentive system in place. We incentivize our employees in various ways to increase their work enthusiasm and motivation and encourage them to achieve the position's value and self-worth.

STL's compensation system

- A differentiated compensation system is in place, with the range determined by position value and the level determined by personal value.
- Compensation surveys on the market, the industry, the region, and competitors are regularly conducted to ensure that the Company's compensation is competitive and in the leading position in the industry.
- The rank is aligned with the compensation level based on position value, ability, competency, performance, and results.
- The principles of distribution according to work, efficiency first, and fair and sustainable development are upheld and a sound compensation broadband system is in place.
- Compensation is given play to as incentives and guidance. More pay for more work is advocated. No cap is put on compensation incentives.

STL is constantly expanding its employees' career development opportunities and promotion channels. We offer three types of promotion channels: management, professional, and operation, as well as a variety of promotion programs. We also motivate employees by establishing incentive mechanisms like the Spot Premium and the Eagle Plan and promoting incentive schemes like the Precise Value Incentive, Profit Sharing Scheme, Equity Incentive Scheme, and Academic Advancement Reimbursement. These initiatives provide enough motivation and support for our employees' ongoing development.

Employee Care

STL places a high value on its employees' physical and mental health, shows concern for their well-being, and lends a helping hand when they need it in both work and personal situations. During the report period, by giving our employees more unrestricted communication channels and regularly hosting a variety of employee events, we put employee care into practice during the reporting period.

Communication with Employees

In order to listen to employees, offer them emotional support, and help them with their work and personal problems, we have resources like employee seminars, the Chairperson's Mailbox, employee supervision, and suggestion hotlines. STL conducted more than 1,400 employee interviews over the course of the reporting period and collected 4,343 samples from the Gallup Q12 engagement survey, yielding a grand mean score of 4.26, which is higher than the 75% quartile score for international businesses.



Holding regular employee representatives' conferences to listen to employees

- The organizational function of the trade union is given full play. Employee representatives' conferences are held regularly to let employee representatives' opinions be heard and to deliberate major decisions such as adjustments to the Company's compensation and benefits and labor discipline system.

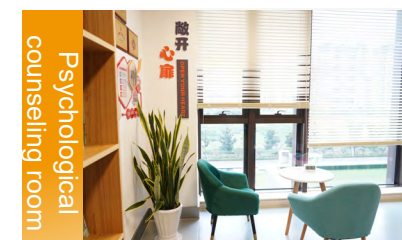
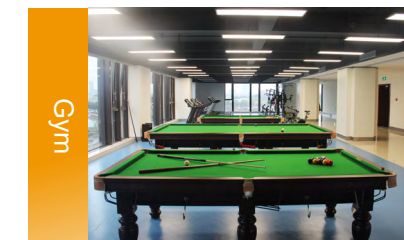
Collecting employees' needs in employee interviews

- Executives communicate with employees to enhance their sense of integration and belonging.
- A regular communication mechanism between executives and employees is in place. Employees' needs at work are collected at new employees' probationary interviews and monthly and annual performance interviews, where assistance and counseling are provided.

STL's employee communication measures

Employee Events

In order to further boost their happiness and sense of belonging, we occasionally hosted a wide variety of recreational events during the reporting period, including birthday parties, the New Year's Eve dinner, and sporting events. For employees to experience the warmth and care of the Company, we also offer a variety of benefits tailored to their needs both at work and in their personal lives.



STL's employee events in 2022

STL actively incorporates environmental initiatives into employee events. In honor of the 30th anniversary of the founding of Satellite Group, STL organized employees to hold fundraising walks and fitness walks around the idea of environmentally friendly and low-carbon development. These actions communicated STL's commitment to environmentally friendly and low-carbon practices while promoting the idea of science-based lifestyles among employees.

On December 10, 2022, a fitness walking event themed by "Leading a Green, Low-Carbon, and Healthy Lifestyle and Sharing the Beauty of Chemistry with the World" was held to celebrate the 30th anniversary of the founding of Satellite Group, STL's controlling shareholder. Nearly 300 people participated in the event.

