山東墨龍石油機械股份有限公司

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ABOUT THIS REPORT

Shandong Molong Petroleum Machinery Company Limited (the "Company", "enterprise" or "Shandong Molong") and its subsidiaries (the "Group") publishes its environmental, social and governance report (this "Report" or "ESG Report"), which summarises the principles of corporate social responsibility practices and sustainability concepts of the Group for the financial year ended 31 December 2021, and explains the relationship between us and our major stakeholders, and our vision and commitments to corporate social responsibility.

Basis of preparation

This Report is prepared according to the Environmental, Social and Governance Reporting Guidelines (the "Guidelines") in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and the scope it covered is in compliance with the disclosure principles under the Guidelines. We have also complied with the "Comply or Explain" provisions under the Guidelines to address the environmental and social impacts from various business and operating activities of the Group accordingly. For information on the corporate governance of the Group, please visit the official website of the Company (www.molonggroup.com) and refer to the 2021 Annual Report of the Company.

Reporting period and scope

This Report covers the period between 1 January 2021 and 31 December 2021 (this "Year" or the "reporting period"). It focuses on the headquarters of the Group located in Shouguang of Shandong and the subsidiaries under the operating control of the Company. Specifically:

- Shandong Molong Petroleum Machinery Company Limited
- Shouguang Baolong Petroleum Equipment Co., Ltd. ("Shouguang Baolong")
- Shouguang Maolong New Materials Technology Development Co., Ltd. ("Shouguang Maolong")
- Weihai Baolong Special Petroleum Materials Co., Ltd. ("Weihai Baolong")

Reporting language

This Report is published in traditional Chinese and English and is available for download from the official website of the Company (www.molonggroup.com) and the website of the Stock Exchange (www.hkex.com.hk).

Valuable feedback

To continuously improve the environmental, social and governance performance of the Group, we value and welcome stakeholders and the public to share with us their views on this Report. Should you have any enquiries and recommendations, please contact the Group via thefollowing channels:

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CHAIRMAN'S STATEMENT

The year 2021 marks the 100th anniversary of the founding of the Communist Party of China and the start of the 14th Five-Year Plan. Against the backdrop of continued global pandemic control and the lack of economic recovery momentum, the energy equipment manufacturing industry remained affected to a certain extent. In the face of profound changes in the internal and external environment and severe market challenges, the Company focused on its own development, adhered to the general principle of making steady progress and establish a strong foothold for the next stage of development. With the focus of promoting high-quality corporate development, the Company adopted a customer-oriented and market-oriented approach, focused on the research and development and sales of high-end, precise and advanced new products, fully utilised its industry strengths to further improve its technological research and development and services standards, and continuously optimised corporate management and operational quality, to build an economical, efficient, advanced and environmental friendly industry chain of energy equipment manufacturing. The Company strived to achieve a sound corporate development based on the concept of green operations, innovation and sustainability and a year-on-year growth in operating revenue.

As a leading enterprise in the energy equipment sector, the Company sets the strategic goal of "becoming an internationally renowned energy equipment manufacturer and service provider" and actively fulfills its social responsibility. The Company insists on independent innovation and continuously enhances its technological innovation capability and core competitiveness. The Company has continued to promote product research and development in line with market demand and has completed a series of new product development and technology and process improvement. All of our technological innovation applications passed the assessment of the Provincial Economic and Information Commission. The Company completed the assessment of API, QES, TS, CNAS, PED and other certifications, completed the annual monitoring and expansion of CNAS and obtained the certificate of recognition, completed the evaluation of the provincial-level enterprise technology centre and passed the evaluation of the Provincial Development and Reform Commission. The HIsmelt furnace rehabilitation technology is a furnace rehabilitation metallurgical technology of Shandong Molong in response to the call for national manufacturing transformation and upgrade, continued development of the circular economy and building of a green metallurgical enterprise. The Company has obtained the HIsmelt furnace rehabilitation technology series patents and authorisations. After the identification of scientific and technological achievements organised by the Chinese Society for Metals, Shandong Molong HIsmelt furnace rehabilitation technology has reached the international leading level. The Company has a strong presence in China and now sets foot in the global market. After the years of development, the Company has built a network providing long-term, stable, fast and effective sales services and established a trusting, long lasting and win-win partnership with its customers. The "Molong" trademark of the Company is named as a famous trademark of Shandong Province, and the products of the Company have become a key export brand for cultivation and development in Shandong Province. The Company has always adhered to its principle of "encouraging all people, absorbing all ideas, collecting all contributions and creating all achievements". Through expansion of scale and extension of production chains, the Company has gained good reputation and solid position in the energy equipment market sector.

The Company pays great attention to the creation of social value and places its focus of fulfilling social responsibility by actively participating in social services. We have spared no effort to participate in social services and charity activities with a view to giving back to the society within our capacity. In 2021, the Group released approximately RMB64,000 from the relief fund towards helping the staff whose families were in financial difficulties. In response to the government's call, the Company participated in the new rural civilisation building by providing targeted assistance to certain villages in the Village Coverage (村村通) Project in Shouguang City, which effectively enhanced its corporate reputation. During the flood season, in cooperation with the government in flood control, the Company gave full support to dyke searching, dam protecting and reinforcing works by providing machines and workers. The Company took active steps in pandemic prevention and control in cooperation with the government. It also proactively participated in social welfare undertakings by actively liaising with blood donation centres in the central district of Weifang City, mobilizing around 100 staff members to participate in voluntary blood donation public welfare activities, which demonstrated the social responsibility and community spirit of the Company.

The ESG Report was released to take account of the Company's efforts in fulfilling its social responsibility in 2021, in the hope of further strengthening its corporate social responsibility, to promote the sharing of interests between the Company and the community, especially with stakeholders, and to enhance mutual understanding and recognition, so as to make new and greater contributions to economic and social development through its further devotion to corporate social responsibility.

Chairman: Yang Yun Long

Shandong Molong
Petroleum Machinery Company Limited

I. ABOUT SHANDONG MOLONG

1.1 DEVELOPMENT HISTORY

- In 1986, the Company was found.

- In 1987, the Company entered the petroleum machinery industry.

- In 1994, Shandong Molong Holdings Company was established.

- In 2001, the People's Government of Shandong Province approved the establishment of Shandong Molong Petroleum Machinery Company Limited.

- On 15 April 2004, Shandong Molong's H-shares were successfully listed on the Growth Enterprise Market (now GEM) of the Stock Exchange, becoming the first private company in Weifang and the first domestic company in the petroleum machinery industry to list overseas.

- On 7 February 2007, Shandong Molong successfully transferred the listing of its H-shares from the Growth Enterprise Market to the Main Board, becoming the first among the 134 H-share companies on the Growth Enterprise Market to successfully transfer listing.

- On 21 October 2010, Shandong Molong's A-shares were listed on the Shenzhen Stock Exchange, becoming the first homecoming H-share company listed on Shenzhen Stock Exchange with A+H-share dual listing (Stock code of A-shares: 002490; Stock code of H-shares: 00568).

- In 2012, Shandong Molong acquired the HIsmelt technology from Rio Tinto Group.

- In 2013, we established HIsmelt technology production facilities. Shouguang Maolong New Materials Technology Development Co., Ltd. was established and commenced operation.

- In November 2014, after on-site review and assessment by the China National Accreditation Service for Conformity Assessment (CNAS), the Company's experiment centre officially passed the CNAS accreditation.

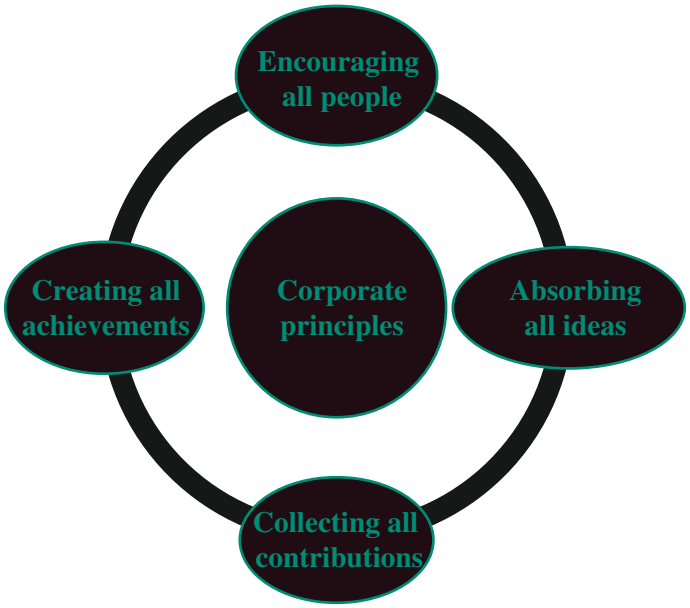
- In May 2018, HIsmelt technology was identified as an international advanced technology upon its technological achievements assessed by domestic casting and forging experts organised by China Metal Association.

- In September 2020, Zhang En Rong, the original controlling shareholder and actual controller of the Company, and Shandong Shouguang Jinxin Investment Development Holdings Group Limited entered into the Voting Rights Nomination Agreement, and the actual controller of the Company was changed to the State-owned Assets Supervision and Administration Bureau of Shouguang City.

- In March 2021, the controlling shareholder of the Company changed to Shouguang Molong Holdings Co., Ltd (壽光墨龍控股有限公司), which is a wholly-owned subsidiary of Shandong Shouguang Jinxin Investment Development Holdings Group Limited (山東壽光金鑫投資發展控股集團有限公司), and the ultimate controller of the Company is still the State-owned Assets Supervision and Administration Bureau of Shouguang City (壽光市國有資產監督管理局).

- On 19 March 2021, the Company and National Quality Supervision and Inspection Centre for Petroleum Equipment Products (Shandong) established a joint laboratory.

