



ADVANCING CHEMISTRY, TRANSFORMING LIVES

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THE WANHUA

CONTENTS

PREPARATION NSTRUCTIONS	03
ADDRESS FROM THE	
ADDRESS FROM THE CHAIRMAN	04
ABOUT US	06
PROFILE	08
Business Units Profile	11
Wanhua Milestones	14
Goals for 2025	16
NDUSTRY INNOVATION	20
Fechnological innovation concept	22
Scientific Research Strength	23
R&D investment	26
ndustrial Innovation Practice	27
ENVIRONMENTAL PROTECTION	32
Pollutant Emissions	34
Soil Pollution	41
Biodiversity	41

HEALTH AND SAFETY	42
Safety Management Strategy	44
Responsible Care System	45
Occupational Health	46
Safety Leadership and Culture	47
Safety Capability	48
Emergency and Fire Fighting	51
Storage and Transportation Safety	53
Chemical Safety	56
ENERGY EFFICIENCY	58
Energy Saving	61
Carbon Footprint	63
Water Footprint	66
SUSTAINABLE PROCUREMENT	68
Supply chain sustainable development	70
Partnership	71
Recycling of raw materials	72
Procurement digitization	74
EMPLOYEES AND SOCIETY	76
Labor Relations	78
Employee development	82
Employee Care	84
Business Ethics	86
Harmonious Community	86
Cooperate Together to Fight against Pandemic	88
LOOKING FORWARD	92

ADVANCING CHEMISTRY, TRANSFORMING LIVES

PREPARATION INSTRUCTIONS

REFERENCE STANDARDS

This Report is the third Sustainable Development Report prepared by Wanhua Chemical Group Co., Ltd. for the purpose of presenting to stakeholders our sustainable development work in terms of the economy, environment and society, as well as our performance achievements in 2020.

This Report is prepared in accordance with the "core programs" of the Sustainability Reporting Standards (2016) of the Global Reporting Initiative (GRI Standards (2016) while referring to the disclosure requirements based on the Guidelines of the Shanghai Stock Exchange for the Disclosure of Environmental Information by Listed Companies and the UN Sustainable Development Goals (SDGs).

SCOPE OF THE REPORT

This Report covers information related to the sustainable development of Wanhua Chemical Group Co., Ltd. from January 1, 2020 to December 31, 2020, and includes some data from 2019.

DATA SOURCES

The financial data herein comes from the 2020 Annual Report of Wanhua Chemical Group Co., Ltd. which was prepared upon the independent audit conducted by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

REPORTING PERIOD

Wanhua Chemical Group Co., Ltd. will release its sustainable development report on an annual basis.

CURRENCY STATE

All amounts herein are expressed in RMB unless stated otherwise.



RELEASE OF THIS REPORT

This Report is released as a printed version and electronic version in both Chinese and English. The electronic version can be accessed and downloaded from Wanhua's website http://www.whchem.com.

http://www.whchem.com

- 02 -- 03 -



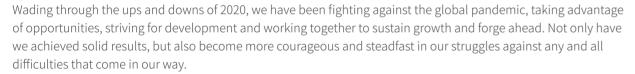
ADDRESS FROM THE CHAIRMAN



Thanks to the perseverance and persistence of generations of Wanhua's people, today, we are standing on a larger stage of development and enjoy more opportunities in this new era. Still, the road ahead is far from smooth. Everyone in Wanhua will keep on sticking to their dreams and faith and strive to create a more brilliant future with unwavering courage and perseverance!

—Chairman of Wanhua Chemical Group CO.,Ltd.





In 2020, COVID-19 took the world by storm, and amid the crisis, all employees came together to face the challenges and showed unprecedented dedication and devotion while ensuring stable production in attempt to minimize the virus' s impact. This was especially the case in Hungary, India, Russia, Brazil, Turkey, the Middle East, the United States, Japan and South Korea, where our colleagues, despite great difficulties in these places where the virus raged and continues to rage on, provided outstanding services for customers far beyond their expectations. In every way, you deserve to be called heroes and for us to pay you the highest tributes!

This past year, under its "customer-oriented" theme, our company encouraged employees to check for problems and deficiencies in all aspects of the business from research and development to production and then sales, with paying close attention to customer needs and pain points of greatest necessity. Based on the vision of creating a supplier trusted by clients, we have further improved the awareness and ability of all employees to serve customers, optimized the service process and increased service efficiency.

Wanhua reached a major milestone this year when its million-ton ethylene plant was started up successfully after two years of construction. This capacity of one of the major primary materials in the chemical industry will help create more downstream products and enable Wanhua Yantai Industrial Park to build a competitive polyurethane manufacturing base. The integration of the Fujian industrial park has been proceeding well, and the Meishan



project was implemented smoothly. Lean production of Wanhua Ningbo has taken major strides forward, and the function of the BC industrial park in Hungary has become more prominent. As a result, Wanhua's industrial layout has been optimized, with manufacturing capabilities further improved.

The manufacturing technology for the polyurethane industry has been continuously upgraded, our competitiveness further enhanced. We successfully launched a batch of independently developed industrial plants, and we have witnessed breakthroughs in technologies for high-performance materials and degradable plastics currently under research. Our "benefiting the people" R&D strategy is constantly creating more possibilities for better living.

Facing internal and external changes, the company encouraged all employees to strengthen their "awareness of risk, cost and development", overcome self-contentedness, drive changes and seek development with unprecedented courage. We have worked extremely hard to tap into potential and reduce costs, and the impact was incredible; production has taken on a new organization model, and cost management has been further enhanced. The company's operational excellence and the strong work ethos of all employees have also significantly improved.

More than 2,000 talented individuals joined the Wanhua family in 2020, adding new vitality to Wanhua, and the new campus of Wanhua University officially opened its doors to enrollees. Guided by the "Six Attributes of Wanhua Talent" principle and with "Ideal-Led Cultural Consciousness" as the school motto, we have continuously explored ways to cultivate talent and build a learning platform for spreading culture, sharing practices and triggering innovative ideas, driving leapfrog development for the company.

- 04 -- 05 -



About us

Profile

Wanhua Chemical Group CO.,Ltd. is among the global leading suppliers of chemical innovative products. Relying on the continuous innovation, commercialized facilities and efficient operation, the company provides customers with more competitive products and solutions

Wanhua Chemical has always been adhering to innovation and optimizing industrial structure. Our business covers Polyurethanes (PUs), petrochemicals, and performance chemicals. The industries include homeware and furniture, sports and leisure, automobiles and transportation, building and construction, electronics and electrical appliances, personal care, and green energy.

Wanhua Chemical has built up five key production complexes in Yantai, Ningbo, Sichuan, and Fujian in China, and Hungary, which are integrated with complete supporting facilities. To provide our customers worldwide with competitive products and comprehensive solutions, Wanhua has established R&D centers in Yantai, Ningbo and Beijing in China, as well as in North America and Europe, set up subsidiaries and offices in more than ten countries and regions including Europe, the United States, and Japan.

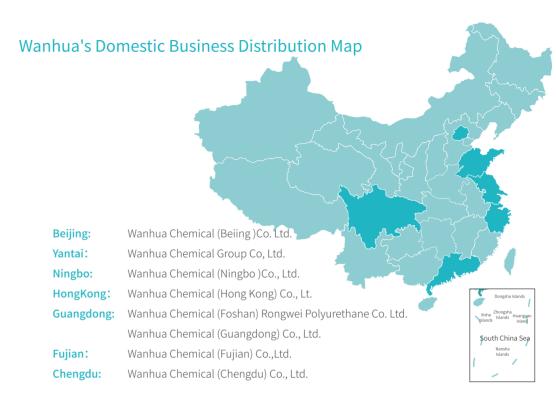
At present, the company has more than 15,000 employees worldwide (including BC Company), nearly one third of which are foreign employees.

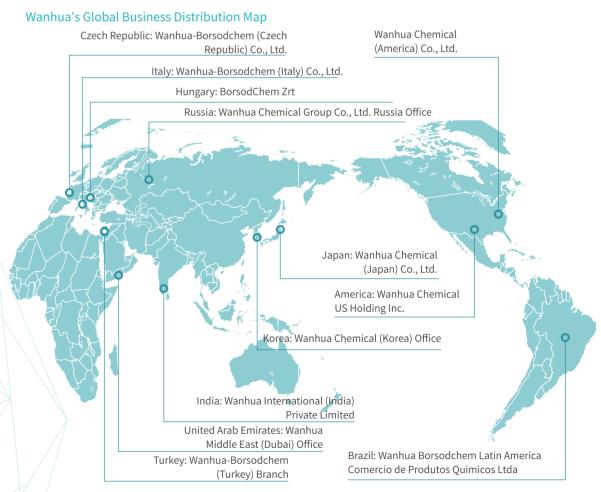
Wanhua Chemical will take "Advancing Chemistry Transforming Lives" as the first mission, we are committed to providing customers with stable, high-quality, competitive products and efficient services, and to being a responsible supplier and industry leader. We will continue to innovate in the field of chemical new materials, lead the development of the industry, and create a better life for mankind!

Key Performance Indicators



More than 15,000 employees worldwide





2020WANHUA CHEMICAL SUSTAINABILITY REPORT ADDRESS FROM THE CHAIRMAN ABOUT US INDUSTRY INNOVATION ENVIRONMENTAL PROTECTION

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The following are the key financial data of Wanhua Chemical for the past five years:

Earnings per share (yuan/share)

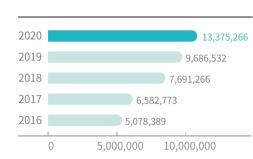
3.23 3.88 2018 4.09 2017 2016 1.42

Net assets per share attributable to shareholders of the listed company (yuan/share)

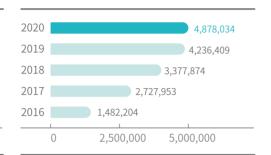
12.36 9.98

2016

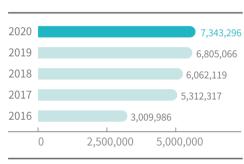
6.85



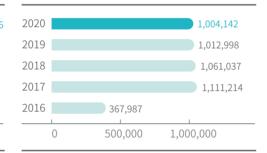




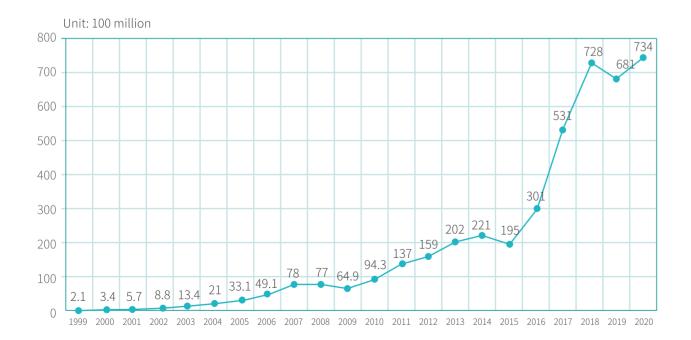
Equity attributable to shareholders of the parent company 2016-2020 (Unit: RMB ten thousand)







Net profit (unit: RMB ten thousand)



Wanhua Chemical's 2020 company revenue is RMB 73.4billion, up about 7.91% YoY.

- 10 -

Business Unit Profile



PU Business Unit

Wanhua Chemical Polyurethane Division is committed to moving towards the goal of being the market leader in the global polyurethane industry, and through continuous innovation and pioneering, to become the industrial leader.



Business Scope

PU Business Unit mainly engages in the sales, production and R&D of diisocyantes and its derivatives, polyether polyols for flexible and rigid foam and PU systems as well as ethylene oxide derivatives (EOD).



Business Introduction

The products are mainly used in construction, household appliances, automobiles, home furnishings, leather and footwear, sporting goods, coal mine safety, engineering machinery, textile printing and dyeing, solar water heaters, panels, spray coatings, refrigerated containers, synthetic wood, pipe insulation, elastomers, adhesives, chemical products used in daily life, pharmaceuticals, agriculture, and other fields.



Applications

With our global footprint and worldwide integration of industrial chains, we are constantly advancing toward our goal of leading the global PU market. We carry out ongoing innovation and development, and are committed to becoming a leader in the PU industry.

Wanhua Petrochemical

Wanhua Chemical (Yantai) Petrochemical Co., Ltd. is committed to become a competitive and internationally influential supplier of basic chemicals of C3/C4 industrial chain and their derivatives in China, and to provide quality services and become a reliable business partner for clients.





