



东方雨虹

2021年度可持续发展报告

Beijing Oriental Yuhong Waterproof Technology Co., Ltd.
Sustainability Report 2021



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About this Report

Reporting Period: This report is published annually.

Scope of the Report: Take Beijing Oriental Yuhong Waterproof Technology Co., Ltd. as the subject, including its subsidiary companies and branches, business divisions and production bases and other branch institutions.

Scope of the Report: From January 1 to December 31, 2021. In consideration of continuity and comparison of disclosure, a part of the information is extended back or forth on the basis of time.

Abbreviations used: The word "Oriental Yuhong" or "the Company", "the Group" herein refers to Beijing Oriental Yuhong Waterproof Technology Co., Ltd.

Report Compilation Principles: Objectivity, standardization, sincerity, and transparency.

Sources of Data: Beijing Oriental Yuhong Waterproof Technology Co., Ltd. and its wholly-owned subsidies or holding companies.

Report Improvement:

It was compiled by referring to the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) and national series standards on social responsibilities.

The Report of this year focused on demonstrating the Company's exploration and practices of green development and its contributions to scientific and technological innovation.

Compilation Basis: It was compiled with reference to the UN SDG Compass and the China CSR Report Formulation Guide of the Chinese Academy of Social Sciences (CASS) (CASS-CSR4.0).

Language: The report is presented in Chinese and English.

Access to the report: The report is published only in an electronic version.


1. You can visit the Company's website <http://www.yuhong.com.cn> or scan the right side QR code for an online PDF version.
2. Contact number: 010-59031914, Email: wangjh08@yuhong.com.cn.



Sustainable Development Goals

Oriental Yuhong and SDGs

Sustainable Development Goals	Oriental Yuhong in Action
	<p>The Company conducted the charity fund activity of "fulfilling corporate responsibility, supporting targeted poverty alleviation" in areas such as Fengnan Town, Liushuhuan Town, Heiyanzi Town in Tangshan, Liuzhai Village at the Xinxiyao Bay in Xuzhou and Qianyang Town in Shaanxi Province, and formulated profiles for the poverty-stricken to achieve targeted poverty alleviation.</p>
	<p>Oriental Yuhong has organized voluntary blood donation for 12 consecutive years.</p>
	<p>Oriental Yuhong has donated scholarships to Linyi No.1 Middle School in Dezhou for ten consecutive years and donated the first scholarship to the No. 1 Middle School of Xidongting Management Area in Changde, facilitating the project construction of a "natural farm of star-like youth" for Changzhou Tianai.</p>
	<p>Oriental Yuhong practices equal pay for equal work and respects female employees. It provides the disabled with equal employment opportunities.</p>
	<p>All production bases constantly promoted 5S management and lean production, kept improving production sites, and ensured an energy-saving, safe, and efficient productive process; The Company obtained the China Green Product Certificate, the CTC Green Product Certificate (CTC short for China Building Material Test & Certification Group Co., Ltd.), the China Environmental Labeling, the German GEV Certificate ("GEV" short for Association for the Control of Emissions in Products for Flooring Installation, Adhesives and Building Materials), and the French A+ Class for VOC emissions.</p>

	<p>It pushed forward the R&D and application of green products featuring high performance and environmental protection.</p> <p>Oriental Yuhong empowered green buildings and vigorously developed near-zero energy buildings;</p> <p>It earnestly drove energy-saving projects, such as PV power generation, low-temperature operation of heat conduction oil, solar heating, and boiler/air compressor waste heat reuse.</p>
	<p>100% of its employees signed the labor contract and accessed social insurance.</p> <p>The China National Accreditation Service for Conformity Assessment (CNAS) granted the certificate of National Accredited Laboratory to the Company.</p> <p>The suppliers' meeting was regularly held. Procurement was open, fair, and just. Tendering management was sound.</p>

Oriental Yuhong has striven to create a responsible investment system, established a benchmark in the building material investment in China, and continuously deepened and improved the sustainable development model. In order to achieve its strategy of sustainable development, Oriental Yuhong has incorporated ESG standards into its business management to effectively manage ESG risks and identify corresponding business opportunities. Oriental Yuhong aims to become the most valuable waterproof enterprise in the world. Its corporate tenet is for the motherland, for the society, for customers, employees, and shareholders. The Company has been compliant and honest, constantly improved its profitability and product and service quality, reinforced resource conservation and environmental protection, and contributed to sustainable development.

Corporate governance

We have always been committed to maintaining sound corporate governance to ensure steady and wholesome development and create sustainable economic benefits.

Category	Target	Performance in 2021
Financial performance	Revenue	3,193,420.10 (Unit: RMB'0,000)
	Operating cost	2,218,443.18 (Unit: RMB'0,000)
	Operating profit	509,823.88 (Unit: RMB'0,000)
	Tax payments	232,850.03 (Unit: RMB'0,000)
	Net profit	421,331.24 (Unit: RMB'0,000)

	Total current assets	3,559,538.84 (Unit: RMB'0,000)
Products and services	R&D spending	55,930.89 (Unit: RMB'0,000)
Information disclosure	Information disclosure assessment by the Shenzhen Stock Exchange (SZSE)	A (Excellent)

Social performance

We have actively shouldered our corporate social responsibilities (CSRs), created value for society, added benefits to the public, and acted as a responsible "corporate citizen".

Category	Target	Performance in 2021
Employee benefits	Number of employees	13630
	Employment contract signing rate	100%
	The coverage ratio of social insurance	100%
	Number of female employees	3039
	The proportion of females in the management	22.66%
	Number of employees from ethnic groups	790
	Employee satisfaction	100%
Employee growth	Number of trainees of skill training	7871
	The coverage rate of employees training	100%
Creation of jobs	Number of newly recruited fresh graduates	474
Tax payment according to laws	The growth rate for tax payments	33.6%

Environmental performance

Oriental Yuhong highlights the influence of production and operations on the environment. Therefore, it has constantly raised investment in environmental protection to fulfill the national strategy of peak carbon emissions and carbon neutrality and pursue green and sustainable development.

Category	Target	Performance in 2021
Green development	Main expenses for environmental protection	6245.94 (Unit: RMB'0,000)
	Main safety expenses	4772.35 (Unit: RMB'0,000)
	Green manufacturing	It was awarded by the MIIT for the national-level green factory.

	Green product certificate	China Green Product Certificate CTC Green Product Certificate China Environmental Labeling German GEV Certificate French A+ Class
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Company Overview

Oriental Yuhong, incorporated in 1995, has grown into an outstanding building material systems service provider in the past two decades, by providing high-quality and complete system solutions for tens of thousands of important infrastructure construction projects, industrial buildings, civil buildings and commercial buildings. It was listed in 2008 and recorded an operating revenue exceeding RMB30 billion in 2021. It obtained multiple domestic and international certificates, such as the EU CE mark, the EMICODE EC1, the U.S. FM Approved mark, and the Energy Star granted by the U.S. Environmental Protection Agency (EPA). Besides, it was granted honors like the 17th "National Quality Award", the 2017 "National Quality Benchmark", and the title of "Demonstration Enterprise in Technological Innovation of China". The Company won the National Science and Technology Progress Award Second Prize in 2019 and was included in the 2020 and 2021 Fortune China 500.



Oriental Yuhong has pursued quality and robust progress, focused on waterproof business, and extended its presence to the upstream and downstream and relevant industrial chains. It has developed a building material service system consisting of diversified business segments, such as building waterproofing, civil construction materials, architectural coating, specialized mortar, energy saving and heat preservation, building renovation, non-woven fabrics, and specialized film. Oriental Yuhong holds more than 100 subsidiaries including Shanghai Oriental Yuhong Waterproof Technology Co., Ltd., HK Oriental Yuhong Investment Co., Ltd., and Oriental Yuhong North American Co., Ltd., etc. It has built 41 manufacturing, R&D, and logistic bases respectively in

Jinshan District in Shanghai, Yueyang City in Hunan Province, Jinzhou City in Liaoning Province, Huizhou City in Guangdong Province, Xuzhou City in Jiangsu Province, Dezhou City in Shandong Province, Kunming City in Yunnan Province, Tangshan City in Hebei Province, Xianyang City in Shaanxi Province, Wuhu City in Anhui Province, Hangzhou City in Zhejiang Province, Qingdao City in Shandong Province. It has more than 80 advanced production lines. Specifically, it has introduced over 50 sheet material production lines from R&D Systems in the United States and Boato International Italy. Moreover, it has adopted production equipment of polymer waterproofing materials of KraussMaffei, technologies of EIRICH and Siemens, and the concept design of Bayer. It has realized whole-procedure automatic production and established the benchmark of high capacity, high precision, and high stability. In addition, its services cover a radius of 300Km. Hence, it can reach the customer within 24 hours.

Oriental Yuhong pursues sustainable development continuously and remains committed that technologies are the engine for the Company's development. Therefore, it has continuously motivated the innovation vitality of its technologies. Oriental Yuhong is a demonstration enterprise in technological innovation in China and a national high-tech enterprise. It has been authorized to build a state key laboratory of special-purpose waterproofing materials and has established many R&D platforms, such as a national-certified corporate technical center, post-doctoral scientific research station, and engineering laboratory for advanced rubber and plastic waterproof materials in Beijing. The Company has built four R&D centers for product R&D, production technique and equipment, application technology, and engineering construction technology. It has established a vocational technical institute to raise standardized construction services and skills and cultivate workers with a global competitive edge. Focusing on technological innovation globally, the Company has built a global excellence research center for waterproof coatings in the U.S.

As a provider of construction materials and systems, Oriental Yuhong has successfully applied various excellent products and services to buildings, highways, metros, urban railways, high-speed railways, urban roads and bridges, airports, water conservancy facilities, and underground pipelines. Outstanding examples are China's representative buildings, e.g. National Convention Center, the Bird's Nest, the Water Cube, CITIC Tower, Beijing Daxing International Airport as well as important national infrastructure construction projects, such as the Hong Kong-Zhuhai-Macao Bridge, Beijing-Zhangjiakou Railway, Beijing-Shanghai high-speed railway, Beijing-Tianjin Intercity Railway, and Beijing Metro. Oriental Yuhong has established long-term, friendly and stable strategic cooperation relationships with more than 400 large real estate developers such as Vanke, Greenland and Poly. It has sold its products to families through nearly 3,000 house decoration

companies and building material markets, for instance, Yenova Decoration, Cityfamily Decoration, Huaxun Taste Decoration, and Trendzone Holdings.

With the implementation of Oriental Yuhong's international strategy, the products of the Company are exported to more than 100 countries and regions such as Germany, Brazil, Australia, the United States, Canada, Russia, Japan, Singapore, South Korea, Central Africa and South Africa.

Oriental Yuhong is always making efforts to realize the dream of a "globalized Oriental Yuhong", contributing to building a harmonious habitat for people, and fulfilling the corporate vision of "building a durable and safe environment for human beings and the society".



Milestones in 2021

In January 2021, by virtue of the BH2 viscous resistance waterborne rubber bituminous waterproofing coating, Oriental Yuhong won the prize of "Demonstration Project for Innovative Technology" of 2020.

In February 2021, as the first completed company, relying on the project of "development and application of TOP waterproof sheet material", Oriental Yuhong, won the first prize for achievements in scientific research in the evaluation of the selection of science and technology award of Beijing building material industry. In addition, four advanced technologies or achievements won the second and third prizes for achievements in scientific research and technical improvement.

In March 2021, Oriental Yuhong and its six brands were recognized as a 2021 Preferred Supplier and Service Provider Brand for Best 500 of China Real Estate Developers. With a brand preference rate of 36%, it was ranked top among the "Preferred Waterproof Brands for Best 500 of China Real Estate Developers" for ten consecutive years.

In April 2021, the Company obtained the Certificate of Registration of the trademark, "YUHONG", from the Canadian authority.

In May 2021, Oriental Yuhong was one of the "Top 100 Consumer Favorite Brands in China" and on the "List of Value Assessment for Chinese Brands of 2021". It was also rewarded with the "Best Investor Relations Award of Chinese Listed Companies" and the "Best Board of Directors for Investor Relations of Listed Companies in Chinese Main Board". In addition, it was on the list of "Top Ten Comprehensive Strength of Listed Companies for China's Real Estate Supply Chain of 2021".

In June 2021, it obtained the first "Certificate for Green Building Materials" and thirteen products were certified as "Green Building Materials". Furthermore, it was recognized as the "2021 Forbes China – Best Employer" and "2021 Forbes China - Most Sustainable Employer of the Year".

In July 2021, Oriental Yuhong was rewarded as the "Excellent" enterprise for the Information disclosure assessment by the Shenzhen Stock Exchange for seven consecutive years and ranked 176 and 433, on the list of the "China's Top 500 Listed Companies by Market Capitalization in H1 2021" and the "*Fortune* China 500", respectively.

In August 2021, Oriental Yuhong obtained the qualification of the Social Training and Assessment Organization of Occupational Skill Level Certification in Beijing.

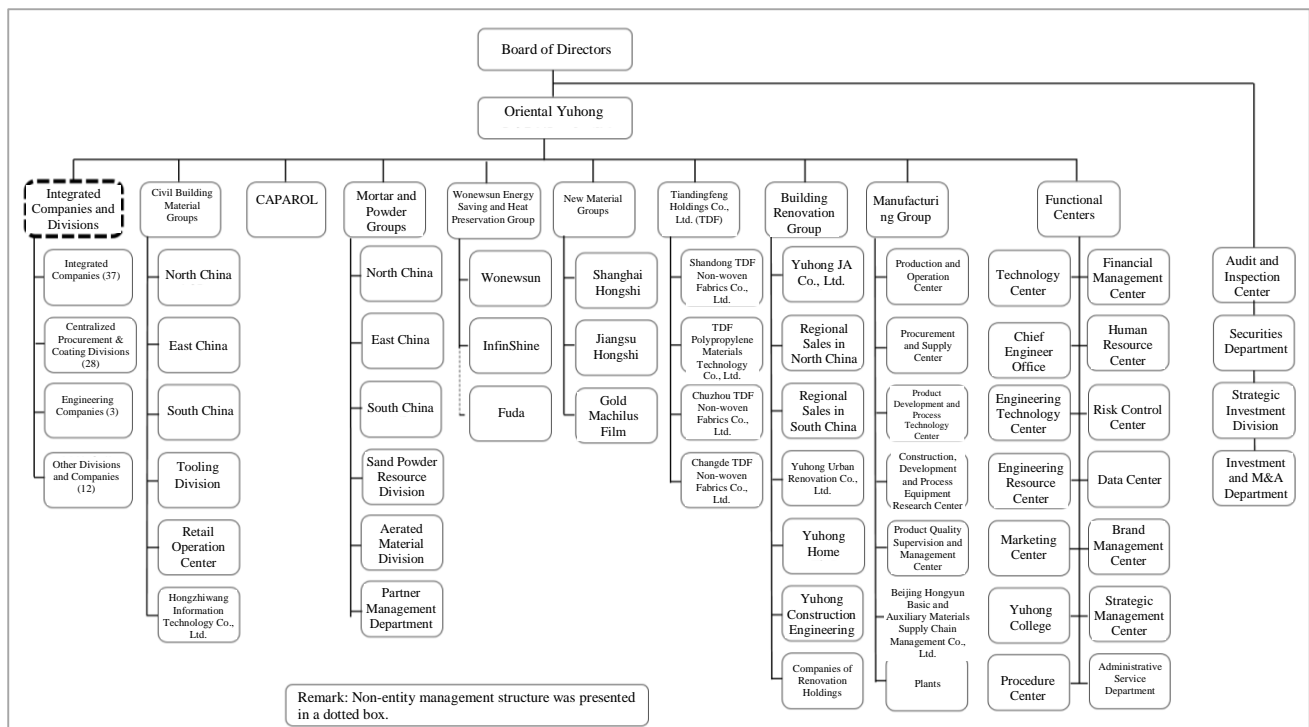
In September 2021, Oriental Yuhong was rewarded as the "Service Provider for Building Materials and Systems of the Year". It ranked the 27th of the "2021 Top 100 Private Enterprises in Beijing" and the 26th of the "2021 Top 100 Private Enterprises for Social Responsibility in Beijing". It was also on the list of the "2021 Top Five of Real Estate Preferred Supplier Technology Innovation Brand in China" and ranked 299 of the "China's Top 500 Manufacturing Private Enterprises in 2021". Furthermore, it was rewarded with many other honors, such as "Top 100 Listed Companies by Value on the Main Board"; "Excellent Management Team Award of Listed Companies on the Main Board"; and "Social Responsibility Award for A-share Listed Companies".

In October 2021, the "key technology and application for near-zero VOC solvent-free MDI system single component polyurethane waterproofing coating" of Oriental Yuhong was selected for the project database (A category) of "Good Technologies in China". As a result, Oriental Yuhong was rewarded with the title of "China's Good Technology". It ranked 263 and 98 on the "Top 500 Private Enterprises for R&D Investment in 2021" and the "Top 500 Private Enterprises for Inventive Patent in 2021", respectively.

In November 2021, Oriental Yuhong participated in a national key R&D program - the cooperation project for energy-saving buildings conducted by the U.S. - China Clean Energy Research Center.

In December 2021, Oriental Yuhong was rewarded as the "Leading Enterprise for High-quality Development of the Year". Mr. Li Weiguo was rewarded as the "Businessperson of the year". The Company was also awarded the title of "Best Employer in China in 2021" and the "Advanced Member Enterprise of 2019 - 2020". Furthermore, it won the first prize of the "Science and Technology Award in Building Waterproofing Industry - Technology Progress Award (the Jinyu Award)". The Company has won this award for eight consecutive years. So far, it has won 14 gold medals and eight silver medals. The Company was also selected as an enterprise member of the China Highway & Transportation Society.

Corporate Chart



Business Ethics and Corporate Behavior

Oriental Yuhong has conformed to all market rules, respected market laws and its peers, objected to unfair competition in any form, and disdained vicious competition. The Company has cherished all intermediaries and its partners in the market and co-existed and sought common progress with them honestly and respectfully.

The Company obtains all from the market and for the market. It opposes corruption, black case work, and frauds and adheres to the business principles of "honesty, trustworthiness, frankness, and openness". Additionally, it abides by business norms, ethical guidelines, all laws and regulations, and

respects social customs and religious beliefs. It has built an integrated management system to support its excellent development by considering the excellent performance management model as its framework, compliant operations as its basic principles, process management as its core, and integration of informationization and industrialization as its means.

I. Mechanism of Social Responsibility Management

Oriental Yuhong has kept enhancing its modern corporate governance structure. It has properly handled the relationships among investors, decision-makers, managers, and stakeholders while ensuring the return to investors. Moreover, it has strengthened the enthusiasm of all parties, reinforced its comprehensive risk resistance, and achieved sustainable development.

To fulfill social responsibility is the inner factor of Oriental Yuhong. Through a whole system and multi-dimensional responsibility management concept, and starting from research and development, production, sales, construction and other aspects, Oriental Yuhong strives to provide much better products and services through more environmentally friendly, more energy-efficient, safer and more effective means, and implants the concept of responsibility into its daily production operation.

Social responsibility management system	Responsibility concept							
	Clarification of social responsibility				Communication and participation of stakeholders			
	Responsibility practices							
	Corporate governance							
	Sustainable development	Human rights	Labor practices	Resources and environment	Fair operation	Customers	Community participation	Public welfare

Oriental Yuhong established a social responsibility work team, whose chief is Oriental Yuhong's President and whose members are General Managers of Oriental Yuhong subsidiaries and divisions, directors of different centers and factories. Members work in concert to push forward the social responsibility fulfillment of their units.