On December 11, more than 300 employees from Lianyungang Base 700 kilometers away participated in the first "Green Petrochemical Fitness" Walk in Xuxu New District, Lianyungang, Jiangsu Province. They interacted with STL employees in Jiaying in a unique way, to celebrate the 30th anniversary of the founding of Satellite Group.



Employee Benefits

STL is committed to providing a wide range of benefits to its employees. They include free housing, commuter shuttles, and family visit allowances designed to meet employees' needs at work and in their personal lives, such as housing, commuting, health, and family visits. These benefits demonstrate the Company's warmth and concern for its employees.

Safety and health benefits:	Employees are provided with safety allowances, health care allowances, and physical examinations for occupational diseases.
Commercial insurance:	Employees are provided with employer's liability insurance, work safety liability insurance, and group accident insurance.
Work-related benefits:	Employees are provided with night shift and duty allowances and full attendance bonus.
The Five Hearts canteen:	Employees are provided with the Company's own canteen and meal subsidies.
STL Apartments:	Employees are provided with fully equipped accommodation for free.
Commuter shuttles:	Employees at production bases are provided with free commuter shuttles.
Housing benefits:	Employees are provided with housing subsidies.
Family visit allowances:	Employees are provided with family visit allowances.

STL's employee benefits in 2022

► Promotion of Corporate Culture

To increase our employees' awareness of "sincerely caring for the enterprise and working hard" and "pragmatic, committed, and result-oriented", we practice our culture in our daily work and have realized that "culture must be internalized in mind, externalized in action". Throughout the reporting period, we held several sharing sessions to practice our culture and gave emphasis to managers' core roles in culture identification, inheritance, and practice.

STL's data of sharing sessions for practicing corporate culture in 2022

				
The number of sharing sessions for supervisors	The number of sharing sessions for managers	The number of typical cases	Total attendance to the sharing sessions	Attendance of executives and managers
10	36	504	3,846	100%

Occupational Health and Safety

STL prioritizes the health and safety of its employees. We strictly adhere to *the Work Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*. We created and improved internal occupational health and safety policies and systems and established a solid occupational health and safety management system. Clear standards for the Company's internal occupational health and safety management have been established and validated in order to protect employees' health and safety in all aspects.

We have always considered "strengthening occupational safety management" to be an HSE priority, and we follow the occupational health policy of "putting emphasis on prevention and combining prevention with treatment". We effectively control occupational health and safety risks and continuously improve our occupational health management by developing soft power and installing hardware on-site.

Special inspections, workshop self-inspections, cross-inspections, team self-inspections, and routine inspections by managers are performed to eliminate hidden dangers.

Regular training is provided on safety, environmental protection, occupational health, fire safety, and traffic safety.

Each team must have at least one employee representative sent to be trained and certified for the Red Cross first-aiders. The representatives shall provide training for their teammates to improve their first aid knowledge.

All employees are equipped with sound labor protective equipment based on to the occupational health risk and safety risk of the site.

Regularly occupational physical examinations are provided according to the hazard factors of employees' operation sites. Third-party professional organizations are regularly engaged to conduct occupational hazard tests and issue official test reports for the Company's on-site operation sites.

For special positions involving dust, eight measures are taken, namely technical innovation, wet operation, confined dust sources, ventilation and dust removal, personal protection, strengthening management, publicity and education, occupational health inspection. With effective technical, physical, and human prevention, we protect employees' health and safety at work.

STL's measures for securing occupational health and safety

In 2022, we increased our occupational health and safety promotion and provided occupational health training to increase employees' occupational health awareness. The training sessions covered laws, regulations, and policies concerning occupational disease prevention and control; occupational health guardianship management and occupational disease management; personal protective equipment management; and the detection and daily monitoring of occupational disease hazard factors. By preparing training slides and hosting lectures, we promoted advanced management technology and management measures in order to create a safe and secure workplace for employees.