1.2 BUSINESS PHILOSOPHY



Business Philosophy

Shandong Molong always adheres to the business philosophy of making product quality the top priority. The Company not only holds ISO 9001 international quality system certification, ISO 14001 and OHSAS 18001 management system certification, but also invests in the establishment and improvement of various inspection and monitoring methods, and takes the evaluation of domestic and overseas customers as the grasp to achieve steady improvement in product quality. During the reporting period, Shandong Molong further increased its investment in technology research and development, expanded its production capacity of high-grade petroleum pipes, and continued to extend its production chain by adjusting its product structure to provide oilfield users with higher quality products and services.

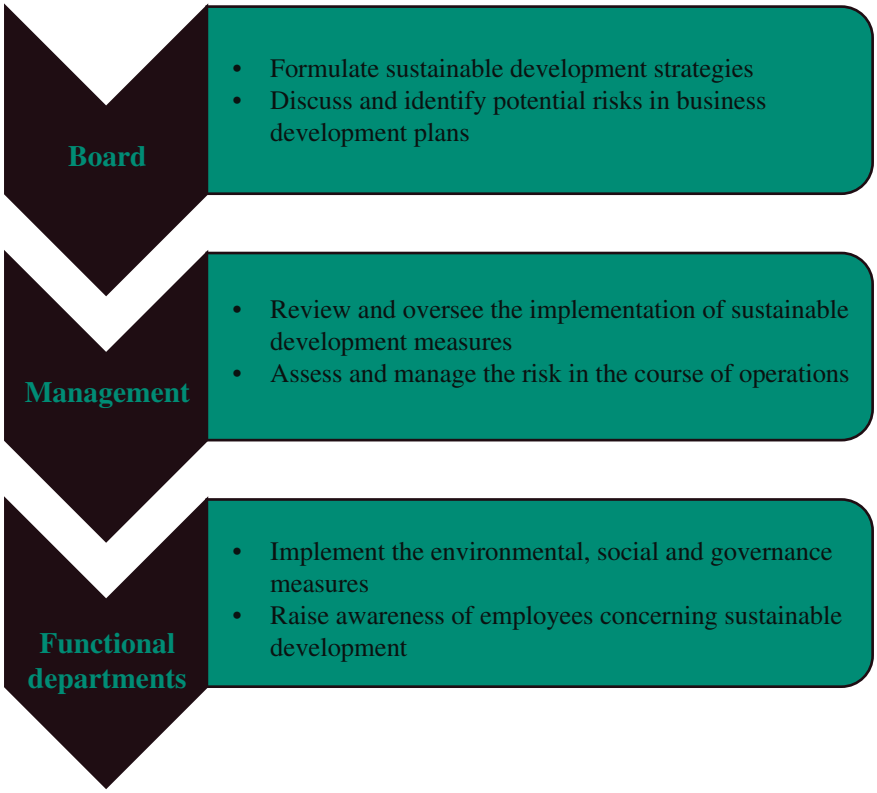
Upholding the principle of “encouraging all people, absorbing all ideas, collecting all contributions and creating all achievements”, Shandong Molong has not only achieved successive years of economic benefits, but also increased its influence in the industry year by year by expanding the scale of production and extending the production chain. During the reporting period, the Company was ranked among the Top 100 Mechanical Enterprises in Shandong Province, Top 100 Enterprises in Weifang City and Large-scale Enterprises in Shouguang City, and awarded “Shandong High-tech Enterprise”, the “Most Creditworthy and Trustworthy Client for Banks in Shandong Province”, the “Grade A Credible Taxpaying Enterprise”, the “Grade AAA Credible Enterprise for Agricultural Bank of China” and the “Model Industrial Enterprise in China”.

With the corporate principle of “founding business with integrity and giving back to the society with pride”, Shandong Molong has made social welfare an important part of the Party and Group efforts to build up the community and strive for excellence, and has actively fulfilled its corporate social responsibility by supporting rural construction and putting into practice the post-disaster reconstruction and other works, which have been highly recognized by the municipal government and the local community.

In the future, Shandong Molong will continue to be guided by its corporate credibility and

ESG governance structure

Shandong Molong established an ESG (Environmental, Social and Governance) Working Team in 2019. The working team, with the Board of Directors as the highest decision-making body, has full responsibility for the Company's ESG strategy and reporting matters, with the management and functional departments ensuring the implementation and results of the ESG strategy and feedback to the Board. The establishment of this working group will help Shandong Molong to identify potential ESG risks promptly and take timely and effective measures to ensure that the ESG policies of the Company are implemented by all functional departments.



Shandong Molong's ESG governance structure

Communication with stakeholders

Shandong Molong attaches great importance to stakeholder communication and relies on a variety of channels for open communication, which include, but are not limited to, face-to-face meetings, electronic media communications, various forms of meetings, trade exhibitions, etc. Timely and effective communication and feedback channels are conducive to the Company's in-depth understanding of customers' aspirations and the achievement of a win-win situation for the Company and its stakeholders.

Table: Communication channels between Shangdong Molong and stakeholders

Stakeholders	Expectations and needs	Modes of communication
Shareholders/investors	Steady development and business compliance Good investment return Effective risk management Larger market share	General meetings Results presentations Press releases/ announcements Investor surveys Enquiry calls
Government/regulators	Environmental compliance Corporate governance standard Community development	Phone calls/correspondence exchanges Site visits Regular reports
Suppliers and distributors	Integrity and mutual benefits Fair purchasing Long-term and stable partnership	On-site surveys and assessments Communication on quality Open purchase tenders Phone calls/correspondence exchanges
Staff	People-oriented Rational remuneration policy Harmonious employment relationship Safe workplace	Staff trainings Trade uion activities Meetings of employee representatives Collection of feedback and reasonable suggestions
Customers and consumers	Honesty, trustworthiness, fairness and mutual benefits Product quality Comprehensive after-sales service system	Market service hotlines Sales offices Opinion survey
Mass public in community	Promote social harmony and stability Support social services Promote energy conservation and emission reduction and environmental education	On-site survey Social welfare activities

Materiality analysis

During the reporting period, Shandong Molong conducted a materiality analysis based on stakeholder communication and feedback, and identified the following ESG issues from two dimensions: materiality to stakeholders and materiality to the Company's sustainable development, and formed a matrix for analysis of the corresponding materiality issues.



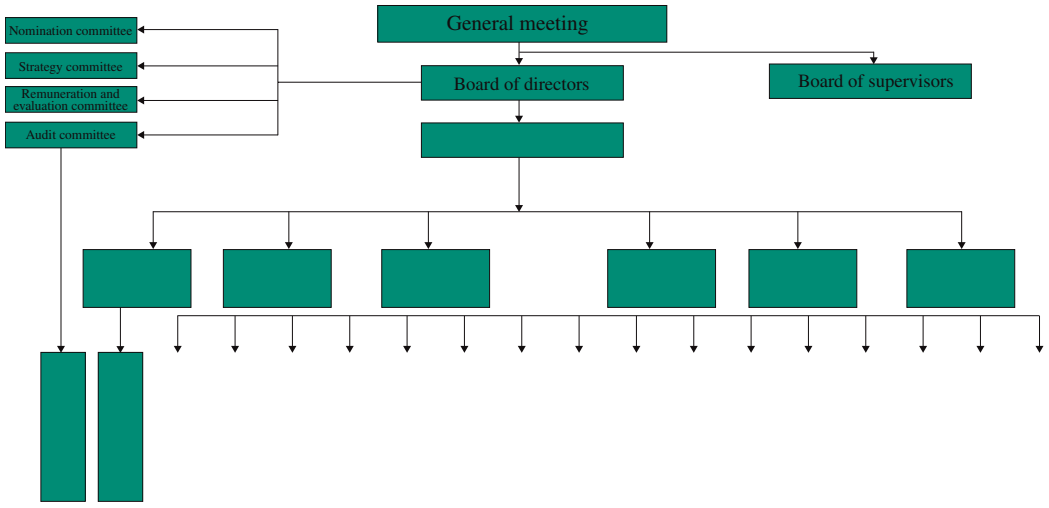
Materiality analysis matrix of Shandong Molong

II. RESPONSIBLE GOVERNANCE

2.1 CORPORATE GOVERNANCE

The Company has always believed that good corporate governance is the foundation of its success and is conducive to the timely response and effective implementation of the relevant requirements for sustainable development. The Company strictly complies with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code on Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and the Listing Rules of the Stock Exchange of Hong Kong, and other laws, regulations and regulatory documents, and continuously improves its corporate governance structure and standards in line with its actual operating conditions. The Company is committed to striking a balance between economic returns, social development and environmental protection.

The Company strictly complies with the laws and regulations of the PRC and continues to improve the corporate governance structure with clear delineation of rights and responsibilities, effective checks and balances and coordinated operation among the authority, decision-making body, supervisory body and the management, and regulates the procedures for convening, holding and voting at general meetings, board meetings and supervisory board meetings to safeguard the legitimate interests of the Company and all shareholders.



2.2 COMPLIANCE AND RISK MANAGEMENT

Compliance governance is an inherent requirement for the sound operation of companies and a basic prerequisite for preventing non-compliance risk. The Company actively complies with national laws and regulations. The Board attaches great importance to internal control and risk management, and is responsible for providing adequate internal control over the Company's financial reporting and assessing the overall performance of such internal control measures. The Company has also established a systematic internal control system and regularly performs quarterly sampling inspections for internal control operation, issues internal control audit reports in a timely manner in response to operational deficiencies identified, and carries out timely elimination in accordance with the requirements of deficiency management.

Risk control is a crucial part of corporate management. The Board and the Audit Department of the Company have jointly set up a risk management leadership group, which is responsible for identifying and analysing internal and external risks and formulating countermeasures. The Company holds regular meetings with senior management every month to discuss and analyse various risks existing in the Company, formulates rectification measures and follows up the implementation results. At the same time, the Company organises ad hoc meetings with the management to learn about risk management, discusses annual risk assessment reports and formulates further risk control strategies. During the reporting period, the Company actively conducted training on risk compliance management, with 2,549 employee participants and 114 hours of training time.

Key Performances:

A total of 7 internal risk points and 7 external risk points were evaluated in the annual assessment of the risk management group, which were classified according to the evaluation scores and the number of evaluations, including 6 internal general risks and 1 minor risk; 6 external general risks and 1 minor risk. The Company promptly formulated countermeasures and rectification measures and. by adjusting operation strategies, strengthening internal controls and enhancing management processes, the evaluation team is of the view that there was no significant risk to the Company in 2021.