II. Communication and Participation of Stakeholders

Stakeholders	Requirements and Expectations	Communication Method	Response
Government	Complying with laws and regulations	Release of policies and instructions	Strictly complying with laws and regulations and responding to national

Stakeholders	Requirements and Expectations	Communication Method	Response
			policies
	Creating job opportunities	Expansion of reproduction	Providing adequate jobs
Shareholders	Corporate governance	Easy IR Field survey	Performing robust operations and truthfully reporting operations and governance
	the continuous growth of operating result	The regular release of reports and results briefings CNINFO	Perfecting information disclosure
Employees	Salary and benefits	Employee survey	The multi-dimensional and detailed questionnaire
	Training and growth	Exchange and training	Training of professional skills Training of general knowledge
	Career development	Face-to-face communication	Protection of employees' rights and interests
Customers	Quality products and services	Services before, during, and after sales DMS system	Project quality assessment User interviews
Craftsman	Remuneration	Service survey	Weekly-pay system
Suppliers	Open, fair, and just procurement	Supplier meeting SRM system	Perfect tendering management
	Qualification review	Seminars	Compliant and well-organized operations
	Honest management	Routine business exchange	Internal audit and inspection
Industry	Promoting the quality improvement in the industry	Demonstrating product and service quality	Leading positive growth of the industry
Communities and social groups	Participating in community development	Volunteer activities of employees	Contributing to society
	Supporting public welfare undertakings	Public welfare activities	Participating in public welfare in different forms
	Environmental protection	Energy conservation and emission reduction	Driving the realization of carbon neutrality

1. Examples of communication with stakeholders

Shareholders: In 2021, Oriental Yuhong made a total of 186 public notices throughout the year, of which, four were made regularly to ensure investors' timely supervision and transparent operations of the Company. The Company held five, 21, 27, and nine meetings of the General Meeting, the Board of Directors, special committees under the Board of Directors, and the Supervisory Committee, respectively, throughout the year to ensure its standardized operations. The Company has established a smooth and two-way communication channel with investors through

many approaches, including, the Easy IR platform, investor hotline, Email, holding online presentation meetings of the Annual Report, online exchange and survey of specific groups, group reception day for investors of listed companies, reception of field survey and holding the General Meeting. In 2021, the Company answered more than 1,000 telephone calls from investors and replied 307 times to Internet counseling.

Customers: In 2021, Oriental Yuhong established integrated companies by taking customers as the focus to further expand sales channels and provide customers with more refined services. The Company was able to provide consumers with more convenient professional services through online and offline cooperation. In addition, the Company can handle customer complaints 24 hours every day through an online approach.

Society: The Company actively participated in social public events, such as flood prevention and disaster relief in Henan Province, and fighting against the COVID-19 pandemic. It also proactively took part in urban renewal, renovation of old buildings, and other improvements related to people's livelihood, facilitating to building a better habitation. Furthermore, it demonstrated its care for the special groups in society by assisting the construction of natural farms for "star-like youth".

Employees: The Company has implemented an incentive policy for middle and senior management, core business and technical personnel. The Company has launched four phases of equity incentives and employee stock ownership to incentive recipients when they met the conditions, with a total of 8,000 incentive recipients, and conducted three restricted stock unlocking and three repurchase cancellations in 2021. In addition, it completed the implementation of the stock option grant and employee stock ownership plan for 2021. Equities were returned to employees who are with truthful identities, beliefs and endeavors to stimulate them to give full play to their values and realize their worldly ideals.

Labor services: Oriental Yuhong actively responded to the Decree No. 724 of the State Council - "Regulations on guaranteeing wage payment of migrant workers", promoted the weekly-pay system and the real-name system for workers of Oriental Yuhong, raised the competitiveness of labor resources, and calculated the labor quota of the project in a timely manner. While perfecting the labor wage system, Oriental Yuhong provided affordable insurance services to better guarantee the rights and interests of front-line construction workers.

Suppliers: The "Assessment Release and Summit Forum of the Comprehensive Strength of China's Real Estate Developers" were jointly held online by the China Real Estate Association, the

E-house China R&D Institute, and the China Real Estate Evaluation Center on March 16, 2021. Oriental Yuhong, Wonewsun Energy Saving (heat preservation materials), CAPAROL (coatings), Oriental Yuhong Building Renovation, Vasa (mortar) and other brands were rewarded as the Preferred Brands for Best 500 of China Real Estate Developers.

Communities: Kunming factory participated in the Seniors' Day activities in Shanglubiao Village to clean up surrounding areas; Qingdao factory worked together with local Dandelion philanthropic organization to organize activities for the Environment Day; Xuzhou factory joined the "Emergency Blood Donation Unit" in Xinyi for voluntary blood donation; Jinzhou factory cooperated with the local fire department to carry out fire-fighting drill on June 30 and extended the factory's regards to the fire department; Hangzhou factory selected employees of Oriental Yuhong to become first-aid workers of the Red Cross in Jiande.

Industries: In the recent years, Oriental Yuhong participated in or presided over the revision of more than 20 national standards, such as the *Technical Requirements for Environmentally Friendly Building and Decorating Materials*, the *Technical Specification for Single-ply Roofing*, the *Adhesives for Ceramic Wall and Floor Tiles*, the *Liquid Applied Water Impermeable Products for Use beneath Ceramic Tiling Bonded with Adhesives*, the *Pre-paved Waterproof Sheet Materials*, the *Standard Test Methods for Determination of Effective Component and Harmful Substances in Silane/Siloxane Building Protecting Agents*, the *Bituminous Raw Materials for Use of Waterproofing Materials Technical Requirements*, the *Technical Requirements and Evaluation Methods of Solar Reflective Materials for Exterior Walls and Roofs*, the *Terminology for Waterproof Bitumen and Waterproof Sheet*, and the *General Technical Specification for Mobil Laboratory of Engineering Test*, promoting the quality improvement of the waterproofing industry.

2. Some social groups and organizations in which Oriental Yuhong participated

China Association for Quality, China National Building Waterproof Association, China Real Estate Association, China Building Materials Federation (CBMF), China Building Materials Companies Management Association, Beijing Building Materials Federation (BMF), Beijing Sci-tech Consultation Association, Beijing Enterprise Technology Center Innovation Service League (BETC), Beijing Headquarters Enterprise Association, Beijing Technology and Finance Promotion Association, and Beijing International Sci-tech Cooperation Bases League.

III. Identification of Substantive Topics

Oriental Yuhong identified topics from many stakeholders through effective communication with stakeholders and referenced the *Sustainability Reporting Guidelines* so as to determine substantive topics on CSRs in the Oriental Yuhong Sustainability Report 2021.

Identification (of topics from many stakeholders)	Topics
Interaction on the WeMedia platform of Oriental Yuhong Customer's feedback Channel of social media Inquiry of and communication with investors Community participation Supervision by relevant government agencies Work conferences of industry associations Survey on industry development trends Reasonable suggestions from employees Survey on and online communication with shareholders	Standardized corporate governance Compliant information disclosure Operations and governance The quality management system of products & services Employee relationship/talent cultivation The fair and reasonable remuneration system The management system of safe production Energy conservation and consumption reduction/energy consumption Shareholders' income Labor protection Supply chain management Human rights of workers Compliant tax payment After-sales tracking service Policy support of suppliers Promotion of industry development

Chapter I Quality operations

This chapter discusses the responsible behaviors of the Company in the market economy. The responsibility for the market performance of an enterprise can be divided into two parts, namely, the economic responsibility for its wholesome development and the economic responsibility for other stakeholders in the market.

The year 2021 marks the start of the "14th Five-year Plan". In terms of the development of an enterprise, opportunities and challenges co-exist. Many factors have brought about pressures on the industry of construction and building materials, such as the complicated and ever-changing international environment, the continuous impact of the COVID-19 pandemic, the tightened layout of the real estate industry, and the price fluctuation of raw materials. Meanwhile, many factors have brought about opportunities as well, such as the stable progress of the domestic economy, investment expansion of new infrastructure, initiation of urban renewal, and transformation of green development. Oriental Yuhong grasps development opportunities and continuously focuses on R&D, production, marketing, channels, and services to realize high-quality development.

I. Corporate Governance

(I) Operating Targets

During the Reporting Period, the Company adhered to its strategic positioning of high-quality and sound development, gave top priority to risk control, insisted on sound operations, innovation and leading technologies, remained committed to centering on customers, and pursued long-term objectives and ongoing hard work. On the basis of quality products and professional systems and services, it provided customers with high-quality, professional and complete system solutions and built a one-stop system and service platform. The Company gathered development strengths and released a cooperative effect to build a deeper and wider moat. The Company's belief and cohesion were continuously improved by comprehensively fulfilling its culture and core value, taking striver as the foundation, and collective, long-term, and arduous struggle.

During the Reporting Period, the Company registered an operating revenue of RMB31,934 million, up 46.96% from last year, and its total profits were RMB5.1 billion, up 22.74% from last year. Its operation status was largely consistent with the industry development.

The Company ranks top in such respects as R&D strength, comprehensive competitiveness of products, process equipment, application technology, marketing model, professional system and

service capability, and brand influence. Therefore, it has become a competitive, growing, and leading enterprise in China, marking a prominent position in the industry.

The main raw materials required by the Company's production mainly include asphalt, polyether, polyester asphalt, chain extender, emulsion, MDI and SBS modifiers. The supply is sufficient and stable. Specifically, asphalt is one of the main raw materials of the Company. During the Reporting Period, the price for some raw materials represented by asphalt kept rising, which will impose a certain impact on the overall gross margin of the Company. With the mature and complete raw material procurement system, in order to cope with the volatility risks of price fluctuation for raw materials, the Company leveraged the advantages of scale operation and set up strategic cooperation relationships with main upstream raw material suppliers, ensuring that the Company can steadily procure main raw materials at a relatively low price in a long term to reduce the production cost of products. In addition, the purchasing department made reasonable purchasing plans for major materials by accurately grasping the market tendency. All departments efficiently worked together to control costs through advanced technologies, advantages of centralized procurement of main raw materials, improvement of ability for price negotiation, and scale benefits. Furthermore, based on the demand for production and management and the industry market, the Company also further reduced procurement costs by purchasing in slack seasons or making proper purchasing plans.

In 2021, Oriental Yuhong obtained total credits of RMB18,074.025 million from Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Bank of Communications, Bank of China (BOC), Agricultural Bank of China (ABC), the Export-Import Bank of China, CitiBank, HSBC, Standard Chartered, Hang Seng Bank, BEA, Bank of Beijing, China Minsheng Bank (CMBC), Ping An Bank, Bank of Ningbo, China CITIC Bank, Industrial Bank Co., Ltd. (CIB), SPD Bank, CGB, Huaxia Bank, China Everbright Bank (CEB), Hengfeng Bank, China Merchants Bank (CMB), China Zheshang Bank (CZBANK), Bank of Kunlun, Bank of Jiangsu, Bank of Nanjing, Bank of Cangzhou, Wuhu Yangzi Rural Commercial Bank, Huishang Bank, Zhongyuan Bank, Cathay United Bank, Beijing Rural Commercial Bank, and Shanghai Rural Commercial Bank (SRCB). Especially, China Construction Bank (CCB) rated the Company as Class 5. The Company and its holding companies are honest in operations with a favorable credit profile and without any interest or principal in arrears.

(II) Management Mechanism

In strict accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and the *Code of Corporate Governance for Listed Companies*, the *Listing Rules of Shenzhen Stock Exchange* and the requirements of relevant laws and rules of the

CSRC and Shenzhen Stock Exchange, Oriental Yuhong has continuously improved its governance mechanism, refined the corporate governance structure, strengthened internal and external management and supervision, actively fulfilled the philosophy of sustainable development, and continued the standard operation. The Company's governance structure conforms to normative documents on the governance of listed companies issued by the CSRC and its operation management is strictly in keeping with various policies and regulations.

Oriental Yuhong establishes systems of Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, and independent directors, with clear responsibilities and authorities, coordinated operation, and effective checks and balances. In addition, the Board of Directors consists of four special committees, namely, the Strategy Committee, the Audit Committee, the Compensation and Evaluation Committee, and the Nomination Committee. The Company regulates the behaviors of shareholders in strict accordance with the provisions of the *Code of Corporate Governance for Listed Companies*, the *Rules of Procedure for General Meeting*, the *Listing Rules of Shenzhen Stock Exchange*, and the *Articles of Association*. Shareholders of the Company exercise their rights through general meetings.

Oriental Yuhong has properly handled the relationships among investors, decision-makers, managers, and stakeholders while ensuring the return to investors. Moreover, it has strengthened the enthusiasm of all parties, reinforced its comprehensive risk resistance, and achieved sustainable development.

In addition, the Company practiced the Basic Rules of Oriental Yuhong, earnestly protected the interests of investors, disclosed major matters related to itself in conformity with laws and regulations in a timely, accurate, truthful, and complete manner so that the outside could promptly learn its finance, production, operations, and governance.

The Company constantly perfected its policy documents. In accordance with the revision of superior laws, it streamlined policies related to the standardized operation, revised and perfected relevant clauses of some policies, and fulfilled approval procedures of the Board of Directors and the General Meeting by law.

(III) Social Recognition

Oriental Yuhong has been recognized in society, thanks to its quality operations, products, and services. Some of the honors and titles obtained by the Company in 2021 are listed below:

1. Examples of industry recognition

Industry recognition	Honors and titles
The Ministry of Industry and Information Technology, the National Development and Reform Commission, and the Ministry of Finance The State Administration for Market Regulation	List of excellent scenarios for intelligent manufacturing of 2021
The Ministry of Industry and Information Technology	On the "List of the Fifth Batch of Quality Control and Technical Evaluation Laboratories for Industrial Products"
China National Building Waterproof Association (CWA)	Gold and silver Jinyu Award
China Building Material Test & Certification Group Co., Ltd.	The first "Certificate for Green Building Materials" in China
China National Building Waterproof Association (CWA)	Advanced Member Enterprise of the Year
China Real Estate Association	Preferred Brand for 2021 Best 500 China Real Estate Developers 2021 Best 10 China Real Estate Listed Companies with Strongest Comprehensive Strengths
China Building Materials Federation (CBMF)	"Top Ten Leading Enterprises for Science and Technology Breakthrough" of 2021 in the national building material industry
China Association of Building Energy Efficiency	Recommended Innovative Technologies or Products for the First Batch of Old Urban Residential Renovation in China
All-China Federation of Industry and Commerce	The 263rd of the "Top 500 Private Enterprises for R&D Investment in 2021" The 98th of the "Top 500 Private Enterprises for Inventive Patent in 2021"
China Association of Productivity Promotion Centers	The Title of "Good Technologies in China"
Beijing Building Materials Federation (BMF) and Beijing Ceramics Society	The second and third prizes for technical improvement of the Science and Technology Award of Beijing Building Material Industry in 2021
Shanghai Construction & Development Association	"Demonstration Project for Innovative Technology" of the Year

2. Examples of capital recognition

Capital recognition	Honors and titles
Fortune Chinese edition/CICC	Fortune China 500 in 2021
Hurun Research Institute	Hurun China 500 in 2021
SZSE	It was rewarded as the "Excellent" enterprise for the Information disclosure assessment by the Shenzhen Stock Exchange for seven consecutive years
The Fourth Economic Summit of China Development Forum	Top Ten Influential Enterprises to Economy in China
Economic Observer	Most Respected Enterprises of China in 2020-2021
STCN.com	Top 100 Listed Companies by Value on the Main Board
WWW.CHNFUND.COM, JHB	Most Valuable Investment Enterprises of the Year
Eastmoney.com	2021 Fortune China 500

3. Examples of service recognition

Service recognition	Honors and titles
Vanke Group	Sustained Leadership Award of the Year
Shimao Group	Class A Supplier of the Year
China Merchants Shekou Industrial Zone Holdings Co., Ltd. (CMSK)	Excellent Supplier of the Year
Powerlong Real Estate Holdings Limited	Quality Excellence Award, Strategic Win-win Award
DaFa Properties	Zunyue Award
Haierhouse	Award of Excellent Supplier for Year 2020
Future Land	Class A Supplier, Quality Service Award
Sino-Ocean Group	Outstanding Supplier, Responsibility Model Award

(IV) Strict Quality Control

Oriental Yuhong, as a building material systems service provider, has deemed quality as its foundation. It has established a product quality supervision and management center. The Company considers "compliant operations" as its basic principles and "process management" as its core, upholds the concept of "quality first", and establishes good word-of-mouth through quality products and system services. The Company connects its full business chain, including R&D, procurement, production, inspection, sales, and construction and interconnects its technology, products, management, and services and creates a "Whole-Supply-Chain Management and Collaboration System for Unique Product Identity". A uniform quality system covers the R&D of products, procurement of raw materials, production process, inspection and control of finished products, sales, and construction. Each product has a unique identity based on a QR code, so it can be traced throughout the whole lifecycle.

Oriental Yuhong has set strict quality control procedures. On the one hand, all processes from the R&D of new products to mass production have been reviewed and controlled. There are five levels of inspection for the process from the entry of raw materials into the factory to the delivery of finished products outside the factory, which guarantees that products are qualified. On the other hand, it has adopted a collective and third-party supervision and management mode to control the product quality of each factory vertically. Every year, the products of each factory are randomly inspected on an unscheduled basis to discover problems from the point of view of the customers and find improvement solutions.

Meanwhile, Oriental Yuhong has incorporated standardized management into every process of production quality control. The first is the standardization of products. Based on the satisfaction with

national and industrial standards, the Company has formulated stricter internal control standards for all products, forming more than 1,000 such standards. Meanwhile, it has realized the unified management, requiring all factories of the Company to execute the unified standards. The second is the standardization of methods. In terms of inspection items of all products, a standardized work instruction must be formulated and all inspectors must inspect products according to requirements. The third is the standardization of management. All laboratories must be operated according to the requirements of CNAS's laboratory management system to build up standardization within the industry. At present, seven laboratories have passed the certification of CNAS's laboratory management system.

In the era of information-based big data, Oriental Yuhong has built smart factories in all aspects to realize the automatic production and information-based big data. All relevant MES, WMS, and LIMS can transmit data through MDM main data so that all production processes are traceable. In addition, system tools are leveraged to analyze quality data to achieve the aim of early prevention and production control through information-based and digital means, thus improving the Company's product quality comprehensively.

Besides, it will stick to the idea that quality is the starting point of value and dignity. Oriental Yuhong considers the pursuit of excellent quality as the starting point of all work, keeps enhancing its core technical competitiveness, and strictly controls quality. Besides, it better adapts to the development trend of economic globalization, serves customers, and returns to society with quality products and services. The Company will continue to deepen its quality control, while improving its brand value. It will actively publish the reject ratio and fraction defective of relevant products in order to achieve open and transparent information disclosure and pursue perfection regarding quality control.

(V) International Business Operations

Oriental Yuhong has cultivated overseas markets for many years. Many of its products have been certified by EC1PLUS (Germany), A+ (France), CE (EU), GOST (Russia), and CRRC (the United States). HDPE products have successively obtained certificates of patents for inventions issued by Australia, the United States, Singapore, and the European Patent Office (EPO). CAPAROL joined the German Design Council. In addition, it has been reported by many overseas media, including, *YAHOO! Finance*, *Bloomberg*, *Wall Street Journal*, *Barron's*, *AP NEWS [The Associated Press]*, thus continuously raising its reputation in international markets.