Training on Laws and Regulations

Training is provided on the prevention and control of occupational diseases, with a focus on *the Law on the Prevention and Control of Occupational Diseases, the Administrative Measures for Diagnosis and Identification of Occupational Diseases, and the Classification and Catalog of Occupational Diseases*.

Safety Training on Personal Protection

Training is provided on personal protective equipment (PPE), including the functions of PPE and how to wear, inspect, maintain, and dispose of it.

Training on Fault Identification and Handling

The training, which is about fault identification and handling of engineering protective equipment, is designed to ensure proper operation of the equipment and reduce occupational disease and safety risks.

Training on Emergency Handling

It includes self-help and mutual aid knowledge and precautions, emergency treatment, and first aid methods for common work-related injuries.

STL's training on occupation health and safety



Case Strengthening occupational health promotion to enhance employees' health and safety awareness

To draw employees' attention to health and safety and strengthen their awareness of protecting occupational health, Jiaxing Base implements the occupational health policy of "putting emphasis on prevention and combining prevention with treatment". It has developed Provisions on *the Administration of Occupational Health*, in which it sets the procedures of occupational disease hazards, prevention and control, emergency response, training and education. Before *the Promotion Week for the Law on the Prevention and Control of Occupational Diseases* every year, Jiaxing Base provides training for all employees on the prevention and control of occupational diseases and the use of labor protective equipment, as well as Red Cross first-aid training, to improve employees' first aid skills. At present, Jiaxing Base has 149 certified first-aiders.

As of the end of the reporting period, 100% of STL's employees had gone through occupational physical examinations, and all production bases and business units had passed the occupational health management system (ISO 45001) certification.



STL's certificates for the occupational health and safety management system

——2022年4月25日-5月1日—— 职业病防治法宣传周

——第20个《职业病防治法》宣传周职业病防治知识——

一切为了劳动者健康

STL's training on occupation health and safety

Fulfill Social Responsibility

STL values social responsibility and strives for the Company's and society's harmonious development. We use our influence in social welfare to carry out the development mission "chemicals make a better life" through practical actions, injecting continuous STL power into the construction of a better society.

Social Welfare

An old Chinese proverb states, "Never forget those who fought to make the present possible for us". STL stays focused on its mission and is concerned about people's well-being. We have developed and grown as a result of the state's and society's support. As a result, we are always grateful and repay society with love, bringing warmth and hope to those in need and promoting society's healthy and virtuous development.

► Targeted Assistance

"Nothing, not even mountains and oceans, can separate people with shared goals and vision". STL is always looking for new ways to help the public. We provide targeted assistance to people in impoverished areas in order to help them achieve common prosperity.

On January 14, 2022, STL worked with Jiaying Women's Federation and the charity Jiaying Nanhu Care Station to make a targeted donation, offering a start-up fund to Danzhen, a 23-year-old Tibetan college student in Ruo'ergai, at the Picturesque Ruo'ergai Tibetan Culture Experience Hall in Yuehe Historical District of Jiaying. The initiative aimed to consolidate the achievements of poverty alleviation in western China and to make Jiaying a model city in Zhejiang's common wealth demonstration area.



STL provides a start-up fund to Danzhen, a 23-year-old Tibetan college student in Ruo'ergai.



Nutritious meals for needy children in Houston

► Employees' Engagement

STL encourages its employees to take part in public welfare undertakings. They can motivate people around them with their actions and convey the spirit of great love of STL members with their strength.

In March 2022, all STL USA employees participated in the Houston Food Bank's charity program to pack food and deliver it to local people in need of food assistance.

► Education Assistance

The report to the 20th CPC National Congress advocated for promoting educational equity and allocating educational resources to impoverished areas, underperforming schools, and people in need. STL continues to promote education and training for students from ethnic minorities and impoverished areas in response to the CPC and the state's call. We protect the future hopes of the country and the nation by encouraging students in impoverished areas to strive for excellence.