Business Introduction

Wanhua Chemical (Yantai) Petrochemical Co., Ltd., established on April 20, 2015, is a wholly-owned subsidiary of Wanhua Chemical Group Co., Ltd. The company is mainly responsible for the construction and operation of Wanhua's petrochemical industry platform, and undertakes the procurement, production, sales and operation management of the main raw materials for petrochemical products. Relying on the world-class PO/AE integrated and the large ethylene plant, the company continues to broaden the C2, C3 and C4 industrial chains. Based on the 1 million tons/year ethylene and 750,000 tons/year propane dehydrogenation plant, it provides sufficient raw materials for the downstream companies, realizing industrial chain integration and value chain synergy. The company is committed to become the most influential supplier of high-end olefins and derivatives with unique competitive advantages.



Applications

The products are widely used in building materials, home appliances, rubber, oil products, coatings, adhesives, plasticizers, SAP, injection molding, blow molding, pipes, films, auto parts, high-end medical devices and daily consumer goods.

- 11 -



Performance Materials Business Unit

Wanhua Chemical New Materials Division is committed to become a leading global supplier of comprehensive TPU products and other new material products.



Business Introduction

The Performance Materials Business Unit mainly produces thermoplastic polyurethane elastomers (TPU) and polymethyl methacrylate (PMMA).

- TPU: Our products are widely applied in the fields of footwear, hose & tube, wire & cable, engineering, civilian goods, construction,
- PMMA: Originated from integrated MMA supplies PMMA resin and PMMA compounds for cal and electronics, consumer goods, etc.

The business unit is committed to providing customers with valuable, innovative, and tailored comprehensive solutions through continual technological innovation, reliable & high-quality products, and professional services. Together, we can create a wonderful future.

Performance Chemicals Business Unit

The Performance Chemicals Business Unit is responsible for business planning, product development, production and operations, and market development for performance fine chemicals. The production sites are located in Yantai, Ningbo, and the Czech Republic.





Business Introduction

The production sites are located in Yantai, Ningbo, and the Czech Republic.

The portfolio includes aliphatic isocyanate products (HDI, HDI adducts, HMDI, IPDI, XDI, H6XDI), specialty amine products (MDA, MDBA, H12MDA, IPDA, and PU catalysts), aroma, nutrition, and performance chemicals (IP, MIBK, and CDT). Performance Chemicals business unit takes "creating value for customer" as the top priority. We are focused on the customer's needs and committed to supply outstanding service throughout the whole process of product development, production management, quality control, logistics, and after-sales service.

- o Coatings based on specialty isocyanates show excellent mechanical performance, outstanding are widely used in automobiles, high-speed trains, airplanes, wood, 3C products, machinery.
- Our specialty amine products are widely adopted for making insulating varnish, composites, coatings, and polyurethanes. The high-end industries cover the rockets, wind turbine ment, pesticides, and fragrances.
- As important chemical raw materials or solvents, pesticide, and perfume industries.

Emerging Technology Business Group

As the leading provider of green, environmentally friendly, and sustainable development solutions, the Emerging Technology Business Group is committed to innovating for customers.

- 12 -



Business Introduction

The business unit has been dedicated to R&D, production, sales, and services for environmentally friendly surface materials and new energy materials. It has established 15 R&D technology platforms for waterborne polyurethane (PUD), waterborne acrylics (PA), modified polyurethane (PUA), waterborne photocured (UV) materials, waterborne two-component materials (2K), waterborne epoxy(EP), rheological modifiers (HEUR and HASE), organosilicons, soft bioderived beads, super-absorbent polymers (SAP), reverse osmosis membranes (RO), nanofiltration membranes (NF), hollow fibers (HF), adsorbent resins (AR), and cathode materials for lithium-ion batteries. The product portfolio covers building materials, industrial coatings, adhesives, fabric coatings, environmental-friendly synthetic leather, personal care products, home care products, hygiene products, packaging, electronics and electrical appliances, water treatment, electric vehicles, and many other fields.

By utilizing our upstream advantages in PU and acrylate raw materials, the business unit continues to extend the industrial chain and develop new businesses in green and environmentally friendly surface materials, as part of its ongoing commitment to provide customers with the most comprehensive range of environmentally friendly products and technical services of the highest quality.

Polycarbonate Business Unit

Wanhua Chemical Polycarbonate Division is committed to become a leading global supplier of high-quality polycarbonate and solutions with the advantages of the whole industry chain.



Business Introduction

The Performance Polymers Business Unit was established in Feb 2019 and is dedicated to R&D, production, and sales for polycarbonate (PC) resins.

PC features outstanding optical transparency, impact and heat resistance, electrical insulation, and dimensional stability. Blending modification can further

enhance its performance. It is widely used in automobiles, electronics and electrical appliances, household appliances, construction, optics, medical services, and consumer products.

Our polycarbonate production site located in Yantai adopts our independently developed innovative interfacial phosgene polymerization process, which provides general-purpose PC resins of a wide range of viscosities, as well as special-grade PC resins that meet the needs of specific market segments (such as automotive lamps, optical lens, and transparent flame retardants). Additionally, the upstream extends to a comprehensive industrial chain and continual technological innovation ensures that customers are provided with high-quality PC products and professional technical services, leading the development of technologies and applications in the industry.

Advanced Material Solutions Business

The Advanced Materials Division is committed to continuously providing customers with stable, high-quality customized material solutions.



Business Introduction

Wanhua Chemical Advanced Material Solutions Business Unit functions as the application development platform for high-performance modified materials. By utilizing advantage of the integrated upstream and downstream, we continually provides customers with stable and high-quality customized material

The Advanced Material Solutions Business Unit is dedicated to R&D, production, sales and technical service of modified polypropylene (PP), polycarbonates (PC), silicone polycarbonates (Si-PC), polymethyl methacrylates (PMMA), long chain polyamide (PA12), and bio-degradable materials, which can be applied in automobiles, electronics and electrical appliances, 5G communications, consumer goods, oil-gas pipelines, cable sheaths, outdoor sporting equipment, and degradable packaging.

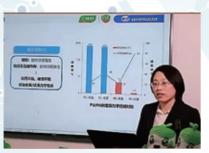
- 13 -

2020

Wanhua Milestones



Wanhua Chemical won the Annual Public Welfare Group Award in the Ninth China Public Welfare Festival.



Wanhua and Sankeshu jointly launched an industrial-first water-based polyurethane waterproof coating online.



1.Wanhua Chemical ranked the 32nd in the Global Top 50 Chemical Companies.

2.Wanhua Chemical was again awarded Ringier Coatings Innovation Award



1. Wanhua Chemical again won the title of "Supplier of the Year" of Axalta.

2.Fujian Connell Chemical Co., Ltd. changed its name to Wanhua Chemical (Fujian) Isocyanate Co., Ltd.



2. The inauguration ceremony of Wanhua University was held











1.ICIS 2019 Top 100 Chemical Companies in the World was released: Wanhua Chemical ranked 34th.

2.Wanhua Chemical signed a strategic cooperation agreement with R & D Center of the Ministry of Education and Equipment.



Wanhua Chemical won the Annual Anti-epidemic outstanding Group Award in the tenth China Public Welfare Festival

2021



1.Wanhua Chemical and Sankeshu jointly established an innovation laboratory.

2.The Institute of Synthetic Biology of Wanhua Chemical-Tianjin University of Science and Technology was officially established.

3. Wanhua Chemical and Abu Dhabi National Oil Company jointly established a ship operation cooperative.





1. The startups of critical plants of a million ton ethylene industrial chain were successful in Yantai manufacturing

2.Wanhua Chemical successfully obtained the IATF 16949 certifica-

3.Wanhua Chemical received 2020 IDC China Digital Transformation Award

4.Ranked 61st in the Top 500 Chinese Companies by Market Capitalization in 2020





- 14 -- 15 -

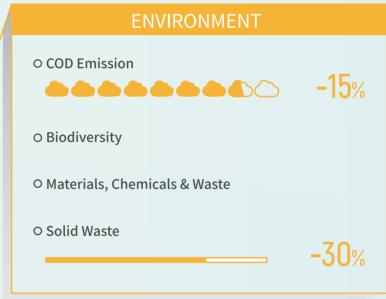
GOALS FOR 2025

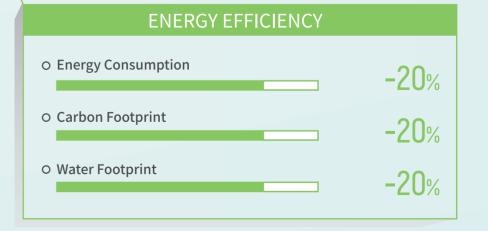
INNOVATION Energy Recycling O Green Material Solutions O Green Process **EMPLOYEES & SOCIETY**











- 16 -- 17 -

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Sustainable Development Goals for 2025 & 2020 Performance

Wanhua Sustainable Development Guidelines	SDGs Goals for 2025 ▼ ▼		2020 performance ▼	
	3 晚好 金 健康与福祉	Number of major accidents: 0 Departure rate 1 of workplace injury: 0.04	Number of major accidents: 0 Departure rate ¹ of workplace injury:< 0.034	
Health and Safety	16 强平、正义与	Recordable damage rate ² : < 0.1	Recordable damage rate: < 0.074	
		Accident rate: 0.1	Accident rate: 0.193	





Wanhua Sustainable Development Guidelines	SDGs ▼	Goals for 2025 ▼	2020 performance ▼
	7 经济适用的 滑洁能源	20% reduction in energy consumption per unit of product	1.2% reduction in energy consumption per unit of product
Energy	Energy 13 ^{气候行动}	20% reduction in water consumption per unit of product	6.4% reduction in water consumption per unit of product
Efficiency		20% reduction in carbon emission	7.8% reduction in carbon emissions in 2019



Note 1: Departure rate of workplace injury = number of injury cases/total labor hours x 200,000

Note 2: Recordable injury rate = Number of recordable injury cases/production labor hours x 200,000

Note 3: Carbon emission data for 2020 will need to be published after government carbon verification in 2021

- 18 -- 19 -



Industry Innovation

Technological innovation concept

Industrial innovation provides the source power for the continuous progress of human society, and is the key for enterprises to achieve high-quality sustainable development. Wanhua always regards industrial innovation as the driving force of its sustainable development. Through insight into the development trend of industry, Wanhua independently carries out industrial innovation and takes the road of sustainable development around resource recycling, green chemical process and green material solutions.

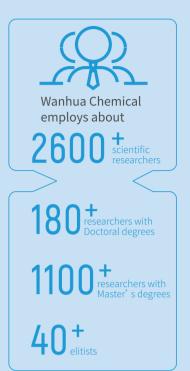


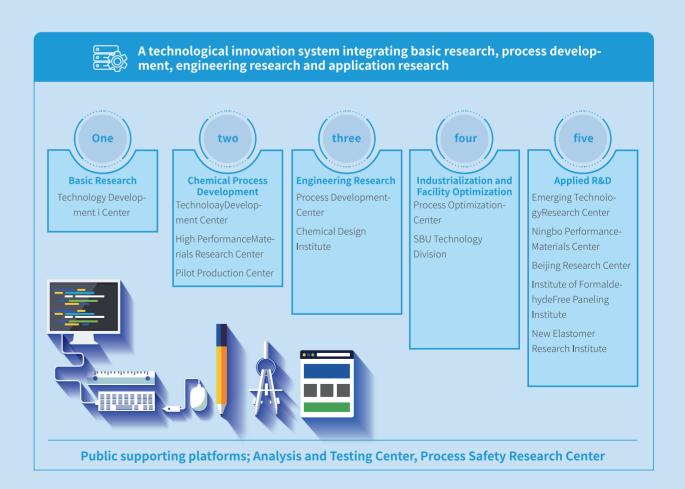
Scientific Research Strength

Wanhua Chemical has more than 2,600 scientific researchers, among whom more than 180 have doctoral degrees and more than 1,100 have master's degrees. There are about 150 technical talents in the company, among whom more than 40 have the honorary titles of "Outstanding Professional and Technical Talents", "National Model Worker", etc., or have won the Prize for Science and Technology Progress by Ho Leung Ho Lee Foundation, the China Youth Science and Technology Award, the Transformation Award of Scientific and Technological Achievement of Qiushi Outstanding Youth etc.