Some of the international projects undertaken by Oriental Yuhong in 2021 are listed below:

Project name	Introduction	Products
Padma Bridge Rail Link Project in Bangladesh	It starts from Dhaka station, a station in the capital of Bangladesh, covering a distance of approximately 170Km. It is a new large-scale railway, which is a major cooperation project under the Belt and Road Initiative and infrastructure connectivity between China and Bangladesh.	Waterproof sheet material, waterproof coating, non-woven fabrics, and water stop
Gwadar New International Airport Project in Pakistan	The project is one of the major projects under the Belt and Road and China-Pakistan Economic Corridor (CPEC), with the largest amount of grants to foreign countries since the founding of the People's Republic of China.	Nonwoven
The Belarus International Stadium Project	It is located in the heartland of Minsk, the capital of Belarus. It can meet the needs of the World Cup, European Championship, Champions League, and other corresponding events after the project is completed.	Waterproof sheet material, SBS modified bituminous waterproof coating
The Eastern Coastal Railway Project in Malaysia	It is an important project for transportation infrastructure in the plan of Malaysia's East Coast Economic Region. Once it is completed, it will become the east-west railway trunk of peninsular Malaysia.	Waterproof coating, geotextile, etc.
The Headquarters of the African Center for Disease Control and Prevention	It is located in Addis Ababa, the capital of Ethiopia. Once it is completed, it will practically benefit the African people.	Waterproof materials, sand powder materials

Example: Oriental Yuhong's honors obtained overseas

In 2021, during the construction of the eastern coastal railway in Malaysia - the flagship project under the Belt and Road Initiative, Oriental Yuhong was rewarded with the title of excellent supplier of the year by the General Manager Department of CCCC Malaysia East Coast Railway Project. In addition, Oriental Yuhong was selected as the "Excellent Supplier" by China Civil Engineering Group, the investor of China, in many projects, such as the headquarters of the African Center for Disease Control and Prevention (in Addis Ababa, the capital of Ethiopia), the Lagos Light Rail Blue line in Nigeria, the San Pedro stadium project of Cote d' Ivoire, and the Brandywell Stadium in Malawi.

II. Win-win Cooperation

In line with the concept of equality and win-win cooperation, Oriental Yuhong carried out in-depth cooperation with partners, maintained a stable and efficient supply chain, continually promoted the concept of corporate social responsibility to supplier partners, actively expanded the development of the Company, its partners and the industry to jointly cope with challenges of environments and society of various types. With brand responsibility as its philosophy, Oriental Yuhong provided customers with the quality services of whole-process, multi-dimensions, and deep communication.

(I) Supply Chain Responsibility Management

Oriental Yuhong's major raw material suppliers are excellent domestic and foreign enterprises such as CNPC, Sinopec, Celanese, BASF, Basell, and Wacker Chemicals. After years of cooperation, the Company went into a close strategic relationship with the above-mentioned enterprises, and it is one of the largest clients of those enterprises.

The sunshine and centralized purchasing is a major purchasing mode of Oriental Yuhong. It remains committed to the philosophy of globalization, information-based, low-carbon, and environmental protection and works together with the upstream customers to jointly promote the development of the industry. Oriental Yuhong adopts the supplier access certification system to select and manage suppliers. It takes the incoming inspection process, procurement management process, warehouse management process, production management process, inspection process before delivery, quality management process, and technology management process as the main standards of site certification of the supplier to ensure the quality of supplied products. The Company introduces a random check to control the product quality of key materials from the perspectives of technical research and development, process control, and warehousing logistics. It emphasizes supplier management and performance appraisal and practically improves the competitiveness of the supply chain by taking results as the orientation.

Committed to the comprehensive information-based, efficient and professional development of supply chain management, the Procurement and Supply Center kept improving the quality of internal services. By taking the minimization of the total cost of ownership (TCO) as the aim, the Center and factories select the best suppliers to improve the overall management ability of the supply chain. Oriental Yuhong has established an efficient supply chain from such aspects as corporate development, procurement management model, supplier performance and strategic supplier development, and promoted the continuous update of industry technologies and the continuous

improvement of suppliers in multiple dimensions through joint development, thus earning the respect of peers and customers and becoming partners with shared values.

In 2021, Oriental Yuhong carried out technical cooperation with many domestic and international famous enterprises, such as Wanhua Chemical, CNPC, BASF, Exxon Mobil, and LyondellBasell Industries. They worked closely from multiple dimensions, including, technologies, markets, products, and construction processes, and made efforts to create high-quality products and system solutions. It continuously carried out technological innovations to promote the sustainable development of the industry.

(II) Customer Service Management

In recent years, Oriental Yuhong has successfully transformed and upgraded from a service provider of waterproofing systems to a service provider of construction materials and systems, and stepped efforts to expand the national market. At present, it has built 41 manufacturing, R&D, and logistic bases respectively in Jinshan District in Shanghai, Yueyang City in Hunan Province, Jinzhou City in Liaoning Province, Huizhou City in Guangdong Province, Xuzhou City in Jiangsu Province, Dezhou City in Shandong Province, Kunming City in Yunnan Province, Tangshan City in Hebei Province, Xianyang City in Shaanxi Province, Wuhu City in Anhui Province, Hangzhou City in Zhejiang Province, Qingdao City in Shandong Province. Its services cover a radius of 300Km. Hence, it can reach the customer within 24 hours.



The Company has more than 80 internationally advanced production lines so far. The annual design capacity of the production lines includes approximately more than 1 billion square meters of waterproof sheet materials, approximately 4.1 million tons of waterproof coatings, approximately 3.78 million tons of mortar products, approximately more than 8.5 million cubic meters of heat preservation materials, nearly 710,000 tons of building coatings and approximately 250,000 tons of non-woven fabrics.

1. The expansion of channels and the refined management

The Company discovered new points of growth by expanding its services, which was the highlight of innovation for the operation model of Oriental Yuhong in 2021. It incorporated integrated companies and adopted refined management. It explored local resources of projects through localized operations. So far, it has incorporated 35 integrated operation companies. With a new round of intensive establishment of production bases, the Company has rapidly improved the penetration rate and coverage rate of provincial markets.

2. Win-win cooperation with partners

The Company has kept focusing on the "pursuit of more progress by cohering and upgrading every aspect" and always taken customers as the center to continuously upgrade to improve the efficiency of product power and service ability, thus energizing extensive distributors and moving toward mutual success.

For extensive partners, Oriental Yuhong has always carried out in-depth cooperation and development based on mutual benefit. Since the launch of the "partner mechanism", agencies have become more reliant on the Company and their sense of belonging has been raised as well. As a result, agencies have been effectively controlled and the risk of losing agencies has been reduced. Meanwhile, the dynamic role of agencies has been fundamentally motivated. The sense of ownership has been cultivated, thus continuously improving the Company's scale and benefits.

3. The active embrace of the Internet +

Oriental Yuhong actively embraces the thinking of the Internet and carries out online and offline cooperation to provide customers with quality products and professional and convenient services.

Example 1: Oriental Yuhong Civil Construction Group conducted strategic cooperation with Tmall's "Credible Plan" and efficiently leveraged the value of the e-commerce platform to expand the scope of online business for the diversified products and service systems of the Group.

Meanwhile, it further improved the expansion speed for new retail businesses, enabling thousands of channels and stores to maximize their energies of motion.

Example 2: Wonewsun Prefabricated Construction Technology a signed strategic cooperation agreement with Glodon. By giving play to the unique advantages of their respective fields, they built a platform for supply and demand, providing more projects with quality integration services for prefabricated built-in systems and building up a more complete digital ecological chain. All these efforts have been conducive to the improvement of digital technologies, driving the development of digital ecology for the industry of construction and building materials.

Example 3: Oriental Yuhong Building Renovation signed a cooperation agreement with Zhuxiaobang. Both parties integrated advantages, capabilities, and resources and improved the marketing accuracy of the wide range of household brands and industrial integration from flow, content, scenarios, position, and data, achieving a win-win situation.

(III) Digital Transformation and Upgrade

In the era of big data, the digital transformation and upgrade of the construction and building material industry is not only the demand of the time but also a compulsory choice for enterprises to take up the market through creative operations. Oriental Yuhong has actively explored and tried new models and adhered to the guiding principle of "automatic production process, digital business operations, Internet-based management approach, and smart decision-making support" to comprehensively apply information-based big data to the whole marketing chain so that the enterprise can be operated in a safe, green and efficient manner.

Oriental Yuhong has adopted a "three-step strategy" for the digital field. The digitalization of marketing: Guided by the information-based planning, the Company integrally streamlined business procedures of marketing by consulting projects and implemented marketing platforms in steps, realizing the standardization and unification. The digital-based marketing: Business data can be transferred into productivity and such digital productivity can drive the decision-making and operation of the Company and be conducive to prosperous business development. Building a marketing ecology: A vertical, integrated, and digital platform that is society-based, ecological, iterative, and expandable in the building material industry has been built up by expanding upstream and downstream businesses. With a cadent route plan, the Company has ultimately built up a digital marketing platform with refined operations, meticulous control, visible procedures, and integrated ecology.

(IV) Consumer Rights Protection

Currently, the domestic construction waterproofing industry features low concentration, market fragmentation and unhealthy competition, resulting in the salient condition of fake and inferior commodities on the market. To protect customers' rights and interests, Oriental Yuhong provided customers with options for the anti-counterfeiting check, such as telephone inquiries and online inquiries through the official website. It also set up a "Brand Rights Protection Department" and announced a tip-off telephone line. After getting tip-off information, Oriental Yuhong will make an analysis and arrange special persons to make an investigation and collect pieces of evidence. Then it will help law enforcement authorities to crack down on fake products, thus protecting customers' lawful rights and interests.

Oriental Yuhong will resolutely pursue criminal liability for cases involving counterfeits that meet the criteria for case filing. It will strive for the maximum criminal liability imposed on the suspects and will not accept any form of compensation or understanding. In 2021, a total of 32 criminal cases were filed against counterfeiting, materials theft, and other illegal acts and 56 persons were arrested, with 13 of them being sentenced. A total of 12 counterfeiting places were cracked down. The corresponding authority checked and detained approximately 100,000 square meters of fake sheet materials and 25 tons of fake coatings. The Company collected RMB2.68 million for damages for infringement. As a result, the Company was advanced to be able to sell approximately 200,000 authentic sheet materials, directly recouping economic losses of approximately RMB20 million.

All employees participate in the fight against counterfeiting together. All employees of the Company are required to actively report behavior and incidents that involve counterfeiting, disruption of market order, or damage to the Company's brands. In the field of market circulation, infringement cases are reported to the local market supervision bureaus for administrative investigation. If the value of a case is large and the case meets the criteria for criminal case filing, it should be directly reported to the economic investigation department of the public security organ. With the assistance of law enforcement authorities, the origins of the goods will be traced, whether in building material markets or at project sites. In this way, it can reassure consumers that all materials purchased and used under Oriental Yuhong's brands are genuine.

(V) Let Industry Operate Under the Sun

As the president unit of the China National Building Waterproof Association (CWA), Oriental Yuhong contributed much to the development of the industry and promoted the standardization of

the industry. With low concentration, the domestic construction materials industry features “many small firms in a large industry”. As a result, the market is flooded with counterfeit and shoddy products. And the industry is trapped in excessive lagged output capacity, disorderly competition, and safety and environmental issues. Oriental Yuhong enters the market with strong self-discipline. In line with its best international counterparts, Oriental Yuhong insists on disclosing information on its responsibility performance, maintains quality management, and takes practical actions to safeguard a healthy, just and fair competition environment, so that the industry can operate under the sun.

Chapter II Scientific and Technological Innovation

This chapter covers the innovative practices of the Company, which mainly include the production of high-quality products, the provision of good services, the promotion of scientific and technological innovation, and the protection of basic rights and interests of customers.

Oriental Yuhong has always remained committed that technologies are the engine for the Company's development. With a global view, it has exerted all its energies to develop and introduce core technologies. Relying on the synergy of "talent, capital, and mechanism", the vitality of technological innovation has been continuously stimulated, thus driving the reform and progress of the industry.

I. Innovation Mechanism Leads Development

Based on the technological innovation strategy, the Company established a scientific research platform integrating product R&D, production technique, application technology, engineering technology, detection and tests, overseas R&D, and strategic reserves. It formed a "Carrier Battle Group" that covers "system design, materials development, construction, and technological service", and subsequently undertaken several national projects, such as the State "863 Program", State Key New Product, the National Torch Plan, etc.

Oriental Yuhong is a demonstration enterprise in technological innovation in China and a national high-tech enterprise. It has been authorized to build a state key laboratory (the only one in the industry) of special-purpose waterproofing materials and has established many R&D platforms, such as a national-certified corporate technical center, a post-doctoral scientific research station, and an engineering laboratory for advanced rubber and plastic waterproof materials in Beijing. The Company has built four R&D centers for product R&D, production technique and equipment, application technology, and engineering construction technology. In addition, it established the Oriental Yuhong Global Excellence Research Center of waterproof coatings in Philadelphia of the United States.

Product R&D	Product R&D center
Production technique	Production technique and equipment R&D center
Application technology	Application technology R&D center
Engineering technologies	Construction engineering technology R&D center
Detection and tests	CNAS- and CMA-certified standardized laboratory

Overseas R&D	Global excellence research center of waterproof coatings
Strategic reserves	National Key Laboratory of Special Waterproof Materials Polymer waterproofing material and product R&D platform Polymer material R&D center

Personnel development: The Company actively attracted excellent technical personnel at home and abroad and set up a mechanism for the chief scientist to develop an international R&D team. At present, the team consists of five academicians from the Chinese Academy of Engineering, seven internationally renowned scientists and 25 technical leaders.

Major innovation projects: The Enterprise Technology Center of Oriental Yuhong has undertaken three National Torch Plan projects, two national key new product technologies, one National 863 Plan project and 150 independently innovative products. A total of 39 core technologies have passed the appraisal of scientific and technological achievements.

II. Innovation Platform Gathers Strength

Platforms are essential for technical talents to carry out innovation. Oriental Yuhong has built internal and external R&D platforms, intensified the cooperation with enterprises and universities at home and abroad, and carried out multi-level industry-university-research cooperation. It conducted multidimensional cooperation with the Central South University, China Academy of Railway Science Corporation Limited, Shanxi Road Traffic Research Institute, and Beijing Institute of Technology. It also carried out technical cooperation with the Wang Qi academician team of Sichuan University, Zhang Liqun academician team of Beijing University of Chemical Technology, Qu Jinping academician team of the South China University of Technology, Chen Xiangsheng academician team of Shenzhen University, Xiao Xuwen team of China State Construction Engineering Group Co., Ltd.(CSCEC), and Hou Baorong academician team of the Institute of Oceanology, Chinese Academy of Sciences. In addition, working together with 14 colleges and universities including Tsinghua University, Harbin Institute of Technology, Chinese Academy of Sciences, the Company carried out open subject cooperation projects in terms of cement-based materials, rubber and plastic materials, asphalt materials, polyurethane materials and functional composite waterproof materials.

To synchronize its scientific and research development with the rest of the world, the Company established the Oriental Yuhong Center of Global Excellence R&D for Waterproof Coating in Spring House Innovation Park of Philadelphia in the United States, taking its R&D capability to the highest level among American counterparts. Meanwhile, the Company initiated scientific research

cooperation with colleges and universities in the world, such as Lehigh University, Simon Fraser University in Canada, Stanford University, Gunma University, and Kyushu University.

Example 1: The Company passed the review of the National Enterprise Technology Center in 2021

In February 2022, the General Office of the National Development and Reform Commission issued the notification on the assessment results of the National Enterprise Technology Center in 2021 (F.G.B.G.J. [2022] No.68). Among 1,744 participating enterprises, Oriental Yuhong ranked 127th with a good score (87.8) and passed the review of the National Enterprise Technology Center in 2021.

Example 2: Oriental Yuhong participated in the national key R&D programs

In November 2021, the Company took part in the cooperation project for energy-saving buildings conducted by the U.S. - China Clean Energy Research Center. It has continuously expanded basic research in terms of near-zero energy consumption buildings by focusing on the new tendency of scientific and technological development and the new demands of technologies for economic and social development. The Company has made major influential and representative innovation achievements in the industry in terms of airtight materials, heat preservation and energy-saving materials, waterproofing materials with specialized performance and the corresponding fields of application technology.

Example 3: Oriental Yuhong passed the review of the Polyurethane Engineering Technology Research Center

In September 2021, the Committee of Experts of the China Polyurethane Industry Association (CPUA) reviewed the "Building Protection and Energy Saving Engineering Technology Center" declared by Oriental Yuhong. The Committee assessed the comprehensive competitive edge, innovation investment and cooperation mechanism, development of innovation team and circumstances, technology accumulation and reserve, output and benefit of technological innovation. Ultimately, with a high score, Oriental Yuhong's "Building Protection and Energy Saving Engineering Technology Center" passed the review.

III. Innovation Honors Demonstrate Strength

In 2021, three scientific and technological achievements of Oriental Yuhong passed the authoritative identification and rating of the China Building Materials Federation. Specifically, the

development and application of key technology for special polymer-modified bituminous waterproof sheet material of near-zero energy buildings and the development and application of key technology for green low carbon silane-modified polyether bond/waterproofing materials" were identified to reach the international leading level. The development and application of modified silicone building sealant for concrete joints were identified to reach the international advanced level. Up to now, a total of 39 achievements of the Company have passed the third-party appraisal. Among which, seven achievements reached the international leading level and eight reached the international advanced level.

As of December 31, 2021, Oriental Yuhong had a total of 1,220 valid patents (372 inventions, 726 utility models, 122 appearance designs and six overseas valid patents).

Some examples of achievements in scientific research in 2021:

No.	Title	Awarding unit	Name of awards	Time
1	Key technology and application for near-zero VOC solvent-free MDI system single component polyurethane waterproofing coating	China Association of Productivity Promotion Centers	Good Technologies in China	October 2021
2	Flexible acrylic grouting material	China Real Estate Association (CREA)	The Third Prize of Science and Technology Award of CREA	July 2021
3	An organic and inorganic composite coating and its preparation method	The people's Government of Beijing Municipality	Beijing Invention Patent Award - Second Prize	April 2021
4	Acrylic high-elastic and waterproof coating for metal roofing	Beijing Building Materials Federation (BMF) and Beijing Ceramics Society	First Prize for Technological Innovation	December 2021
5	BH2 viscous resistance waterborne rubber bituminous waterproofing coating	Beijing Building Materials Federation (BMF) and Beijing Ceramics Society	Second Prize for Technological Innovation	December 2021
6	Single component polyurethane waterproofing technology and application for near-zero VOC solvent-free MDI system	Periodical Office of China Building Waterproofing	Top Ten Innovative Technologies for China Building Waterproofing	April 2021

7	Key technology and application for near-zero VOC solvent-free MDI system single component polyurethane waterproofing coating	China Building Materials Federation (CBMF)	Second Prizes for Progress in Science and Technology	March 2021
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IV. Innovation Application and Technologies

The Engineering Technology Center of Oriental Yuhong is located in Shunyi, Beijing, covering an area of 4,000 square meters. It consists of the Technology Department for Waterproof Systems, the Waterproofing and Engineering Technology Research Department, and the Carbon Neutrality Department. The research mainly includes: The research on engineering properties before launching new products to the market (identification of application risks, determination of application scenarios, and refinement of application advantages), the research on application technology of existing products (solution to practical application problems, research on product durability, improvement of construction methods, as well as R&D and upgrading of tools and machines), the research on application technology of part systems (maintenance of system durability and reliability, as well as R&D and promotion of part systems in different fields), and the research on product R&D based on engineering properties (based on features of engineering properties, needs of refining engineering, transferring of indicators of engineering properties, and the development of corresponding engineering products and engineering systems). Meanwhile, the Company actively carried out various research on the compatibility, aging mechanism and durability of waterproofing materials and made initial achievements.