STL's education assistance undertakings in 2022



March 5, 2022

STL and Jiaying Xiuzhou High School held a signing ceremony for the pairing agreement, under which STL donated RMB 1 million to promote education and training for ethnic minority students and improve their education facilities.



August 19, 2022

STL's Mother Yang Charity and the Nanhu District Charity Federation launched the Realizing Micro Wishes charity event to present gifts to 300 students in Kashgar, Xinjiang, at the start of the school year.



May 31, 2022

STL celebrated the Children's Day at Mingde Primary School in Daqiao Town, Jiaying, Zhejiang Province, bringing gifts and blessings to students.



September 5, 2022

STL donated money for 105 needy students from Xinjiang for their university entrance exam.

Care Through Blood Donation

STL shows great love in blood donation by conveying care in every drop of blood. As a publicly traded company, we fulfill our social responsibility by organizing employee blood donations on a yearly basis. This initiative helps those in need of blood while also demonstrating STL members' positive energy and selfless dedication.

Case Blood donation conveys STL's love

During the reporting period, the STL headquarters, Jiaying Base, and Pinghu Base launched the 10th blood donation campaign, respectively, which received positive responses from employees. With the assistance of medical workers and volunteers, the employees participating in the blood donation proceeded in an orderly manner with information registration, medical examination, blood test, blood donation, and registration for blood stem cell donation. The Company canteens prepared nutritional food and soup to replenish the energy of the employees who donated blood.

Led by the Board of Directors and the CPC Committee, STL has organized blood donation campaigns for ten consecutive years and received many awards such as the Blood Donation Model. In 2022, STL was awarded the Blood Donation Promotion Award of Jiaying.



The number of employees donating blood

279



Blood donations since 2012

979 donations



The total blood donation

88,900 ml



Cumulative amount of blood donated since 2012

356,200 ml

STL's blood donation data in 2022

Future Prospects

Wave after wave, the mighty river of history advances. Only actions that are grounded in reality can guide us to our goals as we progress. Never wavering in our pursuit of excellence, we are pursuing high-quality development with rock-solid confidence, a willingness to seize every opportunity, and unyielding persistence. We are advancing to a higher level of sustainable development in order to protect the environment and contribute to society. We will seize the opportunity presented by the low-carbon transition of the chemical industry and accelerate the rate of chemical innovation and change. Moreover, we will fulfill our social responsibility and contribute to China's goals of peaking carbon emissions before 2030 and achieving carbon neutrality before 2060, thereby creating a better future for our employees, investors, and society.

ESG Performance Indicators

Disclosure Indicator	Unit	2022
Business Performance		
Operating income	RMB billion	37.04
Year-on-year growth in operating income	%	29.72
Total profit	RMB billion	3.44
Net profit attributable to listed company shareholders	RMB billion	3.06
Total assets	RMB billion	56.39
Net assets attributable to the parent company	RMB billion	21.12
Number of R&D personnel	person	992
Percentage of R&D personnel	%	25.03
R&D investment	RMB billion	1.24
Year-on-year growth of R&D investment	%	15.14
Percentage of R&D investment to operating income	%	3.34
Governance Performance		
General Meeting of Shareholders	session	5
Meetings of the Board of Directors	session	7
Meetings of the Board of Supervisors	session	7
Special audits	item	30
Social Performance		
Coverage of employee training	%	100
Total attendance to employee training	trainee	159,099
Total duration of employee training	hour	516,154
Percentage of occupational physical examinations	%	100
Patents filed	piece	107
Patents authorized	piece	93
Year-on-year growth of patents filed	%	50.70
Customer satisfaction	%	100
Blood donations since 2012	donator	979
Cumulative amount of blood donated since 2012	ml	356,200
Environmental Performance		
Total investment in environmental treatment	RMB million	1,428.57
Time spent in environmental treatment	hour	62,130
Attendance to environmental training	trainee	31,255
Water saved through reuse of reclaimed water	thousand metric tons	4,932.60
Wastewater discharge reduced	thousand metric tons	6,996.00
Cumulative number of participants in emergency drills	person	6,153
Environmental monitoring	session	115