Establishment of R&D institutions

At present, Wanhua Chemical has become an innovative company integrating basic research, process development, engineering and product application. Its professional R&D institutions mainly include Global R&D Center of Wanhua Chemical, High Performance Materials Research Institute, Polyurethane Application Research Institute, Chemical Design Institute, North American Technical Center, European Gu Dele Technical Center, etc.





- 22 -- 23 -





Five R&D centers at home and abroad













18 national recognized lab and workstations

In addition, Wanhua Chemical has built several high-level innovation platforms including National Polymer Surface Materials Engineering Laboratory, National Engineering Center for Polyurethane, National Enterprise Technology Center, P Academician Workstations, National Accredited Analytical Laboratories (7), Provincial Engineering and Technology Centers and Key Provincial Laboratories (7).

















- 24 -- 25 -

R&D investment



R&D Investment

Our sales revenue is spent on R&D each year

In recent years, we spent more than

4%-5%

1.2 billion yuan on average

our R&D expenditure stood at

In 2019, our R&D expenditure stood at In 2018, our R&D expenditure stood at

2.0 billion yuan

1.7 billion yuan

1.61 billion yuan

Sustained high-intensity investment in R&D has become one of the driving forces for Wanhua's rapid and steady growth in business performance.



Latest patent information

The total number of invention patent applications

The total number of approved invention patent applications

2612

837

The total number of invention patent applications in 2020

757

The total number of approved invention patent applications in 2020

Industrial Innovation Practice



Cases of green chemical process innovation

The isocyanate industry chain further optimizes the process, continues to save energy and reduce energy consumption, waste gas, water and solid emission.



Case 1

Improve MDI photogasification reaction efficiency, significantly reduce the amount of circulating phosgene and solvent, achieve 20% lower energy consumption than similar technologies, simplify the photogasification process, reduce the amount of phosgene stock by 15%, and enhance the safety of plant operation.

Lower energy consumption Reduce the amount of than similar technologies

phosgene stock by





Realization of recycling of chlorine resources. Three sets of HCl oxidation units can save electricity for about 1.4 billion kWh compared to electrolysis process of traditional ion-selective membrane technique, equivalent to annual CO₂ emission reduction of 2.49 million tons.

Energy consumption



4billion KWh Save electricity for about



† Jmillion tons

Equivalent to annual CO₂ emission reduction of



Wanhua HCl oxidation unit

- 26 -- 27 -





Reuse rate of waste brine has been increased from



The application of new brine treatment technology has dramatically increased reuse rate. Reuse rate of waste brine has been increased from 35% to 100%, and its annual emission reduction is more than 550,000 tons.



Its annual emission reduction is more than



Wanhua waste brine reuse unit



Green material solutions

biodegradable material

Biodegradable plastics can completely degrade into carbon dioxide, water and methane within 180 days without polluting the environment, making it a perfect environmentally friendly alternative material for basic packaging such as take-out and express delivery.

PLA (polylactic acid) and PBAT (polybutylene terephthalate) have become the stars in the green packaging field with their complementary functionalities by providing hardness and flexibility in products while being cost effective. With the mission of "Advancing Chemistry, Transforming Life", Wanhua Chemical is actively promoting the industrialization of PBAT, PLA and other fully biodegradable materials based on its industrial chain and technological advantages, and will build an manufacture base in Meishan, Sichuan with clean energy sources such as hydropower.



Factory design sketch

Application of Polyurethane Adhesives in Artificial Board

The application of polyurethane adhesives in artificial board has made great contribution to improving the home environment. It has realized the elimination of formaldehyde for over 20 customers. 550, 000 households benefited from

2.2 million cubic meters of artificial board output. It has also reused 325,000 tons of straw, reduced 680,000 tons of CO₂ emissions from straw burning, and avoided the cutting of 1.5 million square meters of trees.

reused of straw



reduced of CO₂ emissions

square of trees

avoid the cutting of

CASE 3

Automotive Lightweight Materials

Under the premise of ensuring the strength and safety, structural design, material selection and manufacturing process optimization are important means of vehicle weight reduction to achieve fuel saving and emission reduction.

The wall thickness of traditional automotive interiors is 3.0mm. Reducing it can effectively lessen weight, but it also puts higher requirements on materials. Wanhua has developed thin-walled interior materials with higher melt

fluidity and 5% harder, which can reduce the thickness to 2.0-2.2mm and achieve 8% weight reduction. Now the materials have entered the well-known domestic automobile factories and are widely used in multiple models.



- 28 -- 29 -



Environmental Friendly Chain Extender

Plastic runway is important for national fitness. Consumers have strong demand for safe and environmentally friendly amine chain extender products without carcinogenic property. Wanhua Chemical has independently developed a new product WANALINK®1104, which is non-carcinogenic (negative in Ames test), low odor and nearly zero TVOC. This year more than 150 sites set up,

and benefiting more than 0.6 million people. We have promoted the harmless chain extender products, helped construct green school runways, won the recognition of the Ministry of Education and Equipment, and participated in the standards formulation of green schools. We will continue to practice technological innovation and green development.

WANALINK®1104 promoting sustainable development of the industry

- (—) non-carcinogenic(negative in Ames test)
- (<u></u> Low odor and nearly zero TVOC
- (三) The liquid state is easy to measure, the moderate activity is easy to adjust, and the chemical properties can meet the strictest group standard of Shanghai in China



Sites set up



Benefiting





Application of Water-based Polyurethane Emulsion in Waterproofing Field

The waterproofing emulsion of water-based polyurethane coating developed by Wanhua ensures its nature of environmental friendliness. Besides ensuring better physical and chemical performance, the indicators of VOC, benzene, free TDI and soluble heavy metals are more groundbreaking and much lower than class A oil-based polyurethane waterproof coatings. This has led the industry to change from oil to water-base. Meanwhile, we have built innovation laboratory with Sankeshu, and actively promoted the development of waterproof coating standards of water-based polyurethane with other experts.







- 30 -- 31 -



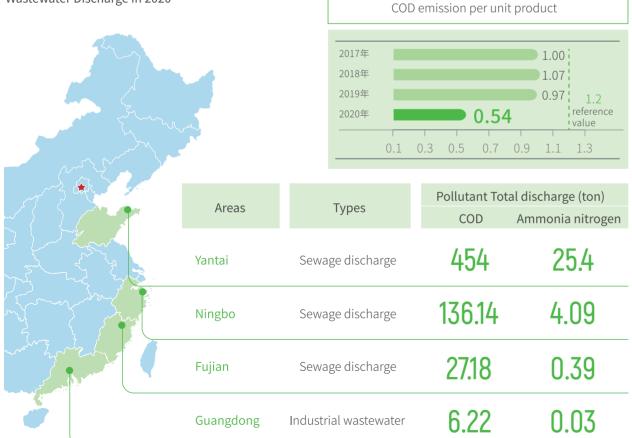
Environmental Protection

Pollutant Emissions

Pollutant emission is the main cause of negative environmental impact and waste of resources and energy, and reducing pollutant emission is critical to achieve sustainable development. Wanhua will strengthen the "3R" principle and reduce the emission of pollutants through the high standard of pollution control facilities.







Good practice

1. Deep treatment of concentrated water

In order to build a green modern chemical enterprise, we continuously reduce the discharge of wastewater and the concentration of pollutant, finally achieving the goal of zero discharge. Wanhua spent 200 million RMB on this project. After it is put into operation, the average daily treatment capacity reaches 24,000 m3 and the water is clean enough to be directly discharged to the sea.



Deep treatment of concentrated water unit







24000_{m³}



500_{mg/L} to 50_{mg/L}



The water is clean enough to be directly discharged to the sea

2. Optimization of the whole process management of low-concentration wastewater

There are 11 low-concentration wastewater pools in TPU area of Wanhua Chemical New Materials Division, all of which are sent to the wastewater treatment unit in the industrial partk through the main pipe by using their respective wastewater delivery pumps. Improve and optimize the warm water system of chain extender. Reduce the number of chain extender storage tank over-temperature and the frequency of pure water replen-

Improvement benefits of the project



The yield of low concentration wastewater in TPU boundary area decreased

ishment. Reduce the use of vacuum pumps in the experimental production line and use vacuum units for evacuation operation. Use the optimized production preparation to wash the kettle a number of times, etc. Moreover, strengthen daily monitoring and report the wastewater discharge on a daily basis to continuously reduce the amount of wastewater generated from the source.

The improved economic benefits brought by the project

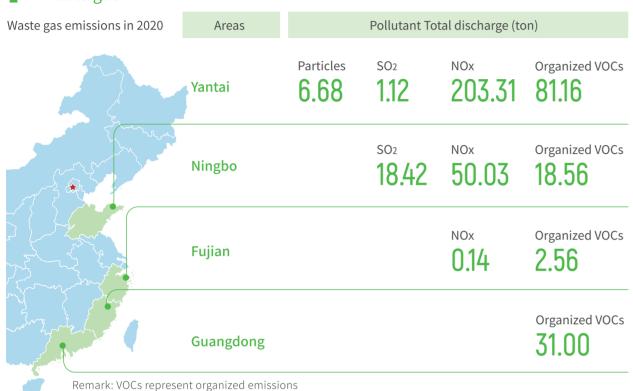


The annual waste water discharge reduction can produce a direct income of about

- 34 -- 35 -



Waste gas

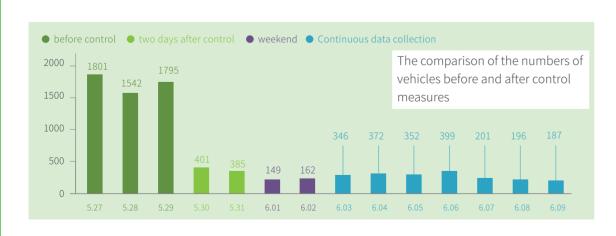


Good practices

1、Vehicle exhaust control

The increasing motor vehicles in the park has a greater negative impact on air quality. For this reason, Wanhua Chemical reduce the number of vehicles to decrease the emission of vehicle

exhaust. As a result, the motor vehicles has decreased by about 77%, and the environmental hazard caused by vehicle exhaust was also reduced.



2. Continuous reduction of fugitive emissions

In 2020, fugitive emission inventories were established in five business units: polycarbonate, surface materials, TPU, polyether and Wanhua Beijing. A total of 16 reduction plans have been developed. To date, 6 reduction plans have been carried out



Polyol business unit replaced manual chemical addition with automatic addition and added negative pressure ventilation in the filling position of the packing machine effectively reduced the fugitive emission.



3. Reduction of fuel gas emission from heating furnace

According to the management target and production demand, Wanhua Chemical propane dehydrogenation plant optimized the excess oxygen content of four heaters under the condition of ensuring the combustion effect of heaters. By adjusting the burner damper opening, the

Economic benefits from the project

The excess oxygen content is adjusted from



2.5 - 3.5%

excess oxygen content is adjusted from 3.5% - 5% to 2.5% - 3.5%, thus reducing the amount of fuel gas and finally achieving the purpose of lowering flue gas emissions and improving the efficiency of the furnaces.

The improved economic benefits brought by the project



The fuel gas can be reduced by



- 37 -

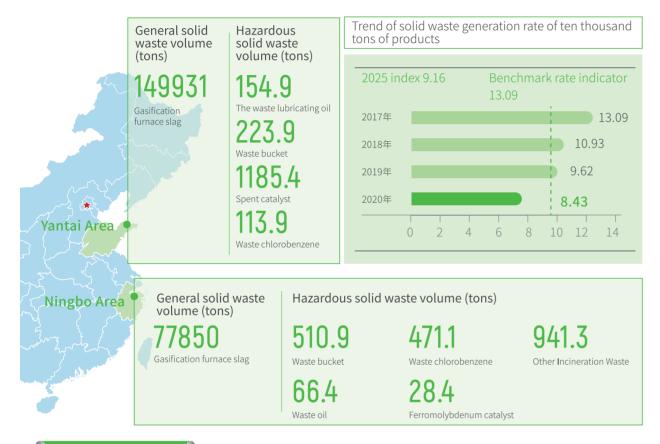
The annual energy saving benefit is about

- 36 -





Solid Waste volume in 2020





Waste packaging barrel reduction

In order to reduce the production of hazardous waste, HSE Department organized procurement, production and sales departments to categorize hazardous wastes. We found that four types of raw material barrels and recycling barrels of polyether products are produced in large quantity each year. After consultation, all four types of raw materials were transported in tanker trucks, which basically

70.67 tons

eliminated the barrels. Meanwhile, Wanhua invited experts to evaluate the nature of the barrels and they are classified as general waste. The barrels for raw materials are thus reduced by 70.67 tons and the product packaging barrels are reduced by 91.56 tons, realizing the purpose of hazardous waste reduction.