V. Implementation and Commercialization of Scientific and Technological

Achievements

China has experienced the largest and fastest urbanization in the modern history of the world and formed the city clusters with huge areas, massive populations, and close contact, becoming an important carrier of economic development and modernization. However, the support of the construction and building industry is indispensable to urban development. Oriental Yuhong has been dedicated to the construction of a beautiful dwelling environment and actively commercialized scientific and technological achievements, thus continuously providing consumers with quality products and services.

Example 1: Rapid hardening leaking stoppage

It is a kind of powdery waterproofing material for leaking stoppage, which is made of special cement and additive after being specially processed. It features high intensity and rapid hardening, which applies to the leaking stoppage of open water and cracks repair for various leaking parts.

Example 2: Dust-free and mildew-proof glue for tiles (Patent No.: ZL201910481643.5)

It takes quality cement and fine sand as binding materials and aggregate, respectively. With the static-free dust repression patent technology, the effect of lowering dust can be up to 80% to 90%, which can effectively cope with the dust pollution during the construction process.

Example 3: Qiangbeili solid sand treasure (Patent No. ZL201811356360.X)

It consists of a special polymer emulsion and selected additive, featuring high environmental protection, good closeness, and outstanding water resisting properties. It applies to the reinforcement treatment for sand, powder and inferior mortar base.

Example 4. CAPAROL inorganic flame-retardant coating for exterior walls

It is an inorganic product that is environmentally friendly, featuring Grade A inflaming retarding, Grade 0 mildew proof, fouling resistance and self-cleaning. It adopts the potassium silicate extracted from natural inorganic ore and performs modification treatment. After that, the inorganic nanometer-sized dispersion of silica is taken as adhesive systems and the inorganic filler is added as the main aggregate. In addition, odorless environmental protection additives are used. All of them are mixed with a special process. It has been recognized by the market for its outstanding fire resistance.



Example 5. Yulinglong HDPE polymer self-adhesive film waterproofing sheet materials

The system consists of the Yuhong PMH series of polymer self-adhesive film waterproofing sheet materials, specialized auxiliary materials, and supporting materials for the system. The main material, namely, PMH-6010, has outstanding light-admitting quality, which can be fully bonded to the concrete applied later, without spilling water. The product is light. The sand will not fall off and the gaskets are visible. It can be welded conveniently and efficiently. The product is green and environmentally friendly. It contains no harmful chemical substances. The permeability rate for gas is extremely low, which is $1.40 \times 10^{-16} \text{cm/s}$. Therefore, it can satisfy the construction of special mountain tunnels with the existence of gas. All items can meet the product indicators of standard for category P of GB/T 23457 - 2017. It has obtained the certificate of the patent for the registered trade mark (under authorization) and the inspection report for drinking water. In addition, it has been successfully applied to the fields, such as nuclear power plants, mountain tunnels, and the renovation of ancient buildings.



Chapter III Resources and Environment

The Chapter covers the Company's responsibilities and contributions in terms of carbon neutrality, energy conservation and emission reduction, and environmental protection, which mainly include the practices of carbon neutrality, green management, green production, green services and green achievements.

Oriental Yuhong has remained committed to building itself into an enterprise that is resource-saving and environmentally friendly. In accordance with the philosophy of the antecedence of carbon neutrality, Oriental Yuhong is brave in adopting new models. It adheres to the green management from the source. At the production sites, it conforms to the clean and green philosophy. Through the standard and smart operation, it provides green services at the construction sites. All green scientific and technological achievements are conducive to constructing green buildings. Oriental Yuhong has facilitated the climate action goal of "peak carbon dioxide emissions before 2030 and carbon neutrality before 2060" with actual actions.

I. Antecedence of Carbon Neutrality

Oriental Yuhong has proactively responded to the national carbon neutrality strategy and taken the initiative to boldly explore the path for high-quality development under such strategy from aspects of the top-level design, fund support, and cross-sector cooperation.

1. In terms of the top-level design, the Company incorporated a management enterprise for carbon assets: In November 2021, the Oriental Yuhong (Tianjin) Carbon Asset Management Co., Ltd. was incorporated. It was the first enterprise of this kind in the industry. In the future, it will manage the Company's carbon assets in a coordinated manner. In addition, it will gradually build up professional research and business teams to manage carbon assets in the waterproofing building industry, serving the green development of the industry.

2. The Company proposed to establish a specialized association by working together with governments: In November 2021, the Company and Guangzhou Municipal Housing and Urban-Rural Development Bureau and other units jointly hosted the "2021 Guangzhou Summit Forum for the Industrial Development and Application of Green and Functional Building Materials", discussing the development prospect and technical route in the context of the strategy of carbon peaking and carbon neutrality. Meanwhile, the Company initiated the establishment of the Guangzhou Green and Functional Building Materials Industry Association.

3. Oriental Yuhong worked with the industry to set up a special fund: In November 2021, the Company jointly set up the "Special Fund for Demonstration Projects of Carbon Neutrality in Construction Industry of YiAn Dream Public Welfare Foundation" with the Wuxi Construction Industry Association and YiAn Holdings Jiangsu Construction Co., Ltd. Scientific and technological innovation will be the basic point to facilitate the R&D of green materials and the construction of energy-saving buildings.

4. The Company actively carried out the strategic cooperation through cross-sector arrangements: Oriental Yuhong and its subsidiary brands have successively signed strategic cooperation agreements with PV enterprises, such as China Green Energy, Ruihe, Jingri, JA Solar, Xinyi, Huafu New Energy, and Jinshan PV Association, expanding business in the field of distributed PV.

5. Oriental Yuhong incorporated a PV company to focus on the market: In February 2022, Oriental Yuhong cooperated with JA Solar and officially incorporated Yuhong JA New Energy Technology Co., Ltd. The new company will promote the sales of PV modules, the PV integration of TPO, and market expansion for PV waterproofing reconstruction and renovation of existing buildings, thus comprehensively arranging a market of "PV + waterproofing".

II. Green Management

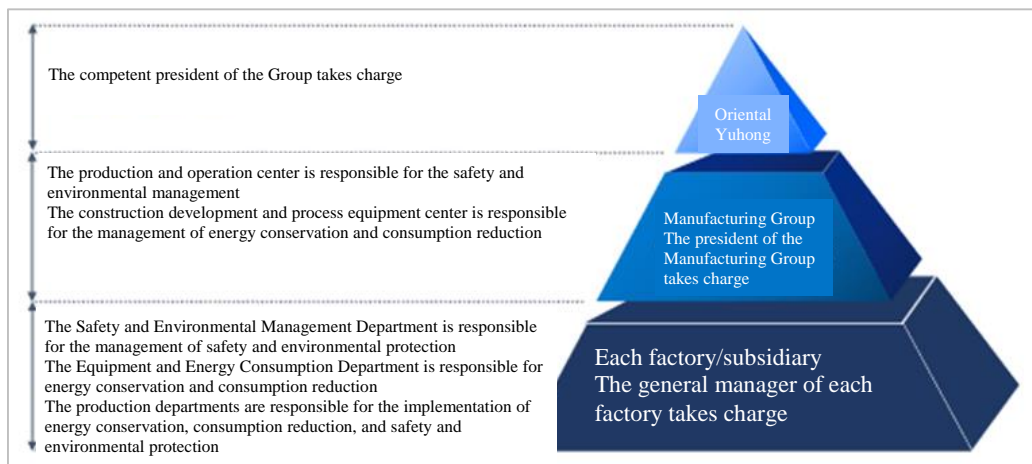
With the production and operation center at the center of its driving force, the Company has promoted certification as green plants, and established and improved the management objectives and assessment mechanisms regarding safety and environmental protection, energy conservation and emission reduction, and social responsibility. Based on the green plant standards of the MIIT, certification of the three ISO systems, and certification of China Environmental Labeling, the Company has actively made efforts in the management of safety, environmental protection, occupational health, and energy in its production and logistics bases. The Company seized the opportunity of national environmental performance grading for self-improvement. All of its plants in national key environmental areas met Grade A standards, and environmental protection facilities in new plants were all installed following the Grade A standards.

(I) Structure of Environmental Management

Oriental Yuhong has established and improved the environmental management system, carried out publicity and education activities about environmental protection, promoted environmental responsibilities related to the supply chain, and continuously regarded "green production and

low-carbon environmental protection" as the management direction, and advanced routine, systematic and standardized environmental management. By doing so, we further quantified the environmental management performance and specifically evaluated the environmental impact.

The Company has established a standardized environmental protection system which comprises the Group, centers, and factories/subsidiaries, and conducted management based on the principle of local area management and three-level management. Institutions at different tiers have adopted the system where chief executives take charge. The level-1 management departments are managed by the Group, with a competent president taking charge. The president of the manufacturing group is responsible for the level-2 management departments. In terms of safety and environmental management, the responsible department is the production and operation center. In addition, the construction development and process equipment center is responsible for the management of energy conservation and consumption reduction. The general manager of each factory/branch/subsidiary is responsible for the level-3 management departments. The Safety and Environmental Management Department is responsible for the management of safety and environmental protection. As for the energy conservation and consumption reduction, the Equipment and Energy Consumption Department shoulders such responsibility. The production departments are responsible for the implementation of energy conservation, consumption reduction and safety and environmental protection.



The Group has developed a system of environmental management policies and formulated corresponding environmental management policies for planning, execution, inspection and improvement. An in-depth exploration of green management models was conducted. The Group improved the organization and management system of energy conservation, effectively consolidated the management foundation of energy conservation and emission reduction, and adhered to the green,

environmental and low-carbon concepts throughout the whole process of R&D, production and application.

Oriental Yuhong has established and improved the GB/T 24001-2016 environmental management system, and developed relevant plans and other environmental management policies for implementation, inspection and improvement. The Company carried out publicity and education activities about environmental protection, promoted environmental responsibilities related to the supply chain, continuously regarded "green production and low-carbon environmental protection" as the management direction, and advanced routine, systematic and standardized environmental management. By doing so, we further quantified the environmental management performance and specifically evaluated the environmental impact.

The Company continuously increased its investment in environmental protection and strengthened review to ensure 100% environmental protection acceptance for new renovation and expansion projects of all factories and 100% standardized emissions of facilities for environmental pollution control. An in-depth exploration of green management models was conducted. The Group improved the organization and management system of energy conservation, effectively consolidated the management foundation of energy conservation and emission reduction, and adhered to the green, environmental and low-carbon concepts throughout the whole process of R&D, production and application.

So far, more than ten production and logistics bases of Oriental Yuhong, including Shanghai, Yueyang, Jinzhou, Xuzhou, Huizhou, Kunming, Tangshan, Xianyang, Wuhu, Jiande, Laixi, Puyang, Deyang, Jingmen and DAW Jiande, have been certified by the quality management system, environmental management system and occupational health and safety management system. A total of 12 production and logistics bases, including Shanghai, Yueyang, Jinzhou, Xuzhou, Huizhou, Kunming, Tangshan, Xianyang, Wuhu, Laixi, Puyang, and Jingmen, have been approved by the energy management system. The Company has obtained 102 certificates of China Environmental Labeling (ten rings certification). Specifically, the production and R&D logistics bases in Tangshan, Jinzhou, Huizhou, and Kunming have been successively selected for the green manufacturing demonstration list of the Ministry of Industry and Information Technology. The production and logistics bases in Xianyang, Puyang and Tangshan have passed the A-level environmental performance evaluation in the national key environmental areas, which are the first batch of enterprises that have passed such level in the waterproofing industry.

(II) Application of Green Technologies

Oriental Yuhong has attached great importance to quality and environmental protection and adhered to the concept of "green design, green production, green construction, and green building" for its product production and use. In the meantime, it has carried out in-depth cooperation with excellent suppliers at home and abroad to jointly drive the R&D and production of high-performance, green, and eco-friendly products. In 2021, the main application achievements of green technologies are presented as follows:

1. The development and application of key technology for special polymer-modified bituminous waterproof sheet material of near-zero energy buildings

It mainly included self-adhesive bituminous waterproof sheet materials with aluminum foil covering a steam trap layer, self-adhesive bituminous waterproof sheet materials with high heat resistance, and modified bituminous waterproof sheet material system products made by high weather resistant polymer. Such products are steam-proof, waterproof, high heat resistant and high weather resistant functions. In addition, they have excellent physical mechanics and construction performance. According to the research on industry-based key process conditions and equipment, all of them can be applied in various climatic regions with large geographical and climatic differences between north and south China and distinct four seasons.

2. The development and application of key technology for green low carbon silane-modified polyether bond/waterproofing materials

Through the research on materials, processes, equipment, and key technologies of engineering application, Oriental Yuhong has developed a silane-modified polyether waterproofing coating that is based on green silane-modified polyether. This kind of waterproofing coating is solvent-free and with high solid content. Moreover, such material conforms to the green and low-carbon policies. The composition of the project products is green. No pollutants will be discharged and spilled over during the process of manufacturing and construction, which conforms to the national policy of peak carbon emissions and carbon neutrality regarding green, environmental protection, and energy conservation. Furthermore, it can function as a cold bonding agent. Therefore, the hot-melt application for modified bituminous sheet materials in closed spaces with high fireproofing grades can be avoided. Meanwhile, as for the backing polymer sheet materials, the problem of discharging solvent for solvent-based adhesive existing in the construction process can be solved as well. As a result, the construction method is green and environmentally friendly.

3. The development and application of modified silicone building sealant for concrete joints

The series of sealants for building joints that can satisfy different climate environments and the diversified demands for projects: Two-component modified silicone sealant, single-component modified silicone sealant 20LM grade, and single-component modified silicon sealant 25LM grade. It has the advantages of both silicone adhesive and polyurethane adhesive, excelling in weather resistance, adhesion, color wash, pollution-free, and environment friendly. The Company has developed construction technical regulations and standard construction machinery and tools for the sealing of joints of prefabricated concrete buildings, cast-in-place concrete buildings, and other non-concrete buildings. Meanwhile, some projects have been applied for demonstration.

4. Polymer-based green flame-retardant technology

The brominated SBS environment-friendly flame-retardant technology of Fuda, one of the Company's subsidiaries, is manufactured by the authorized BLUEEDGE™ technology of Dupont. The flame-retardant masterbatch produced by this technology has been widely applied in the world to substitute for EPS and the HBCD masterbatch used in XPS foam heat preservation materials. The product is specially designed to lower perniciousness. According to strict environmental, healthy, and safe (EHS) appraisal and extensive testing, compared with the current flame-retardant masterbatch, the toxicity and its influence on the environment of the brominated SBS flame-retardant masterbatch are extremely low, however, the flame-retardant performance is equivalent to that of HBCD masterbatch, without compromising the physical properties of foams. It is compatible with production processes that are different from EPS/XPS, making it the most sustainable, eco-friendly flame-retardant masterbatch that can substitute for HBCD masterbatch.

5. CO₂ foaming technique

Fuda, a subsidiary of Oriental Yuhong, signed the *Contract Concerning Extruded Polystyrene HCFC Phase-out Project* with the Foreign Environmental Cooperation Center, Ministry of Ecology and Environment. It has completed the general technical transformation of replacing HCFC foaming with CO₂ foaming, thus making products more environmental-friendly, and passed the acceptance of the Ministry of Ecology and Environment. In 2017, the United Nations awarded the certificate of honor for "valuable contributions and effective in protecting the ozone layer". Fuda adopted CO₂ as raw material for a foaming agent to produce high-performance and environmental-friendly XPS boards, and directly consumed around 241.95 tons of CO₂ in 2021, growing rapidly at an annual rate of 35% to 45%. The environmental-friendly foaming agent and flame-retardant technology system adopted by Fuda produces substantial environmental benefits to reductions in greenhouse gases, making it a feasible technical option for realizing the carbon peaking and carbon neutrality goals.

6. Gold Machilus film - "the thinnest hot-melt film with the largest breadth"

Gold Machilus Film Company has made breakthroughs in the component design and manufacturing technology of the thinnest polyolefine hot-melt film material with the largest breadth, successfully achieving the high-speed and stable production of such film with a width of 2130mm and gram weight of 10g/m². As a result, the realistic demand for the special hot-melt film of the widest polymer-based modified bituminous waterproof sheet materials has been satisfied in China. It is of significant economic and social value to improve the efficiency of the downstream manufacturing enterprises and construction enterprises for modified bituminous waterproof sheet materials, realize the enterprises' "green and low-carbon" operations, drive the technical progress, upgrading of the industrial structure of production equipment for polymer-based modified bituminous waterproof sheet materials in China.

(III) Building of Green Supply Chain

Oriental Yuhong has incorporated the principles of environmental protection into its mechanism for supplier management. Starting from the source of raw material extraction, production process, final consumption and other processes, Oriental Yuhong has formulated actionable green procurement standards and green procurement management programs that cover testing, certification, and implementation. This measure aims to minimize the adverse impact on the environment directly or indirectly, boost resource efficiency, and provide end consumers with green, healthy and eco-friendly products.

Oriental Yuhong puts green procurement in place. When procuring raw materials, it prioritizes the use of products with low-carbon production processes. Regarding consumer goods such as office supplies, it prefers products that are easy to recycle, in an effort to ease the environmental loads of the industry chain via green procurement.

The Company has established more stringent procurement grading standards and management procedures based on national standards. Aside from the product assurance approach of requiring raw material suppliers to provide both products that meet regulations and third-party testing, it also requires such suppliers to offer internationally-recognized chemical safety and quality instructions to take precautions from the source.

Example: Oriental Yuhong and Wanhua Chemical carried out strategic cooperation.

In July 2021, Oriental Yuhong and Wanhua Chemical Group signed a strategic cooperation agreement in Beijing. In accordance with the principle of "mutual benefit, equality, and integrity",

the Agreement aims to give play to their advantages to realize resource sharing and carry out in-depth cooperation in new fields, new products, and new trends.



III. Green Production

(I) Policies and Industry Standards for Environmental Protection

Integrated Emission Standard of Air Pollutants (GB16297-1996) is applied to non-fugitive emission of waste gas in the sheet material workshops of Oriental Yuhong (emission concentrations of non-methane hydrocarbons, benzo(a)pyrene, asphalt fumes and particulate matters shall not exceed 120 mg/m^3 , 0.3 mg/m^3 , 40 mg/m^3 and 120 mg/m^3 , respectively). The standard limit set out in the *Emission Standard of Air Pollutants for Cement Industry* (GB4915-2013) is applied to non-fugitive emission of waste gas in the mortar workshops (emission concentrations of particulate matters shall not exceed 10 mg/m^3).