2.3 ANTI-CORRUPTION MANAGEMENT

The Company strictly adheres to relevant laws and regulations, including the Contract Law of the People's Republic of China, the Company Law of the People's Republic of China, the Anti- Monopoly Law of the People's Republic of China and the Anti-unfair Competition Law of the People's Republic of China, and has established an Audit Committee in its governance structure, with responsibilities to formulate, review and monitor the corporate governance policies and practices, to prohibit any forms of bribery, extortion, fraud, money laundering and any other non-compliance. The Company is also committed to establishing a long-term anti-corruption and anti-fraud mechanism. The Board regularly organises training on fraud knowledge for directors, supervisors and the senior management, as well as anti-corruption and anti-bribery training for directors and staff. As at the end of the reporting period, the Company was not aware of any corruption, bribery or other fraudulent incidents, and no fraudulent incidents were identified during regular audits.

The Company maintains a smooth reporting channel for its employees and organises regular meetings with staff representatives to promote and implement anti-fraud and anti-corruption knowledge, so as to promptly identify possible corruption cases such as fraud and bribery within the Company. The Company also strictly enforces a whistleblower protection system and encourages employees to report any violations of laws and regulations, corporate rules and ethical regulations to the Audit Committee in a timely manner through various reporting channels such as telephone, e-mails and mails. After investigation and verification, the Audit Committee will report to the management or the Board in a timely manner and take disciplinary action in accordance with the relevant regulations of the Company; if the act is suspected of violating the law, it will be referred to the judicial authorities for legal action. As at the end of the reporting period, the Group has not been aware of any corruption issues and related complaints.

2.4 INVESTOR RELATIONS

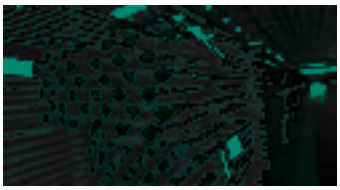
The Company attaches great importance to the disclosure of information and strictly follows the requirements of relevant laws and regulations as well as the "Information Disclosure Management System" and "Self-regulatory Supervision Guidelines for Companies Listed on the Shenzhen Stock Exchange No. 5 – Information Disclosure Management to disclose relevant corporate information to shareholders and investors based on the principles of truthfulness, accuracy, completeness, timeliness and fairness to ensure that all shareholders and investors are equally informed of corporate information.

Good investor relations are an important guarantee for maximising the corporate value. The Company attaches great importance to maintaining long-term and stable investor relations, enhancing communication and mutual trust with investors, and replying to investors' enquiries in a timely manner through hotlines, e-mails, investor relations interactive platforms, investor reception days and results briefing, so as to effectively enhance information communication and facilitate positive interaction with investors while practically improving the standard and transparency of the Company's regulated operations.

III. STRIVE FOR EXCELLENCE AND INNOVATION

3.1 QUALITY ASSURANCE

The Company has always regarded reliable product quality as the foundation of the enterprise, and has invested considerable funds and manpower every year to continuously improve the quality examination and monitor the equipment. The Company has long been accredited ISO 9001 international quality management system certification, obtained the ISO 14001 and OHSAS 18001 management system certification in 2009, and passed the DNV product certification in 2020, and successfully passed the QES management system follow-up recertification. Its main products are also approved to use the certification logo of American Petroleum Institute ("API"), which helps its products to better meet the needs of domestic and foreign markets. The main products of the Company, namely casings, valves, mud pump liners, precision stainless steel forgings, three kinds of oil pumping units and accessories, are highly marketable globally in major oil-producing regions such as Europe, the Americas and the Middle East, and are well-trusted and well-received by overseas customers.



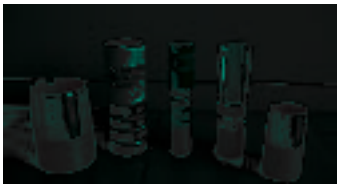
Sucker rods



High purity pig iron



Floating ball valve



Premium thread and API products



Small valve series



Casings

Key products of Shandong Molong

The Company strictly complies with the Product Quality Law of the People's Republic of China and other relevant laws and regulations, and insists that all products must be subject to quality inspection and their design, manufacture, installation and testing must comply with the relevant standards, specifications, design parameters and technical requirements. In addition, all products are subject to stringent quality inspection and safety verification, including material inspection, manufacturing process verification, finished product inspection and substandard product control to ensure that the quality of products leaving the factory meets the requirements.

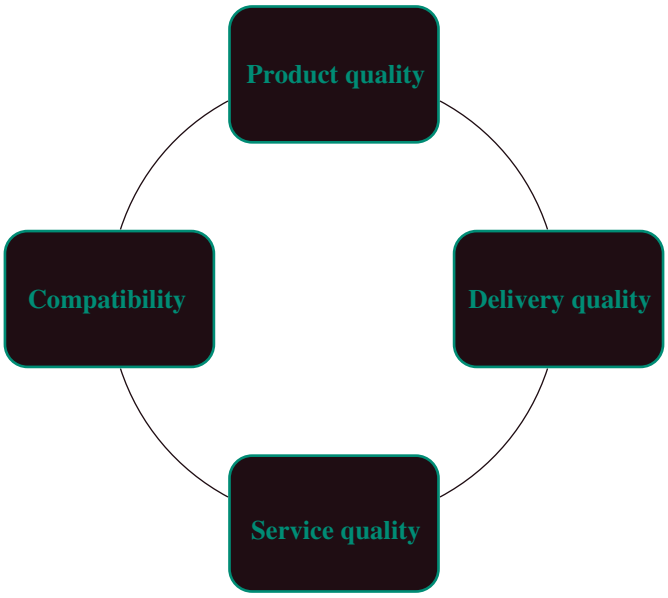
The Company has safety measures in place covering product and service quality and quality and safety to ensure compliance with laws and regulations. In the event of complaint, the Company will immediately assess the complaint and conduct a thorough investigation into the matter to identify the problem and rectify the situation as soon as practicable. The Company provides a 12-month warranty period for all products manufactured by the Company. Products with quality issues will be repaired or replaced free of charge. As of the end of the reporting period, there were no disputes or related litigation threatened against the Company relating to product liability nor product recall.

3.2 CUSTOMER SERVICES

The Company, in processing product trading, exporting and reselling, strictly complied with related compliance policies and laws and regulations, including being reasonably prudent to ensure it does not violate any trade regulation laws. In addition, all employees of the Company shall follows necessary internal guidelines in product sales and customer contact, and are required to perform a full range of anti-corruption management duties, including recording financial transactions, auditing business partners, and conducting regular internal audits, according to the various departmental requirements. As at the end of the reporting period, the Company had not received any complaints in relation to its service obligations.

Customer satisfaction survey

The Company strictly complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other relevant laws and regulations, and organises customer satisfaction surveys on a regular basis and customer visits on an ad hoc basis to understand customers' expectations and opinions on products or services so as to strengthen mutual trust between customers and the Company. During the reporting period, a total of 33 customer satisfaction surveys were distributed and all of them were returned, with a customer satisfaction rate of 97.23%, indicating that customers were relatively satisfied with the services provided by the Company.



Areas of concern of Customer Satisfaction Survey

In addition, the Company has established a dedicated after-sales service department and has set up relevant service organisations in each region. As a result, when there is a demand for service in the market, the Company is able to quickly organise relevant personnel such as marketing staff, technical experts and after-sales service engineers to arrive on site and provide the required service in a timely manner.

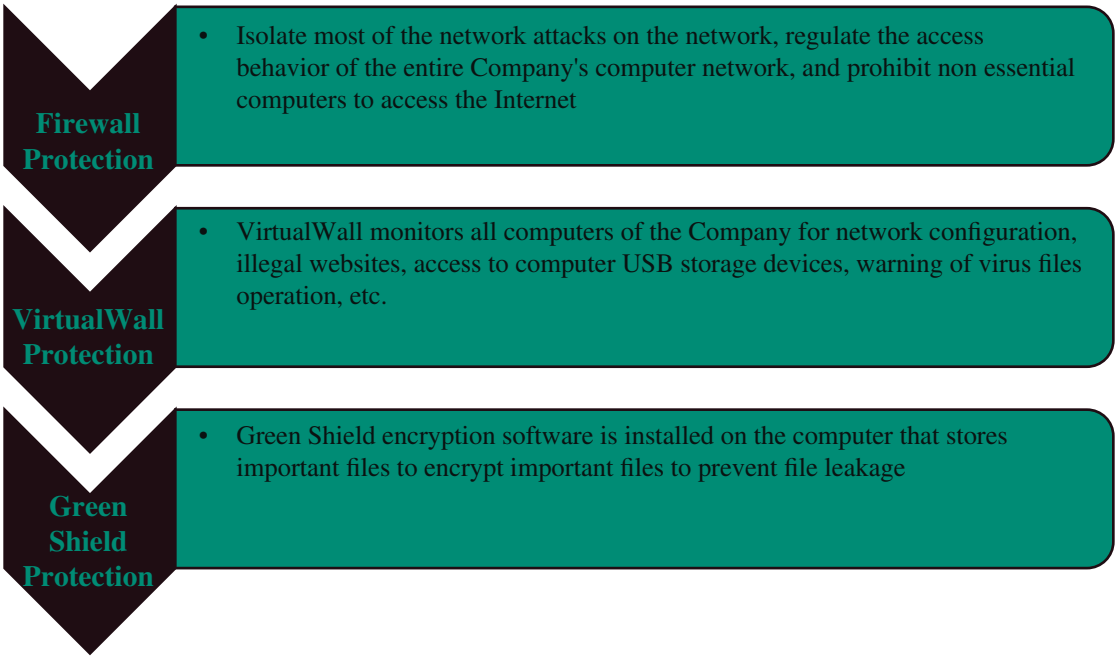


Enterprise personnel cooperate with well operations

Information security and protection

The Company seriously manage information security and ensure that customer information is effectively protected by strictly complying with relevant laws, regulations and regulatory documents, such as the Cybersecurity Law of the People's Republic of China and the Administrative Measures for the Graded Protection of Information Security, adhering to the network management concept of "prevention first with strengthened control", and formulating internal guidelines such as the Cybersecurity Protection and Management System, the Information System Management System, the Computer Management Regulations and the Server Room Management System.