Noise pollution

Noise is an important pollution factor that affects employees' health and damages the ecological environment. For a long time, Wanhua has been adhering to the concept of creating a "noise-free" factory, preventing and controlling noise pollution from: noise sources, transmission channels and noise receptors. We adjusted the original design scheme, gave priority to purchasing low-noise equipment, and added vibration damping mats, sound insulation rooms & enclosures, mufflers, etc., so that noise from equipment and material transportation was continuously reduced. Taking the gasification unit as an example. The noise was reduced by 30% by adding multi-layer composite acoustic insulation materials.

Adjust the original design scheme to reduce noise generation at source



Give priority to purchasing low-noise equipment, and added vibration damping mats, sound insulation rooms & enclosures, mufflers, etc.,

Noise Emissions in 2020





- 38 -- 39 - 2020WANHUA CHEMICAL SUSTAINABILITY REPORT ADDRESS FROM THE CHAIRMAN ABOUT US INDUSTRY INNOVATION ENVIRONMENTAL PROTECTION



Note: According to the Emission standard of environmental noise at factory boundary of industrial enterprises GB12348-2008, the noise limit of the industrial park during the day is 65 dB and the noise limit at night is 55 dB

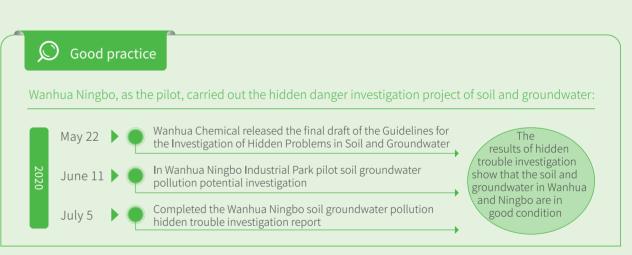


- 40 -

Soil Pollution

Because of the hidden, long-term and complex nature of soil pollution, its prevention and control has always been the top priority of Wanhua's environmental protection work. The company has established a whole-life management scheme, from assessment of access to exit, and comprehensively evaluate and reduce the risk of soil pollution to a minimum.





Biodiversity

Biodiversity is the basis for the survival and development of human society, and it is also one of the important goals of sustainable development, which Wanhua Chemical pays great attention to. We conducted research on genetic diversity, species diversity and ecosystem diversity at the feasibility study stage and systematical research at the site selection stage, so as to eliminate or reduce the impact of project on biodiversity.

- 41 -





Health and Safety

Health and safety are the most basic needs of human and the basic guarantee of life and health, which Wanhua regards as the basis of all work. "Safety will be never compromised" and "Safety is the prerequisite for all work" are the basic principles of Wanhua's safety management. We protect health and safety for our employees and communities by continuously focusing on chemical safety management, improving working conditions, and enhancing health protection.

Safety Management Strategy

In 2020, the long-term safety management strategy of the company is determined as follows:

Risk management (system implementation) as the core, safety leadership and safety culture as the cornerstone, and capacity enhancement, audit and assessment as the griping point. This is to comprehensively improve Wanhua's safety management and performance. Based on the strategy, with the implementation of responsible care management system

and the construction of information platform, the company continued to standardize and deepen the management work in "risk control, system implementation and capacity enhancement", and realized the improvement of the company's safety management capacity and performance.

Defining the 2020 safety management strategy

In order to meet the needs of the company's strategic development for HSE work and further promote the company's safety management work, Mr. Liao proposed the safety management strategy of "one core, one cornerstone and two tools" in the first quarter of 2020 Safety Production Commit-

- Take risk management (system implementation) as the core
- Safety leadership and safety culture as the cornerstone
- Using the ability improvement and audit as the effective tools
- Comprehensively improve Wanhua safety management ability and performance

The HSE Department has released the company's work plan for 2020 and identified 21 key tasks around the "one core, one cornerstone and two tools" as the main line.

Security management strategy







Safety leadership

Responsible Care System

In 2020, based on the concept of "Responsible Care®' proposed by the International Federation of Chemical Associations, we modified the safety management system. Fussing with our core values, we formulated Wanhua's unique "Responsible Care Management System", which contains 15 core elements and 78 sub-elements after interviews, on-site observations, audits, documents and discussions.

This system is risk-based management, and must cover all risks. The system takes safety culture and leadership as the cornerstone and risk management as the core, which controls Wanhua's overall six core HSE risk businesses through nine general processes based on prevention and management.





- 44 -- 45 -



Occupational Health

The occupational health and safety of Wanhua Responsible Care Management System has passed the ISO45001 certification. We developed health management objectives and improvement plans. According to the Guidelines for Construction of Hazard Risk Grading and Control System of Occupational Disease for Enterprises, we also comprehensively investigated all the risks, timely inspected, rectified and eliminated the hidden dangers, so as to improve the occupational health management.

Pre-employment health examination

All new employees have to receive pre-employment health checkups and truthfully inform of the occupational disease hazards. 100% of employees on and off duty completed medical exams. In 2020, the company contacted hospitals to conduct six employee medical exam Q&A events in multiple office locations.



Safety protection

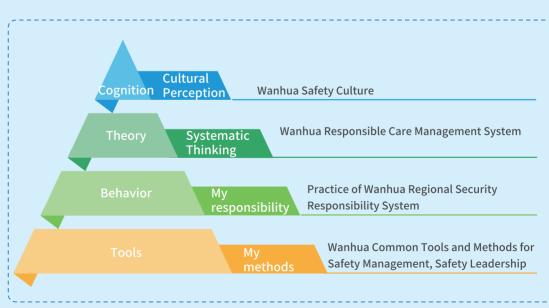
The company always puts the safety of employees' lives in the first place and promoted the awareness of "development never at the expense of lives". For the physical, chemical and biological occupational hazards in the production environment, various measures are taken from the beginning. For instance, we adopt closed operations whenever possible, which is to control the hazards to the minimum. We regularly test the workplace for hazards and disclose the

Safety Leadership and Culture

In order to comprehensively improve the safety management awareness and safety capability of junior and senior managers, we have established an undifferentiated safety training system for first-time appointed managers and completed five courses on safety culture, responsible care system, regional safety accountability, common tools and methods and safety leadership. These allow managers at all levels to practice safety culture, enhance safety leadership and become exemplary executors of HSE.







- 46 -- 47 -



Safety Capability

When improving the HSE ability of all employees, we have established and improved the HSE skill matrix for all employees based on the responsible care management system. We developed training course, created question bank for different groups, enriched the learning resources by using Wanhua learning platform (APP) and Wanhua University simulation training center. We created a self-learning point system to encourage employees learning, and carried out all-round learning, training, examinations and practices, which will continue to improve their safety awareness, capability and practical skills.

Safety ability for all staff

In professional team building, we have further refined the competency model for HSE engineers and process safety engineers. we combined process safety into the job skills matrix, developed a professional training plan according to the company's development, and sent 40 excellent employees to attend the master's research class in China University of Petroleum and China Safety Supervision Institute. Meanwhile, in 2020, the first batch of more than 30 employees attended the first 12-month training course for process safety professionals at Wanhua University to further improve the capacity of a professional team.





Simulation Training Center



2018 established

total area of 8,052 m²

2020 put into use

Physical equipment display area

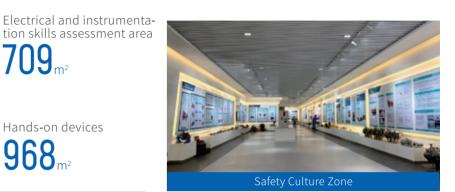
tion skills assessment area

709_{m²}

Safety simulation training area

Hands-on devices

968_{m²}















- 48 -- 49 -



Wanhua Learning" Platform

In order to enhance safety awareness and encourage all employees to learn safety basics, the company officially launched Wanhua Learning Platform in 2020. Therefore, employees can obtain professional knowledge and materials more conveniently, and they can make better use of spare time. Wanhua set up a mobile HSE database, and use of rich learning resources, various learning forms and appropriate points to encourage employees "learn easily and happily".





Emergency and Fire Fighting

Renovation of fire fighting facilities



Fire emergency is the last part of safety management, which the company manages with high priority. We have invested a lot of manpower and material resources in both the staffing of firefighting professionals and facilities. 2020

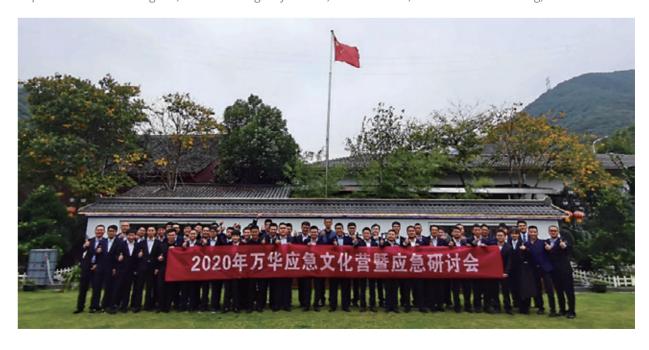
saw the completion of the renovation of firefighting water curtain isolation systems in two industrial parks in Yantai and Ningbo, which improved the emergency response speed, shortened the transmission time of self-processed fire alarm signals, improved the efficiency of handling emergency calls, and reduced the response time. Moreover, the deployment of the professional platform for fire emergency in each park was completed, realizing integrated emergency management and a strong guarantee for the safe and stable development of the company.





Fire & Emergency Activities

By organizing the emergency culture camps, the company discussed the optimization of the emergency mode of central process control, the integration of the two teams, the rapid response of emergency, and the efficient transmission of information. We also recognized the excellent commanders and team members who are dedicated to Wanhua's emergency work. They were responsible in professional teams with skills and experience. Thus, we helped two teams to integrate, and the emergency culture, which is faster, earlier and more daring, to take root.



- 50 -- 51 -



Firefighting skills improvement and competitions

Through "practice skills and learn knowledge in teams" and other activities and competitions, we conduct theoretical and practical knowledge learning of firefighting, physical fitness assessment, basic skills standard tests to cultivate a team with excellent skills and awareness.

• As for physical fitness:



• For skills:



We need to meet the requirement of long-distance cross-country, short-distance running, horizontal



stimulate scenes and handle police monitoring, etc. In this way, we established the management standard of theory, physical ability and skills. Over **5,000** times of emergency drills in company provides a strong guarantee for

Wanhua's development of "safety, stability, longevity, comprehensiveness and excellence".

We have to learn to wear chemical protective

clothing, air breathing apparatus and combat suit, connect water belt, operate water cannon, work in teams, close valve and stop leakage,

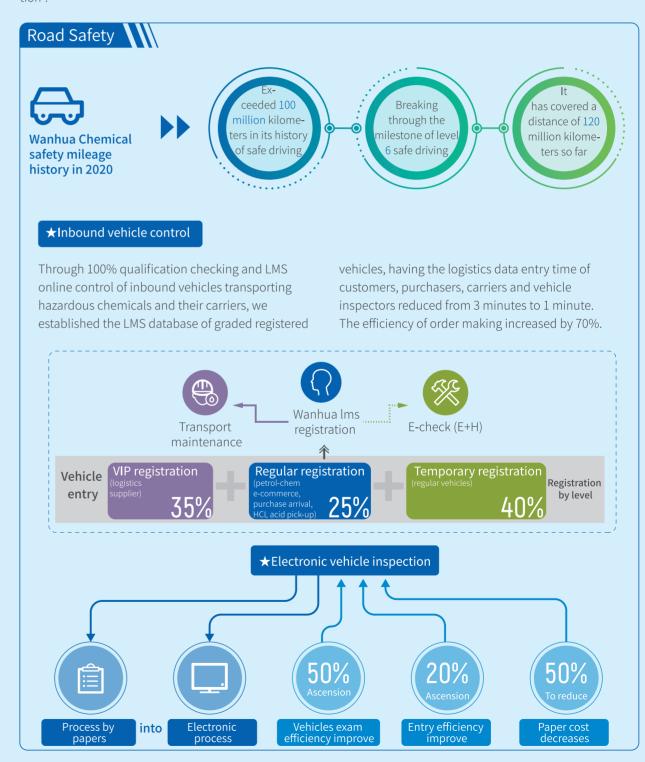






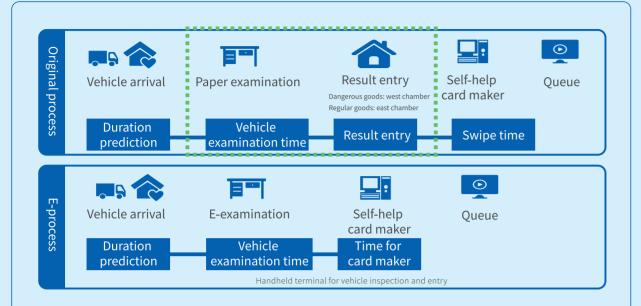
Storage and Transportation Safety

Storage and transportation safety takes risk management of chemical transportation as the core, with management of service provider, emergency, changes, compliance and communication as supports, and establishes a comprehensive risk management mechanism including "shipping, docks, tank area, road, railway and sample transportation".