The standards specified in the *Integrated Emission Standard of Air Pollutants* (GB16297-1996) are applied to the fugitive emission of non-methane hydrocarbons and particulate matters at the boundary (emission concentrations of particulate matters and non-methane hydrocarbons shall not exceed 1.0 mg/m^3 and 4.0 mg/m^3 , respectively). The special emission limits for air pollutants stated in the *Emission Standard of Air Pollutants for Boiler* (GB13271-2014) are applied to non-fugitive emissions of the Company's gas-fired boilers (emission concentrations of nitrogen oxides, sulfur oxides and particulate matters shall not exceed 150 mg/m^3 , 50 mg/m^3 and 20 mg/m^3 , respectively).

The standard limit stated in the *Emission Standard of Cooking Fume (Trial)* (GB18483-2001) is applied to canteen fumes (emission concentration of fumes shall not exceed 2.0 mg/m³).

Sewage discharge

The *Integrated Wastewater Discharge Standard* (GB8978-1996) is strictly applied to sewage discharge. The standard is not lower than the Class III discharge standard: PH:6-9; BOD, COD, ammonia nitrogen and suspended solids shall not exceed 300 mg/L, 500 mg/L, 45 mg/L and 400 mg/L, respectively.

Noise emission

Class 3 standard stated in the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB12348--2008) is applied to noise emission (noise limits for day time and night time are 65 decibels and 55 decibels, respectively).

Solid waste

The *Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes* (GB18599-2001) is applied to general solid wastes, and the *Standard for Pollution Control on Hazardous Waste Storage* (GB18597-2001) to temporary storage of hazardous solid wastes.

The above standards are strictly applied to all pollutant emissions. If local standards are stricter than national ones, the former shall prevail. All plants complied with the guidelines, standards and requirements of the *Technical Specification for Application and Issuance of Emission Permit-General Part* (HJ942-2018) issued and implemented by the Ministry of Ecology and Environment on February 8, 2020. The Company performed stringent self-inspection and review in all respects including basic production facilities, product output, pollution processes, treatment facilities, permitted emission levels of major pollutants, self-monitoring, and ledgers and records of environmental management, and all plants obtained the national emission permits.

(II) Investment in Environmental Protection

Producers must be responsible for the waste caused in the production. In accordance with this principle, Oriental Yuhong carried out environmental evaluations, increased environmental investment, unified production site management, and strengthened control and treatment of pollutants and wastes, to reduce the influence on the community and surrounding ecological environment.

Statement on Oriental Yuhong's Main Investment in Environmental Protection

No.	Category	Item	Amount (Unit: RMB' 0,000)
1	Prevention	Prevention and testing	243.98867
2	Solid waste	Solid waste treatment	524.238738
3	Air	Activated carbon and caustic soda flakes	45.7846
4		Transformation of dirt catchers/boilers and chimneys	284.8163
5		Asphalt smoke treatment	1,929.8438
6		Low nitrogen transformation	190
7		Operating cost for waste gas treatment facilities in workshops	220
8		Maintenance for online monitoring equipment of boilers	6
9		Investment in other environmental protection facilities	765.622
10	Water	Treatment of domestic and industrial wastewater	355.8735
11	Noise	Noise reduction devices	46.4514
12	Electricity	Equipment insulation and lighting	1,120.787327
13	Others	Greening	444.3879
14		Emergency response pool	12.024
15		Governance of surrounding environments	56.12
Total			6,245.94

(III) Energy Conservation

Oriental Yuhong carried out 5S management and lean production continuously in different production bases. Through rectification, production sites became clean and orderly, and production processes became safe and highly efficient. At the same time, the Company strengthened system management, to ensure standard and scientific management, and improve the operation efficiency of the system. The energy consumption per unit of output value (tce/RMB10,000) saw a year-on-year decrease of 49.2% over last year and the emissions of output value t(CO₂)/RMB10,000 dropped by 21.5% over last year.

Other Major Energy Consumption and Emission Indicators of Oriental Yuhong

No.	Category	Item	Figures
1	Electric energy consumed	Power consumption (kW h)	218,864,391.5

2	Natural gas consumed	Natural gas consumption (m ³)	39,966,656.05
3	Liquefied petroleum gas	Consumption of liquefied petroleum gas (kg) in workshops and canteens	22,627.795
4	Gasoline	Gasoline consumption (kg)	1,600
5	Diesel	Diesel consumption (kg)	488,066
6	COD emission (t)	COD emission (t)	20.5734
7	Water	Water consumption (t)	903,804.49
8	Sewage	Sewage discharge volume (m ³)	162,682.3
9	Solid waste output	General solid waste output (t)	8,893.55
10		Hazardous waste output (t)	1,526.8
11	Energy consumption per unit of output value (tce/RMB10,000)	Ton of standard coal/RMB10,000	0.04
12	Emissions of output value t(CO ₂)/RMB10,000	t(CO ₂)/RMB10,000	0.156

Example 1 - Huizhou factory: The twin screw air compressors were replaced by permanent magnet motor variable frequency air compressors. In addition, the flow monitoring devices were installed and the air blowing devices of air compressors on the production lines were upgraded. By doing so, the pressure of the compressed air supply was reduced without compromising the use on the production site. The power of the air compressor has been reduced to 77KW (in common use) from 121KW and the air supply pressure has been reduced to 0.6Mpa from 0.70Mpa. As a result, the annual electricity consumption can reduce by 390,000kW h.

Example 2 - Hangzhou factory: The automatic valve pocket of the mortar production line installed a manipulator device and the pipes for extruded die heads in the polymer workshop installed heat preservation cotton to reduce the heat dissipation and lower the energy consumption of devices. In this way, two employees can be relieved from their duties for packing.

(IV) Emission Reduction

To reduce emissions through the power generation side: Oriental Yuhong proactively participated in transactions in the electricity market. It reached a strategic cooperation in electricity sales business with power generation plants such as Datang International Power Generation Company, aiming to improve the fuel management, program management, and stable production to better reduce carbon emissions arising from power generation.

To reduce emissions by adopting advanced processes: The Company vigorously promoted the use of advanced pollutant treatment processes and advanced treatment facilities such as RTOs in its

production and logistics bases to treat exhaust gas arising from bituminous waterproof sheet materials, bituminous coatings and others. Compared with the traditional electrostatic dust removal and alkaline cleaning processes, the advanced processes reduced more than 50% of the PM emissions, nonmethane hydrocarbon emissions and odor emissions, and VOCs emission treatment efficiency could reach up to 95%. Meanwhile, the Company carried out the energy-saving transformation of air compressors to further improve the energy efficiency level of air compressors in its plants. Moreover, the Company reduced the energy consumption of appliances and equipment with huge electricity consumption. According to the standards of the Hefei Institute of Mechanical and Electrical Research, the power-to-weight ratio of innovative energy-saving air compressors was measured, showing that the air compressors could save more than 20% of energy.

Example 1 - Puyang factory: Two alkaline towers were dismantled. Waste gas was introduced to the RTO upgrade project to reduce the discharge volume of pollutants and decrease the disposal of activated carbon, caustic soda flakes and hazardous wastes.

Example 2 - Xuzhou factory: The raw material TDI in the coating workshop was previously transported in metal buckets with a volume of 250kg, which faced higher risks and generated a huge amount of hazardous wastes. Now, it is transported in storage tanks and pipelines, reducing the contact risks of material transportation and feeding by workers. As a result, more than 6,000 hazardous and waste buckets can be reduced annually.

Example 3 - Jingmen factory: The exhaust gas funnel for the packaging of putty and plaster generated large industrial enterprises noise at the boundary. To address this issue, a silencer was installed on the corresponding funnel.

Example 4 - Huizhou factory: SBR scattering charging vehicles were added to avoid forming particles in the pill tank after SBR agglomeration. The interval of colloid mills was calibrated and adjusted. In addition, pill tanks were used to dissolve filter meshes under high temperatures to melt asphalt on filter meshes into the tank. After that, the iron meshes without asphalt will be treated as general solid wastes. In this way, the factory can reduce approximately 0.5t to 1t hazardous waste every month.

Example 5 - Factories in Yueyang, Jinzhou, and Qingdao: The flue gas environmental protection equipment for asphalt in workshops of bituminous waterproof sheet materials was upgraded by replacing the water spray + electrostatic adsorption with RTO. By doing so, various emission targets have been reduced and the VOC emissions reduce by 3.356 t/year.

(V) Clean Energy

Oriental Yuhong actively promotes the application of clean energies and conducts distributed PV power generation and electricity storage projects more vigorously in its production and logistics bases. The Company launched the project of roofing PV power stations. The phase-I project included 16 production, R&D, and logistics bases of Oriental Yuhong. Puyang has firstly connected to the grid. Other bases are scheduled to be connected to the grid successively in April and May, with a total installed capacity of 54.7MW. The annual average power generation is approximately 56.21 million kW h. It can reduce electricity consumption by approximately 35% comprehensively. The reduction in the combustion of standard coals, CO₂ emissions, carbon dust emissions, and sulfur dioxide emissions can be 21,500 tons, 53,600 tons, 14,600 tons, and 1.61 tons, respectively. (The coefficient is 1kW h = 0.4kg standard coal, 0.997kg CO₂).

The phase II project was officially initiated in February 2022, which will cover 12 production, R&D, and logistics bases of Oriental Yuhong. The estimated total installed capacity is approximately 45MW. In the future, Oriental Yuhong will earnestly drive energy-saving projects, such as PV power generation, low-temperature operation of heat conduction oil, solar heating, and boiler/air compressor waste heat reuse.

Example - Puyang factory: On February 25, 2022, the ceremony for grid connection of Phase I Project for Oriental Yuhong Roofing PV Power Station was held in Puyang base. The system consists of TPO single-lay roofing system and lightweight support made by Hongsheng. It can meet the construction demand for PV roofing of industrial plants for its lightweight, reliable waterproofing nodes, and high efficiency. It is a demonstration of energizing green and sustainable development by science and technologies.



IV. Green Services

(I) Standardized Construction

Oriental Yuhong acted as a forerunner in the industry to propose the philosophy of standard construction. It has formed a series of procedures for standard whole-chain services by integrating concepts of standard construction and reasonable management. The services include professional and sound pre-job training for waterproofing technicians, unified and standard construction processes, clean and safe construction environments, and strict and transparent construction management.

Oriental Yuhong strictly abides by the following building principles: reducing site disturbance, respecting the local environment, paying attention to climate, saving energy, reducing environmental pollution, increasing environmental quality, carrying out scientific management, and ensuring construction quality. All these efforts are aimed to minimize the construction disturbance and the influence on the surrounding environment. The standard construction has benefited its customers and led the industry. With the continuous improvement of quality standards, Oriental Yuhong has been highly recognized by its customers.

In the field of C-end, the Civil Construction Material Company of Oriental Yuhong launched the latest version of Yuhong's 4S waterproofing services. In particular, it set up detailed rules for special services for the construction of new rural areas. The Building Renovation Company

promoted a program of "Yuhong Home" to address problems for the people from different dimensions, satisfying the demands for a "livable" environment.

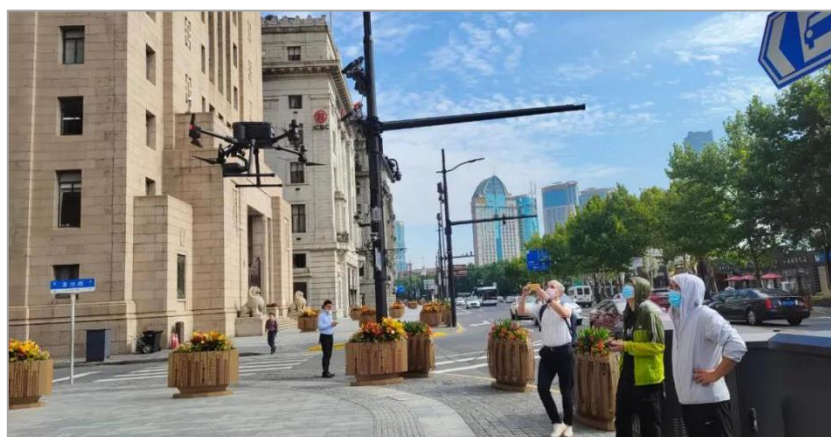


(II) Smart Operation

Smart construction is the only route for improving the quality of industrial development and transforming the labor-intensive production mode into a technology-intensive production mode. With the promotion and popularization of digital and smart technologies, Oriental Yuhong has continuously applied new technologies to key processes such as production, inspection, construction, and services. All these efforts are aimed to further improve the construction efficiency and lower the energy consumption of manual operation:

Example 1: UAV monitoring technology

With a dual-light camera, the difficult problem that the infrared thermal imager is incapable of inspecting high buildings has been addressed. Meanwhile, the solutions are available for contrasting each empty, bulging, and crack position in a real picture and thermal image. Meanwhile, with the connection of 5G technology, real-time data transmission can be achieved. A visual service core with remote monitoring and online analysis has been formed for Oriental Yuhong Building Renovation. The inspection is more efficient but with much lower costs, significantly avoiding the waste of human, material and financial resources. Meanwhile, areas with hidden risks can be located in a more accurate and faster manner, providing effective judgment rules for the circumvention of risks and supporting data for solutions.



Example 2: Hongxiang: X Two-component multi-proportion spraying equipment

This equipment and XP3 made by Graco in the United States are both two-component multi-proportion spraying equipment. The size of the Hongxiang series is small and the pressure for construction is high. In addition, the proportioning of two components can be adjusted accordingly. It adopts high-pressure and airless spraying, with high pressure of up to 46Mpa. The high-pressure spraying has strong adhesive power and can blow away dust on the base layer, making the construction cleaner. In addition, it can process the detail nodes in a more delicate manner. So far, it has been successfully applied to the "Beijing-Tangshan High-Speed Railway Project".



Example 3: The specialized puncture resistance tester for polymer self-adhesive film waterproofing sheet materials

It is like bringing a laboratory to project sites and customers, enabling customers to understand the test item more directly and vividly. The tester has four characteristics: The procedures of the tester are identical to the test methods specified in the national standard. It has been calibrated by CTI, an authoritative testing institution, to ensure accuracy. It only takes five minutes from cutting test-piece to printing out test results. The tester is compact and light that test can be done anytime, anywhere. It is a fully automatic mode, with a touch screen.



V. Green Products

In the context of the carbon neutrality strategy, green building materials and green buildings have become the development orientation of the industry. Relevant departments including the Ministry of Housing and Urban-Rural Development of the People's Republic of China have issued related documents, such as the *Implementation Plan for Peaking Carbon Emissions in the Field of Urban and Rural Construction* and the *Evaluation Standard of Green Building*, encouraging the development of green and environmental-friendly buildings.

Oriental Yuhong has actively responded to the philosophy of "greening" buildings. To better meet the demands for environmental-friendly and green buildings in all walks of society, the Company give play to technical advantages in a creative way and contributed to the new green buildings in many aspects, such as waterproofing, heat preservation, and energy conservation. In addition, it called on the industry to build a green industry chain and provided durable, high-quality, and green protection throughout the entire life cycle to promote the sustainable development of the whole industry.

(I) PV Roofing

Oriental Yuhong launched BAPV (Building Attached Photovoltaic) series for new and existing TPO roofing. BAPV refers to the solar photovoltaic systems that are attached to buildings, which are also known as "mounted" solar PV buildings. The major function is for power generation, which is not conflicted with the functions of buildings. In addition, the functions of the original buildings will not be destroyed or weakened. The Company has successfully developed and completed the supporting system of PV roofing, including key technologies and processes such as auxiliary materials and supporting seats. It has provided construction services and technical support for TPO roofing systems in many engineering areas, such as vehicles, new energies, aerospace, electronic communications, and tobacco, accumulating enriched practical experiences for such projects. It has been successfully applied to many projects, including Chery Jaguar Land Rover in Changshu, Hefei Haina (NIO) New Energy Vehicles, Greenleaf Technology in Yancheng, Jiangsu Province, Envision Group in Jiangyin, Tianjin Changchun Auto Parts, Tencent Huailai Data Center, and Beehive Energy of Great Wall Motor Company Limited.

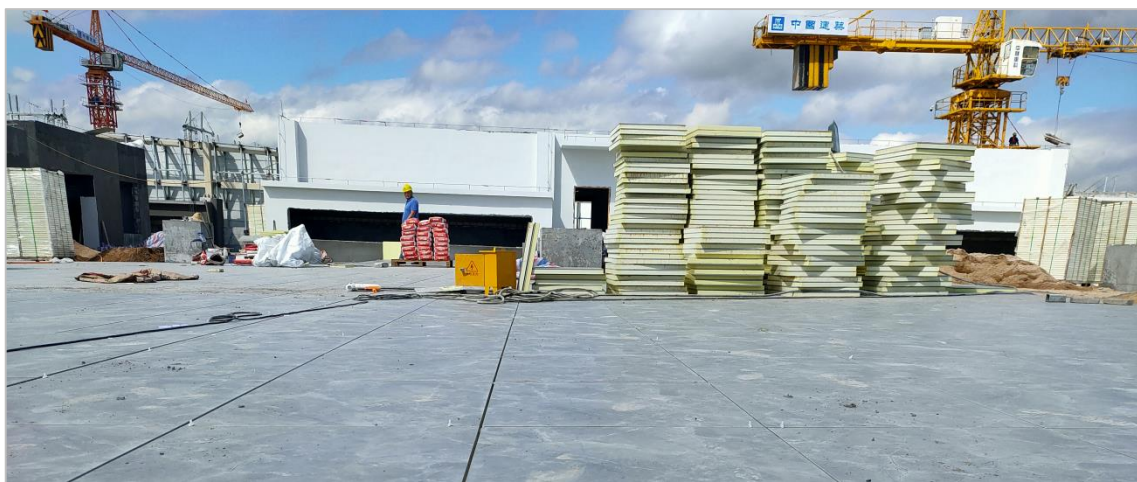


(II) Integrated Tile for Heat Preservation and Decoration

FD high-strength integrated tile for heat preservation and decoration is a kind of single-side composite ceramic tile made of high-strength extruded polystyrene board material. It is prefabricated in factories and can be applied to roofs, floors, and the internal side of exterior walls, which can be used for heat preservation, thermal insulation, and decoration. It is applied to the surface layer, with lightweight, high strength, simple construction, diversified effects, and easy maintenance, which is used to solve the cracks of the concrete surface layer of traditional roofs.