To further ensure the normal operation of the information system, the Company has recruited full-time (part-time) staff to manage the computer system and network in a unified manner to effectively protect customer information resources and prevent divulging the information and data of suppliers, partners and customers to the maximum extent possible. Furthermore, the Company regularly supervises and inspects whether staff with access to confidential information have complied with non-disclosure provisions and will take serious actions to deal with any violation and divulgence. During the reporting period, the Group was not exposed to any risks or incidents related to information security.



Three-tier protection system for network management

3.3 TECHNOLOGY INNOVATION

Technology innovation is the driving force of enterprise development, as well as the key guarantee for its survival and market competition. The Company continues to improve its industrial layout through technology innovation and accelerating the transformation of scientific research results by demonstrating strong R&D capabilities in the field of special devices for energy equipment. The Company has undertaken more than 70 national and provincial-level related scientific research projects.

As at the end of the reporting period, the Company owned the Shandong Petroleum Special Pipe Engineering Technology Research Center and the post-doctoral scientific research workstation as the “first domestic post-doctoral scientific research workstation in the industry”; the Company also owns innovative platforms such as the Shandong Provincial Enterprise Technology Center, Shandong Petroleum Special Pipe Engineering Technology Research Center, National Accreditation Laboratory and Weifang Petroleum Machinery Engineering Technology Research Center, which reinforce the leading position of its products and technologies in China as well as its competitiveness in the international market.

Incentive mechanism for innovation

In order to encourage product development staff to enhance their enthusiasm and efficiency, especially to develop new products with high technological quality, high added value, high market demand or capable of solving key technical problems of customers, the Company has issued company-level systems and policies such as the New Product Development Management Measures, Administrative Measures for the Evaluation and Appointment of Engineers, New Product Development Review and Reward System, Opinions on Incentivizing the Promotion of New Products and New Markets and Regulations on the Establishment of Technology Development and Promotion Team to stimulate employees' innovative spirit and continuously enhance the core competitiveness of the Company.

Implementation of research outcomes

During the reporting period, the Company efficiently developed the MLC-2-HCHT high-torque casings with high quality and commissioned the "National OCTG Quality Supervision and Inspection Center" to conduct evaluation tests in a timely manner, providing sufficient technical and quality assurance to convince customers, open up the market and ensure on-site use, etc. The research and development project has been included in the "Four New Technologies Field Test Programme" for oilfields and has been successfully applied in oilfields in large scale. In addition, the Company has successfully developed anti-torsion thickened tubing, which has achieved good results in reducing harmful elements and hazards, improving quality, lowering costs and increasing efficiency.

Protection of intelligent property rights

During the reporting period, the Company's technical department has continued to enhance the development and innovation of new products to ensure that they meet the requirements of new environments and new technologies. Through our tireless efforts and repaid development over the years, the "Molong" trademark has become a famous trademark of Shandong Province, and our products have become a key export brand for cultivation and development in Shandong Province.

The Company strictly complies with the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and other laws and regulations, has established an intellectual property rights management system in accordance with the requirements under GB/T 29490-2013 Practice Management Property Intellectual Enterprise, compiled and implemented an intellectual property rights manual and a series of intellectual property rights management procedure documents, and has maintained their implementation. In addition, the Company actively encourages its employees to apply for patents and present papers. As at 31 December 2021, the Company obtained 14 invention patents and 141 utility model patents, with 15 new patent applications authorised this year. We applied to register 17 trademarks and had 196 staff in the innovative R&D team. The total investment in innovation and R&D this year amounted to RMB100,910,000.

IV. WIN-WIN COOPERATION

4.1 SUPPLIER MANAGEMENT

The Company has formulated the Bidding Management Policy and the Supplier Management System and established a strict supplier admission and review system, while continuously enhancing the risk management of the supply chain and actively building a sustainable supply chain.

4.1.1 Admittance of suppliers

The Company strictly selects suppliers based on a series of quantitative criteria, such as the compliance conditions, price, quality, supply stability, timely delivery rate, incoming material passing rate, customer complaints and after-sales service, etc. In principle, supplier selection is determined in sequence of direct vendors, source vendors, state-owned enterprises, listed companies, agents and distributors. The selection process includes review of the supplier's work performance and whether it is still in the relevant industry, etc. At the same time, it is necessary to review each qualification document provided by the supplier one by one. The qualification documents are compiled by the Company's sales staff, rechecked by the department manager, approved by the deputy general manager and reviewed by the Audit Department. Unapproved suppliers are prohibited from competitive bidding and price comparison relating to the Company's business. Before participating in the Company's competitive bidding and price comparison for the first time, the supplier should submit a stamped copy of the relevant qualification documents, including:

(1) Supplier Survey Form;

(2) Business license, license for opening accounts, and proof of qualifications matching the products or services provided;

(3) Other proof of qualifications required for the product or service to be provided.

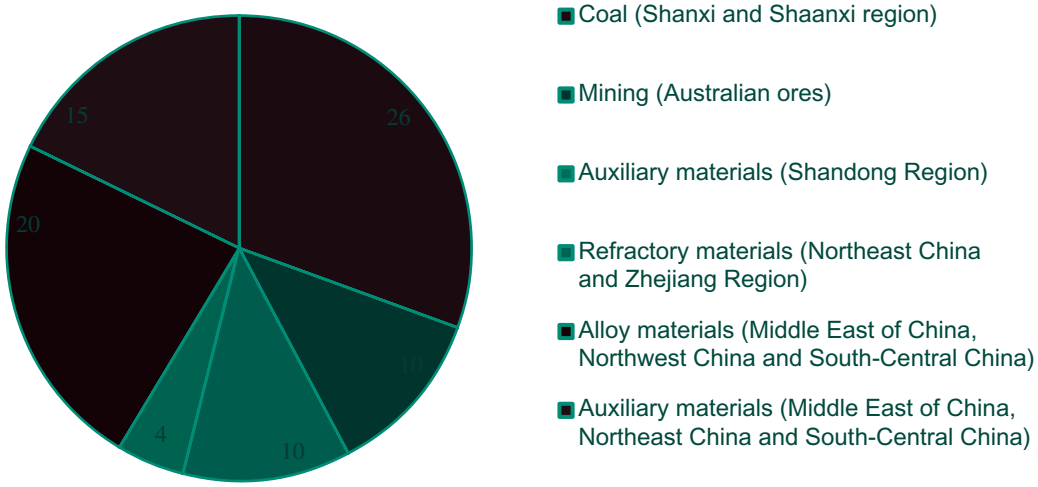
4.1.2 Supply chain risk management

Prior to the supplier's participation in our business, the Company will check its credit information and the relevant status of its affiliates from the relevant credit information network,and conduct supplier evaluations on an annual basis. The Company implements a stringent test and control flow in the process of production. In the incoming material warehousing and production stage, the Company continues to monitor the quality of materials provided by external suppliers. Meanwhile, the Company also implements different warehouse storage managements according to the production materials provided by suppliers. At the same time, the Company requires all suppliers to sign a Letter of Undertaking and an Economic Contract for the supply of goods, and no company or individual may sign an Economic Contract with the Company without providing Letter of Undertaking. The Economic Contract should adopt a standardised version prepared by the corporate legal department of the Company and both parties are legally bound by the terms of the contract.

During the reporting period, the Company has not been exposed to significant risks related to the supply chain in the environmental and social aspects. As at the end of the reporting period, the Company had a total of 361 qualified suppliers, all of which are located in China.

Table: Information on the Company's supplier management in the past three years

Disclosure		Unit	Annual information		
			2019	2020	2021
Total number of suppliers		/	278	326	361
By region	Suppliers in Mainland China	/	278	326	361
	Suppliers from Hong Kong, Macau and Taiwan or overseas	/	0	0	0
Percentage of suppliers who have signed the supplier code of conduct		%	100	100	100
Number of suppliers identified with actual and potential significant negative social impacts		/	0	0	0
Number of suppliers identified with actual and potential significant negative environmental impacts		/	0	0	0
Total number of new suppliers		/	22	48	35
Proportion of purchasing staff who have passed sustainable procurement training within the Company		%	100	100	100



Distribution of the Company's material suppliers in 2021 by category (unit: number of suppliers)

4.2 SUNSHINE PROCUREMENT

The Company actively practices sunshine procurement by striving to establish a fair and competitive business environment and striving to maintain the ecology of the industry. The Company ensures strict transparency, fairness and impartiality in the procurement process in accordance with the Supplier Management System, Material Procurement and Management System and Bidding Management Policy.

4.2.1 Sunshine procurement

In order to practice sunshine procurement, according to the requirements of the system, the Company's procurement of materials with a budget of RMB500,000 and above must be carried out by a tender team of five or more staff members for on-site tender or negotiated tender, and the procurement of materials that do not meet the requirements of on-site tender is carried out through open tender on the Company's website so as to enhance the transparency of the tendering process. Meanwhile, before the tender, the staff of the Company's tender team are required to sign an Independence Declaration to ensure that they are not related to or interested in the participating suppliers in order to uphold the impartiality of the tender, and at the same time sign a Letter of Undertaking with the suppliers, requiring that no corrupt and bribe-taking practices shall occur in the course of cooperation. As at the end of the reporting period, the Company had signed Letter of Undertaking with all of its suppliers.

4.2.2 Risk assessments

During the reporting period, the Company strictly enforced the Supplier Management System, the Material Procurement and Management System and the Bidding Management Policy by strengthening audit supervision through contract review and standardizing the collection and review of registration information on the online tender system. The Company has strengthened its procurement audits by reviewing requisitions, supplier selection and pricing, submissions and utilisation, as well as assessing the timeliness of requisitioned purchases, effectively reducing the probability of irregularities such as untimely purchases, supplier fraud and over-planned purchases. The results of the Company's risk assessment indicate that there are no significant operational risks associated with the procurement business.