- 52 -- 53 -



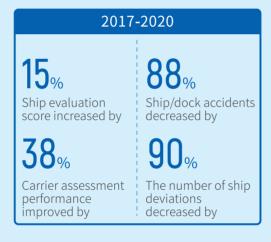


★Sea Shipping and Docks



In 2020, Wanhua has become more world class in sea shipping/docks. The CDI assessment rate of Wanhua LPG time charters has reached 100%, and liquid bulking vessel charters reached 95% in CDI and OCIMF assessment; the CDI-T assessment of

Wanhua Ningbo Dock was completed in the second quarter. Wanhua achieved international standard in sea shipping and dock management, with the management of shipping docks further improved.





★Railroad Safety

Wanhua actively responded to the national "One Belt, One Road" strategy and promoted the preparatory work for the construction of the special railroad line with the State Railway Bureau. The exclusive railroad of Wanhua Chemical's opened a new chapter of Wanhua's railroad transportation. The railroad trucks can directly arrive at the operation area of the company and



connect to the national and even Eurasian markets, which solves the problem of "the last kilometer" of railroad transportation and the integration of railroad, public and water transportation. The transportation network is of great significance to reduce the carbon footprint and improve the efficiency.

Monthly Activities of Traffic Safety in 2020

December 2 is the 9th National Traffic Safety Day in China with the theme of "Know and avoid the danger, travel safely ". Wanhua designated December as the traffic safety month and held a series of activities to create a safe, civilized, orderly and harmonious traffic environment on the road.













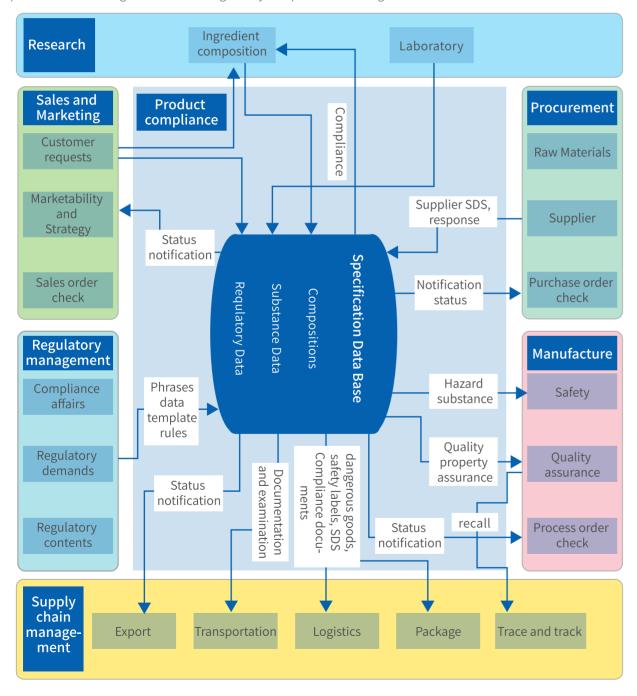


- 54 -- 55 -

Chemical Safety

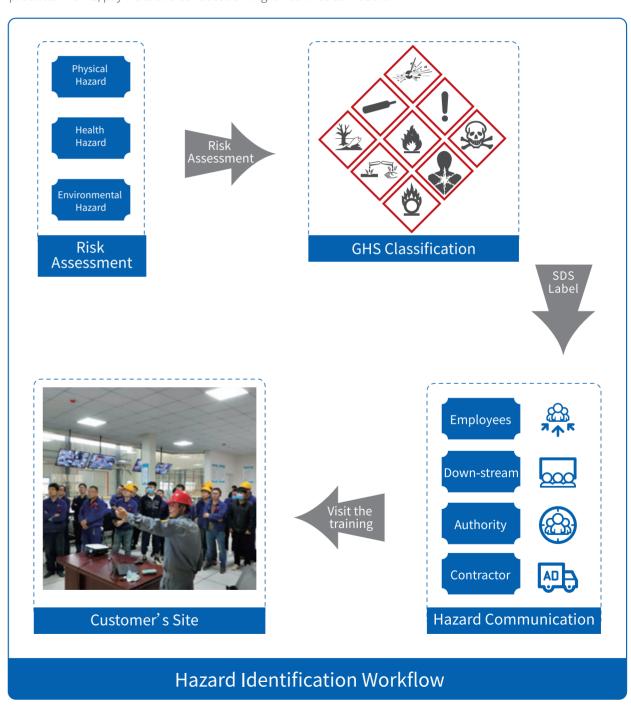
Management of Chemical Life Cycle

Wanhua Chemical is committed to identify, manage and reduce the impact on the environment, health and safety at every stage of the chemical life cycle. Wanhua has established a database of chemical specifications through IT, which is managed by the headquarters and integrated with other related business systems. This can achieve the monitoring of the entire process of raw materials and supplier access, formulation, SDS generation and labeling, product sales and logistics to ensure regulatory compliance at all stages.



Hazard Identification

As a chemical company, Wanhua understands the importance of chemical safety management and hazard information for the safety of employees and the supply chain. We conduct risk assessment of products based on the Global Harmonized System of Classification of Chemicals (GHS), identify physical hazards, health hazards and environmental hazards of our products, complete GHS classification of products, and compile product safety technical sheets (SDS) and safety labels. Moreover, we actively maintain communication with stakeholders (such as downstream customers, regulatory authorities, and carriers), release and update hazard information of our products in time, pay visits and conduct training for downstream users.



- 56 -- 57







Energy efficiency

Address From the CEO Guangwu Kou

> Kou Guangwu, President of Wanhua Chemical Group Co., Ltd: Wanhua Chemical has developed into a global multinational company and has assumed the responsibility as a global citizen. Wanhua will take President Xi Jinping's speech as a guideline to make efforts in carbon emission reduction, plastic pollution reduction and research and development of high-end new chemical material technologies. We will seize the opportunity of new energy reform, study the relationship between industrial layout and energy reform, accelerate the industrialization and market layout of materials for energy storage, photovoltaic and wind power. We will continue to improve the forward-looking research platforms for comprehensive utilization of carbon dioxide, synthetic biology, electrochemistry and information materials. We will make new breakthroughs in the fields of carbon cycle and coal catalysis. Protecting the ecological home and pursuing sustainable development is the common aspiration of human beings. Wanhua Chemical will achieve peak carbon dioxide emissions and carbon neutrality as early as possible, and make a demonstration for China's chemical industry in sustainable development and carbon emission reduction.

Global climate change is a major challenge for human society, and energy saving. Enterprises have to choose emission reduction and green low-carbon in order to achieve sustainable development. Adhering to the development concept of green and environmental protection, Wanhua established the Sustainable Development Committee and Energy Saving Committee under the direct leadership of the company's senior management, and proposed the goal of Sustainable Development in 2025. We also build the energy saving and low-carbon manageent system, promote energy saving and emission reduction, strengthen the management of rbon and water footprints, and realize the harmonious development of human and the

Energy Saving

Wanhua has committed to improving energy utilization efficiency. Based on performance assessment, energy saving projects, technology transformation and lean management, we have achieved effective cost reduction and efficiency improvement.

Wanhua's energy consumption categories include coal, natural gas, LPG, diesel, as well as electricity and steam. Through company-wide energy saving assessment of new projects, consumption reduction projects, energy efficiency benchmarking and monitoring, we optimize the heat exchange network from the design phase. We select high-efficiency equipment to match the utility to a higher efficiency, monitor and analyze the causes of discrepancies timely and effectively during operation to maximize energy utilization.

Total energy consumption in 2016-2020

Types	Unit	2016	2017	2018	2019	2020
Total energy consumption	thousand (KJ)	5.4X10 ¹³	5.9X10 ¹³	5.0X10 ¹³	7.3X10 ¹³	7.9X10 ¹³

Note 1: The conversion coefficients are from the attachment of "energy consumption limit of GB 31830-2015 diphenylmethane diisocyanate product"

Note 2: The increase in energy consumption in 2019 is mainly caused by the normal operation of TDI, MMA, IB, DIBE and MIBK, the increase of production lines for some work units, and the construction of projects.

Note 3: The increase in 2020 energy consumption is mainly due to the commissioning of ethylene projects.

Energy consumption per unit product

lower than the baseline in 2020



Effectiveness of energy saving

In 2020, the company continued to carry out assessment of energy consumption cost, set energy consumption benchmarks for major products such as MDI integration, petrochemical integration and business units. We also organized activities such as sharing excellent lean management projects as well as collecting, evaluating and rewarding energy-saving and consumption reduction projects, strengthened the promotion and utilization of new technologies and high-efficiency equipment, and continuously improved the energy efficiency.



Collection of **551** energy saving & consumption reduction projects



Energy saving of 46.700 tons standard coal

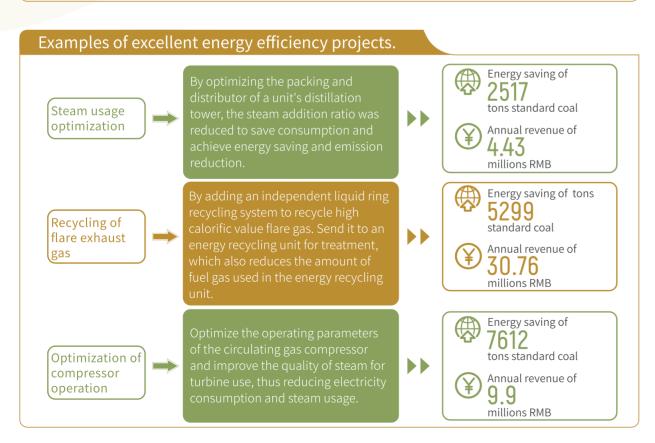
- 61



Annual revenue of 480 million yuan

2020WANHUA CHEMICAL SUSTAINABILITY REPORT ADDRESS FROM THE CHAIRMAN ABOUT US INDUSTRY INNOVATION ENVIRONMENTAL PROTECTION

Effectiveness of energy saving Energy saving and consumption reduction project revenue from 2016-2020 4.67 551 600 -4.26 4 3.54 3.38 400 -300 -1.96 120 92 64 - 60 -100 -2016 2017 2018 2019 2020 2016 2017 2018 2019 2020 Number of projects Energy saving/10,000 tce 6.03 6.03 *The increase in 2020 energy consumption is 4.80 3.55 2 - 1.50 2016 2017 2018 2019 Cost saving/100 million



Carbon Footprint

In 2020, Chinese President Xi Jinping delivered an important speech at the 75th General Debate of the United Nations General Assembly. He emphasized that China would increase its independent national contribution, adopt stronger policies and measures, strive to reach the peak of carbon dioxide emissions by 2030, and achieve carbon neutrality by 2060.

Actions

In response to the national policy, Wanhua has prepared and released carbon emission related documents and systems in accordance with the company's carbon emission management system, and adopted many energy saving and emission reduction measures to successfully achieve the company's 2025

carbon emission reduction goal. Moreover, the company carried out the CDP climate change information disclosure for the first time in 2020 with a C in the assessment grade of the climate change questionnaire, which was higher than the Asia average level and reached the world average level.

Overview of the CDP2020 Climate Change Questionnaire

qualitative	quant	itative	not scored		
C0 Abstract	C1 Governance	C2 Risk & opportunity	C3 Financial strategy	Your CDP score	Average performance
C4 Task & performance	C5 Emission calculation method	C6 Emission data	C7 Emission breakdown		
C8 Energy	C9 Extra Indicator	C10 Check	C11 Carbon pricing	С	C
C12 Communication & cooperation	C13 Other land management	C14 Product portfolio impact	C15 Signature	Trading,wholesale, distribution,rental & leasing	Global Average

Currently, Wanhua Chemical identifies two types of greenhouse gas emissions: carbon dioxide CO_2 and nitrous oxide N_2O . According to the requirements in "GB/T 32151.10-2015 Greenhouse Gas Emission Accounting", we compiled annual data on direct and indirect greenhouse gas emissions, prepared emission reports and monitoring plans, and actively cooperated with relevant government departments to carry out carbon verification, all of which passed the examination successfully.