Example: Fuda facilitated the construction of the innovative vaccine production base for Guangzhou Knowledge City

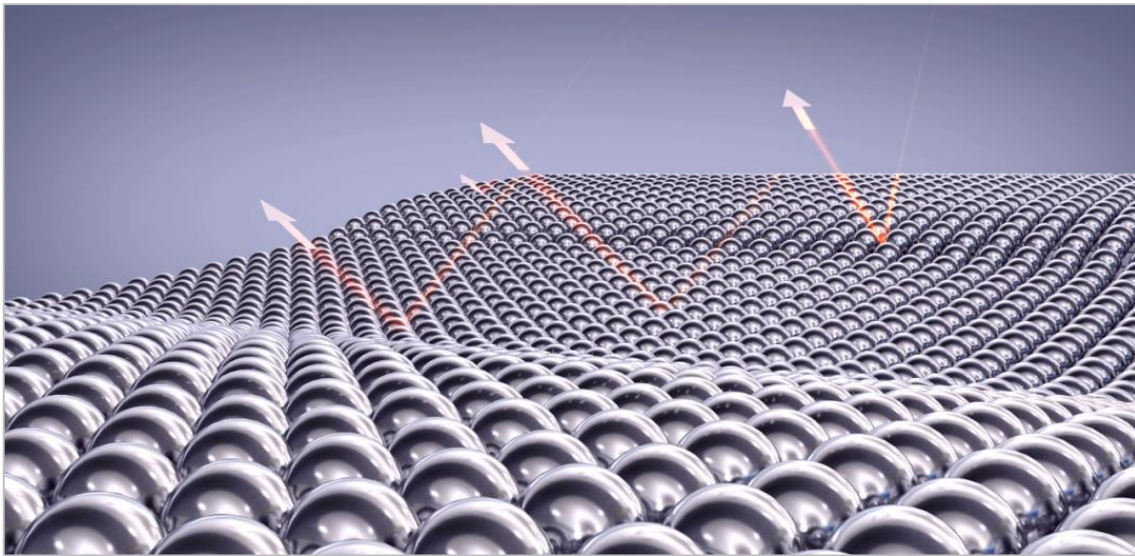
As a world-class modern and new demonstration base for vaccine production, the innovative vaccine production base for Guangzhou Knowledge City adopted FD high-strength integrated tiles for heat preservation and decoration. The task for the construction of this project is heavy and pressing. Fuda actively responded by arranging construction procedures in a scientific manner and focusing on details. Based on the proper pandemic prevention and control, Fuda ensured that the project was constructed as scheduled.



(III) Firmament Waterproofing System

The exposed firmament roofing energy-saving waterproofing system adopts the anti-radiation technology of space that can effectively reflect the ultraviolet radiation and reduce the harm caused by UV radiation. Furthermore, the system can lower the ultraviolet aging of materials, extend the service life of products, reduce the roof temperature (20 to 30 centigrade) in summer, alleviate the urban heat island effect, save the energy consumption for refrigeration in summer, and decrease the emission of nitrogen and sulfide.

During the days with high temperatures in summer (calculated by 100 days), the energy saving rate for indoor refrigeration is 15% to 20% and the electricity consumption per 1,000 square meters can save 6000kW h to 8000kW h. If 0.997kg of carbon dioxide can be reduced to save one kW h, then, the corresponding emissions can reduce by 5,982 to 7,976kg.



(IV) Prefabricated Technology

Owing to the prefabricated technology, a lot of work that needs to be done on construction site in the traditional construction model, have been shifted to factories. Components and accessories are prefabricated at factories and then transported to construction sites, which will be completed installation on site through reliable connecting methods. In the prefabricated field, Oriental Yuhong remains committed to "focusing on internal and external improvement".

The prefabricated buildings: The Company launched the EDEE industrial prefabricated roofing system. It is a system that integrates waterproofing into heat preservation, wind resistance, protection, and landscape (optional). The waterproofing problems can be addressed through many sub-systems, such as base-layer security, waterproofing and drainage, heat preservation, liner waterproofing, and the pavement for water seepage and perched water. It also developed the MS sealing materials that is suitable for the prefabricated building market in China. Such a product has low modulus, high elasticity, reliable bonding force, flexible shape, weather resistance, durability, and traceable displacement. In addition, it is methanal-free and pollution-free and easy to be applied and constructed. Therefore, it has been recognized by both project and construction companies.

Prefabricated interior decoration: Wonevsun Energy Saving and Heat Preservation Group, one of its subsidiaries, has developed the prefabricated system for internal and external heat preservation and decoration (inner wall, floor, ceiling, kitchen, and bathroom) and the prefabricated system for the integrated board, which are suitable for new buildings and renovation of existing buildings under any climate condition.

(V) Near-zero Energy Buildings

Oriental Yuhong integrated the resources of parts and components for near-zero energy consumption at home and abroad, and built a high-tech moat of its products by introducing, developing and integrating new technologies. It can independently produce the graphite-modified molding polystyrene boards, mineral wool boards/strips, environmental-friendly XPS boards, adhesives and plastering mortar, alkali-resistant coated medium-alkali fiberglass mesh, anchors preventing thermal bridging, waterproof and vapor-proof membranes, waterproof and vapor-permeable membranes, finishing mortar, among other waterproof and thermal insulation products of near-zero energy consumption.

In 2021, Wonewsun Near-zero Energy Architectural Design and Research Institute gradually expanded its business scope from near-zero energy consulting and design to near-zero energy buildings, capacity buildings, low-carbon communities, zero-carbon communities, carbon sink, carbon footprint, carbon labeling, carbon assets, and carbon standards. It upgraded and developed the system-based EPC solutions for buildings with super low energy or near-zero energy, further improving the rate of self-production for near-zero energy system products.

At present, it has participated in the construction of near-zero energy buildings of 1,716,100 square meters, with a market share of approximately 15%. Compared with a building with 65% energy conservation performance domestically, it can save electricity of 60,064,800 kW h, save 18,019.45 tons of coal, and reduce 48,652.51 tons of carbon dioxide emissions per year. Compared with a building with 75% energy conservation performance domestically, it can save electricity of 514,844,100 kW h, save 15,445.24 tons of coal, and reduce 41,702.15 tons of carbon dioxide emissions per year.

Example 1: Harbin Vanke Smart Future Town Passive Box

In 2021, Wonewsun Energy Saving and Heat Preservation Group completed the delivery for the first near-zero energy public building in Harbin - "Harbin Vank Smart Future Town Passive Box". The project is the first near-zero energy public building in China's frigid area. It creatively adopted technical approaches, such as constant-temperature construction and ultra-low temperature heating pump by increasing enthalpy with a new type of air injection. It has been certified by the Architectural Society of China for Near-zero Energy Building Evaluation and German Energy Agency for DENA.



Example 2: Lihang · Begonia Flowers & Lihang Tang Yue Fu in Shijiazhuang

The project is located in Shijiazhuang, Hebei Province, with a total construction area of about 260,000 square meters, which is the largest passive and ultra-low energy housing project in China. Wonewsun Energy Saving and Heat Preservation Group undertook the construction of heat preservation, waterproofing, and external facing of the entire project. The project included thin plaster applying with rock wool + curtain wall system with dry hanging stone and thin plaster applying with graphite and polystyrene board + curtain wall system with dry hanging stone and thin plaster applying with graphite and polystyrene board + coating system of external walls.

Example 3: Xingzeyuan (Zhengzhou Talent Apartment)

The project is located in Xingyang, Henan Province, with a total construction area of over 500,000 square meters. Wonewsun Energy Saving and Heat Preservation Group undertook the in-depth design, supply and construction of the ultra-low energy. The project adopted the thin plaster applying system with graphite and polystyrene board for external walls. So far, it has been a representative passive ultra-low energy housing project in Henan Province.

Chapter IV Safety Responsibility

This Chapter is about policies and measures used for ensuring employee safety, including the establishment of an organizational system for safe production, the formulation and implementation of safe production policies, and the adoption of effective protective measures.

Safety is basic support of the Company's operation and the top priority of the Company. Following the principle of "safety first, prevention first", Oriental Yuhong implemented the safety responsibility policy at all levels to prevent any accident. It has fostered awareness of "all employees participating in safety management", improved its safety management system, established safety policies, organized safety education and training, and improved safety awareness and crisis management skills to ensure stable production and normal operation of the Company.

I. Safety Management System

In accordance with national safety monitoring & management laws and regulations, Oriental Yuhong strengthened safety system construction and revised and improved some safety management systems, including the *Safe Production Responsibility System*, *Safety Education Management System*, *Safety Inspection Management System*, *Safe Production Reward & Punishment System*, and *Dangerous Chemical Safety Management System*, etc. It also elaborated the safety responsibility.

Safety Management Policies in Production and Logistics Bases of Oriental Yuhong

System of responsibility in safe production	Firework management system	Inspection system for potential safety hazards
System for safety education and management	System for occupational health management	Management measures for honesty and self-discipline
System for safe production and inspection	Management system for reporting and dealing with workplace accidents	Management system for entering and leaving plants of Oriental Yuhong
System for rewards and punishment for safe production	Management system for fire safety	Coordinated management system for safety in plants
Management system for labor protection supplies	Management system for safe use of electricity	Management measures for limited working space
Safety management system for hazardous chemicals	Emergency management system for fire accidents	Management regulations on safety penalties in production and operation centers
Safety management system for equipment	Management system for emergency response to chemical leakage	Management measures for dealing with work accidents in production and operation centers
Safety management system for special operation	Safety management system for external construction operators	Management regulations on assessment of safety credit reward points of employees in production and operation centers
Safety management system for high-place operation	Safety management system for trainees, trainers and interns	Safety management system for employee transportation

Management system for smoking ban	Safety management system for forklift	Regulations on wearing safety helmets
Safety management system for cargo transportation in plants	Management system for changes	Safety management system for electrostatic and anti-explosion

Example 1: *Responsibility System of Manufacturing Center for Environment and Safety*

In accordance with national laws and regulations, it defined the responsibilities of each post for environmental protection and production safety to prevent environmental and production safety accidents and assume legal responsibilities for dereliction of duty and consequences of accidents. It adhered to the principle of "safety must be guaranteed in production and business management, and whoever is in charge shall be responsible" and strictly implemented the production safety responsibility system by carrying it out at every level. It also adhered to the principle of a "lifelong responsibility system", i.e. nobody could be exempted from liability after transferring if violations against laws and regulations arose during his/her term of office but with ill consequences occurring in the subsequent term of office of other people, which caused criminal offense or administrative sanction or serious environmental or safety accident; the Company would punish him/her as alike as those in term of office. The Company reserved the right to hold the responsible person legally liable even if he/she left office or retired.

Example 2: Oriental Yuhong safety information management system has been launched in each production and logistics base, bringing scientific, systematic and convenient safety management, and achieving resource sharing in system management.

Example 3: It has set up and implemented the management system of safety conference and the management system of safety inspection both at all levels. A safety competition system based on process and initiative indicators has been established and implemented, which integrated accident prevention into routine work and greatly stimulated the enthusiasm of all departments in the production and logistics bases to compete with, learn from and surpass each other, achieving excellent results.

II. Safe Production

Oriental Yuhong carried out a safe production responsibility system, which covered the whole network of construction and staff, to ensure the fulfillment of safe production responsibility. It also completely carried out safe production standardization and HES safe production system.

The Company set up a specialized safety management department in its main production bases and allocated dedicated personnel for safety management. It also established a consolidated safety

management team, with safety management directors of different factories as team members and production & operation directors as the leader. The team was responsible for the safety management of different factories. A long-term coordination mechanism was set up and safety information and resources were shared. Members worked together to ensure the accomplishment of the safe production objective of the whole production & operation system.

Input Details for Safety Production in Main Production Bases of Oriental Yuhong

No.	Category	Item	Amount (Unit: RMB' 0,000)
1	The upgrading, reconstruction, maintenance and inspection of equipment and facilities	The procurement, maintenance, repair and inspection of fire-fighting equipment	172.3758
2		Lightning protection and anti-static maintenance, repair and testing	29.4355
3		The maintenance, repair, testing and inspection expenses of special equipment	161.1347
4		Expenditure on safety signs & warnings and publicity	54.24781
5		Safety protection upgrading, reconstruction and maintenance expenses of mechanical equipment	318.452
6		Upgrading, reconstruction and maintenance expenses of fall prevention facilities in high-place operation	32.998
7		Upgrading, reconstruction and maintenance expenses of safety facilities in hoisting operation	22.57
8		Upgrading, reconstruction and maintenance expenses of safety facilities in inflammable and explosive places	123.576
9		The expenditure on the improvement, reconstruction, and maintenance of other safety equipment and facilities (including the mechanical protection for operation areas in workshops, warehouses, tank yard, monitoring, supervision, ventilation, sunblock, temperature adjustment, fire prevention, fire fighting, anti-explosion, pressure relief, gas defense, disinfection, neutralization, damp proofing, anti-corrosion, anti-leakage, protective causeway or isolation operation)	270.8035
10	Emergency rescue	Expenditure on equipping and maintaining emergency rescue equipment and on emergency drills	39.514
11	Rectification against hidden trouble	Expenditure on evaluating, monitoring and rectifying major sources of danger and latent danger of accidents	101.0447
12	Evaluation and consultation	Expenditure on production safety inspection, evaluation, consultation and standardization	206.2794

13	Prevention and control	Expenditure on provision and renewal of safety protection articles for on-site operators	420.901
14	of occupational diseases	Expenses related to physical examination of occupational diseases and occupational hazard factors testing	69.2
15	Training and education	Expenditure on publicity, education and training of production safety	49.59746
16	Four "New"s	Expenditure on promotion and application of new technologies, new standards, new processes and new equipment that are suitable for safety production;	2,265.115
17	Safety culture	Expenditure on enhancing the Company's total participation in safety culture and safety incentives	274.0123
18	Others	Other expenditures directly related to production safety	161.0904
Total			4,772.35

Example 1 - Wuhu factory: The manipulator of production line No.4 for sheet materials realized safe linkage by adding devices, such as a safe optical grating and a reset button at the channel to the operating area of the equipment. In this way, the equipment will immediately stop once detecting the entry of a person. In addition, a device that can automatically adjust the position of stacked sheet materials has been re-designed to avoid bundling products manually.

Example 2 - Huizhou factory: A radar liquid level has been installed on asphalt tanks to minimize the number of counting for people to climb up to the tank top, reducing risks for people to fall from a high position, drop into tanks, and suffer sunstroke. Meanwhile, the real-time liquid level display of asphalt can be optimized (realizing the display of the transmitter on the tank top, the liquid level and temperature display of the control cabinet, and the data display of the computer system), significantly reducing the risk for asphalt to emerge from the tank and expose in the environment.

Example 3 - Hangzhou factory: The possibility to hurt hands by the polymer extrusion roll has been eliminated through the improvement of the photoelectric interlocking on the polymer roll shaft and the conveyor of production lines, and the maintenance platforms of pill tanks in the sheet material workshop.

Example 4 - Kunming factory: The tire lines on sheet materials have been transformed by the film-feeding pulley. It used to need two persons to lift the products on the platform to change film, as the film-feeding area was narrow. After transformation, films can be placed on the frame from the outside to be further processed on tracks. After that, a pulley will be used to push the products to the film-changing area. Such improvement can relieve one worker from the previous duties. Meanwhile,

it is no need to lift the products by two persons, avoiding the possibility of slipping during the lifting process and ensuring the safety of workers.

III. Product Safety

To ensure the safety of products, Oriental Yuhong has taken the following measures to strictly control product quality and ensure product safety.

1. The Company has passed the certification for quality management system, environmental management system, occupational health and safety management system, measurement management system, CE, CTC, CRCC, Chinese environmental labeling, etc. It strengthened and improved the operation of management systems. Its products meet safety standards stipulated by domestic and international rules and regulations, and hidden safety risks for customers and society are eliminated.

2. Raw materials, such as liquid asphalt and emulsion, are stored in sealed tanks and transported with sealed pipes, thus ensuring air insulation. In the product preparation process, safety protection measures shall be fulfilled to avoid hidden risks that the product may bring to workers in the workshop.

3. Product packages meet safety standards and have no leakage risk. Safety technology instructions are posted on products to inform customers of safe storage, safe transport, safe application procedures, safety precautions, and emergency treatment measures.

4. The production, storage, transportation, sales, and application of dangerous products shall be carried out in accordance with legal safety precaution measures, to ensure the safety of the enterprise, employees, the public, and society.

5. Product quality and safety are taken care of by the Kanban pull system. The QR code is applied for the management of output and input of the warehouse to achieve the first-in-first-out of materials and improve the efficiency of material turnover. Product quality tracing is made in the whole process.

6. The Company has established a product tracing system, which gives each product an identity code and enables all-around traceability to the processes in the product life cycle. By scanning the identity code of the product to query the information of each specific product, such as its production workshop, production team, the person in charge of research and development of the product formulation process, and product packaging and product use cycle, to monitor the cycle process of

each product and prevent the application of counterfeit and shoddy products in the production to some extent.

IV. Social Security

As an important social organism, enterprises must focus on social safety for the normal operation of economic and social activities. The following is the implementation of the relevant measures to ensure the social safety of Oriental Yuhong:

1. The whole company strictly promoted the "*Basic Rules of Oriental Yuhong*", which explicitly stipulates that the Company abides by business norms, ethical guidelines, all laws and regulations, and respects social customs and religious beliefs;

2. The Company clarified the responsibility of the incumbents for the safe construction of the society and community, and strictly prohibited any behavior endangering public safety;

3. The Company strengthened the education of public safety for incumbents, including prohibiting illegal entertainment and assembly activities, complying with traffic safety regulations during the commute, ensuring the safety of driving, and avoiding causing adverse effects on the public;

4. The Company increased the investment in environmental protection of the plant, invested a lot of human and material resources in the treatment of pollutants, strictly controlled the discharge of pollutants and eliminated the environmental impact on the surrounding communities;

5. As a corporate citizen, Oriental Yuhong constantly strengthened social safety measures. The Company organized interactive safety and fire drills, conducted fire emergency and rescue drills for employees, issued first aid manuals to employees, publicized emergency rescue knowledge, and built a safety atmosphere of "everyone pays attention to firefighting and everyone participates in firefighting";

6. The Company organized lectures on anti-terrorism and traffic safety to raise the awareness of all employees on anti-terrorism and traffic safety.

Chapter V Human Rights and Labor Practices

This Chapter covers legal compliance, response policies, protection of basic employee rights and benefits, compensation and benefits, occupational health, employee development and employee care, etc.

Employees are the most precious resources and wealth of an enterprise. Oriental Yuhong treasures highly the value of its employees. Adhering to the corporate tenet of "for the motherland, for the society, for customers, employees, and shareholders", in combination with the Company's developmental stage, industry features, and talent structure, Oriental Yuhong spared no efforts to maintain the legitimate rights and interests of its employees.

In 2021, the Company continuously created internal and external communication channels without boundaries, highlighted protection for the rights and interests of vulnerable groups, and strengthened security, environmental protection, and occupational health management; at the same time, it built a multi-dimensional and solid employees care system, implemented diversified staff incentive policies, straightened out all employee career development channels, continuously promoted their growth and development, continually improved employee satisfaction, made great efforts to guarantee the realization of rights and interests of the employees, rewarded employees and contributed to the society wholeheartedly.

I. Building of Talent Team

Putting the people-centered development philosophy into practice, Oriental Yuhong recruited 424 fresh university graduates in 2021, introduced American scientists, extensively absorbed excellent talents from both home and abroad, and won the national and provincial talent awards. The Company adheres to its practice of retaining talent through cause, benefits, environment, and emotional attachment, optimizes its talent team structure, and jointly promotes the lasting foundation of enterprise development.

(I) Employee Composition by Specialties

Professional type	The number of the professionals
Production person	3,316
Salesperson	4,392
Technicians	2,952
Financial staff	357

Administrative personnel	2613
Total	13,630

(II) Education Background of Employees

Education background	Number	Proportion of the total employees
Master or above (inclusive Master)	550	4.04%
Bachelor's degree	5,453	40%
College or below (inclusive college)	7,627	55.96%
Total	13,630	100%

II. Vulnerable Groups

(I) Fair, Just, and Nondiscriminatory Recruitment Policy

The Company complies with the international convention on labor and human rights, abides by the *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, and the *Trade Union Law of the People's Republic of China*, advocates recruitment policy of equality and non-discrimination, prohibits any acts of discrimination in recruitment, remuneration, benefits, and promotion, gives a fair treatment of employees of different nationality, race, and cultural background, fully respects the habits and customs of employees of all nationalities, respects employee's rights to freedom of religious belief; focuses on promoting employment of women and minorities, and continually creates for employees a just, fair, harmonious, and humanistic working environment.