V. ENVIRONMENTAL PROTECTION

The Company adheres to the strategy of sustainable development by practicing the concept of coordinated development of production and environmental protection, actively implementing the planning, implementation and development of environmental protection along with production.

5.1 ENVIRONMENT MANAGEMENT SYSTEM

The Company's environmental protection work is managed by the environmental protection management department and applying the system of division of labour and hierarchical responsibility. Therefore, the environmental protection work can be performed in a systematic, scientific, standardized and regulated way. The Company's legal representative is the person in charge of environmental protection work, and is responsible for allocating the neccssary personnel and positions according to the task and needs of environmental protection work, and follow guidance of the provincial and municipal environmental protection departments, while the safety and environmental protection department is the responsible department for specific work. The Company's environmental management system has passed ISO 14000 certification, and its environmental management is carried out in strict accordance with the Environmental Protection Management System, the Hazardous Waste Management System and the System of Accountability for Environmental Incidents.



Environmental Management Certification

Table: Key responsibilities of the Safety and Environmental Protection Department of the Company

No.	Key Responsibilities
1	Publicise and thoroughly implement national and local environmental protection laws, regulations, guidelines and policies, and formulate relevant measures or implementation rules of the unit in accordance with the environmental protection strategies, guidelines and regulations of the joint-stock company.
2	Responsible for the formulation and implementation of plans for environmental protection and comprehensive resource utilization of the Company.
3	Responsible for the technical supervision of the Company's environmental protection and the auditing of environmental statistics.
4	Establish and improve the Company's environmental protection management and environmental protection facilities and equipment operation management system to ensure the safe, effective and normal operation of various environmental protection facilities and equipment.
5	Responsible for handling environmental pollution accidents and pollution disputes of the Company, and formulating plan to prevent environmental emergencies. In case of pollution incidents or other unexpected pollution incidents, emergency measures to prevent pollution shall be taken immediately, and major or critical environmental pollution incidents shall be reported to the Municipal Environmental Protection Bureau within 24 hours after the occurrence of such incidents.
6	Responsible for the preparation of the Company's environmental protection project plan and reporting it to the relevant environmental protection department and the Company, and responsible for liaising with the local government's environmental protection department on behalf of the Company on a daily basis.
7	Responsible for the ecological protection and soil and water conservation work of the Company and to prevent environmental pollution incidents.
8	Responsible for the organization and implementation of the Company's environmental protection technology innovation, and the promotion and application of scientific and technological achievements.

Environmental impact assessment and administrative permissions for environmental protection

The Company strictly complies with the requirements of the environmental laws and regulations to carry out environmental impact assessment of construction projects. The construction projects have all passed the environmental impact assessment procedures and been accepted by the relevant competent authorities, where filing procedures have been carried out. The Company's pollutants discharge permits are all within validity period.

Emergency management system for sudden environmental incidents

Each of the Company and its subsidiaries has engaged a qualified firm to prepare its emergency plans for sudden environmental incidents, which have been filed to environment authorities after reviewed by experts. The Company and its subsidiaries also organise trainings and drills on a regular basis. During the reporting period, the Company rectified the problems in the area of emergency management, so as to strengthen the control of environmental risks.

Environmental protection supervision and management system

The Company continuously strengthens the supervision and management of environmental protection, formulates the environmental protection responsibility system and completes the objectives stipulated therein. The Company's environmental protection work is reported to the Municipal Environmental Protection Bureau and the Company's leadership on a regular basis, and is subject to the supervision of the general public. At the same time, the Company has implemented the "environmental protection one-vote veto power" and incorporated environmental protection into its target responsibility system assessment. The Company has also implemented a full process management of environmental protection technology supervision and incorporated it into its production and operation management.

5.2 EMISSION MANAGEMENT

The Company and its subsidiaries strictly comply with the Environmental Protection Law of the People's Republic of China, the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China, the Prevention and Control of Water Pollution Law of the People's Republic of China and other relevant laws and regulations on environmental protection in the management of emissions.

During the reporting period, the Company and its subsidiaries actively cooperated with the local environmental testing authorities to conduct regular supervision tests. The four sets of online monitoring equipment were in normal operation, and a third party testing unit was commissioned to conduct regular monitoring of all the Company's emission data to meet the industry standards and requirements of the local environmental protection authorities. The Company will conduct monthly statistical disclosure of relevant environmental protection information and supervise the stable operation of wastewater and waste gas treatment facilities, effectively safeguarding the management of wastewater and waste gas emissions within the Company.

5.2.1 Carbon emission

To address global climate change, reduce climate risks and carbon emissions, the Company has formulated greenhouse gas emission reduction measures, including: (1) giving priority to low energy consumption and energy-efficient products as well as renewable energy to reduce energy consumption; (2) promoting the avoidance of unnecessary business travel to reduce carbon emissions caused by transportation (e.g. aeroplanes) in business trips; (3) giving priority to local suppliers to reduce energy consumption caused by the transportation of goods; (4) emphasising the importance of reducing carbon emissions in the supply chain management; (5) installing ventilation and dust removal, toxin removal and filtration systems in the Company's factories to reduce emissions; (6) using environmentally friendly materials in the renovation of the Company's office buildings, and conducting air quality tests before use, and only those materials passing the tests should be used.

Table: Exhaust emissions from the production, operation and office process of the Company in the past three years [1]

Disclosure	Unit	Annual information		
		2019	2020	2021
Total exhaust emission	m^3	524,288.2	1,031,745.8	1,291,505.3
Particnlate matter	Average emission concentration (mg/m^3)	3.67	5.22	5.12
	Total emission (tonnes)	16.3	5.83	17.4
Nonmethane hydrocarbon	Average emission concentration (mg/m^3)	4.43	/	/
	Total emission (kg)	104.46	/	/
NOx	Average emission concentration (mg/m^3)	49.7	44.44	64.43
	Total emission (tonnes)	44.84	21.59	24.74
SOx	Average emission concentration (mg/m^3)	12.96	3.86	4.74
	Total emission (tonnes)	28.62	25.92	18.17
VOCs	Average emission concentration(mg/m^3)	/	17.47	15.03
	Total emission (tonnes)	/	1.69	2.78
Note: [1]Air Pollutant Emission Classification Standard：GB 16297-1996, GB 37822—2019.				

5.2.3 Wastewater

The Company has equipped all production plants with integrated sewage treatment facilities which are in normal operation. Wastewater discharged from production process of the Company is treated and recycled without outward discharge.

Table: Wastewater from the production, operation and office process of the Company in the past three years and indicators of water pollutants [3]

Disclosure	Unit	Annual information		
		2019	2020	2021
Total Wastewater Discharge	m^3	25,707.149	9,226	14,426.5
Chemical Oxygen Demand (COD)	Emission concentration (mg/L)	50	40	31.8
	Emissions (tonnes)	1.2854	0.369	0.459
Ammonia nitrogen	Emission concentration (mg/L)	5	1.95	0.7
	Emissions (tonnes)	0.1286	0.018	0.01
Total phosphorus	Emission concentration (mg/L)	0.5	0	0.135
	Emissions (tonnes)	0.0128	0	0.002
pH	–	7.7	7.69	7.03
Other emissions	Emission concentration (mg/L)	15	8.24	8.25
	Emissions (tonnes)	0.3856	0.076	0.119

Note: [1]Water Pollutant Discharge Classification: GB 8978-1996, GB18466-2005.
[2]Other emissions specifically refer to total nitrogen.

5.2.4 Solid waste and hazardous waste

The Company has developed a Hazardous Waste Management System to continuously improve its hazardous waste management capabilities. The Company's disposal methods for hazardous and non-hazardous waste, the waste reduction targets set and the steps taken to achieve them include: (1) in order to reduce the generation of hazardous wastes from source, the Company, in the course of its technological transformation, focuses on the use of non-toxic, non-hazardous or low-toxic, low-hazardous raw materials to replace highly toxic and hazardous raw materials; the use of processes and equipment with high resource utilization and low pollutant generation to replace those with low resource utilization and high pollutant generation; (2) adjusting process indicators to simplify the production process and improve the utilization rate of raw materials and production output rate, while ensuring the normal operation of production equipment and pollution control facilities.

Table: Emissions and disposals of recyclable, general and hazardous wastes from the production, operation and office process of the Company in the past three years [1]

Disclosure	Unit	Annual data		
		2019	2020	2021
Total recyclable waste	Tonnes	262,710.1	3,772,281.83	280,966.1
Total general solid waste [2]	Tonnes	262,710.408	372,282.132	280,966.3717
Total general solid waste to landfill	Tonnes	0	0	0
Total general solid waste incinerated	Tonnes	0.308	0.302	0.2717
Total general solid waste recycled	Tonnes	262,710.1	3,772,281.83	280,966.1
Other general solid waste	Tonnes	0	0	0
Total hazardous waste [3]	Tonnes	17.36	8.7862	12.10335
Total hazardous waste to landfill	Tonnes	3.62	0.6022	2.5273
Total hazardous waste incinerated	Tonnes	13.24	7.767	9.42005
Total hazardous waste recycled	Tonnes	0	0	0
Other hazardous waste	Tonnes	0.5	0.417	0.156

Note: [1]Waste discharge standards: GB/T 27686-2011, GB/T 16716-2012, GB/T 28739-2012, GB/T 29010-2012, GB/T 30102-2013, GB/T 31755-2015, GB/T 33062-2016, GB/T 33059-2016 and GB/T 34805-2017. 2 General waste refers to waste paper, construction waste and domestic waste which are not included in the Directory of National Hazardous Wastes (2021 Edition).3 Hazardous waste refers to waste that is included in the Directory of National Hazardous Wastes (2021 Edition).

5.3 USE OF RESOURCES

The Company attaches great importance to improving the standard of use of resources and continuously enhancing the efficiency of energy and water resources utilization to support sustainable development.

5.3.1 Energy consumption

The Company continues to improve its energy management system by equipping with corresponding energy measurement tools and implementing technological upgrades and transformations for energy saving and consumption reduction, to allow more reasonable and effective energy utilization and resource allocation.

Table: Energy consumption of the Company in production, operation and office for the past three years [1]

Disclosures	Unit	Annual data		
		2019	2020	2021
Natural gas	m^3	64,694,800	54,973,300	36,005,800
Raw coal	Tonnes	431,706	389,975.49	372,461.35
Diesel	L	27	43.73	/
Petrol [2]	L	29	/	/
Renewable energy [3]	kWh	130,368,000	167,910,000	138,420,000
Purchased electricity	kWh	34,979,000	34,918,800	30,681,900
Note: [1]Energy classification: according to GB/T 29870-2013. [2]Diesel/petrol consumption of vehicles includes company-owned vehicles but not vehicles from third parties. [3]ISO/IEC CD 13273-1.2, defines renewable energy which includes wind power, solar power, hydropower, geothermal energy, etc.				

Table: Transportation of the Company in the past three years [1]

Disclosures	Unit	Annual data		
		2019	2020	2021
Number of electric private vehicle owned	Number of vehicles	48	55	64
Electric private vehicle mileage	Km	190,500	239,000	29,080
Number of private fuel vehicles owned	Number of vehicles	980	1,085	1,220
Private fuel vehicle mileage	Km	4,509,500	6,205,000	7,520,050
Number of fuel trucks owned	Number of vehicles	10	10	10
Fuel truck mileage	Km	305,200	259,000	288,000
Note: [1]Transportation includes company-owned vehicles but not vehicles from third parties.				

5.3.2 Use of water resources

The Company uses tap water provided by the government to ensure reliable quality and sufficient water supply. The water used in the production facilities of the Company is circulating water. By posting water conservation signs in workplaces, washrooms, pantries, canteens and staff dormitories, all employees are reminded to conserve water. During the reporting period, the Company and its subsidiaries adopted a series of water conservation measures to enhance the efficiency of water use and avoid wasting water resources in production and everyday life.

Table: Water conservation measures and results achieved by Shouguang Maolong New Materials Technology Development Co., Ltd. ("Shouguang Maolong", a subsidiary of the Company) in 2021

No.	Water conservation measures and key performances
1	The circulating water of oxygen station is replaced and diverted to the nullah in the desalination pond for desalinating seawater, resulting in an estimated annual water conservation of approximately 91,500 m^3.
2	Replacement of the circulating cooling water of the 18 air coolers in the comprehensive pump house is expected to result in an annual water conservation of 66,300 m^3 upon completion of the renovation.
3	The secondary use of mixed bed regenerated flushing water and start-up flushing water can save approximately 700 m^3 of industrial use of water per month.
4	The use of primary reverse osmosis (RO) concentrated water for ultrafiltration backwash water saves approximately 2,000 m^3 of ultrafiltration production of water per day.
5	Upgrading for the use of multi-media backwashing water, and equipment has been backwashed with primary RO concentrated water which can save 4,000 m^3/d of raw water.
6	Changing the secondary RO concentrated water discharge to an ultrafiltration tank can save water by 120 m^3/d.

Table: Water consumption in the Company's production, operation and office for the past three years

Disclosures	Unit	Annual data		
		2019	2020	2021
Municipal water purchased	m^3	182,102	137,398	1,441,938,000
Underground water consumption	m^3	68,445	71,130.6	156,105
Total circulating water/reclaimed water	m^3	298,958	1,607,306	1,347,121.06

Table: Performance in respect of the Company's water-saving indicators in 2021

Assessment	Name of Indicators	Indicator values	Performance
Water intake	Water intake per unit of product	60 tonnes	50.4 tonnes
Reuse	Reuse rate	100%	100%
	Circulation rate of direct cooling water	100%	100%
	Circulation rate of indirect cooling water	100%	95%
	Recycling rate of condensed water	100%	100%
	Recycling rate of wastewater	30%	28%
Water leakage	Comprehensive leakage rate of water	0.1%	0.08%
Water discharge	Up-to-standard discharge rate	100%	100%

5.3.3 Use of packaging materials

Based on business characteristics and customer needs, the Company mainly uses materials such as protective covers and caps to carry out simple packaging of products, and the cost of materials such as protective covers and caps are included directly in the cost of the product. The quantity of such materials is not precisely counted by the Company.

5.4 GREEN ENVIRONMENTAL PROTECTION

The Company continues to strengthen the research and promotion of energy saving, water conservation, comprehensive utilization of resources and clean production technology, and increase the investment in green environmental protection technology, gradually forming a more comprehensive technological innovation system to continually support environmental protection. In 2021, the Company invested RMB41,392,100 in environmental protection and paid RMB87,124.8 in respect of environmental protection tax.

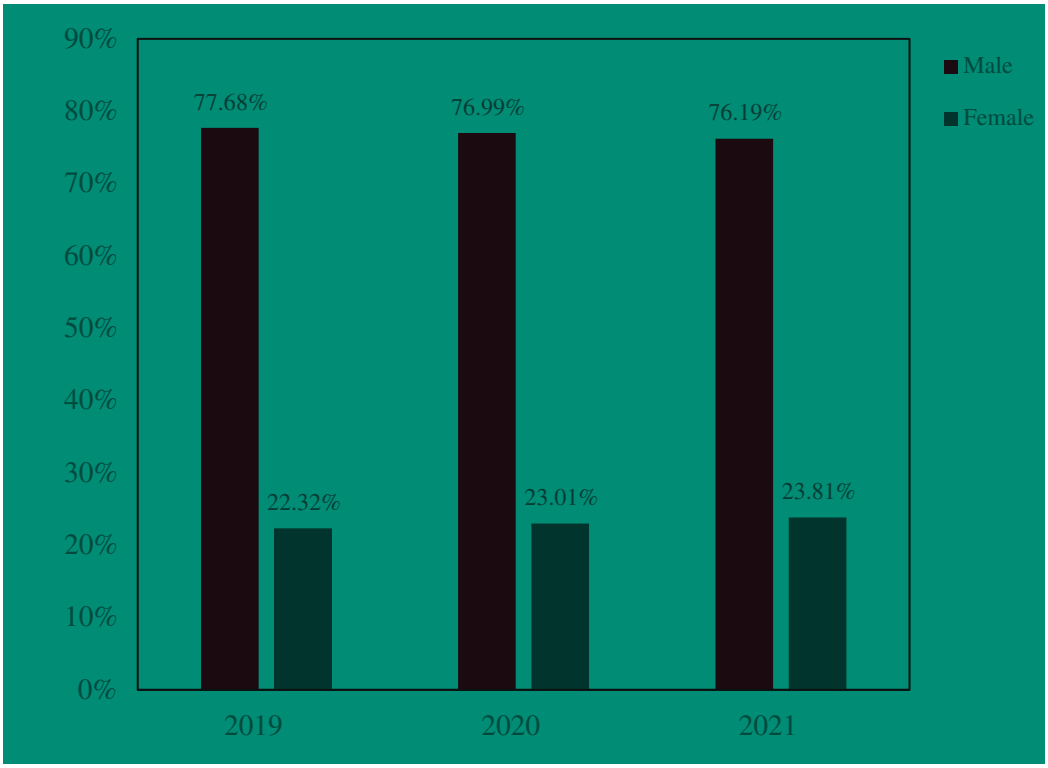
Table: The Company's environmental protection investment in the past three years12.Ij.12.Ij.

VI. CARING FOR EMPLOYEES

The Group regards employees as its valuable assets and is in strict compliance with national laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Trade Union Law of the People's Republic of China to regulate labour and work in light of the laws. The Group has established a labour management system including staff recruitment, education and training, remuneration accounting and staff attendance in accordance with the law. During the reporting period, Shandong Molong continued to optimise the Company's employment management mechanism and to enhance the remuneration and benefits of its employees while protecting their rights and interests.

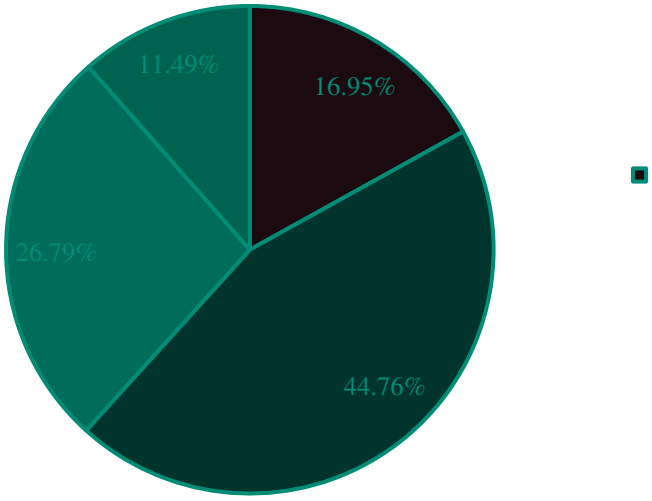
6.1 DIVERSE WORKPLACE

Shandong Molong pays attention to creating a diverse, fair and open workplace ecology, fully guarantees employees' equal employment opportunities, insists on treating employees of different nationalities, ethnic groups, genders, religious beliefs and cultural backgrounds equally, and insists on maintaining the interests of employees of different genders, ages and regions. At the same time, the Company actively implements its commitment to gender equality in the workplace and steadily increases the proportion of female employees. As of the end of the reporting period, the proportion of female employees in the Company reached 23.81%.



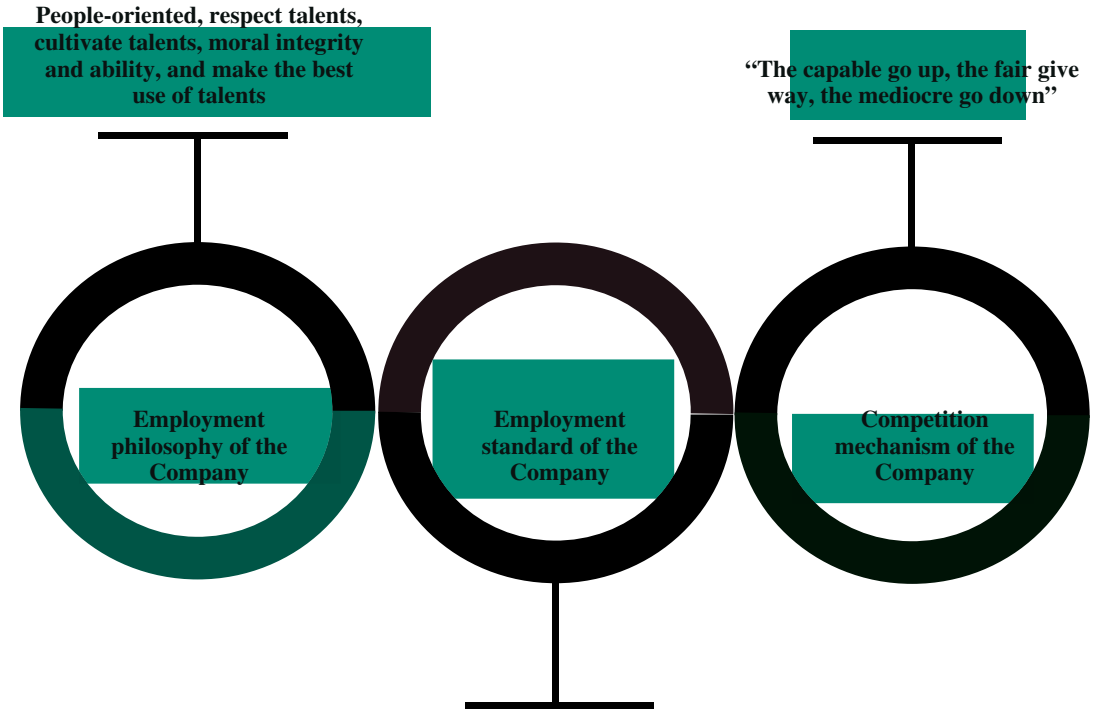
Gender composition of Shandong Molong employees

During the reporting period, the Company aimed to have established a mature system with stable personnel. According to the Company's actual business needs and industry characteristics, it continuously promoted the age structure of its workforce to move towards a more balanced one and achieved a reasonable distribution of employees' age and educational background.



6.2 EMPLOYEE RIGHTS

In order to create a fair workplace environment, Shandong Molong has formulated relevant human resource management standards such as the Employee Recruitment Management System and the Employee Reward and Punishment Management System, continuously strengthened the human resources management system, and work strictly in accordance with the standards set to ensure that there are rules to follow in staff recruitment, mobility and resignation, and safeguard the legitimate rights and interests of employees.



Shandong Molong's concept on talents

Shandong Molong has long attached great importance to the establishment of a refine staff management system. The Company implements a series of human resources policies and regulations to realise the standardised operation of staff management, so that employees have rules to follow and supported by reason.

Table: List of the human resources policies of Shandong Molong

No.	File name	File code	Way of distribution	Volume	Establishment Department	Control Department	Operational Status
1	Account Management System	QX/ML-QG09-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
2	Travel expenses reimbursement regulations	QX/ML-QG14-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
3	Management Proposal Implementation Method	QX/ML-QG15-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
4	Engineer Appointment Management System	QX/ML-QG16-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
5	Staff Recruitment Management System	QX/ML-QG17-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
6	Payroll accounting process regulations	QX/ML-QG19-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
7	Staff Reward and Punishment Management System	QX/ML-QG20-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
8	Staff Attendance Management System	QX/ML-QG21-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
9	Integrated Management Regulations	QX/ML-QG22-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
10	Regulations governing the conditions of employment	QX/ML-QG25-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally
11	Training Management System	QX/ML-QG34-2020A	electronic file	1	Human Resource Department	Human Resource Department	implemented formally

Democratic management – Opening of employee representative meeting

Shandong Molong highly recognises the democratic management system in the form of employee representative meeting and other forms, and takes the participation of staff in the democratic management of the enterprise as an important means to protect the legitimate rights and interests of staff and promote the healthy and harmonious development of the enterprise. Through various channels such as employee representative meeting, employee representatives' WeChat groups, mailboxes and telephone calls, the Company collects timely and reasonable suggestions from employees, feeds back the development requirements of the enterprise and does a good job of communication and consultation to ensure that the authority to deliberate on major decisions of the Company and decide on major matters relating to the living and welfare of employees is implemented.

In addition, Shandong Molong has also established democratic management systems such as the "Shandong Molong Employee Representative Meeting System", and at the same time, dedicated and part-time employee representatives have been set up in each branch and department of the Company, and offline employee representative meetings are held regularly to collect suggestions and opinions from employee representatives. In order to ensure that the opinions and suggestions of the representatives are effectively implemented and handled, the OA system of the Company has also set up a column for the management suggestions and problems found by the staff representatives, so that the problems and opinions needed to be coordinated and handled by the departments can be posted on the website in a timely manner and the implementation status will also be announced to the staff in a timely manner.

In 2021, when physical meetings were restricted due to the pandemic, the Company collected suggestions and opinions from delegates through the online WeChat group of employee representatives for implementation in a timely manner.

Key performance:
During the reporting period, the satisfaction or basic satisfaction rate of the staff towards the openness of factory affairs and the trust rate of the leadership team reached over 98%; During the reporting period, more than 200 suggestions and opinions were collected from employee representatives, of which 22 needed to be coordinated by the departments to be put on the web for supervision, and more than 180 suggestions and opinions were pending to be put on the web for immediate coordination;



Employee representative management suggestions and problems identified in the Company's OA system





Photos taken from Employee Representative Meeting

6.3 STAFF DEVELOPMENT

Staff training

Shandong Graphite always adheres to the management concept of people-oriented, guided by the idea of "keeping up with the times and innovation" and based on the existing human resources for optimizing the allocation of manpower, and at the same time putting efforts in the development of human resources. Through job analysis, it formulates career planning for employees, pays attention to employee training and growth, such that the growth of employees can be kept in line with the development of corporate development planning objectives. By reforming and improving the incentive mechanism, increasing rewards and punishments, and establishing the performance-based payment system, the income of employees will be reasonably determined according to their responsibilities and contributions. An open, fair, competitive and merit-based talent selection and appointment system is then formed, creating an environment for nurturing more outstanding talents.

Staff training is also another focus of Shandong Graphite. It has established a training system that combines both long term and short term trainings and an employee training management system to build the staff team into a learning-oriented organisation. Through a variety of means, such as study abroad, on-job learning, short term training, inviting experts and reterans in the industry to give lectures, we have improved the business standard of our staff and expanded their potential.

Table: Shandong Molong staff training key indicators

Indicators	Unit	2021
Total number of hours of training received by staff	Hour	570
Average length of staff training	Hour	114
Total number of hours of training received by grassroot staff	Hour	150
Total number of hours of training received by mid-level managers	Hour	72
Total number of hours of training received by senior managers	Hour	48
Training Coverage	%	100

Development path

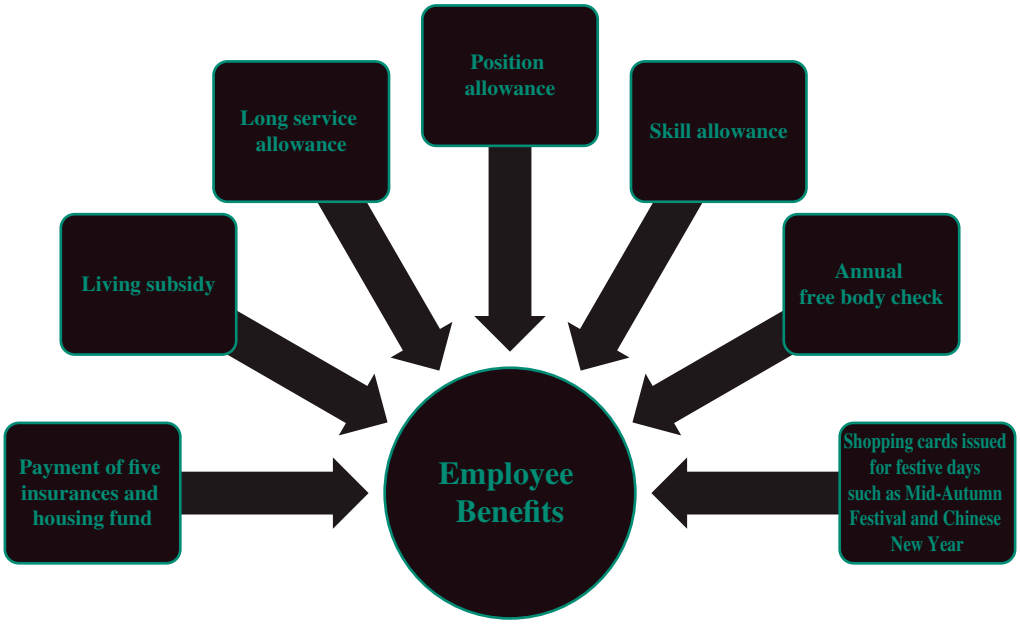
In order to provide staff with a broader platform and more opportunities for promotion and development, the Company has developed four development channels for sales, management, technical and skilled workers. The Company’s staff will be promoted through competitive recruitment or move from junior staff to management positions.



6.4 CARING FOR EMPLOYEES

Employee benefits

The Company pays great attention to the physical and mental health of its employees and provides them with a wide range of benefits in terms of living and work to enhance their sense of belonging and well-being.



Employee Benefits

Staff activities

Shandong Molong concerns much about the development of physical and mental health of its staff, and enriches their spare time by actively carrying out various cultural and sports activities, so that they can exercise and strengthen their physique while working, creating a healthy and sunny workplace atmosphere.

Case: Organising cultural and sports activities month to showcase the talents of staff

During the reporting period, the Company held a cultural and sports activities month for its staff, competitive events such as set shot, sprinting, chess, table tennis, ranking and basketball were organized which helped employees build up healthy habits of life while training their physical strength, stamina, reaction ability and the brain.

During the event, participating staff members were fully engaged in the activities, demonstrating the positive, united and harmonious spirit of Molong people, further cultivating the staff's collectivist spirit and strong sense of belonging to the Company, and enhancing the cohesion and centripetal force of the staff.



Photos taken from the cultural and sport activities month of the Company

Help and support staff with difficulties

Shandong Molong upholds the spirit of sharing the same boat with its employees, and provides targeted assistance policies to employees in difficulty, solving their livelihood problems and relieving their financial pressure. The Company will decide on the provision of assistance to eligible employees with difficulties in their families in accordance with the “Management System of the Employees’ Hardship Mutual Aid Fund” and the “Implementation Measures of the Hardship Mutual Aid Fund Donation” after considering and reviewing all applications for the Hardship Mutual Aid Fund in every department, followed by verification of the trade union on the family situation of the reported employees in difficulties and discussed with the staff representatives.

Case: Helping employees in financial hardship
In December 2020, the Company made a one-off donation of RMB15,000 to a staff of the tube rolling mill in accordance with the provisions of Article 6(3), Chapter 2 of the "Implementation Measures of the Hardship Mutual Aid Fund Donation", which was used for the treatment of sudden cerebral haemorrhage suffered by the staff's father, effectively relieving the pressure of medical treatment on the staff 's family.

6.5 EMPLOYEE HEALTH

Adhering to the approach of "safety first, precaution is key and go for integrated treatment", the Group strives to provide a safe and healthy working environment for its employees and workers. We strictly comply with relevant laws and regulations, namely the Production Safety Law of the People's Republic of China, the Regulation on Work-related Injury Insurance of the People's Republic of China, the Laws of the People's Republic of China on Occupational Diseases and the Regulation on Management of Labour Protection, to constantly improve the health and safety management system and have obtained the ISO 45001 occupational healt hand safety management system certification.

Shandong Molong takes corresponding measures to ensure that all technicians, including electricians and welders, are specially trained and have all the required licences or qualifications. At the same time, guidelines on safety are posted on the Company's bulletin boards to raise awareness of safety among production line workers. In the event of a threat to personal safety, anyone has the right to stop the operation in order to prevent injuries from occurring and worsening. In addition, the Company conducts annual workplace occupational hazards monitoring and frontline staff are granted more than one day off per week for rest to ensure that they are in good working condition.

Table: Shandong Molong staff health key indicators

Indicators	Unit	2021
Number of work-related fatalities	worker	0
Percentage of work-related fatalities	%	0
Working days lost due to work-related injuries	days	1,081

VII. COMMUNITY BUILDING

7.1 COMMUNITY SERVICE

Shandong Molong always insists on giving back to the society and adheres to the concept of establishing a harmonious society and a harmonious community, actively calling on and leading all staff to participate in various community exchange activities to build an excellent community environment and promote the humanistic construction of the community. During the reporting period, the amount of charitable donations reached RMB100,000, contributing to the development of various public welfare projects in the local community.

Key performance:

During the reporting period,

Staff volunteering reached 30 participants.

And contributed 10 hours of volunteer work per participant.

Case: Priceless blood donation to spread the love of Molong

In March 2021, Shandong Molong organised a blood donation activity for its staff in the Science and Technology Park and the 180th Park Area to ease the tight supply of blood for medical use in Weifang. The activity received positive response from the Company's staff, with over 100 participants and a total blood donation volume of 26,400ml, accounting for one-seventh of the total blood collection volume in Weifang on that day, making due contribution to alleviating the tight supply of blood for medical use in Weifang.

In December 2021, the Company was awarded the honorary title of "Pioneer Blood Donation Unit in Weifang City".



Photo of blood donation activity



Liu Fenghua, a Party member, took the lead in blood donation

Letter of Thanks for Donating Blood in Weifang

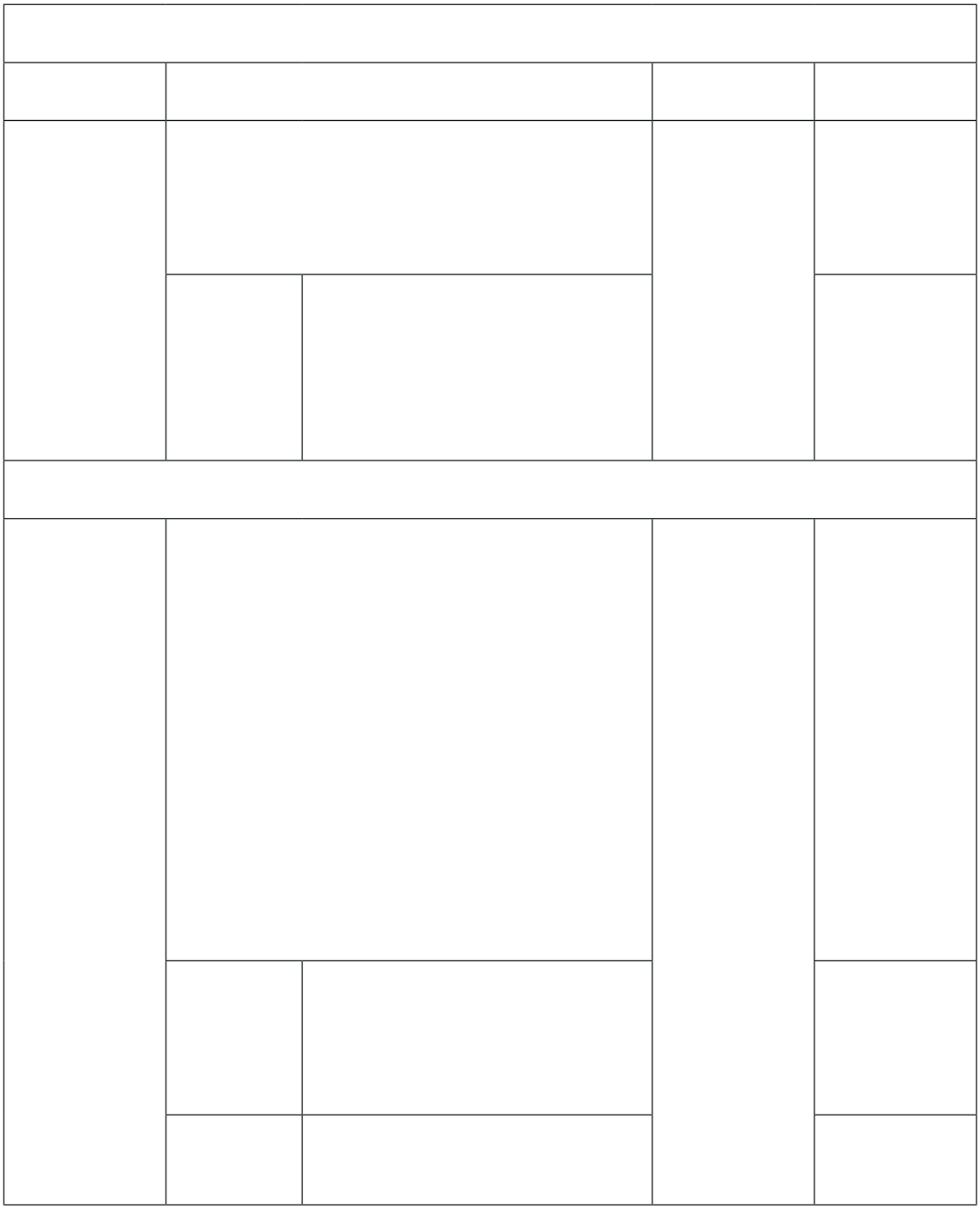
7.2 VILLAGE REVITALIZATION

Shandong Molong actively responded to the national call to promote rural revitalisation and common prosperity. During the reporting period, the Company invested RMB100,000 in the village revitalisation project to help the local poor households.

WINDEX FOR ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosures and KPIs				
Aspect	***Particulars***		***Section***	***Note***
A: Environment				
A1: Emissions	General Disclosures: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		5.1 Environment management system 5.2 Emission management	/
	KPI A1.1	The types of emissions and respective emissions data.		/
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	/	/
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2.4 Solid waste and hazardous waste	/
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		/
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	5.2 Emission management	/
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.2.4 Solid waste and hazardous waste	/

Subject Areas, Aspects, General Disclosures and KPIs				
Aspect	***Particulars***		***Section***	***Note***
A2: Use of resources	General Disclosure Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		5.3 Use of resources	/
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.3.1 Energy consumption	/
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.3.2 Use of water resources	/
	KPI A2.3	Description of the energy efficiency initiatives set and steps taken to achieve these goals.	5.3.1 Energy consumption	/
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives set and steps taken to achieve these goals.	5.3.2 Use of water resources	/
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	/	/
A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		5.4 Green environmental protection	/
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		/



Subject Areas, Aspects, General Disclosures and KPIs				
Aspect	***Particulars***		***Section***	***Note***
B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		6.5 Employee health	/
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.		/
	KPI B2.2	Lost days due to work injury.		/
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		/
B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		6.3 Staff development	/
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		/
	KPI B3.2	The average training hours completed per employee by gender and employee category.		/

Subject Areas, Aspects, General Disclosures and KPIs				
Aspect	***Particulars***		***Section***	***Note***
B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour		6.2 Employee rights	/
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		/
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.		/
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		4.1 Supplier management 4.2 Sunshine procurement	/
	KPI B5.1	Number of suppliers by geographical region.	4.1.1 Admittance of suppliers	/
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.		/
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.1.2 Supply chain risk management	/
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.1.1 Admittance of suppliers	/

Subject Areas, Aspects, General Disclosures and KPIs				
Aspect	***Particulars***		***Section***	***Note***
B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		3.1 Quality assurance 3.2 Customer services	/
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		/
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.		/
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.3 Technology innovation	/
	KPI B6.4	Description of quality assurance process and recall procedures.	3.1 Quality assurance	/
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Customer services	/

Subject Areas, Aspects, General Disclosures and KPIs				
Aspect	***Particulars***		***Section***	***Note***
B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		2.3 Anti-corruption management	/
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		/
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		/
	KPI B7.3	Description of anti-corruption training provided to directors and staff.		/
B8:				

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