- 63 -



Total greenhouse gas emissions from 2016-2019

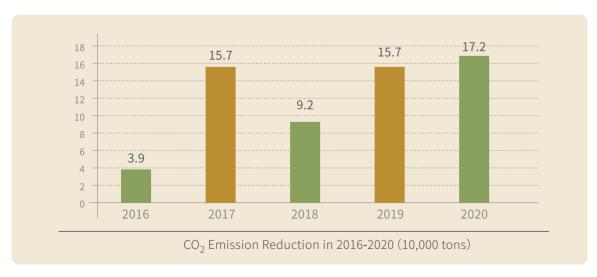
Content	Scope	benchmark (2016)	2017	2018	2019
Total green- house gas	Direct (scope1)	8442922	9339145	10137301	12151498
emissions	Indirect (scope2)	4771179	5275678	5519508	5998461
tCO ₂ e	Total	13214100	14614823	15656809	18149959
Greenhouse gas emission intensity tCO ₂ e/t		2.43	2.20	2.30	2.24

Greenhouse gas emission intensity

2020 carbon emission data will be published after the government carbon verification in 2021.

work results of low carbon

Wanhua Chemical actively conducts energy saving and emission reduction work, implements low-carbon emission reduction, lean management, precise improvement, cost reduction and efficiency improvement projects, and develops new processes and technologies for CO₂ recycling. We also actively explore the use of renewable energy, etc., whose emission reduction is remarkable, and nearly 0.62 million tons of CO₂ emission reduction was achieved in 2020.



- 64 -

Examples of excellent carbon emission reduction projects



Disclosure



Meeting customer needs



CO₂ utilization



Biodegradable plastics



Green Energy

- 65 -



Water Footprint

The company continues to effectively implement various sustainable development work related to water resources, set up the goals for water resources in 2025, control water consumption per unit of product, and develop many plans to achieve water-related goals. In 2020, we participated in the CDP water safety issues disclosure in order to meet the needs of relevant parties for water management information.

Currently, all of Wanhua's water resources come from municipal water supply with no other types. By controlling the water balance in the industrial park, we realize the optimal and reasonable use of water. We also adopt advanced technology and methods to increase the amount of reused water and improve the recycling rate of water.

Water consumption in 2016-2020

Types	Unit	2016	2017	2018	2019	2020
Municipal water consumption	million tons	5006	6055	5409	6411	6903

Water consumption per unit product



Water recycling

Wanhua Chemical has established a perfect water recycling system and adopted many water saving and reuse measures to realize recycling. The company also jointly financed with the government to build the Tuziwan Wastewater Treatment Plant Reclaimed water reuse unit to provide recycled water for Wanhua Industrial Park in order to improve the recycling rate and reduce the consumption of municipal water supply.



Cases of water recycling project

Renovation of closed circulating water

Government Sewage Treatment Plant for Wanhua Industrial Park **Reclaimed Water Project**



- 66 -- 67 -





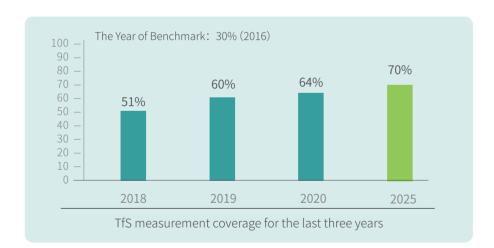
Sustainable Procurement

Wanhua Chemical is committed to promoting sustainable procurement. From supplier access to routine assessment of in-trade suppliers, the procurement department is responsible for supply chain management, training suppliers and requiring them to make commitments to guarantee that the procurement process meets the requirements of social responsibility. In addition, multiple procurement models are used. In 2018, the company introduced a cloud platform to enhance procurement efficiency, improve supplier transaction experience, promote supply chain integration and optimization, and thus create a new e-commerce model.

In the context of globalization of industrial chain, a positive and healthy upstream and downstream relationship is necessary to ensure sustainable development of enterprises. Wanhua Procurement Department is not only committed to implementing and enforcing the social and environmental responsibilities of the company itself, but also to the sustainability of Wanhua's entire procurement supply chain. It strives to enhance the company's sustainable procurement capability. We focus on not only the quality, price and service of our suppliers, but also their sustainability capabilities.

Supply chain sustainable development

In 2020, the company became stricter with the requirements for suppliers in environmental and social responsibility, and conducted many activities for suppliers' social responsibility. We worked with TfS organization to promote suppliers' sustainability assessment, evaluated and managed their performance in environment, labor and human rights, business ethics, sustainable procurement, etc., gradually improving their sustainability and reducing the risk in the procurement supply chain.



The sustainability assessment rate of Wanhua's suppliers has reached

ers and requires 🦼

Partnership

Wanhua is committed to establishing long-term and stable strategic partnerships with excellent suppliers to achieve mutual benefits and win-win outcome. We also work closely with downstream customers, pay attention to their needs and provide innovative product solutions to boost stable cooperation and long-term development of the entire supply chain.

SUSTAINABLE PROCUREMENT



Cooperation Agreement













Wanhua Chemical signed a joint venture packaging company with COFCO Packaging and Whale & Elephant Technology

- 70 -- 71 -







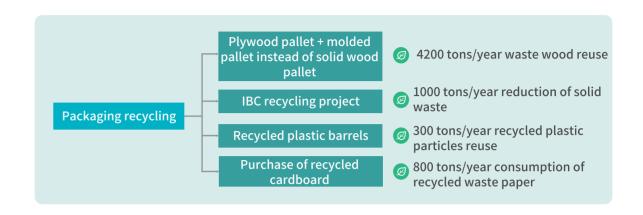


Recycling of raw materials

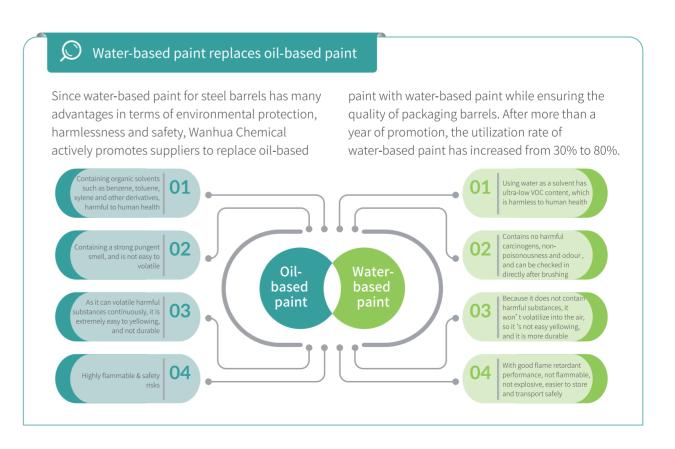
In 2020, Wanhua optimized packaging barrels through thickness reduction in steel barrels, paint film optimization and steel barrel type consolidation. Meanwhile, Wanhua conducted "recycling packaging", changing from the "collect-make-use-discard" model to the "collect-make-use-reuse" economy model. For example, the inner bags of IBC barrels can be reused, outside metal frames can be recycled, and shared trays replace disposable trays and turning trays. These initiatives have saved many raw materials for Wanhua, reduced the cost of solid waste or hazardous waste treatment, and improved Wanhua's sustainable development. Moreover, they also reduced environmental pollution, showing Wanhua's strong sense of social responsibility.



Reuse of packaging materials over 6,300 tons/year in 2020







- 72 -- 73 -

Revolution of Steel Barrels Packaging

The annual usage of Wanhua steel barrels reaches 4 million, top in China and with annual growth. In order to improve competitiveness, achieve "cost reduction and efficiency improvement" and take social responsibility, Wanhua Chemical actively communicated with suppliers and customers. We have managed to thin steel barrels from 1.2mm-1.0mm to 0.9mm, cut 10 colors to 4, an realize green and standard steel barrels to lead the industry.

The reduction of steel barrels and the replacement of galvanized ones with baking paint barrels fully reflect Wanhua's corporate social responsibility. Reduction in steel barrels led to the decrease of the annual consumption of steel plates by about 10,000 tons/year, which means that the solid waste of end customers would be reduced by 10,000 tons/year. It thus greatly reduced their burden and cost of solid waste disposal. The cessation of galvanized barrels greatly reduces zinc powder pollution. The water-based paint used on steel barrels also greatly reduced the VOC emissions.

Thickness of steel barrels from



Procurement digitization

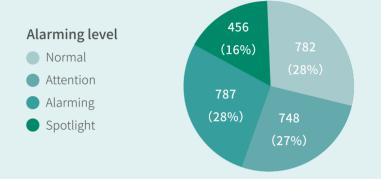
Order **Automation** In 2020, Wanhua established online purchase order automation system, which efficiently realized the procurement application within the contract period under valid framework. It can automatically complete the order placing after the system automatically calculates the price and allocates quota. At present, 97% of raw material frames can meet the automatic order placement requirements, so the system has significantly improved the procurement efficiency, reduced the manual error rate, and made the operation more compliant and visualized.

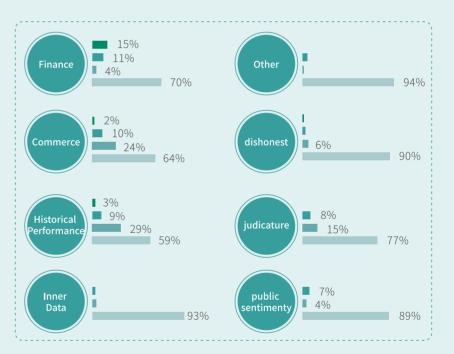
Simplification and Efficiency In 2020, Wanhua optimized 18 online processes involving demand submission and problem solving. After that, various complex processes were decreased to no more than 3 approval steps, which greatly simplified the internal workflow and further improved the company's operational efficiency.

Cloud Platform of Procurement The company has introduced the cloud platform of procurement to enhance efficiency and the supplier transaction experience. As of the fourth quarter of 2020, the cloud procurement payment was stable at 800 million/month. This helps the company promote supply chain integration and optimization, create a new e-commerce model in the chemical industry, and establish Wanhua's procurement ecosystem.

Build a supplier risk pre-warning platform

We use external supplier data and existing internal data to build the supplier risk pre-warning platform, which has realized the visualization, real-time monitoring and pre-warning automation of Wanhua's existing supplier risks. It allows Wanhua to understand the various risks of existing suppliers timely and formulate strategies in advance to handle supplier risks. Thus the anti-risk capability of Wanhua's supply chain can be improved and Wanhua's sustainability is strengthened.





IT systems of other procurement

Wanhua New Mall was opened in February 2020. The LMS system, in which suppliers place orders, started in April. The automatic payment system was officially used in July. They have stable application ratios of about 40%, 40% and 30% respectively. These systems have greatly improved the efficiency of procurement, reduced the consumption of express resources, and enhanced the supplier transaction experience.

- 74 -- 75 -



Employees and Society

Stable labor relations, a transparent business environment and harmonious social relations are favorable for sustainable corporate development. Wanhua has been committed to the labor rights of employees, a healthy and positive business environment with partners, and a harmonious community with the public to jointly promote a better life and social prosperity

Labor Relations



As of December 31, 2020. Wanhua Chemical had

employees in China

Female employees

the proportion of Wanhua female employees

Employment relationship

Wanhua invites talents who share the company's culture, develop with the company and achieve mutual success to join the company under the premise of fairness, justice and openness. We continuously provide opportunities and paths for employees to improve their abilities and realize their values. We also create attractive welfare and benefits, working and living environment for employees to improve organizational efficiency.



Honors received during the reporting period

Awarded the 2020 China Chemical Logistics Industry "Golden Can Award" for social responsibility contribution by China Federation of Logistics and Purchasing for two consecutive years

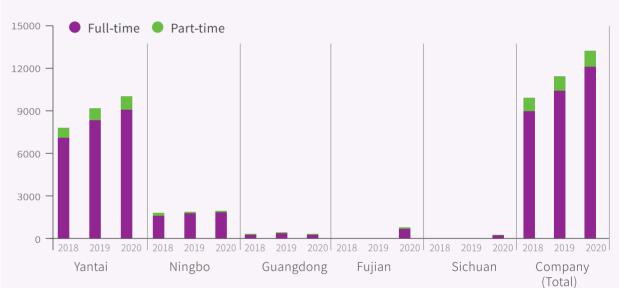
The vision of Wanhua Chemical is to create a world famous new chemical material company that is respected by the society and beloved by the employees. We know that talent is fundamental to our company's international excellence. Wanhua's vision is the ideal of the employees, and the realization of the vision cannot be achieved without the efforts of the employees. While Wanhua wins the respect of the society, we always pays attention to the sense of pride and belonging of the employees. We respect the employees, devote to becoming an enterprise that makes the employees proud, and create a fair and just cultural environment with efficient management and good communication.