(II) Protection of Women's Rights and Interests

Women's rights are one of the important rights of human rights. The Company respects female employee career development, and practices equal pay with equal posts for both men and women employees. Women employees enjoy completely equal political rights, and under equal conditions, promotion favors female employees. As of 31 December, 2021, the number of female employees is 3,039. In Trade Union management, employee general assembly and other important decision-making meetings, female employees enjoy equal rights and status.

The Company cares for women employees' physical and mental health, strictly abides by the relevant state provisions, fully guarantees female employees "3-period" holidays, strictly prohibits female employees from participating in the fourth-grade heavy manual work, prohibits female employees from cold water and low-temperature operation during menstrual period. Considering the

special needs of female employees, in connection with hospital suggestions, during the different stages of pregnancy of female employees, the Company supplements them with additional antenatal care holidays. After birth holidays, the post-return rate of female employees will reach 100%. During "March 8th" (International Women's Day) each year, the Company gives holiday gifts to female employees, meanwhile, female employees can enjoy their welfare vacations on the day.

(III) Protection of Vulnerable Groups

The Company protects practically the legitimate rights and interests of the disabled and other vulnerable groups; the Company also participates in recruitment fairs specially prepared for the disabled every year, and provided the disabled with many posts of employment opportunities, such as sales representative, construction manager, and internal or office work.

Example Yuhong Care Fund

Since 2013, Oriental Yuhong has set up the "Yuhong Care Fund" to promote the Company's fine tradition of "one in difficulty and all will support". Every year, the Company provides financial assistance to employees and their children who have difficulties in life due to medical treatment, education and natural disasters, and provides care and sympathy to outstanding employees who are dedicated to their work. The Company attaches great importance to the health of employees. In addition to routine medical check-ups, the Company subsidized families who were experiencing difficulties due to major illnesses, with a focus on serious illnesses and family difficulties, and has spent a total of more than RMB10 million.

III. Basic Rights and Protection

(I) Protection of Basic Human Rights

Oriental Yuhong has established a strict human resource management system, strictly prohibiting and resisting the recruitment of any form of a child, strictly avoiding the occurrence of forced labor. As a result, no recruitment of children and forced labor has ever occurred so far.

The Company advocates the "border-less communication" concept, and actively builds internal and external no-boundary communication channels. Employees may report all kinds of human rights issues or problems that they have encountered or may occur across departments, cross-posts, cross-regional via office software, enterprise email, petition, report box and other kinds of online and offline channels. To the impeachment and petitions of employees, the Company will investigate and

deal with in time, and each investigation will reach its conclusion, and will never delay. In 2021, there was no, not even one, report of violation of human rights or petition that occurred.

(II) Upholding of Labor Rights and Interests

The Company has set up a Trade Union organization in accordance with relevant provisions. At the same time, the Company has set up a business committee to encourage employees to actively participate in enterprise innovation and business management, to listen to the voice of the operation front line, and to respect the rights and interests of employees at the grass-roots level.

The Trade Union has set up a labor dispute mediation committee and labor dispute mediator team, adheres to its practices of deep engagement with employees, listens to their voices through various channels, and carefully answers hot, difficult and focused issues of their concern. To the major issues or problems reflected by employees, the Trade Union adheres to the principle that "consulting must be replied to, complaints must be dealt with, and processing or treatment must have a result".

Employees' labor relations, salary & benefit, labor protection, work time, holiday system and other events that are in close relation to employees' interests are discussed by employee representative conference strictly in accordance with related policies and regulations. The conference fully listened to opinions and adopted suggestions of the staff, then negotiated, announced, and specified them in collective contracts.

(III) Employee Satisfaction

Oriental Yuhong continuously makes investigations on employees' satisfaction. Centering on key factors influencing employees' satisfaction, including fair opportunity, development space, cultural atmosphere, salary & benefits, Oriental Yuhong made the investigation on the satisfaction degree of different levels of employees via the office system and WeChat APP. The investigation identified key factors influencing employees' satisfaction, specified detailed improvement measures, and effectively improved employees' satisfaction.

IV. Employment and Recruitment

(I) Employment Security

The Company established and improved the labor system and regulated employment management. The rate of signing labor contracts with employees was 100%. It improved the system of posts to meet the demands of the market and corporate development. The Company also

established a competitive employment system and gradually optimized the employment structure, to avoid the overuse of part-time laborers to provide a secure employment system. In June 2021, in the annual selection of "2021 Forbes China - Best Employer" released by Forbes China and the global leadership and executive talent consulting firm - Russell Reynolds Associates, relying on the excellent talent strategy and continuously improved organization effect, Oriental Yuhong was recognized as the "2021 Forbes China – Best Employer" and "2021 Forbes China - Most Sustainable Employer of the Year". In November 2021, the list of Top 100 Best Employers in China 2021, awarded by Zhaopin and Peking University Social Survey Research Center, was unveiled. Oriental Yuhong was rewarded with the title of "Top 100 Best Employers in China 2021". In December 2021, Kincentric of Spencer Stuart, a world-leading firm engaged in senior executive headhunting and leadership consulting, revealed the list of the best Chinese employers for 2021. Oriental Yuhong was rewarded with the title of "Best Employers in China 2021".

(II) Local Employment Promotion

In 2021, the Company insisted on the localization recruitment policy, under equal conditions, priority was given to the hiring of local staff, which, relying on the rapid local business development of the Company, strongly promoted the local employment rate. With its continuous strategic map expansion, the Company had set up wholly-owned subsidiaries, production, R&D, and logistics bases in many cities, which had greatly increased the local industrial aggregate economic volume, promoted the employment of residents, and played a positive role in promoting the optimization of industrial structure and enriching industrial categories.

(III) Campus Recruitment

In 2021, the Company carried out promotion and publicity activities in 120 colleges and universities across the country, organized a total of 120 campus talks, participated in 60 two-way selection meetings, and accepted 474 fresh graduates.

V. Remuneration and Incentives

The Company boasts a perfect compensation incentive system. Based on its post value evaluation and in accordance with the principle of market-based remuneration level, the Company defines its salary according to post. Once the post changes, the remuneration will adjust accordingly. It gives priority to efficiency, renders remuneration according to performance, takes count of justice, and at the same time, conducts regular salary reviews and adjustments, gradually improves all forms of medium and long-term incentives, strives to provide employees with stable, attractive, and

relatively more perfect compensation system, and enjoys together with the achievements of enterprise development, supports the grass-roots staff, and commits to training industry-leading technical staff and building a first-class team of craftsmen.

The Company has implemented an incentive policy for middle and senior management, core business and technical personnel. The Company has launched four phases of equity incentives and employee stock ownership to incentive recipients when they met the conditions, with a total of 8,000 incentive recipients, and conducted three restricted stock unlocking and three repurchase cancellations in 2021. In addition, it completed the implementation of the stock option grant and employee stock ownership plan for 2021. Equities were returned to employees who are with truthful identities, beliefs and endeavors.

Furthermore, Oriental Yuhong has improved social insurance and housing provident fund systems. It paid insurance for employees' endowment, medical treatment, unemployment, employment injury, maternity and housing provident fund, with 100 percent coverage for all the employees. Meanwhile, the Company specially bought accident insurance for employees who went on business trips throughout the year. It also bought accident and commercial insurance for employees who went on business trips for training or group activity, making employees work comfortably and feel free to go on business trips.

On the basis of the annual assessment for excellent and advanced units and individual employees, the Company supplemented the category of the Figures Moving Yuhong, according to which, advanced collectives and individuals with outstanding performance and fast growth in terms of engineering, technology, management, function, and sales, etc., would be commended, and the awards were conferred especially to those front-line personnel fighting at the grass-roots level and ordinary sales personnel who had always set new records.

VI. Welfare Benefits and Care

Oriental Yuhong treats employees as family members, committed to building four welfare care systems, including life & assistance, health & safety, holiday & care welfare, team building & vocation. For each significant day, Oriental Yuhong always tries to achieve "love, no miss". On the day when employees celebrate a birthday, wedding, or give birth to a child, the Company sends its birthday gift, cash gift to the newly married, and gift to the newborn child at the earliest time possible. During the Spring Festival every year, the Company also, with full gratitude, extends its sincere greetings and New Year's gift to the parents of employees. The Company rewards the grass-roots staff whose children are admitted to top universities.

VII. Health and Safety

(I) Management System of Occupational Health and Safety

The Company puts the health and safety of employees in the first place, establishes a perfect occupational health and safety management system, forms a systematic safety operation and operating procedures, sets up a departmental safety officer responsibility system, carries out regular identification and inspection of danger sources in workshops, laboratories and other places, organizes regular occupational disease medical examination activities for employees working in the relevant areas, establishes employee occupational health management files, and creates better work environment and conditions for employee health.

The Company arranges regular medical check-ups for all employees every year and designs various medical check-up programs according to various perspectives such as gender, age, nature of work and medical history, and has invested a total of RMB2.87 million in medical check-ups for employees in 2021.

(II) Labor Protection

The Company has built a standardized labor protection system, equipped with perfect labor protection supplies and safe operating tools, and regularly conducts practical and theoretical training to help them master the standardized operating procedures, the correct use of protective equipment and personal labor protection supplies to enhance the self-protection skills of employees.

In addition, the Company also focuses on creating a safe culture and a safe working environment. The Company has set up occupational health and safety warning signs at production sites. The Company carried out regular testing of dust, noise, toxins and other occupational hazards, and commissioned qualified occupational health services to conduct annual health monitoring of occupational hazard jobs. The Company has timely upgraded the dust, toxic and noise protection facilities and eliminated outdated processes and technologies to improve the working environment in the workplace.

The Company strictly followed the national regulations to give subsidies to prevent heatstroke and regularly distributed heat stroke medication and drinks during the high-temperature season. In severe cold and heavy foggy weather, the Company promptly adjusted the working hours and content to protect the safety and health of employees in special environments.

Example: In the face of the repeated pandemic in 2021, there was no time for the Company to delay in strengthening labor protection. Oriental Yuhong and its subsidiaries and divisions cooperated with and complied with local government regulations and requirements, planning office systems reasonably for the current stage, and adopting the form of staggered office arrival + home office. Meanwhile, it disinfected all areas thoroughly, ensured the supply of protective devices, strictly verify the condition of people entering the Company, and reminded of the COVID-19 pandemic prevention, thus guaranteeing a safe environment for work.

(III) Prevention and Control of Occupational Diseases

The Company fully implemented the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, focused on occupational health and safety supervision of employees and prevention and control of occupational disease, and continuously improved construction working conditions and prevented, controlled and eliminated occupational disease hazards. The Company gave occupational health care medical check-ups to employees engaged in work with occupational hazards before starting work, during work and before leaving work, and the results were all entered into the staff files timely and accurately. The Company timely followed up and reviewed the historically diagnosed occupational cases, and promptly organized patients who require hospitalization after the treatment in specialist hospitals, relieving employees of their worries. For employees in special jobs, a health care allowance and recuperation system was in place as required, and the incidence of occupational diseases among employees has been consistently reduced.

(IV) Psychological Health

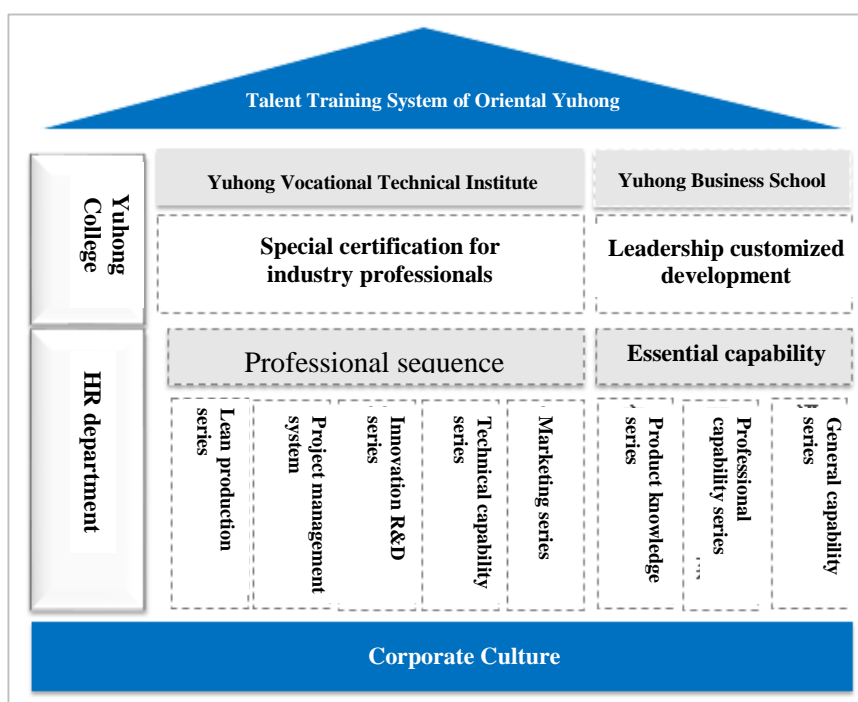
The Company incorporated mental health management into routine management, paid attention to the psychological changes of employees, took the initiative to grasp the psychological state of different employees in different periods, correctly allocated and transformed manpower to help employees to solve the physical and mental pressure caused by the fierce market competition and relieve their anxiety and promote their mental health.

The Company reduced or eliminated factors that lead to occupational mental health problems and established a positive and healthy work environment. It improved the physical environment at work on the one hand; and improved the soft environment at work through organizational changes, leadership training, team building, job rotation and employee career planning on the other hand.

VIII. Development and Training

In line with the concept of harmonious symbiosis and common development between employees and the Company, Oriental Yuhong provided employees with opportunities to further enhance their skills and knowledge from the perspective of overall development, promoting the development of the Company with the personal development of employees and enhancing the personal value of employees with corporate development, and building an internal training system with rich contents including new employees, management staff, professional sequence, and partners, etc. The Company established the Oriental Yuhong Vocational Training School in 2010. For more than a decade, it has remained committed to the philosophy of "Actions speak louder than words and take practical work as focus" to cultivate talent. In addition, it adheres to the teaching approach of "practicing while learning and learning while practicing", cultivates modern technical craftsmen that are dedicated, lean, focused and innovative from the aspects of professional ethics, capability, and quality, and intensifies the cultivation of industrial workers and qualification certification. The Company also works with external suppliers to continuously optimize the training enjoyment platform, enrich the training tools and increase the training content to promote the mutual growth of employees and the Company.

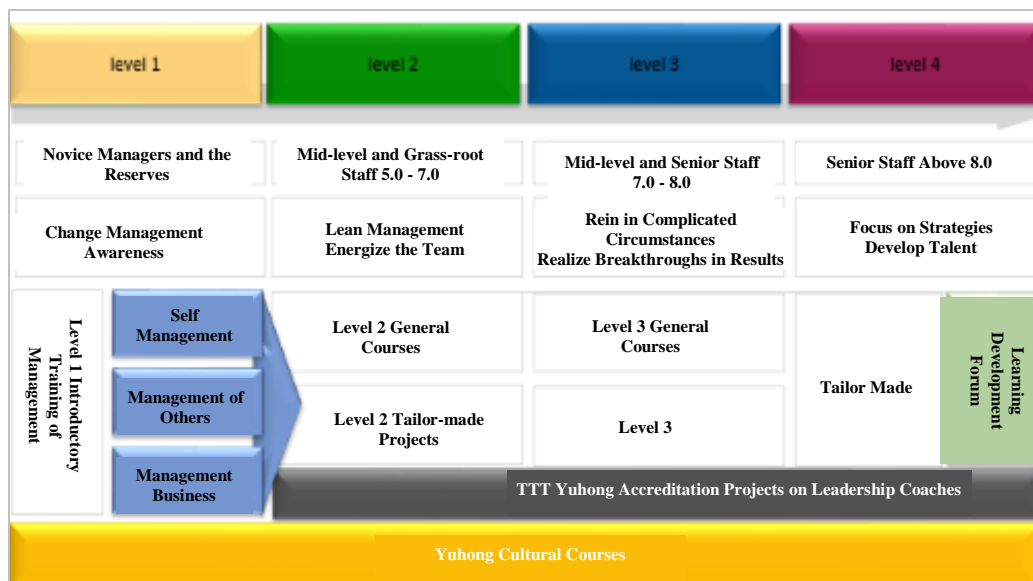
With the principle of "job-competence" as the centerpiece, Oriental Yuhong planned to learn development paths for each key talent in the Company from a career management perspective, designing personalized training courses for different employees in the Company and providing a fast track to career development for employees.



(I) Training

To ensure the organized and effective progress of learning development, the Company established a three-dimensional system architecture consisting of a training mechanism management system, training resources management system and training operation management system. In 2021, the Company endeavored to optimize the academic credit system and the quality learning development project, improve the efficiency of the ELB platform as well as the form and content of training, provide a better learning experience for the staff, strengthen the training's role of promoting organizational revolution and business innovation, and develop key quality talent for the Company.

Adhering to the philosophy of "eliminating the false and retaining the true", Oriental Yuhong improved the organizational structure, operation process and management system in all aspects and made further efforts to define the strategic positioning, development strategy, resource building goals, and operation guidelines in 2021. The Company made a comprehensive review of the curriculum system, the teacher system, the evaluation system and the knowledge management system and set up a comprehensive guarantee system for training effects.



Institutional guarantee: The Company has established the points-based learning system, the staff tutorial system, honored good students and good teachers on a regular basis, and encouraged staff to attend the accreditation of professional qualifications and senior and mid-level professional titles. Employees could enjoy benefits like paid leave and reimbursement of accreditation costs during preparation. Employees who were active to learn and good at learning were preferred candidates for promotion and were rewarded.

Digital learning: Employees could carry out outward training, theoretical training and practice drills in flexible and multiple ways such as G Live Streaming, E-learning, Lexiang Live Streaming and offline case sharing and discussions.

Professional teachers: The Company has established a strategic partnership with associations of experts in the waterproofing industry and higher education institutions and invited experts and prominent teachers to give lectures regularly. Meanwhile, the Company has established an internal system of lecturer training and accreditation so that abundant good teachers were pooled.

Customized courses: The Company provided targeted training from various perspectives based on the position sequence, ranks and different professional positions.

Differentiated Training for Different Staff

Trainees	Forms of training	Training objectives
Management cadres	Lectures by internal and external tutors; extra-curriculum practice	To improve staff's corporate culture identity, leadership and expand their horizons
Non-management staff	On-the-job training; sharing of internal lecturers	To improve staff's corporate culture identity and professional skills

Partners	Lectures of internal and external lecturers	To learn about corporate culture identity, product knowledge, construction technology process, etc.
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(II) Career Planning and Development

In 2021, the Company introduced professional consultancy institutions, established and optimized the qualification system based on the Company's development strategy. A total of 26 subsequences in five classifications were set as guidelines for staff's professional development vertically, comprehensive development horizontally, professional routes and management of different career paths.

According to the evaluation method in the professional behavior evaluation system combining the qualification standard, the professional development plan and the competence model, employees were encouraged to do job rotation and get promotion through normal development, internal competition, or accelerated promotion.

The Company strengthened performance feedback and improvement by having face-to-face conversations with staff each quarter and taking talent cultivation as part of the department manager's main responsibilities. The Company also introduced a series of testing and evaluation tools to carry out evaluations based on subsequences, and positions to promote professional development with the help of 360 Degrees Evaluation and other off-line evaluation tools.

The business sequence, whose professional development path used to be management, now has a multichannel development mechanism aside from management so that different kinds of talents are provided with development paths.

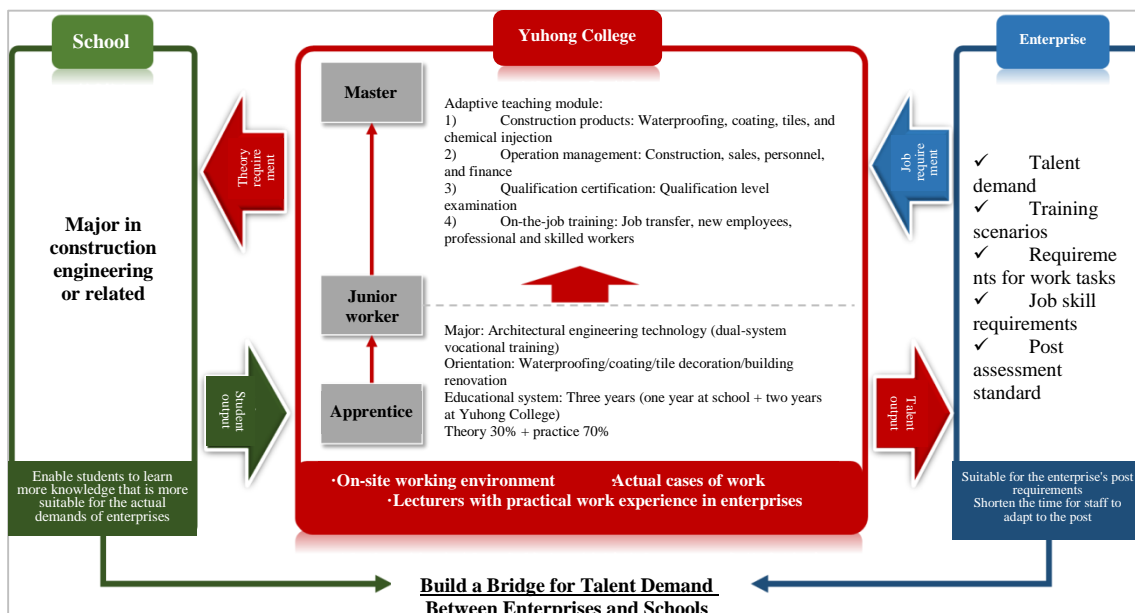
(III) Occupational Skill Training

The Company's Oriental Yuhong Vocational Training School is the only one that has obtained the Private School Permit of the People's Republic of China in the industry. Meanwhile, it is also the only designated test center in the industry that has been recognized by the first batch of social training evaluation organizations for occupational skill level certification in Beijing. It can carry out the vocational skill level identification and training for ten categories and 14 types of work. At present, it has established nine immediate campuses in Shunyi District in Beijing, Kunming City in Yunnan Province, Changzhou City and Xuzhou City in Jiangsu Province, Guangzhou City in Guangdong Province, Wuhan City In Hubei Province, Chengdu City in Sichuan Province, Yinchuan City in Ningxia Province, and Hangzhou City in Zhejiang Province. In addition, it has established 28 training bases in provinces such as Henan, Shandong, Shaanxi, Anhui, and Hunan.

For more than a decade, it has remained committed to the philosophy of "Actions speak louder than words and take practical work as focus" to cultivate talent. In addition, it adheres to the teaching approach of "practicing while learning and learning while practicing" and cultivates modern technical craftsmen that are dedicated, lean, focused and innovative from the aspects of professional ethics, capability, and quality. A total of 700,000 persons have participated in the training.

The Company is a Deputy Director Unit of the Equipment Committee of the Chinese Society for Vocational Education and a founding unit of the China Building Waterproofing Vocational Education Group. In addition, it is a training base for the World Championship for Young Roofers and one of the pilot colleges and universities for the first batch of new apprenticeships for enterprises in Beijing. It also has obtained the independent accreditation qualifications for professional skill level accreditation enterprise and has been entitled as the skill master studio in Beijing.

Oriental Yuhong proactively conducts cooperation with various vocational skill colleges and universities in China. Up to now, It has fostered two national technical experts and five finalists of the National Vocational Skill Competition of the Building Materials Industry for nine colleges and universities that have carried out in-depth cooperation with the Company. Furthermore, it has set up ten Master Studios in Beijing, Xuzhou, Changzhou, Guangzhou, etc, developing approximately 300 apprentices within one year.



In 2021, Oriental Yuhong Vocational Training School granted certificates to a total of 7,871 skilled workers including waterproofing workers, decorators, and waterproof coil workers through its national training. A total of 4,891 persons participated in the skill level certification. Meanwhile, during the pandemic, it set up Yuhong College's online classes and Tiktok live broadcast rooms to

keep teaching. A total of 231 hours of online technology classes on 47 kinds of subjects were recorded and went online and 434 times of live streaming were done on Tiktok, attracting more than 270,000 students to watch.

Oriental Yuhong Vocational Training School selected and cultivated excellent students to participate in various professional skill contests. From 2013 to 2021, it has hosted the "Yuhong Cup - Heart of Craftsmen" National Professional Skill Contest for Building Waterproofing for nine years in a row. It cultivated one winner of the May 1st Labor Medal and ten National Technical Experts, driving and leading the sound development of the industry.

Example: Craftsmen of Oriental Yuhong were rewarded the titles of the "National Technical Experts" and "Grand Master for Roofing Waterproofing in China"

In 2021, the Annual Conference of the Building Waterproofing Industry, namely, the 21st China Waterproofing Technology and Market Seminar, was held in Chongqing. The list of winners for the "2021 National Building Waterproofing Industry (Waterproofing) Professional Skill Contest" was announced at the conference. Zhong Hongyu and Guo Qida from Oriental Yuhong, won the championship of "Modified Bituminous Waterproof Sheet Material" and "Waterproofing Coating", respectively. Meanwhile, Weng Tingfeng, Tian Haibo, and Zhang Guanghui have been rewarded the titles of the "National Technical Experts" and "Grand Master for Roofing Waterproofing in China".



(IV) Internal Training for Employees

In 2021, the Business School of Oriental Yuhong valued the knowledge accumulation inside the Company and the cultivation and development of personnel based on levels and sequences.

The internal training included 31 novice training of 930 hours with 3,032 participants and 23 leadership training of 435 hours covering 1,058 people. In addition, it carried out 78 skill training of 1,872 hours, with 3,120 participants. In this way, the internal knowledge acquisition system of Oriental Yuhong was built and an internal learning platform was set up.

Chapter VI Benign Interaction between Enterprise and Society

The Chapter mainly involves community responsibility, including rural revitalization, charities, education support, flood control and disaster relief, and the fight against the COVID-19 pandemic.

Responsibilities build up the future and persistence delivers hope. As the advocate for sustainable development of the industry and the performer of responsibilities, Oriental Yuhong has always fulfilled the mission of "creating an enduring and safe environment for the humankind and the society" and carried out public benefit activities to promote virtuous interaction between businesses and the society to build itself into a first-rank enterprise that is highly responsible for the society.

I. Rural Revitalization

Implementing the strategy of rural revitalization is the key measure for building a beautiful China, which is also an inevitable option to realize the common prosperity for everyone. Oriental Yuhong has actively consolidated and expanded its achievements in poverty alleviation and integrated rural revitalization into its strategic development to continue to carry out activities to provide help. Meanwhile, based on the industrial reality, the Company has applied new products and technologies for the construction of rural revitalization.

Example 1: Providing support for villages

On September 1, 2021, the Human Resource and Social Security Bureau of Shunyi District in Beijing and Oriental Yuhong Vocational Training School signed the "Matching Support Agreement of Social Organizations" with Wulan Hada Village, Longchang Town, Balin Left Banner, Chifeng

City in Inner Mongolia. The Company provided support to the village in many forms, such as conveying greetings to villagers and donating office supplies to the village committee, establishing friendly exchanges with the village.



Example 2: Keeping carrying out charities

Oriental Yuhong remained committed to consolidating and expanding its achievements in poverty alleviation. For many years, it kept conducting charity fund activities in areas such as Fengnan Town, Liushuhuan Town, Heiyanzi Town in Tangshan, Liuzhai Village at the Xinxiyao Bay in Xuzhou and Qianyang Town in Shanxi Province, promoted assistance work named "Assistance from One Hundred Enterprises for One Hundred Villages", actively helped local poverty-stricken households with registration tp express its dedication of love.

Example 3: Applying new technologies to the construction of living environments in rural areas

It has actively applied prefabricated technologies, quality mortars, and other products and processes to the construction of housing in rural areas. Vasa Mortar Sector, one of the subsidiaries of Oriental Yuhong, applied colored decorative mortars to the renovation of external facades in Nanshanyi Village, and Dongpoxi Village, Kelu Town, and Nantian Village, Fucheng Town, Leizhou City, in Guangdong Provinces. Such renovation has made the rural landscape more beautiful, raising the sense of gain and happiness for local people.

II. Charity Activities

Oriental Yuhong has been a strong advocate and participant in public welfare and has made it a routine. The Company has organized the Voluntary Blood Donation Week for 12 years in a row. Every year, it organized voluntary blood donation and public welfare activities of serving the people and refusing the leakage and noise and provided services of home environment improvement and maintenance for vulnerable groups.



Example 1: Training seminars on vibration and noise reduction

To enable more comfortable living environments for people, Zhong Ke Jian Tong, one of the subsidiaries of Oriental Yuhong, actively carried out public benefit activities to publicize scientific knowledge. It carried out more than 30 activities about the knowledge and monitoring of rail transit's vibration and noise and the corresponding impact on the environment in 16 communities in Haidian, Xicheng, Dongcheng, and Chaoyang in Beijing. Meanwhile, it also provided residents with advice on vibration and noise reduction.

Example 2: Yuhong's Umbrella of Love

For two consecutive months, Oriental Yuhong Civil Construction Group organized a public welfare activity with the theme of "Yuhong's Umbrella of Love" in nine cities, including Beijing,

Guangzhou, and Suzhou. Yuhong team for public welfare activity put umbrellas at the entrance to the subways and shopping malls, proving a "protective umbrella" for people traveling in the rain.



Example 3: Participating in the caring donation for the bridge between the Party and the masses

Oriental Yuhong provided services and actively helped people deal with their problems in the activity of "No.10 Work Studio - the Bridge between the Party and the Masses" in Huadu District in Guangzhou City. It donated RMB115,000 for medical expenses to aunt Li in Liantang village, fulfilling the corporate value of "the true, the good, and the beautiful" with practical actions and creating a beautiful future together.



III. Assistance in Education

As a part of the society, Oriental Yuhong has always remained committed to the natural kindness to shoulder its social responsibilities. Based on the reality of the building material industry, it has actively donated funds to assist with education. By focusing on elementary education, special education, higher education, and other stages, it has explored a unique path for providing support for education.

Example 1: Oriental Yuhong set up scholarships to sponsor academic high achievers and poor students

Ever since 2008, Oriental Yuhong set up "Oriental Yuhong Specialized Scholarship for Beijing University of Chemical Technology", aiming to help aspiring youths from low-income families and students good at both study and moral to finish school and to promote exchanges and cooperation in technology, talents and other aspects between the school and the Company. Each year, about 30 high achievers won this scholarship.

In August 2021, TDF of Oriental Yuhong donated RMB200,000 and RMB150,000 for the tenth-period scholarship of the Linyi No.1 Middle School and the first scholarship to the No. 1 Middle School of Xidongting Management Area in Changde, respectively. The funds were used to sponsor high achievers and students from low-income families to study hard and motivate good teachers to work hard.



Example 2: CAPAROL carried out the cooperation between university and enterprise through donation

In September 2021, CAPAROL signed an agreement about the cooperation between university and enterprise with Shanghai Normal University and donated RMB10,000 to the Shanghai Normal University Education Foundation for educational development. Meanwhile, it set up a "practice base of university-enterprise cooperation" and "China Color Research and Teaching Workshop" to continue to reward students who are excellent both academically and morally and promote their employment. As a company, CAPAROL will continue to provide financial assistance to cultivate the new generation of city designers, drive to foster more talents for the future, and truly form the industrial and professional interaction, thus realizing the victory for students, schools and enterprises.



Example 3: Build up the future with caring hearts -Caring for the Star-like Youth

On August 9, 2021, Oriental Yuhong assisted in the project construction of a "natural farm of star-like youth" for Changzhou Tianai, smoothly completing the waterproofing construction of core parts of the building, such as the rooftop, external walls, and floors of the kitchen and bathroom. By applying quality materials and professional technologies, the waterproofing of these key areas has been done in a better way, guaranteeing the safety of the building. The Company wishes to safeguard the "star-like children" with its negligible contribution.



IV. Flood Prevention and Disaster Relief

In July 2021, Henan Province suffered heavy rainfall. Many areas were severely damaged. In particular, roads, river channels, water conservancy, public buildings, and other infrastructure needed to be repaired. Oriental Yuhong took the disaster as an order to take the lead in launching the emergency response plan and spare no effort to participate in flood control and disaster relief.



Example: Oriental Yuhong actively carried out activities for flood control and disaster relief

TDF allocated a total of 42,000 square meters of geomembrane and geotechnical cloth to support flood control, disaster relief, and post-disaster reconstruction in Zhengzhou, Zhoukou, Hebi, and Xinxiang in Henan Province.

CAPAROL allotted 100,000 buckets of 15L antibacterial and mildew-resistant wall paint to facilitate the reconstruction. Families suffering from the disaster can collect such products at stores. Partners of CAPAROL in Zhumadian, Henan worked together with the Zhumadian Architectural Decoration Association to carry out fund-raising activities, providing 250 buckets of coatings worthing of RMB150,000 to distribute to enterprises and individuals who donated to disaster-hit areas for free.

Oriental Yuhong Building Renovation worked together with Zhuxiaobang to provide services of technical and safety inspection for houses hit in the disaster, aiming to thoroughly check any potential risks.

Oriental Yuhong Henan cooperated with Henan Bairuike to conduct large-scale disinfection of places where public welfare unit, government organs, and schools locate for epidemic prevention.

V. Persistent Fight against the COVID-19 Pandemic

To fight against the COVID-19 pandemic with concerted efforts. The circumstance of the COVID-19 pandemic is still complicated and ever-changing from 2021 to the first quarter of 2022 in the world. The domestic situation is challenging and complex due to sporadic outbreaks. Oriental Yuhong faithfully fulfills its responsibilities and cooperates with its partners to organize teams or volunteers to provide assistance, aiming to combat the pandemic sincerely. Some actions are presented as follows:

In August 2021, the Southwest Business Division of Oriental Yuhong Building Renovation went to the sub-district office of Shuangfuxinqu Street in Jiangjin District, Chongqing to convey greetings to the front-line workers who fought against the pandemic. They demonstrated their care to those workers with practical and heartwarming supplies.

On February 8, 2022, Li Shaohai, a partner of Oriental Yuhong in Guangxi, launched a fund-raising campaign and raised 30,000 masks and one ton of 84 disinfectants for Baise. Meanwhile, he joined the service team as a volunteer. He worked together with the other five volunteers to disinfect the vehicles used for transferring people who needed to be quarantined. He is rewarded with the honorary title of the "Medal for Heroes fighting Against COVID-19" by the Leading Group Office for Epidemic Prevention and Control of Guangxi Aisi Medical Emergency Rescue Center.

In March 2022, in the construction of the project for the emergency quarantine center in Tongling, Anhui Province, Tongling Yurui Waterproofing and Heat Preservation Material Co., Ltd., a partner of Oriental Yuhong, was mainly responsible for the prevention and cure of leakage. Oriental Yuhong urgently coordinated with TDF for the allocation of the filament composite geomembrane to ensure the in-time provision of such materials. In addition, it made full use of every minute to work together with the design institute for the design and optimization of seepage prevention, completing the work with guaranteed quality and quantity.



On March 13 and March 14, 2022, Donghai Miaoyi Construction Engineering Co., Ltd., a partner of Oriental Yuhong in Lianyungang, provided 553 cartons of supplies, including, instant noodles, ham sausages, purified water and milk, to Donghai County People's Hospital, Public Health Center of Niushan Street, and the quarantine center in Jiachen Hotel.

On March 25, 2022, Shanghai Dongmu Construction Engineering Co., Ltd., the associate partner of Oriental Yuhong Shanghai, donated daily supplies to Jinshanwei Police Station, Jinshan Branch of Shanghai Public Security Bureau and the General Branch Committee of Bayi Village, Jinshanwei Town, Jinshan District, to support the epidemic prevention and control in Shanghai. In the rooftop waterproofing construction of the module hospital in the Pudong District of Shanghai, Shanghai Yusen Construction Engineering Co., Ltd., a partner of Oriental Yuhong, was responsible for the rooftop waterproofing. The production, R&D, and logistics base in Wuhu urgently allocated drivers, vehicles, and the required material on site, namely, SAM-920 tire-free self-adhesive polymer modified bituminous waterproof sheet materials. The drivers drove overnight to transport the above materials to the project site.



On March 31, 2022, Changzhou imminently launched the project of the COVID-19 module hospital. Changzhou Oriental Yuhong Waterproof Engineering Co., Ltd., the partner of Oriental Yuhong, immediately allocated the required materials for the construction. Such materials included PMB-741 elastomer (SBS) modified bituminous waterproof sheet materials and PBC-328 non-curing rubber bituminous waterproof coatings. A special team was set up quickly to go to the front line.



Conclusion

Oriental Yuhong attributes all its business success and progress to the era, the motherland, generous support of customers, and concern and care for society. Gratitude and empathy are the basic characteristics of its corporate culture and the principle of CSRs of Oriental Yuhong.

—Li Weiguo, Chairman of Oriental Yuhong

Feedback on the Report

<p>Thank you for reading the sustainability report of Oriental Yuhong. We'd appreciate your opinions and suggestions in order to keep improving our reporting. Please kindly fill in the feedback form. Thank you sincerely!</p>				
1. Overall comment of the Report				
Very good ()	Good ()	General ()	Bad ()	Very bad ()
2. Does the Report comprehensively and accurately reflect the CSR status quo of the Company?				
Very good ()	Good ()	General ()	Bad ()	Very bad ()
3. Does the Report respond to concerns of stakeholders and disclose relevant information?				
Very good ()	Good ()	General ()	Bad ()	Very bad ()
4. Is the information disclosed in the Report clear, accurate, and complete?				
Very good ()	Good ()	General ()	Bad ()	Very bad ()
5. How is the readability of the Report (i.e., logic thread, content design, language, and format)?				
Very good ()	Good ()	General ()	Bad ()	Very bad ()
6. Is there any information that you want to learn but is not covered in the Report?				
7. What suggestions do you have for our future sustainability reports?				

Contact

Tel.: 010-59031914, or the official WeChat account of Oriental Yuhong (dfyhgfx)

Addr.: Courtyard 19, 9th Kechuang Street, Beijing Economic-technological Development Area,
E-town, Beijing