The company monitors human rights of all employees from recruitment, entry, promotion to exit, including working hours, forced labor, harassment and abuse, discrimination, freedom of grouping, minimum age requirements and fair wages, to protect the legal rights of employees. Meanwhile, the company pays attention to human rights of employees in the supply chain and requires all new suppliers to sign a corporate social responsibility commitment to secure the basic rights of

During the reporting period, no labor human rights violations occurred in Wanhua and its supply chain.

Labor day in 2018-2020

Company	2018		20:	19	2020		
Company	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	
Yantai	7070	700	8289	819	9107	905	
Ningbo	1641	140	1761	139	1821	125	
Fujian	-	-	-	-	707	68	
Sichuan	-	-	-	-	203	12	
Guangdong	264	26	330	28	286	24	
Company (Total)	8975	866	10380	986	12124	1134	



Male & female Labor day in 2018-2020

Camanani		2018		2019			2020				
Company	Male	Female	Chart	Male	Female	Cł	nart	Male	Female	غ ا	Chart
Yantai	6024	1046		7127	1162			7878	1229		
Ningbo	1349	292		1450	311	I		1511	310	I	
Fujian	-	-		-	-			609	98	I	
Sichuan	-	-		-	-			194	9	ı	
Guangdong	210	54	I	270	60			231	55		
Company (Total)	7583	1392		8847	1533			10423	1701		

- 78 -- 79

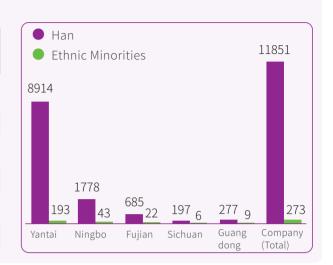
Age data in 2018-2020

6			2018		2019			2020		
Company	<31	31-50	>50	<31	31-50	>50	<31	31-50	>50	
Yantai	4545	2120	405	4731	3054	504	5607	3046	454	
Ningbo	1098	514	29	976	751	34	1124	669	28	
Fujian	-	-	-	-	-	-	430	237	40	
Sichuan	-	-	-	-	-	-	140	62	1	
Guangdong	235	28	1	293	36	1	254	32	0	
Company (Total)	5878	2662	435	6000	3841	539	7555	4046	523	



Data of nation

		2020年
Company	Han	Ethnic Minorities
Yantai	8914	193
Ningbo	1778	43
Fujian	685	22
Sichuan	197	6
Guangdong	277	9
Company (Total)	11851	273



Data of employment

Wanhua has been exploring the talent recruitment mode, deepening the change of recruitment and building various interactive talent exchange channels. During the reporting period, a total of 2,089 new employees joined Wanhua, and the employment rate was 17%.

		-					
			New em	Employment Rate			
Company	Y2018	Y2019	Y2020	Linear trend chart	Y2018	Y2019	Y2020
Yantai	930	1500	1644		13%	18%	18%
Ningbo	186	273	291		11%	16%	16%
Fujian	-	-	116		-	-	16%
Sichuan	-	-	0	•——•	-	-	0
Guangdong	79	84	38		30%	25%	13%
Company (Total)	1195	1857	2089		13%	18%	17%

Data of brain train

A total of 409 employees left Wanhua during this reporting period, including retirees, resigned and dismissed employees, and the Group's employee turnover rate was 3% in 2020.

employees, and the Group's employee turnover rate was 570 m 2020.							
Company		F	Resigned e	Employee turnover rate			
Company	Y2018	Y2019	Y2020	Linear trend chart	Y2018	Y2019	Y2020
Yantai	252	212	336		4%	3%	4%
Ningbo	87	61	54		5%	3%	3%
Fujian	-	-	2		-	-	0
Sichuan	-	-	-	• • • • • • • • • • • • • • • • • • • •	-	-	0
Guangdong	20	10	16		8%	3%	6%
Company (Total)	359	293	409		4%	3%	3%

- 80 -- 81 -

J// WANHUA

Employee development

In order to help the new employees to quickly adapt to their jobs in Wanhua, Wanhua provides career and business mentors. We have carried out double-mentor-system to attend to them in life and work to speed up the adaption and development of new employees.





Average annual training hours per employee

Percentage of employees who receive regular performance and career development

Wanhua University

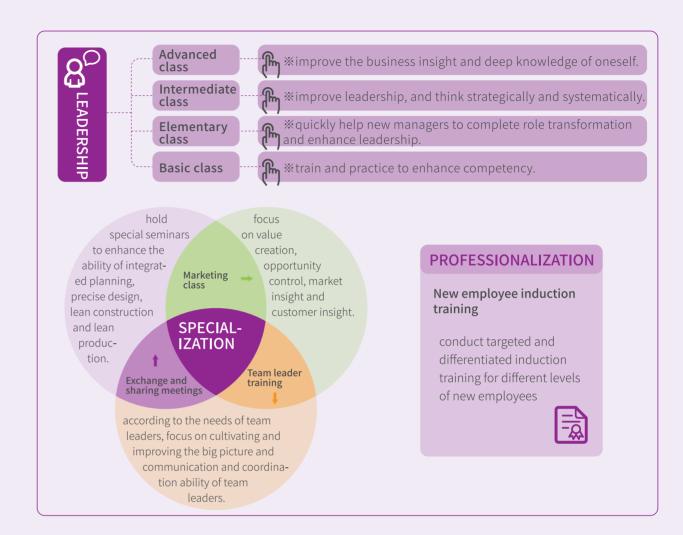


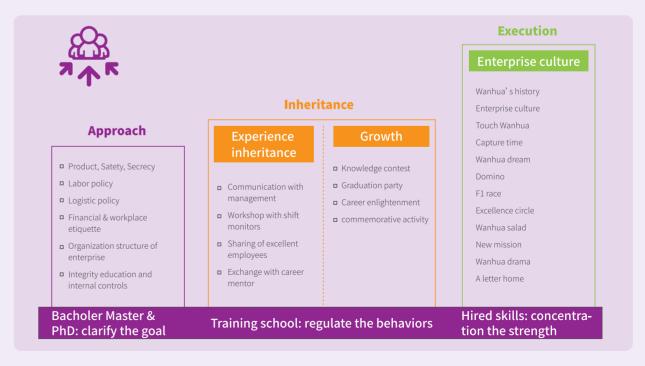
In order to accelerate the cultivation of talents, we have been maintaining the company's long-term competitive advantage. Wanhua University aims to train an ideal, dedicated, cohesive and competitive talent team. The vision is to create an industry benchmark corporate university which can help the company develop and win the favor of employees, and to become Wanhua's talent cultivation base, culture promotion center, learning platform, and the frontier of revolution.

Wanhua University focuses on leadership, professionalism and vocational training, and continues to nurture leaders and improve the professional ability of employees in accordance with the requirements of wide coverage, large number of participants, high training frequency, various training methods, strict assessment and good training effect.









- 82 -- 83 -

SIS WANHUA

Employee Care

While paying attention to the growth of employees, Wanhua provides strong guarantee for employees' clothing, food, housing and transportation. We have established sports rooms, singing bars, gyms, counseling rooms, bookstores and other facilities in staff dormitories and factories. We also regularly organize many activities such as basketball games, photography contests and English dubbing contests to enrich their life and enhance the sense of achievement, happiness and professional belonging.

Wanhua pays special attention to female employees who are breastfeeding, and the company strictly abides by the national policies in maternity leave. They can apply for a four-month extension besides the maternity leave stipulated by the nation. Moreover, the company has set up high-standard mothers' houses in each office area and provided additional shuttle buses for female employees returning to work. The return rate of employees on maternity leave was 100%.

Clothing

Customized suits and labor uniforms for new employees to establish a professional image.

Food

invest ten million RMB to renovate and build restaurants in each base, and continuously improve the dining conditions for employees.

Accommodation

renovate heating system, build singing bar, renovate gyms, and provide comfortable accommodation.

Travel

more than 240 shuttle buses in Yantai for employees' commuting for safe travel.















- 84 -- 85 -

J// WANHUA

Business Ethics

A good business ethics environment is the healthy soil for the growth of the enterprise. Wanhua always adheres to the policy of "prevention, supervision and control, zero tolerance for fraud, and promotion of proper management and healthy development". From the business refinement, to the establishment of integrity system, to the front of risk warning, Wanhua forges ahead to maintain business environment.







Prevention Supervision



Control



to fraud



Zero tolerance

Compliance management & Healthy development

On the Wanhua Learning Platform, courses such as "Wanhua Chemical Integrity Regulations" and "Wanhua Chemical Conflict of Interest Management" are to strengthen the awareness of business ethics among staff.

Meanwhile, in order to enhance the anti-monopoly awareness, the company organized legal training for the marketing employees.

Harmonious Community

Wanhua Chemical always takes the social responsibility as the company's long-term development and persistent goal, and promotes the harmonious communication between the company and the public based on its own technological advantages. The company not only regularly publishes the information of safety operation and monitoring results to the community to ensure the residents' right to know, but also creates many activities such as "Magic Lab", "Doctor's Lectures" and innovation application competition for colleges to build an educational base of chemistry for youngsters. This is to cultivate their interest in science and nurture talents for society.

Wanhua Chemical actively responds to the call of the government to give back to the society. We take the responsibility to help the poverty, and improve the quality of life in the poor area such as repairing houses, renovating roads and donating daily necessities, etc. In 2020, Wanhua Chemical invested more than 1 million RMB in precise poverty alleviation.



Wanhua invested almost millions into community support project in 2020











- 86 -- 87 -



Cooperate Together to Fight against Pandemic

During the sudden outbreak of COVID-19 in 2020, Wanhua Chemical took epidemic prevention and control as the top priority. The company set up an emergency group to prevent epidemic, and resumed work and production in due time. Moreover, Wanhua took up its social responsibility and fully supported the prevention and control work in the epidemic area in Hubei and Yantai.



Domestic anti-epidemic

Wanhua Chemical donated more than 6 million RMB of supplies in China, medical and epidemic prevention goods to Hubei, and production materials for epidemic prevention goods to the relevant units supporting Hubei. Among them, 5 million RMB of donation is to Hubei Red Cross Society, and 10,000 sets of EN14126 medical protective clothing by EU standards to

Donated more than 0 million RMB of supplies in China

sets of EN14126 medical protective clothing

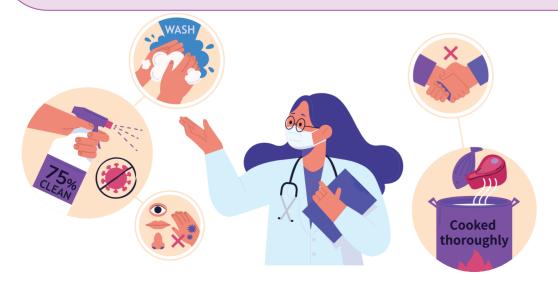
Shandong Province, Hubei Province, and Yantai City. We also applied to support the disinfectant supply in Yantai and provide the disinfectant according to government's requirement. Led by the Party Committee, the Party branches have acted as fortresses, and the Party cadres cooperate with determination. The war without smoke was won.

Donated **J** million RMB to Hubei Red **Cross Society**









- 88 -

Overseas resistance to disease

We have donated a total of 3.5 million RMB of supplies overseas. BorsodChem has donated HUF 15 million to BAZ State Hospital and University Education Hospital, and HUF 5 million to Kazincbarcika Municipal Hospital to support the epidemic

overseas material donation of almost

3.5 millions

Forint donation to BAZ State hospitals and university education hospitals

Forint donation to Kotzinzborchikau Municipal Hospital

5_{millions}

prevention and control. Moreover, BorsodChem donated 10,000 masks and 10,000 liters of self-produced disinfectant to health and social care institutions and neighboring cities.

Donation of

10,000_{masks}

10,000

liters self-produced disinfectant









Freely provide to customers

Masks

30,000

Protection suits

400

Googles

400



We take social responsibility, maintain local peace and assist in the front line of the epidemic

Wanhua Chemical donated production materials to clients from various industries who supported Hubei's anti-epidemic work by utiilzing its own advantages. After learning the fact that a client provided free support to the construction of Huoshenshan and Leishenshan hospitals in Wuhan, Wanhua Chemical decided to donate 60 tons of raw materials to this client for the production of structural adhesive and sealants used in hospital construction.



- 89 -

Externally

As the war against the noval coronavirus continues, medical supplies are seriously insufficient in all parts of the country, especially in Hubei.

promptly proactive support ...

Wanhua Chemical coordinated to find downstream medical material manufacturers and urgently purchased 675 boxes (75,000 pieces) of adult diapers and medical care pads, which were donated to Wuhan Central Hospital, Tongji Hospital and Huanggang Central Hospital in Hubei.

In order to provide safety protection for workers fighting against the epidemic, Wanhua Chemical has purchased and donated 10,000 pairs of medical polycarbonate goggles to hospitals in Wuhan and Huanggang and other units.

After learning the news that a downstream client had a shortage of raw materials for the production of anti-bacteria products to be donated to the Red Cross Society of China, Wanhua supplied SAP (highly waterborne resin) raw materials at no cost.

Wanhua Chemical donated 105,000 pairs of disposable protective gloves and 6,300 bottles of wash-free disinfectant hand gel to 21 colleges and universities for epidemic prevention.

Wanhua Chemical also provided 300 kg of TPU wire and 100 kg of TPU powder to Peak Sports, which are used for making 3D printed mask regulators donated to frontline medical personnel in Hubei.



As of May 4, Wanhua Chemical had donated

disinfectant to the society.

Actively support for Yantai.

Facing the spread of the epidemic, the soaring consumption of disinfection supplies, and lack of disinfection supplies, the company contacted the epidemic prevention team of Yantai government and applied to be a supporting unit of disinfectants. During the epidemic, we fully support the epidemic prevention and supplied disinfectants to local governments and county-level administrative districts in Yantai according to the government's request.

Moreover, Wanhua Chemical provided disinfectants to Miyun District of Beijing, Ningbo, Zhuhai etc.

Internally

Multi-measures for epidemic prevention and control, build a solid defense by strict vigilance



During the epidemic, Wanhua Chemical acted quickly and promptly, and set up an epidemic emergency team on January 21 for the resettlement of quarantined employees and logistical epidemic prevention.

The company made a detailed and comprehensive deployment of specific measures, work requirements, policy explanation and epidemic prevention knowledge dissemination. The logistics units such as restaurant, property, dormitory, shuttle bus and security acted quickly. They conducted the implementation of epidemic prevention and control work according to the idea of "full prevention and control, multi-layer monitoring and elimination of hidden danger". They have played their role of logistics management, and carried out epidemic prevention training, health check, reinforced disinfection, personnel monitoring and knowledge sharing to ensure the safety of employees on duty.

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elimination of hidden danger



Donation activities

 (\rightarrow)





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- 90 -- 91 -



In the coming year 2021, Wanhua will become the member of hundred billions RMB club for its revunue, and be listed in the top 20 chemicals companies in the world. In the coming new year, we will focus on overcoming complacency and preventing malpractice. Externally, we must guard against risks amid global economic uncertainty and the trade protectionism, and we should meet challenges more proactively and take new opportunities to drive new developments for Wanhua.

We define 2021 as the year for "cost control and efficiency & performance improvement". Under this theme, we expect to further strengthen our performance-oriented guideline, drive changes in cost management, continue to optimize systems and processes and improve organizational efficiency. At the same time, in line with the guideline of "overall coordination & plan, precise design, lean construction and lean production", we will strive to improve quality and cost control in every business process from R&D, design, procurement, engineering and construction to production, allowing Wanhua to attain high-quality development.

Pursuing sustainable development

Guided by government's new development pattern, we shall work hard to reduce carbon emissions and plastic pollution, focus on developing high-end new chemical materials and technologies, seize the opportunity of new energy transition to carry out in-depth research on industrial layouts and the relations between energy changes, accelerate the industrialization and marketing of energy storage, photovoltaics, wind power and other materials, drive the industrialization of high-end products such as POE and nylon-12 in the least time necessary, continue to improve forward-looking research platforms, including the comprehensive utilization of CO2, synthetic biology, electrochemistry and information materials and enable new breakthroughs in carbon recycling and enzyme catalyzing.

Safety management is the foundation

We must further consolidate our management foundation for safety and environmental protection measures, ensure the bottom line in terms of such measures and build a lifeline for operational excellence. We must take risk management as our core and safety leadership and safety culture as our cornerstone, and we are to rely on competence enhancement and auditing to improve the safety management capabilities and performance of Wanhua.

INDEX

Global Reporting Initiative (GRI Standard 2016) Index

GRI Standards	Disclosures	Page
	102-1 Name of the organization	P8
	102-2 Activities, brands, products and services	P8、P11
Organizational	102-3 Location of headquarters	P9
	102-4 Location of operations	P9
	102-5 Ownership and legal form	P8
Profile	102-6 Markets served	P8、P11
	102-7 Scale of the organization	P8、P10、P79
	102-8 Information on employees and other workers	P78
	102-9 Supply chain	P68
	102-10 Significant changes to the organization and its supply chain	P68
	102-11 Precautionary Principle or approach	P32
	102-14 Statement from senior decision-makers	P4、P60
Strategy	102-15 Key impacts, risks, and opportunities	P16
	102-16 Values, principles, standards, and norms of behavior	P6
Ethics and Integrity	102-17 Mechanisms for advice and concerns about ethics	P86
Governance	102-18 Governance structure	P8
	102-40 List of stakeholder groups	P6
	102-41 Collective bargaining agreements	P78
Stakeholder engagement	102-42 Identifying and selecting stakeholders	P6
engagement	102-43 Approach to stakeholder engagement	P6
	102-44 Key topics and concerns raised	P6
	102-45 Entities included in the consolidated financial statements	P3
	102-46 Defining report content and topic boundaries	P3
	102-47 List of material topics	P6
	102-48 Restatements of information	NA
	102-49 Changes in reporting	NA
	102-50 Reporting period	P3
Reporting Practice	102-51 Date of most recent report	P3
	102-52 Reporting cycle	P3
	102-53 Contact point for questions regarding the report	P97
V	102-54 Claims of reporting in accordance with the GRI Standards	P3
A.	102-55 GRI content index	P93
	102-56 External assurance	⊃P3

conomic performance	103 Management approach disclosure	P8
erformance		ΓO
	201-1 Direct economic value generated and distributed	P10
Procurement	103 Management approach disclosure	P68
oractices	204-1 Proportion of purchase expenditures to local suppliers	P70
	103 Management approach disclosure	P86
	205-1 Operations assessment for risks related to corruption	P86
nti-corruption	205-2 Communication and training about anti-corruption policies and procedures	P86
	205-3 Confirmed incidents of corruption and actions taken	P19
	103 Management approach disclosure	P86
Inti Competitive	206-1 Legal actions for anti-competitive behavior, anti-trust and	
Behavior	monopoly practices	P86
	103 Management approach disclosure	P61
	302-1 Energy consumption within the organization	P61
nergy	302-3 Energy intensity	P61
	302-4 Reduction of energy consumption	P61
	302-5 Reduction of energy demand for products and services	P62
	103 Management approach disclosure	P66
Water Resources	303-1 Water taking by source	P66
	303-3 Water recycling and reuse	P67
	103 Management approach disclosure	P63
	305-1 Direct (Category 1) GHG emissions	P64
missions	305-2 Energy indirect (Category 2) GHG emissions	P64
	305-4 GHG emissions intensity	P64
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other major gas emissions	P64
	103 Management approach disclosure	P32
	306-1 Water discharge by quality and destination	P34
Effluents and Waste	306-2 Waste by type and disposal method	P34
	306-3 Major spills	P34
	306-4 Transport of hazardous waste	P38
Invironmental	103 Management approach disclosure	P32
ompliance	307-1 Non-compliance with environmental laws and regulations	P32
Supplier	103 Management approach disclosure	P68
invironmental Assessment	308-1 New suppliers selected according to environmental standards	P71
	103 Management approach disclosure	P78
1	401-1 New staff hired and staff turnover	P81
Employment	401-2 Benefits provided to full-time staff excluding temporary or	P84
, j=l == (==	parttime staff 401-3 Parental leave	\-\
	TOT OT WICHIGHT TOWN	P84
abor/Management	103 Management approach disclosure	P78

GRI Standards	Disclosures	Page
	103 Management approach disclosures	P44
Occupational Health	403-1 Workers representation in formal joint management–worker health and safety committees	P45
and Safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	P18
	403-3 Workers with high incidence or high risk of diseases related to their occupation	P46
	103 Management approach disclosures	P48
Training and	404-1 Average hours of training per year per employee	P50
Education	404-2 Programs for upgrading employee skills and transition assistance programs	P48
	404-3 Percentage of employees receiving regular performance and career development reviews	P82
Divorcity and Equal	103 Management approach disclosures	P78
Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	P78
Opportunity	405-2 Ratio of basic salary and remuneration of women to me	P78
Non-discolarization	103 Management approach disclosures	P86
Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	P19
Freedom of	103 Management approach disclosures	P78
Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P78
	103 Management approach disclosures	P78
Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	P78
Forced or	103 Management approach disclosures	P78
Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	P78
	103 Management approach disclosures	P44
Security Practices	410-1 Security personnel trained in human rights policies or procedures	P82
Human Rights	103 Management approach disclosures	P78
Assessment	412-2 Employee training on human rights policies or procedures	P82
	103 Management approach disclosures	P86
Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	P86
Supplier Social	103 Management approach disclosures	P68
Assessment	414-1 New suppliers that were screened using social criteria	P70
Customer Health and	103 Management approach disclosures	P56
Safety	416-1 Assessment of the health and safety impacts of product and service categories	P57
Marketing and	103 Management approach disclosures	P57
Labeling	417-1 Requirements for product and service information and labeling	P57
S ///	103 Management approach disclosures	P8
Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and	P10

UN Sustainable Development Goals (SDGs) in 2030

	Item	Page
SDG 1	No Poverty	P86-91
SDG 2	Zero Hunger	NA
SDG 3	Good Health and Well-being	P42、P76
SDG 4	Quality Education	P86
SDG 5	Gender Equality	P78
SDG 6	Clean Water and Sanitation	NA
SDG 7	Affordable and Clean Energy	NA
SDG 8	Decent Work and Economic Growth	P10、P78-85
SDG 9	Industry, Innovation and Infrastructure	P22-31
SDG 10	Reduced Inequalities	NA
SDG 11	Sustainable Cities and Communities	NA
SDG 12	Responsible Consumption and Production	P27-67
SDG 13	Climate Action	P40、P60-67
SDG 14	Life Below Water	NA
SDG 15	Life on Land	NA
SDG 16	Peace, Justice and Strong Institutions	NA
SDG 17	Partnerships for the Goals	P68-72

READERS' FEEDBACK

Dear reader,

Thanks for reading this report!

This is the third sustainable development report draftedby Wanhua Chemical in line with GRI standards. Prior to this, we have issued this Report for eleven consecutive years. We look forward to receiving your valuable comments and suggestions on this Report, and we are more than willing to adopt your ideas to better improve our

You are welcome to answer the following questions, and pass on this questionnaire to the contact below by email or other means:

Contact: Wanhua Sustainable Development Committee

Contact number: +86535 3032242

E-mail: stocks@whchem.com

Contact address: No. 59 Chongqing Avenue, Economic and Technological Development Zone, Yantai City,

Shandong Province Postal code: 264000

1.Please tick " ✓ " the corresponding cell in the table

Questions:	Yes	No	Not sure	
(1) Do you think this Report mirrors the significant impacton the environment, economy and society, and the Company's achievements in these areas?				
(2) Do you think this Report discloses real, accurate and valid information?				
(3) Do you think this Report is clear and easy to understand in terms of its descriptions, content arrangement and graphic design?				

2.Open-ended questions:

- (1) Which part of this Report do you like best?
- (2) What other information do you think needs to be disclosed in this Report?
- (3) What are your expectations for the future sustainable development reports of Wanhua Chemical?

3. Please, if you may, leave your information, so that we can provide timely feedback on your comments and suggestions:

Name:	Company:	
Contact number:	E-mail:	

Contact address:



more about Wanhua Chemical: