



达力普
DALIPAL

Stock code: 1921.HK

2021 Environmental, Social and Governance Report

Dalipal Holdings Limited



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Dalipal Holdings Limited (hereinafter referred to as “the Company” or “we”) and its subsidiaries (together, the “Group”) are mainly engaged in the research and development and manufacture of Oil Country Tubular Goods (“OCTG”) of Dalipal Pipe began in 1998 and is headquartered in Cangzhou, Hebei Province, China. The Group continues to focus on innovation, promote cleaner production, green manufacturing, intelligent services. We are committed to creating greater value and building sustainable development capabilities for the petroleum and energy industry and customers around the world.

The Company is committed to research and development, manufacturing, and providing integrated professional services, focusing on growth as the intelligent manufacturing enterprise for OCTG. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on November 8, 2019, to meet future business development needs.

In response to the national “Carbon Peaking and Neutrality Goals”, the Group actively promotes the low-carbon transition through the formulation of a scientific action plan, striving to achieve carbon peaking by 2030 and carbon neutrality by 2050. For details of the Carbon Reduction Initiative Implementation Plan, please refer to the “A4 Climate Change” section of this Report.

ABOUT THIS REPORT

The Group is pleased to present its third Environmental, Social and Governance (“ESG”) Report (the “Report”) to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance (“ESG”) issues.

REPORTING PERIOD

This Report describes the Group’s initiative and performance regarding the environmental and social aspects during the period from 1 January 2021 to 31 December 2021 (the “Reporting Period”).

REPORTING SCOPE

This Report covers all subsidiaries of the Group in Hong Kong and Hebei Province of the People’s Republic of China (the “PRC”), whose core business is principally engaged in the development, manufacture, and sale of OCTG and special seamless steel pipes and pipe billets. The Group will continue to assess the impacts of its business on key environmental, social and governance aspects, which are included in this Report. For details of corporate governance, please refer to the Corporate Governance Report in the Group’s Annual Report 2021.

REPORTING BASIS

This Report is prepared in accordance with the disclosure obligations under the “Environmental, Social and Governance Reporting Guide” (“ESG Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the “comply or explain” provisions contained therein. The disclosure obligation requirements of the provisions have been prepared to provide stakeholders with a better understanding of the Group’s progress and development direction in respect of operation and sustainable development. Specific key performance indicators (“KPIs”) that the Group considers to be material were disclosed during the Reporting Period. The Group will continue to optimize and improve the disclosure of KPIs. The final chapter of this Report is accompanied by a complete index to facilitate readers’ understanding of the Report in accordance with the ESG Reporting Guide.

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REPORTING PRINCIPLES

In preparing the Report, the Group follows the following four reporting principles:

Principle	Definition	Measures
Materiality	The issues covered in the Report should reflect the Group's significant impact on the economy, environment, and society or the scope that affect the stakeholders' decision-making and evaluation.	Through various communication channels to understand stakeholders' expectations for the Company's sustainable development and to identify key ESG issues to the Group.
Quantitative	The Report should measurably disclose key performance indicators.	The data in this Report are disclosed and calculated in accordance with the requirements of Appendix 27 of the Listing Rules "Environmental, Social and Governance Reporting Guide", Appendix 2: Reporting Guidance on Environmental KPIs, and Appendix 3: Reporting Guidance on Social KPIs to disclose the Group's environmental and social key performance indicators in a quantifiable manner wherever possible.
Balance	The Report should reflect the sustainability performance of the Group as a whole in an impartial manner.	The Group impartially presents environmental, social, and governance issues that significantly impact on the Group's business, including the achievements, impacts, challenges, etc., and formulates a response plan.
Consistency	The Group should confirm that the methodology for preparing the environmental, social and governance report is consistent with those used in previous years, or state the revised reporting methodology or indicate other relevant factors that may affect meaningful comparisons.	The scope of the Report is consistent with the Report presented in the previous year, and the use of consistent statistical methods allows for meaningful future comparisons of environmental, social and governance data. If the methodology used and the scope of the report are changed, we will explain it in the notes for stakeholders' reference.

This Report has been prepared in both English and Chinese and has been uploaded to the Stock Exchange and the Company's website (<http://www.dalipal.com>). In the event of any conflict or inconsistency between the English and Chinese versions, the Chinese version shall prevail.

SUSTAINABILITY GOVERNANCE




The Group comprehends the importance of ESG Report, and we are committed to continuously enhancing corporate social responsibility in our business. The Group is looking forward to incorporating the sustainable development approach into the Group's business development to better respond to the needs of a rapidly changing society.

The Board of Directors and the Risk Management Committee of the Group are fully responsible for and oversee the Group's Environmental, Social, and Governance strategies and reporting. The Board and the Risk Management Committee are responsible for leading the identification, assessment and determination of Environmental, Social, and Governance-related risks of the Group. Meeting from time to time to discuss ESG-related matters, and ensuring that appropriate and effective Environmental, Social, and Governance risk management, internal control and improvement systems are in place to develop effective risk response plans and implement sustainability initiatives. In addition, the Group has appointed Riskory Consultancy Limited as the professional consultant to provide us with ESG and sustainability consulting services to help promote sustainable development.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT




Stakeholder involvement enables the Group to understand the risks and opportunities of our development. Ongoing communication with stakeholders is important in developing a sustainability strategy. We have identified key stakeholders who are critical to the Group's business and have gathered their views through various communication channels to understand their expectations towards the Company's sustainability, so as to formulate measures to respond to the stakeholders.

Stakeholders	Expectation	Engagement channels	Main measures of response
Government 	<ul style="list-style-type: none"> – Legal compliance – Proper tax payment – Promote regional economic development and employment 	<ul style="list-style-type: none"> – On-site inspections and check – Research and discussion through working meetings, preparation and submission for approval – Disclose information such as annual reports, interim reports and announcements on the website of the Stock Exchange – Company website – Compliance control 	<ul style="list-style-type: none"> – Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation (if any), and actively undertook social responsibilities.
Shareholders and Investors 	<ul style="list-style-type: none"> – Return on investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders – Business risk management 	<ul style="list-style-type: none"> – Annual general meeting and other shareholder meetings – Disclose information such as annual reports, interim reports and announcements on the website of the Stock Exchange – Exchange Meeting with investors and analysts – Company website 	<ul style="list-style-type: none"> – Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/ circulars and periodic reports in the year. – Carried out different forms of investor activities with an aim to improve investors' recognition. Disclosed company contact details on website and in reports and ensured all communication channels available and effective.
Employees 	<ul style="list-style-type: none"> – Safeguard rights and interests of employees – Work environment – Career development opportunities – Occupational health and safety – Self-actualization 	<ul style="list-style-type: none"> – Regular meetings – Training, seminars and briefing sessions – Intranet & emails – Annual performance appraisal 	<ul style="list-style-type: none"> – Provided a healthy and safe working environment; developed a fair mechanism for promotion; cared for employees by helping those in need, organized employee activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Expectation	Engagement channels	Main measures of response
Clients 	<ul style="list-style-type: none"> – Safe and high-quality products and services – Stable relationships – Transparency of information – Integrity – Business ethics 	<ul style="list-style-type: none"> – Website, brochures, disclose information such as annual reports, interim reports and announcements on the website of the Stock Exchange – Email and customer service hotline – Feedback and reporting – Regular meetings – International certifications 	<ul style="list-style-type: none"> – Strengthened quality management to ensure stable service standards, entered into long-term strategic cooperation agreements and obtained international certifications from professional institutions. – Applied sales management system to optimize sales process, enhanced daily communication and maintained long-term cooperation with quality customers.
Suppliers/ Partners 	<ul style="list-style-type: none"> – Long-term relationship – Honest cooperation – Fair and open – Sharing sources for customised raw material – Risk reduction 	<ul style="list-style-type: none"> – Business meetings, supplier meetings, telephone calls and interviews – Regular meetings – Review and assessment – Tendering process – Emails, circulars and manual – Company website – Open procurement platform 	<ul style="list-style-type: none"> – Invited tenders publicly to select the best supplier and contractors, performed contracts obligation according to the agreements. – Used open procurement platform to advance procurement processes, enhanced day-to-day communication, and built long-term relationships with quality suppliers/business partners.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Expectation	Engagement channels	Main measures of response
Peer Companies/ Industry Associations and Societies 	<ul style="list-style-type: none"> – Experience sharing – Cooperation – Fair competition 	<ul style="list-style-type: none"> – Industry conferences – Field visits – Standards publicity – Trainings – Seminars 	<ul style="list-style-type: none"> – Adhered to fair competition, cooperated with peers, achieved win-win results, shared experience, participated in various industry seminars to promote sustainable development of the industry.
Market Regulators 	<ul style="list-style-type: none"> – Compliance with laws and regulations – Disclosure of Information 	<ul style="list-style-type: none"> – Disclosure of Information – Report – Consultation 	<ul style="list-style-type: none"> – Complied with regulatory requirements in a strict manner, disclosed and reported real information in a timely and accurate manner according to law.
The Public and Communities 	<ul style="list-style-type: none"> – Community engagement – Social responsibility – Employment promotion – Transparency in consultation 	<ul style="list-style-type: none"> – Volunteer service – Charity and social investment – Press conference – Company website 	<ul style="list-style-type: none"> – Gave priority to local people seeking jobs from the Company so as to promote community building and development; maintain smooth communication channels between the Group and the community. – Issued promote and accurate information.

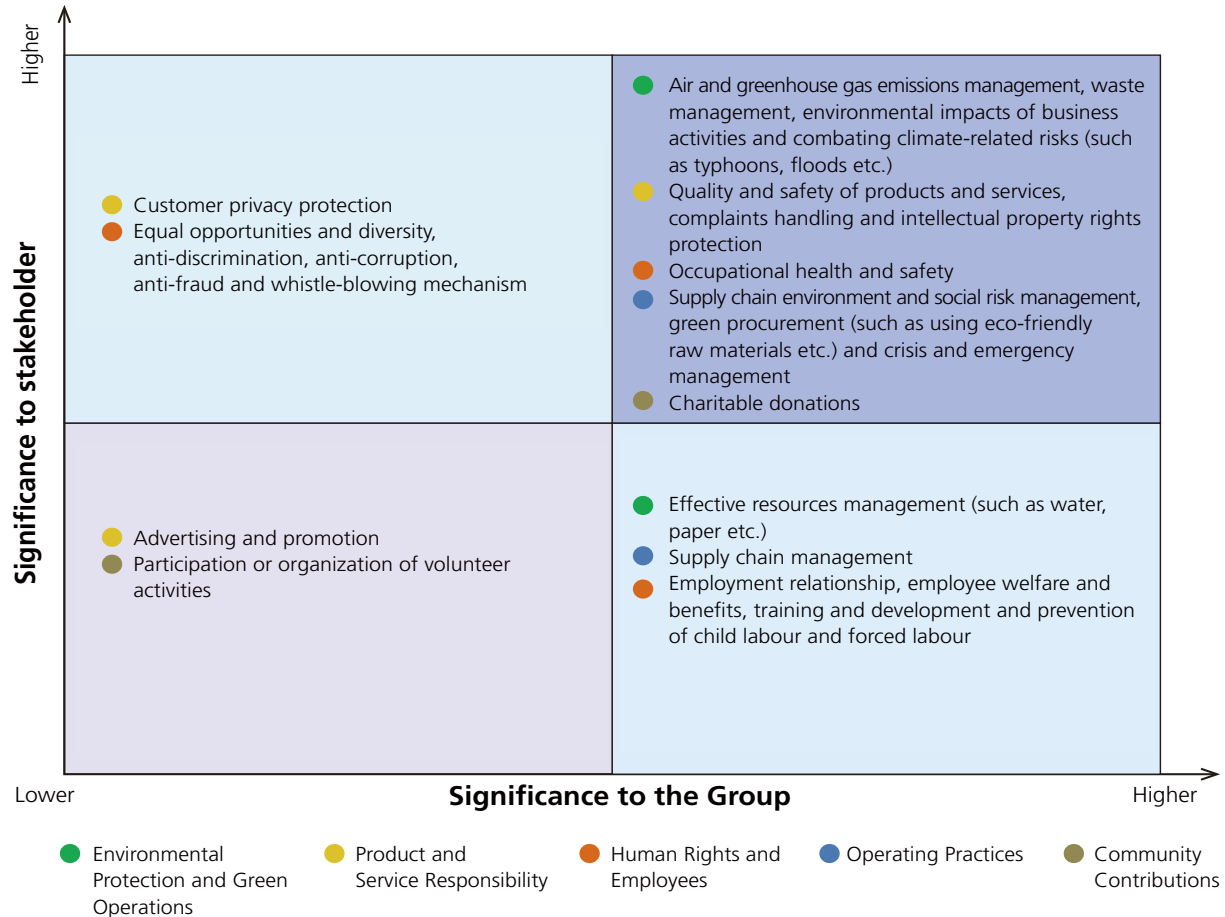
STAKEHOLDER FEEDBACK

We take the valuable comments from our stakeholders very seriously. If you have any questions or comment about this Report or the performance of the Group's environmental and social policies, please email ir@dalipal.com to share your comments and suggestions with us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In order to more effectively identify and assess potential ESG issues that have a significant impact on the Group and its stakeholders, after collecting and analyzing data from each stakeholder on the importance of 22 relevant issues, 12 issues that are of most concern to the stakeholders and to the Group have been formed in a matrix as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

AWARDS AND HONORS IN 2021

- Awarded “Excellent Brand in Hebei Province” by the Hebei Province Trademark Association (“HEBTA”);
- Awarded the honorary title of “2020 Hebei Province Credit Construction Enterprise” and “Trustworthy Enterprises in Hebei Province” respectively by the Hebei Credit Association and Hebei Enterprise Credit Research Institute. The Company is also designated as a member by Hebei Credit Association;
- Ranked 34th place in the “2021 Hebei Province Science and Technology Innovation Patent Top 100 Private Enterprise List” issued by the Hebei Provincial Federation of Industry and Commerce;
- Awarded by Hebei High-Tech Enterprises Association (“HeBHTEA”), ranked 51st place in “2021 Top 100 Innovative Enterprises in Strategic Emerging Industries in Hebei Province”;
- Awarded the honorary title of “Hebei Provincial Intellectual Property Preponderant Enterprise” after reviewing the Company’s intellectual property management conducted by Hebei Administration for Market Regulation;
- Awarded “2020-2021 Annual Proficiency Testing Quality Award” after a comprehensive review by the China NIL Research Center For Proficiency Testing Co., Ltd.;
- Awarded “2021 Hebei Provincial Occupational Health Enterprise” and “2021 Cangzhou Municipal Occupational Health Enterprise” respectively by Health Commission of Hebei Province and Cangzhou; and
- As recognized by the Emergency Management Bureau of Cangzhou Municipality, the Group was awarded the “2021 Cangzhou Municipal Exemplary Enterprise in Safety Culture”.

A. ENVIRONMENTAL ASPECTS

As we become increasingly connected to the environment, the Group understands the importance of pursuing a clean environment and our responsibility as corporate citizens. To reflect the Group’s commitment to sustainable development and compliance with environmental laws and regulations, we strive to innovate, reduce our impact on the natural environment and actively respond to climate change.

The Environmental Protection Concept of Corporate Culture

Our corporate culture has a clear “Environmental Mindset”, the main contents are as follows: (1) Contributing environmental protection by starting with small habits; (2) Adhering to making manufacturing processes eco-friendly, reducing emissions, and achieving waste recycling during industrial processes; (3) Institutionalization on daily management, and normalization on system operation; (4) Environmental protection is not only related to the survival of enterprises, but also regard as the competitiveness of enterprises.

Environmental Emergency Management

During the Reporting Period, through internal high-frequency, high-quality inspection and timely rectification, as well as through trainings, emergency drill etc., we have continuously improved the emergency management mechanism, enhanced the emergency handling capability of environmental incidents, effectively prevented the occurrence of environmental emergencies, and reduced environmental risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1. Emissions

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Air Pollution Control Ordinance (《空氣污染管制條例》), Waste Disposal Ordinance (《廢物處置條例》), the Law of the People's Republic of China on Environmental Noise Pollution Prevention (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Cleaner Production Promotion Law (《清潔生產促進法》), Decision of the State Council on Several Issues Concerning Environmental Protection (《國務院關於環境保護若干問題的決定》) and other applicable environmental laws and regulations. During the Reporting Period, the Group has audited and obtained the ISO14001 environmental management system certification, so as to comply with the national maximum limit allowed for sulfur oxides emission concentration limits and total emissions, which limited the amount of air gases and greenhouse gas emissions generated in the course of the Group's business. The Group did not have any severe violations or compliance with applicable environmental laws and regulations during the Reporting Period.

Air Emissions

The Group's emissions mainly come from particulate matter, sulfur oxides and nitrogen oxides generated by industrial furnaces and equipment in the production process. During the Reporting Period, the Group's various emission standards for particulate matter, sulfur dioxide and nitrogen oxides in various industrial furnaces had reached the ultra-low emission standards of Hebei Province and the permitted discharge level by the Bureau of Ecology and Environment of Cangzhou City, and the air emissions were as follows:

Types of air emissions	Unit	Bureau of Ecology and Environment of Cangzhou City Permitted Discharge	Emissions of the Group during the Reporting Period
Sulfur oxides	tons	15.3	0.1
Nitrogen oxides	tons	48.1	21.5
Particulate matter	tons	56.7	44.2

In order to reduce air emissions in the course of our operations, we have adopted the following technical enhancements:

- Adopt low nitrogen combustion technology on the combustion system;
- Equip advanced adsorption and catalytic combustion technology on the exhausted gas treatment facilities;
- Increase the thickness of the heating furnaces and added flue gas treatment devices to reduce nitrogen oxides emissions;
- Add online monitoring equipment at the main tapping hood of flue gas to achieve continuous pollutant emission monitoring;
- Equip flue gas collection devices in the electric furnace slag tapping hood process to reduce soot and particulate matter emissions;
- Set up wheel washer devices and dust online monitoring devices in the factory and the raw materials import-export area to reduce dust pollution to the atmosphere;
- Equip new pollutant purification and denitrification devices for exhaust gas; and
- Optimize industrial processes to reduce the frequency of in-plant transportation.

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Greenhouse Gas Emissions

Increased concentrations of greenhouse gases in the atmosphere have strengthened greenhouse effects and gave rise to global average temperatures. Human activities have led to climate change and exacerbated the severity of extreme weather, while global warming has also caused significant negative impacts on human health and the environment. The Group is committed to taking sustainable long-term actions to reduce the Group's greenhouse gas emissions and the carbon footprint of its operations.

This Report focuses on scope 1 and scope 2 greenhouse gas emissions. Scope 1 is direct greenhouse gas emissions from the stationary and mobile fuels combustion owned by the Group. Scope 2 is indirect greenhouse gas emissions from purchased electricity consumed by the Group. Due to the increase in production, the Group's greenhouse gases emission increased compared to last year. However, the unit consumption of electricity, gasoline, and diesel was reduced due to the relevant control measures.

During the Reporting Period, greenhouse gas emissions were as follows:

Types of greenhouse gas emissions	Unit	In 2021
Scope 1 – Direct emissions	tons of CO ₂ equivalent	89,136.47
Scope 2 – Indirect emissions	tons of CO ₂ equivalent	307,799.50
Total	tons of CO₂ equivalent	396,935.97
Intensity	tons of CO ₂ equivalent/ revenue in million RMB	105.50

As the most significant portion of the Group's carbon footprint comes from purchased electricity, business travel, and vehicles, we have acquired energy-saving equipment to reduce electricity consumption, continued to upgrade internal energy-saving devices, reduce unnecessary travel, consolidate office and accommodation space, etc. We have implemented various measures to reduce the Group's carbon emissions:

- Replace in-plant vehicles with low-emission standards for vehicles with relatively outdated emission standards;
- Upgrade the carrier vehicles in the plant area, use vehicles above The National VI and new energy electric vehicles to reduce carbon dioxide emissions;
- Reuse surplus heat from the production process for production line heating and winter heating to reduce boiler use and carbon dioxide emissions;
- Encourage employees to conduct telephone or videoconferencing instead of face-to-face meetings and advocate shortened meetings;
- Encourages staff to walk as much as possible instead of using transportation for activities with a closer destination;
- Encourage employees to use public transport as much as possible when attending meetings or events, and to use the Group's vehicles or private cars when necessary; and
- Provide commuting buses for employees and rent a shuttle bus to reduce private car traffic, as well as strengthen the greening of the factory area.

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Waste Management

With the increasing severity of resource and energy shortages, countries worldwide are paying more attention to waste management and recycling. The Group also recognizes the importance of waste reduction for the Company's sustainable development. Waste management is imperative for employee health, the environment, and in most cases. The Group has established and implemented a number of waste reduction and recycling strategies, revised the environmental protection management system such as pollution production and discharge control, and formulated specific rules and regulations through the operating procedures of the pollution production process, the operation and control of environmental protection treatment equipment, the monitoring of pollutant discharge from waste gas and wastewater, the collection and transfer of solid waste, the monitoring of noise and air pollution, and the environmental protection management responsibility system, forming a systematic environmental protection management system.

There are two main types of waste in the Group's daily operations: (i.) Hazardous waste from the production process (i.e. hazardous or potentially harmful to human health or the environment), mainly involving dust removal ash, waste mineral oil, sludge, waste paint, paint residue, etc.; and (ii.) Non-hazardous waste from production activities such as electric furnace slag, refining slag, iron oxide sheet and waste refractory materials.

During the Reporting Period, in addition to the increase in production, the efficiency of the devices for collecting both electric furnace slag and waste dust increased, and therefore the amount of waste increased accordingly. The amount of waste generated by the Group was as follows:

Types of waste	Unit	In 2021	In 2020
Hazardous waste	tons	9,785.60	5,072.65
Intensity	tons/revenue in million RMB	2.60	2.25
Non-hazardous waste	tons	63,795.10	37,906.31
Intensity	tons/revenue in million RMB	16.96	16.78

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and other relevant environmental laws and regulations. We appoint a professional waste handling company, which has the qualifications of collecting, storing, treating, and disposing of waste, to handle our hazardous waste.

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We are committed to reducing waste generation, formulating an annual management plan, targeting responsibilities and corresponding person-in-charge, strengthening supervision, and advocating the following emission reduction measures:

Technical Optimization Aspect	Waste Management Aspect	Pollutants Treatment Aspect
<ul style="list-style-type: none"> Complete the modification project of the ultra-low-emission dust removal system for bench of pipe billets, and added a new filter exterior from the dust collector for the slag tapping hood of the electric furnace; Continue the modification project of the ultra-low nitrogen emission for natural gas boilers; Use clean energy natural gas as raw material for the new heating furnace and adopt low nitrogen combustion technology on the combustion system; Complete the installation of the gas collection covers and dust removal devices within the production line that generates particulate matter. Two sets of volatile organic compounds ("VOCs") collection devices are implemented additionally; Equip advanced adsorption and catalytic combustion technology on the exhausted gas treatment facilities; Upgrade the pollutant monitoring and control system (the control system was changed to an advanced DCS system) to ensure that the monitoring and measurement of pollutants are more accurate; and Conduct weekly joint inspection of equipment, reduce equipment failure time, implement regular maintenance and preventive maintenance, implement equipment transformation and upgrading to continuously strengthen equipment maintenance management, and prevent running and dripping. 	<ul style="list-style-type: none"> Adopt water-based paint at spraying process, reduce the numbers of waste paint and thinner buckets; Use dedicated packaging bag and warehouse to store waste; Record and manage hazardous waste strictly according to the management requirements; Improve the technology and use premium material to reduce furnace cinder when producing conventional OCTG; Control the type of scrap metals to reduce the scale of light and thin materials entering the furnace to lower the dust and gas emission; and Recycle the metal material. 	<ul style="list-style-type: none"> The sewage treatment process adopts filtration, adsorption and ultrafiltration; The sewage is treated by reverse osmosis technique and then recycled as reclaimed water; Strengthen the dust control in the factory, stipulate the frequency for spraying and dampening the road, and install wheel washing facilities at the site entrances and exits.



Pollutant monitoring and control system



Billet line dust removal system

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A2. Use of Resources

The Group attaches great importance to the efficient use of resources by allocating energy measuring instruments, statistical statements of water, electricity, and other energy, to facilitate the use of resources and allocate resource more effectively. The primary resources used by the Group are electricity, water, and paper. However, due to the nature of the Group's business, the packaging used in the finished products is not applicable. We are committed to improving natural resource use efficiency. We formulated the "Energy Management and Control Procedures, (《能源管理控制程序》)" which has clear guideline on energy testing implementation, evaluation of energy conversion, transmission and distribution and utilization system configuration and operation, and recycling of surplus energy resources.

During the Reporting Period, the Group made every effort to promote carbon emission verification and cleaner production audit, mobilized full participation, solicited 410 no/low fee schemes, and screened and determined 4 medium/high fee schemes. There is a series of transformation and upgrading projects such as "Closure of slag yard for retrofitting", "Plant dust control", "Reclaimed water reuse system", "Smoke and dust denitrification in heating furnace", "Steel material consumption control" and so on, were implemented to promote clean energy substitution during the Reporting Period. These projects improve the level of recycling of scrap steel resources, and implement the all-scrap electric furnace process, effectively realizing the purpose of energy saving, consumption reduction, emission reduction and efficiency increase. At the same time, the Group audited and obtained the ISO50001 energy management system certification in 2021.

In addition, the Group mainly uses natural gas as its main gas fuel and vehicle fuel. During the reporting period, the Group's electricity and gas use increased due to the increase in production, and the detailed energy consumption was as follows:

Types of energy	Unit	In 2021	In 2020
Purchased electricity	GWh	529.78	388.50
Natural Gas	GWh	442.78	302.78
Gasoline	GWh	0.95	0.75
Diesel fuel	GWh	1.31	1.12
Total	GWh	974.82	693.15
Intensity	GWh/revenue in million RMB	0.26	0.31

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Electricity Consumption

Recognizing the importance of conserving electricity and energy, the Group is committed to reducing electricity consumption which will reduce the greenhouse gas emissions indirectly. During the Reporting Period, the Group has encouraged the adoption of electricity conservation measures, including:

- A total of 6 energy-saving renovation projects have been accomplished in air compressors, pumps and other facilities;
- The subsidiary has implemented the operation mode of natural gas and “LNG”;
- Turn off the power when not in use, and arrange irregular inspection on the execution of switching off all the power source in the office;
- Optimize natural daylight at the offices and meeting rooms, left lighting installations switched on for long hours during daytime is prohibited;
- Minimize the general lightings at night;
- Appliances are set to energy saving mode if possible; and
- Formulate an applicable energy usage plan for computers and set the appropriate display brightness.

Water Usage

Water is essential to the Group’s business, and we have managed the water resources accordingly. The Group has not encountered any problems in procuring water resources. Currently, the Group is working on reducing the amount of water used in production processes within the system. In addition, we affixed “water conservation tips” posters in office living areas, restrooms, and pantries to remind employees of proper water usage behavior. At the same time, we implemented an expansion project on the sewage treatment station, which effectively improved its treatment capacity. Among the business operation, raw water consumption has decreased significantly in pipe-making and casting processes. During the Reporting Period, the Group’s water consumption was as follows:

	Unit	In 2021	In 2020
Total water consumption	Cubic meter	735,465.30	816,321.00
Intensity	Cubic meter/revenue in million RMB	195.47	361.30

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Paper

Since reducing the use of paper can indirectly reduce overall greenhouse gas emissions, we have been taking the following steps to reduce paper consumption:

- Encourage the sending and receiving of files through electronic channels and the implementation of electronic document management that significantly reduce the consumption of paper and ink;
- Through the integration of integrated management systems, optimize system processes and records, abolish the printing of paper documents, and significantly reduce on-site records and paper use;
- Use a variety of office software for online office work, reducing paper usage and delivery;
- Reduce paper usage by printing or copying on both sides when appropriate;
- Printing paper is used strictly according to budget plan, and over-budget on printing requires strict approval to reduce paper usage; and
- Encourage employees to customize the appropriate font size/shrink text to fit whenever possible to reduce the number of pages.

The Group will continue to record the use of resources in order to review the effectiveness of conservation measures in the future and to set more improvement measures and targets.

A3. The Environment and Natural Resources

The Group understands that the protection of the environment is an essential responsibility of global enterprises, so the Group complies with all applicable environmental laws and regulations and strives to reduce resource and energy consumption. We have formulated the Energy Control Procedures (《能源控制程序》), Equipment Management Control Procedures (《設備管理控制程序》), Spare Parts Management Measures (《備品備件管理辦法》), Pollution Discharge Permit Management Regulations (《排污許可管理規定》), and Greenhouse Gas Management Regulations (《溫室氣體管理規定》) and obtained the Radiation Safety Permit (《輻射安全許可證》) issued by the Ministry of Ecology and Environment of the People's Republic of China.

We have also developed an environmental monitoring plan and introduced a dynamic pollutant control system to monitor and manage pollutants in real-time, monitor the environmental protection information of transport vehicles, and monitor dust levels in real-time. We also appoint a professional team to conduct regular monitoring of the environmental impact factors such as sewage, exhaust gas, and noise level by the Company, and conduct regular assessments of the Company's natural resources such as soil and air environment, review and assess environmental risks in the business process, review relevant environmental guidelines in operating practices, and adopt and implement necessary preventive or improvement measures in a timely manner. Relevant measures include implementing ultra-low emission standards in Hebei Province, providing professional training to strengthen the knowledge about the environment and safety for employees, communication with suppliers and partners, setting up occupational hazards' notification cards and risk distribution maps in the workplace.

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A4. Climate Change

The risks posed on the Group by the intensification of climate change and the increasing frequency of extreme weather cannot be ignored, such as typhoons and floods caused by heavy rains could cause serious impacts on our employees and operations. We understand that protecting the environment and minimizing the adverse effects of our business operations on the environment is the ongoing responsibility of good corporate citizens.

At the 75th session of the United Nations General Assembly, China officially announced that it “strives to achieve carbon peaking by 2030 and strives to achieve carbon neutrality by 2060”. In response to the call of the State, the Group formulated an implementation plan for carbon reduction actions and actively practiced and promoted low-carbon development.

During the Reporting Period, the Group comprehensively identified national and local environmental protection laws and regulations, as well as standard requirements, revised and improved the relevant environmental and energy systems, and completed the training and implementation of responsibilities for all employees, supplemented by normalized operation inspection and evaluation during the operation period to ensure the effective implementation of the relevant systems.

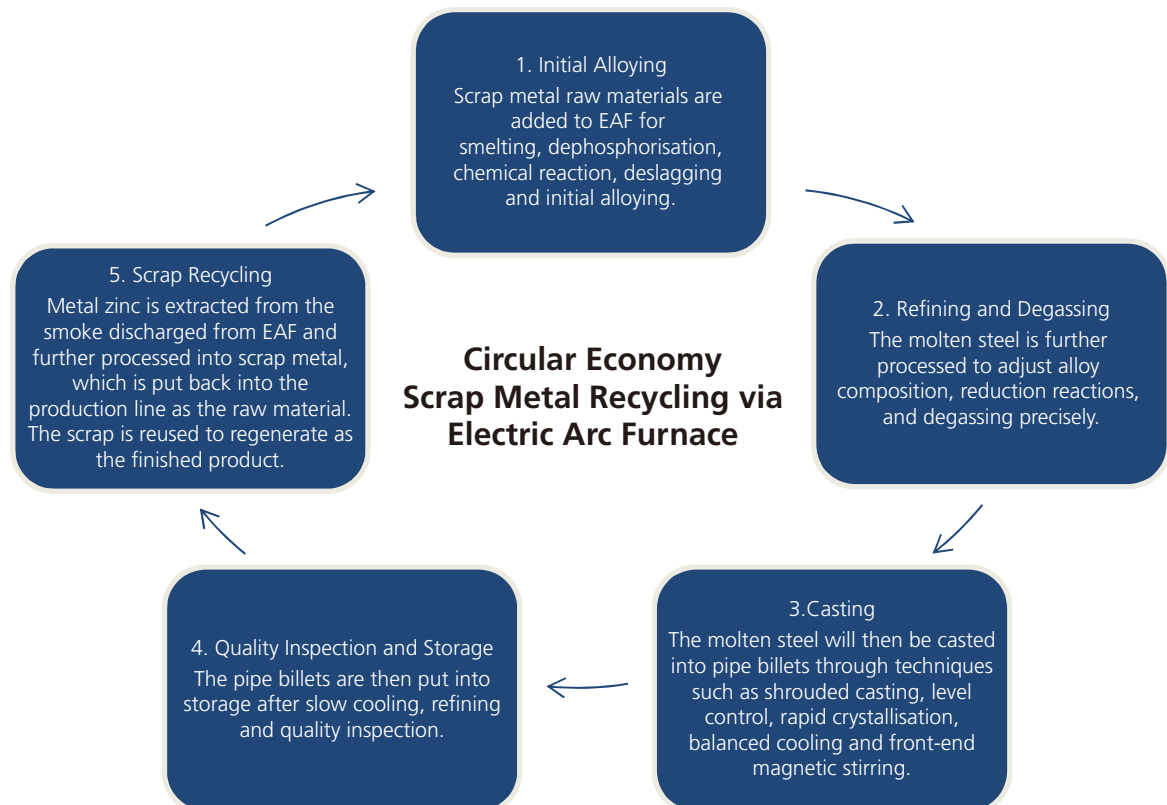
In the Company’s Five-Year Plan for 2023-2027, the Group has stated its commitment to achieve carbon peaking in 2030 and carbon neutrality by 2050, and plans to launch the preparation and advancement work for the Carbon Reduction Action Implementation Plan in 2022, including:

- Establish a sound carbon emission management system and strengthen carbon assets management;
- Keep pace with the trend of R&D, application of cutting-edge low-carbon technologies, and carbon capture technologies, and carry out life cycle assessment and carbon label certification;
- Proactively promote carbon emission verification and cleaner production audits, and promote clean energy substitution;
- Improve the level of scrap steel resources recycling, and implement the all-scrap electric furnace process;
- Introduce advanced technology in a timely manner, delve into the potential of energy conservation to reduce carbon emission and the function of energy conversion, and to promote surplus heat utilization; and
- Focus on the introduction of electric furnace surplus heat power generation, photovoltaic power generation, continuous-charging scrap preheating technology, amoeba residual steel monitoring technology, energy-saving hydraulic servo technology, etc.

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Circular Economy

We are also committed to establishing a green and low-carbon circular development production and operation system, such as the "Scrap Metal Recycling via Electric Arc Furnace" circulation system. An electric arc furnace (EAF) is a heating furnace that heats a material by an electric arc discharge. The production process is mainly to add scrap metal raw materials to the EAF for smelting, which can improve the efficiency of energy use, and can recycle the waste metal from the arc furnace, and re-enter the production line as raw materials, forming a circular economy and further promoting resource recycling, making the production process more environmentally friendly than the general linear production model, thereby reducing the carbon emissions in the production process.



In addition, the Group has amended the Emergency Response Plan for Environmental Emergencies and adopted necessary measures to prevent potential risks to its operations caused by climate change, including but not limited to:

- Optimize the production process, so that the product electricity consumption and natural gas consumption are greatly reduced;
- Reduce the use of carbon-containing raw materials; use frequency conversion energy-saving equipment to effectively reduce energy consumption and carbon emissions;
- Heat treatment furnace increases furnace thickness and flue gas treatment device to reduce nitrogen oxide emissions;
- Regularly maintain waste heat pipes, clean heat exchangers, and increase waste heat utilization efficiency;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Use surplus heat for heating the office living area;
- Promote the use of clean energy, and declare a cleaner production audit project;
- Strictly implement the requirements of heavy pollution weather control and carry out independent emission reduction;
- Greening the factory area by increasing vegetation;
- Encourage green travel and reduce air emissions from private cars;
- Provide commuting buses and electric shuttle buses at the factory site for employees to minimize air emissions from various other vehicles; and
- Use eco-friendly vehicles instead of in-plant vehicles with relatively outdated emission standards.

B. SOCIAL ASPECTS

Corporate Culture

The Meaning of Dalipal

“達力普” is a literal translation of “Dalipal” and means “intimate partner”. “Dalipal” is derived from the combination of the English words “Darling” (intimate) and “Pal” (partner).

Da-Achievement (“達”), which means to achieve high customer satisfaction, give full play to employees’ abilities, express employees’ ideas, wishes, and abilities, and to pursuit the Company’s prosperity;

Li-Strength (“力”), which means to create value for customers, while our products are equipped with high competitiveness, employees are innovative, and the Company is strong;

Pal-Universal (“普”), which means to share with our community inclusively, that is, the Company growth benefits employees, shareholders and the society in general.

The three words of Dalipal are our valued commitments to customers, employees, shareholders and society, which clearly expound the “Connotation” of Dalipal.

Our Corporate Philosophy – “To create value for customers, to create opportunities for employees, to create strength for enterprises, to create harmony for society.”

Since the establishment of the Company, it has always adhered to the philosophy of “Gaining knowledge for cultivating self-mind. Benefiting from the market. Walking the pathway to innovation. Maintaining a good foundation” without wavering. The Company is adhering to the comprehensive “Tackle the gap with benchmarking” continuously. We are committed to doing a good job of “immediate” and focus on what we are doing. We also committed to strengthen the Company’s development and growth, and do everything possible to enhance the ability for risk resilience, in order to build a broader platform for business start-up and a stage that can give full play to everyone’s talent, so as to expand our capacity that truly allows our employees to realize their self-fulfillments. As we believe that employees are connected to and are essential part the enterprise’s strength. “When big rivers have water, the smaller ones are filled”, is our vision of creating greater value for employees and customers, as well as contributing to the realization of a harmonious society. Together with our aspiration of Chinese Dream, are the original intentions and mission of the Dalipal family.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment and Labour Practices

B1. Employment

The Talent Concept of Corporate Culture – “Horses for Courses. Achieving Meritocracy. Acquiring and Training for the Right Talent. Leading Our Talent to Success.”

Building of a core backbone team that highly recognizes the culture of the Company and consciously practices the Company's culture is all the time an important strategic task for the survival and development of the Company. We give tolerance for our employees' faults, allowing mistakes during exploration and innovation. We do not easily give up on any employee, regardless of seniority and qualifications. We treasure not only an employee's ability and virtue but also their achievements. We believe talents are able to perform duty at any working level and capable to work at different types of job position. We continuously build channels and platforms for talent growth, so as to focus on the career development for our employee. Promotion are standardized but we encourage talents recommendation internally. We persist to perform assessment before hiring, on-going evaluation during employment, and comprehensive actualization after termination of employment. On-site learning and talent promotion are beneficial to cultivating and training employees who act accordingly with the Company culture and gain experience in multiple positions, so as to uphold a mindset to put themselves in the customers' shoes.

Employees are the most important and valuable asset of the Group. We attach great importance to the word “Pal” in the Group name “Dalipal”, which means “inclusive employees” in our corporate culture. We are committed to protecting the legitimate rights and interests of all employees, paying labour insurance and “five social insurances and one housing fund” (「五險一金」)¹ in accordance with the law, paying wages in full and on time every month, always respecting, recognizing and treating every employee kindly, creating a healthy and safe working environment, creating a warm working atmosphere, providing a platform for talents to grow and develop, so that all employees can grow and develop with us together. The Group strictly complies with relevant laws and regulations, including but not limited to:

Employment Promotion Law of the People's Republic of China
(《中華人民共和國就業促進法》)

Law of the People's Republic of China on the Protection of
Persons with Disabled Persons
(《中華人民共和國殘疾人保障法》)

Law of the People's Republic of China on the Protection of
Minors (《中華人民共和國未成年保護法》)

Social Security Law of the People's Republic of China
(《中華人民共和國社會保障法》)

Employees' Compensation Ordinance
(《僱員補償條例》)

Mandatory Provident Fund Schemes Ordinance
(《強制性公積金計劃條例》)

Regulations of Hebei Province on Population
and Family Planning
(《河北省人口與計劃生育條例》)

Labour Law of the People's Republic of China
(《中華人民共和國勞動法》)

The Group was not involved in any confirmed violation relating to employment that have a significant impact on the Group.

We are committed to be an ideal employer of choice and providing a healthy working environment where our employees can thrive. We have established an effective system of employment policies, including equal recruitment policy, equal promotion policy, work-life balance policy, compensation policy, remuneration and allowance policy, dismissal and retirement policy, anti-discrimination policy, diversity policy, training policy, employee welfare and benefit policy.

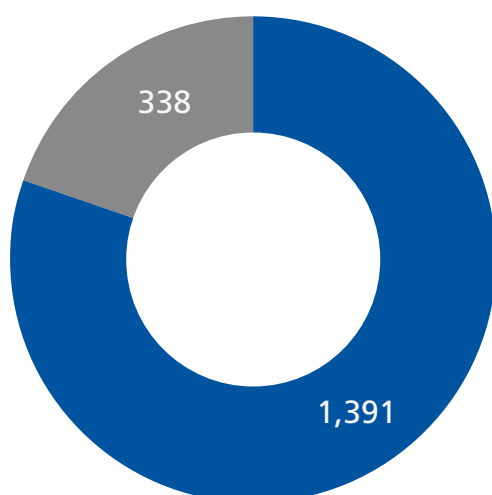
¹ Five social insurances, including pension, medical insurance, unemployment insurance, maternity insurance, and work injury insurance, as well as a housing provident fund.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 December 2021, the Group had a total of 1,729 employees (2020: 1,453), 1,726 of them are full-time employees, and 3 of them are part-time or contract employees.

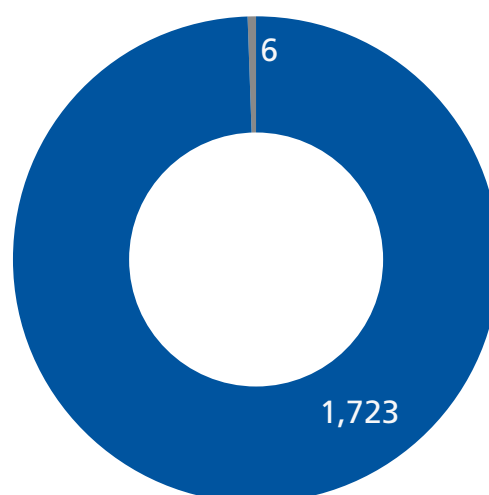
By Gender

■ Male ■ Female



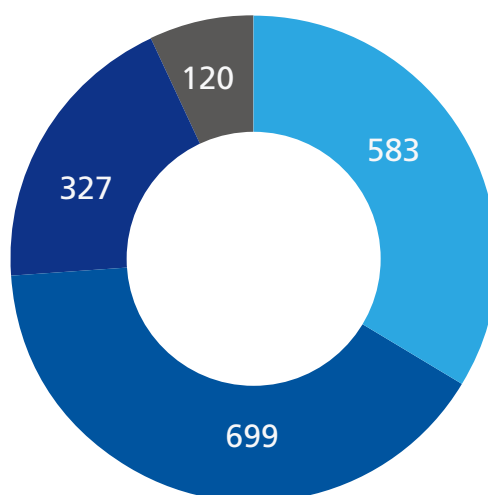
By Geographical Region

■ Mainland China ■ Hong Kong



By Age Group

■ 18-30 ■ 31-40 ■ 41-50 ■ 51 or above



During the Reporting Period, the Group had a turnover rate of 25%, a male employee turnover rate of 26% and a female employee turnover rate of 21% by gender. An employee turnover rate of 47% for employees aged 18-30, 16% for employees aged 31-40, 13% for employees aged 41-50 and 3% for employees aged over 51 by age group. 25% turnover rate for employees from Mainland China and 17% for employees from Hong Kong by geographical region.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Talent Acquisition and Retention

Our staff is the cornerstone of our corporate operation and development, therefore, we have a fair and equitable talent selection system, which undergoes optimization from time to time for talent recruitment. To better manage human resources, the Human Resources Department has formulated policy documents such as the Administrative Measures for the Allocation of Human Resources Flow (《人力資源流動配置管理辦法》), the Specifications for the Management of Labour Contract Management (《勞動合同管理工作規範》), The Implementation Rules for the Management of Work Injury Insurance and Safety Production Liability Insurance (《工傷保險及安全生產責任險管理實施細則》), and the Detailed Rules for the Handling of Labour Disputes (《勞動爭議處理工作細則》). We have built a talent acquisition team through external recruitment, internal training, on-site learning, etc., and analyzed the contribution rate of about 10 various channels, such as WeChat, and Baidu Tieba and others. We have launched professional recruitment websites, such as "51job.com" and "Liepin Talent Acquisition Platform". Employees are generally required to work under a probationary period of not more than six months from the start date of employment. The Group typically determines the salaries of individual employees based on their experience, position, and seniority according to the remuneration standards established by the Group. The Group has established a performance appraisal system to assess employee performance and constitute a benchmark for our decisions on salary adjustments, bonuses, and promotions. We believe that the above arrangements will help maintain a good relationship with employees.

Remuneration and Benefits

We offer reasonable and competitive salaries and employee benefits to employees, benchmarked with the comparison of salary levels in the same industry and the relevant positions. During the Reporting Period, we revised the "Employee Compensation Management System". Employees are awarded a salary adjustment and promotion based on their job performance as well as progress achievement and the results of performance appraisal. Salaries are paid on time every month.

We provide dormitories for our staff, also provide family dormitories for families where both spouse are our employees, which are equipped with free Wi-Fi, dormitory necessities and parcel pick up machine. Timely replacement or maintenance of air conditioners, and continuous improvement of employee accommodation conditions were achieved, such as automatic water dispensers for employee apartment buildings, and the use of mobile phones to recharge water bills at any time.

In terms of holiday benefits, with the amendment of the "Hebei Provincial Population and Family Planning Regulations" (《河北省人口與計劃生育條例》), the company timely adjusted the "Employee Attendance Management Measures" (《員工考勤管理辦法》), such as the extension of maternity leave of 90 days for the third child birth; 15 days of nursery leave for male employees and for families who have obtained fertility indicators. Both parents of infants under the age of three are entitled to 10 days of parental leave each year.

Care for Employees

Festival welfare and staff welfare have also been granted to staff, such as free haircuts by professional hairdressers for employees and their families, provide employee shuttle bus services for employees to commute, and we also provide employees with living and other subsidies, including:

- Allowances for working in high temperatures;
- Front-line staff subsidies;
- Team leader allowance;
- Skills allowance;
- Technician subsidies; and
- Certified safety engineer certificate subsidy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We also organize regular staff activities to facilitate interaction among staff and enhance their sense of belonging. During the Reporting Period, we organized a series of activities such as Chinese New Year's Eve Night Activities, Women's Day Blessing Activities, Qixi Joy Festival, Red Movie Watching, 23rd Anniversary Factory Celebration, Round the Factory Running Competition, Tug-of-War Competition and so on, to enrich the lives of employees.



Mid-Autumn Festival Benefits



Qixi Joy Festival



23rd Anniversary Factory Celebration



Mid-Autumn Festival Benefits



Running Competition
Around the Factory



Tug of War

Equal Opportunities and Diversity

The Group is committed to providing a fair and equitable workplace where all individuals are treated equally in every aspect of their work or employment. Candidates and employees have equal opportunities to employment, remuneration and promotion. We will not conduct or tolerate discrimination or harassment against individuals on the basis of age, gender, race, marital status, religion healthy status or any legally protected ground or on any other ground which we consider inappropriate and unacceptable.

We also place high value on female employees' career development by ensuring that they have the same promotion opportunities as male staff. We also comply with the requirements of the Law on the Protection of Women's Rights and Interests of the People's Republic of China, which stipulates that female employees are entitled to basic salary and their employment contracts will not be released or terminated, without cause, during their pregnancy, maternity leave or breastfeeding period.

Dismissal Policy

With regards to the policies relating to dismissal of employees, if an employee has committed serious misconduct and fails to improve in spite of repeated warnings, his/her supervisor and the senior management of the Company will have a thorough internal discussion and allow the employee to answer and explain before the dismissal is announced. The reasons for the dismissal will be conveyed to the employee clearly. Enough notice would be delivered to staff and hand-over procedure should be completed before leaving the Company. The dismissal procedure must be in accordance with applicable laws and regulations as well.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Communication

We appreciate the significance of communication with and care for our employees. We believe that maintaining a close relationship with our staff allows us to better understand their needs. Besides employee orientation with introduction of corporate system, culture and other information, the Company pay close attention and listen to our employees about their daily work condition, working environment and personal career development, and reply one by one, with a view to properly adjusting our internal resources and policies. We also organized a satisfaction survey about canteen meal every quarter to continuously improve the quality of catering services. At the same time, we regularly organize symposiums for college students and employees to care for employees' work, life, and other aspects.



Pollutant monitoring and control system



Billet line dust removal system

B2. Health and Safety**The Safety Concept of Corporate Culture – “Safety First. Prevention is Crucial. Get involved. Caring for Life.”**

We always believe that safety is more important than development which we persist that safety management should has no blind spots. It is better to do more than enough to prevent the incident happen. It is responsible for everyone to prevent the “three violations”, which are to cultivate good behavior habits, to be alerted to discoverer and rectifier of potential safety hazards, and to avoid the fluke mentality. To create an atmosphere of being responsible for safety is to be responsible for oneself, for the family, for the enterprise, and for the society.

The Group complies with laws and regulation included but not limited to the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Control of Infectious Diseases (《中華人民共和國傳染病防治法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). We strive to ensure a good and safe working environment for employees to prevent injury and disease. We manage the safety of our employees and production areas in accordance with the relevant occupational health and safety laws and regulations. During the Reporting Period, the Group did not violate the relevant laws and regulations in providing a safe working environment and preventing employees' work injuries.

During the Reporting Period, the Group had no severe safety incidents or fatalities. However, there was 627 lost days (2020: 214 days) mainly due to minor injuries caused by improper operation of machinery and equipment failure. The statistics for the last three years were as follows:

Statistical Indicators	Unit	In 2021	In 2020	In 2019
Number of work-related fatalities	person	0	0	0
Rate of work-related fatalities	percentage	0	0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Work Safety

By considering all possible precautions, we strive to set standards and measures for the highest safety and health performance and to enhance the safety awareness of our staff in order to achieve a work environment with zero accidents, including:

- Improve the construction of occupational health and safety management system, implement occupational health and safety management responsibilities, and improve the occupational health and safety management system;
- Conduct one-on-one safety education and training for employees before work;
- Occupational health examinations were carried out for 769 employees, and the "Notification of Occupational Health Examination Results" was signed by the employees;
- Establish employee occupational health monitoring management files, with 100% establishment rate;
- Regular inspection of special equipment, accessories and firefighting equipment with 100% inspection rate;
- The training and drill of accident emergency response plans at all levels were completed at a rate of 100% on schedule;
- Promote the sampling verification of joint inspection of safety management;
- Cultivate a safety culture, continue to carry out safety team construction, hold emergency drills, and carry out "Safety Month" activities, such as: safety slogan collection, educational video about safety hazards; and
- Organize training on occupational health laws and regulations and related knowledge for the heads of branches/departments, section chiefs, operation chiefs and on-site safety personnel.



Consolidate safety knowledge and closed-book examinations for all employees



Safety Month speech contest



Safety joint inspections

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have obtained GB/T24001-2016 environmental management system certification, GB/T45001-2020 Occupational health and safety management system certification, Q/SY1002.1-2013 HSE system certificate by China National Petroleum Corporation. Employees should attend formal operation, regular training, safety checks and testing before work. At the same time, we have formulated more than 30 health and safety-related management systems, including but not limited to:

- Regulations on the administration of safety education and training;
- Occupational health and safety operation procedures;
- Regulations on the management of risk control and control of production safety;
- Occupational health management regulations;
- Fire safety management regulations;
- Site environmental management measures; and
- Measures for the management of labour protective equipment, etc.

We implemented and improved on-site noise control measures, including but not limited to low-noise equipment, such as high power dust removal fan, water pump and etc., adopt basic vibration reduction and noise reduction measures, such as adding the muffler to dust removal exhaust, soft connection for continuous caster fan and the flue, setting cushioning material at roller and bench to reduce collision noise in the oil tube, using non-noise material bucket and at meantime, adopt sound insulation in the wall of plants to reduce the noise effect to surroundings. In addition, we configure professional earplugs for employees to minimize the impact of noise, configure noise detectors in the workshop to regularly monitor the noise level and implement control measures in a timely manner,.

Meanwhile, we set up a green channel in the plant to distinguish the operation area with non-operation area. The green channel can be used as a safe passage for non-workers and outsiders as well as an escape route in emergency situations.

During the reporting period, the company passed the "Evaluation Guidelines for the Construction of Corporate Safety Culture" (AQ/T 9005-2008) (《企業安全文化建設評價準則》) and was rated as "2021 Cangzhou Municipal Safety Culture Demonstration Enterprise". The company carried out occupational health-related work in accordance with the "Implementation Plan for the Establishment of Occupational Health Enterprises in Hebei Province in 2021" (《河北省2021年創建職業健康企業實施方案》) and was awarded the title "2021 Hebei Provincial Occupational Health Enterprise".

Pandemic Prevention and Control

In early 2020, after the outbreak of the COVID-19 pandemic, the Group adopted a series of prevention and control measures in accordance with the requirements of the Government, including providing masks for employees and setting up disposable masks garbage bins, comprehensively disinfecting the factory building, disinfecting office areas and residential premises on a daily basis, requiring employees to sit diagonally during meals in the canteen, and setting up security guard at the gate 24-hourly to supervise mask wearing, health codes presentation, body temperature checking and registration for employees and visitors. We also set up medical observation rooms and purchase pandemic prevention materials, provide food and water delivery and other services for employees during the quarantine period. At the same time, we actively coordinate with doctors from Huanghua Municipal People's Hospital and Nandagang Hospital to vaccinate more than 500 employees in the Company.

During the Reporting Period, the Group was recommended by the Community Social Affairs Management Department to apply for a provincial occupational health enterprise award in recognition of our determination and performance in protecting the safety and health of our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3. Development and Training

The Group recognizes the importance of training for the development of our employees as well as our Group. The Group has established Monthly Training Planning to conduct periodic training to our employees regarding the requirements of their job duties. We formulated the Regulations on the Management of Employee Training and the Code of Work for The Implementation of Training Organizations. All employees must comply with the codes and policies and obtain required knowledge and techniques for their positions by passing the examinations after the trainings.

During the Reporting Period, a total of 1,586 employees attended the training by the Group, with a total number of attendance of 3,944, for a total of 33,440 hours. The following is a table of training statistics by employee types:

	Percentage of employees trained	Average training hours
By gender		
Male ²	106%	15
Female	34%	39
By employee category		
Senior management	91%	273
Middle management	79%	207
Others	92%	13

The Group also set up corporate university and invited professional teachers for special trainings to enhance management. The Group also organized employee to attend external trainings and provide internal trainings as company policy require.

New joiners will receive induction training covering corporate culture, regulations and system, environmental health and safety training, job skills and work procedures. That helps employees to better understand the working environment. Moreover, to enhance employees' awareness and knowledge in occupational health and safety are the basis of preventing work-related incidents, the Group has implemented different safety training programmes for employees at all levels.

Meanwhile, we introduced a professional team to conduct talent inventory and evaluation of the Company's middle and other management, formulated a talent development plan, evaluated 75 middle and other management and benchmarked with the Company's management ability standards to interpret and analyze the advantages, deficiencies and development directions of management in terms of management skills, management personality, business reasoning ability, competence and sense of alliance. The Group continuously evaluates the available human resources and determines whether additional personnel are required to complement the Group's future business development.

During the Reporting Period, the Human Resources Department organized 70 middle and other management to conduct interactive training on talent management cases, including the selection and training of basketball players, case analysis and group discussion. These could significantly reach a consensus on the selection and training of talents in the future, and show the purpose of the Company's talent management project.

² Since the number of trainees was the number of employees who had attended training during the Reporting Period, including the number of employees who had left the company during the Reporting Period, so the male training rate exceeded 100 percent.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The training courses conducted during the Reporting Period mainly included:

- New employee orientation;
- Business etiquette training;
- Company policies and procedures training;
- Safety education and management system training, stipulating the training basis for production safety and related laws and regulations;
- Annual emergency drills, occupational health, fire safety and safety management training;
- Equipment management training and energy management training;
- Quality and safety control training;
- A series of trainings on integrated management system standards, internal auditors and internal control standards;
- Occupational technique competition, and
- Probity and self-discipline training.



Occupational technique competition



Interactive talent management training

B4. Labour Standards

The Group is fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. The Group strictly complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Employment Ordinance (《僱傭條例》) of Hong Kong and other relevant labour laws and regulations. The Group has established the Administrative Policy for the Allocation of Human Resources, which prohibits the employment of child labour and forced labour, and systematically manages the recruitment needs from the admission, regularization, transferal, and termination of employee contacts. Employees are required to present their identification documents for verification purposes when on board and only employees with legal age could be hired. Employment contracts and other records, including all relevant details of the employees are maintained properly for verification by relevant statutory body upon request. In case of any irregularities, we will promptly investigate, punish or dismiss relevant personnel and verify with the judicial authorities upon request.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operating Practices

B5. Supply Chain Management

The Group works closely with its suppliers who are committed to high quality, environmental, health and safety standards. As part of our commitment to environmental protection, product quality and social responsibility, we recognized the great importance of supply chain management and formulated internal policies and guidelines and selection of external suppliers. The Group has a stringent supplier selection process and management approach, such as Procurement Control Procedures and the Supplier Management Policy, to clarify and improve the material classification and evaluation requirements of the quality assurance system, including but not limited to product quality, labour standards, environmental and quality management, and ethical business ethics. We formulate green procurement policies, give priority procurement to products with level II energy efficiency or above, and products with energy conservation and protection certification labels. Our procurement system collects and establishes supplier files and credit, dynamically controls the classification of different materials and suppliers, further clarifies responsibilities, and ensures that supplier files are not leaked. At the same time, we require our suppliers to use recyclable packaging materials. We also check the radioactivity of the main ingredients for each batch before they are stored. We strive to work only with suppliers who share and are willing to act in accordance to our principles.

During the Reporting Period, the Group had a total of 101 major qualified suppliers (2020: 80), all of which were located in Mainland China, and 67 key suppliers were assessed during the Reporting Period, including supply quality, delivery time and service quality.

We have established comprehensive quality assurance system, every batch of material should be checked before stock-in or using. A mechanism to handle unqualified material with suppliers has been adopted as well. We also carry out regular on-site inspection and check the validity period of suppliers' qualification certificates (for example, Environment Management System Certificate, Quality Management System Certificate and Occupational Health and Safety Management System Certificate) to monitor and evaluate the performance of our suppliers. If a supplier does not pass the preliminary examination or the product does not meet the required requirements, we will re-evaluate and continuously update the list of approved suppliers based on the assessment.

During the Reporting Period, we adopted a purchase system to enhance the communication and monitor of suppliers. The potential suppliers are requested to upload their certificates through the system. We would initiate the assessment on the potential suppliers before entering into cooperation with them. The materials supplied by the suppliers must meet the requirements of national local safety, environmental protection, fire protection, occupational health, intellectual property rights, etc. The delivery vehicles must meet the safety and environmental protection requirements. Before entering the factory area, they must understand and obey the Company's relevant safety and environmental protection regulations. The system would request the suppliers to upload the updated certificates when they are about to expire. We also use the purchase system to conduct quotation and comparison process to choose the appropriate suppliers. Every contract with suppliers should be approved by the risk management department before signing.

Thus, we believe there are no significant environmental and social risks for our management decision on supply chain management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6. Product Responsibility

The Quality Concept of Corporate Culture – “Every single product is produced for our clients and the market, which creates and represents our brand.”

To have the courage to pursuit excellence, genuine and demanding standards of high quality, as we believe that it is the essence of an enterprise. Quality control is to be adopted by full engagement in every step in the whole process, which we insist “zero tolerance” to quality below standard. Therefore, we believe high quality standard represent Dalipal which is achieved by our employees.

The Service Concept of Corporate Culture – “Always put ourselves in customers’ shoes and create value-added services for users.”

Quality Assurance

The Group endeavours to offer high-quality products and services. We are committed to improve our product quality, attract new customer and strengthen the relationship with existing customers. We have established a comprehensive quality assurance system. The Group has set up a competent comprehensive quality control department, which implements product quality standards in strict compliance with customers’ requirements. During the Reporting Period, the Group had no violation record on relevant laws and regulations relating to quality assurance issues.

Product Responsibility

Ensuring customer satisfaction with our products and services is a priority for the Group. We place importance on the quality standard of our products and services to achieve sustainable growth of our business. We have been granted as the Premium Brand of Hubei (河北優品牌) by the Association of Trademark and Brand of Hubei Province (河北商標品牌協會) in recognition of our efforts in product safety and health. We are committed to ensuring compliance with laws and regulations on product health and safety, labelling and privacy matters, including the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》), the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) and the Hong Kong Personal Data (Privacy) Ordinance (《香港個人資料(私隱)條例》). Policies regarding product quality and safety, as well as compliance with laws and regulations, have been clearly stated to employees and suppliers. During the Reporting Period, we achieved 99 points for the overall customer satisfaction rate, and we had no violation record on relevant laws and regulations that have a significant impact on the Group relating to product responsibility issues.

Complaint Handling

We are pleased to listen to consumers’ opinions. Customers can express their opinions by verbal form, telephone, mail, fax, visiting or other form to the Group. The Group has developed Customer Complaint Handling Mechanism to investigate and handle complaints promptly as well as feedback to client. The processing process and feedback provision are as follows:

After receiving complaint from customer, the sales department would share relevant information to quality management department, technical department, senior management and general manager.

The technical department would lead a handling team to conduct on-site investigation. After investigation, a proposal would be raised.

The handling team conducts quality assessment, prevention measures, implementation and verification towards specific complaint.

Final proposal is reviewed and approved by senior management.

Sales department is responsible to communicate with client on the proposal, and ensure customers’ opinion is properly handled.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, there is no products and services related complaints received and there is no product recall for health and safety problems. In order to effectively control product quality, we have formulated the Quality Emergency Plan Control Procedure (《質量應急預案控制程序》), which clearly stipulates the management of unexpected events related to product delivery, such as post-evaluation and recycling procedures.

Privacy Protection

The Group takes privacy issues of our customers, internal employees, data, and external partners and suppliers very seriously. We have established Confidentiality Management Policy (《保密管理制度》) and the Management Rules of Confidential Personnel (《涉密人員管理細則》), clarifying the list of confidential matters, the list of key confidentiality parts and the list of key confidentiality personnel, as well as showing the Group's commitment to uphold privacy protection through the following measures:

- Identify confidential information and adopt confidentiality labelling when presenting and transmitting documents in the business system;
- Publish electronic exercises to employees about the education of privacy protection knowledge;
- Conduct IP background checks on employees;
- Require new employee to sign non-disclosure and non-competition agreements;
- Require business partners to sign non-disclosure agreements, while outsourcing staff must attend confidentiality training before entering the factory;
- Post confidentiality labels in confidentiality-sensitive areas, where outsourcing staff must enter or exit with approval and documentation; equipment with functions such as audio recording, video recording, photography, and information access are prohibited for all outsourcing staff;
- Strictly control the scope of confidentiality and avoid public access, and;
- Enquiry in relation to the Company's business confidential information shall not be answered or presented arbitrarily.

In addition, customers' information should not be revealed to anyone other than staff who are in the normal course of conducting duties and responsibilities. Disclosure of customers' confidential information to unauthorized personnel is prohibited and could result in disciplinary action, up to and including termination of employment.

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Intellectual Property Rights

The Group strives to safeguard and protect intellectual property rights. We have passed the certification of intellectual property management system and established intellectual property management policies, such as “Intellectual Property Rights Management Control Procedures” (《知識產權管理控制程序》) and “Intellectual Property Rights Operation Control Procedures” (《知識產權運行控制程序》). Relevant program files have been developed in the system to ensure the effective operation of the system and ensure the protection of intellectual property of our products without infringing the intellectual property of others. The intellectual property rights protection term has also been added in the contracts to make sure counterparties of the contracts are in the same practice on protect the intellectual property rights. During the reporting period, we were awarded the “Excellent” title by the Hebei Administration for Market Regulation (河北省市場監督管理局) in recognition of the Group’s efforts in protecting intellectual property rights.

As of December 31, 2021, the Company has obtained a total of 73 authorized patents. During the Reporting Period, the Group applied for 5 patents and 14 patents were authorized. At the same time, our project “Key Technology Development and Industrialization of High-performance Steel Pipeline” (《高性能管線鋼管關鍵技術開發及產業化》) were successfully in the Hebei Province Department of Science and Technology (河北省科學技術廳). We also completed scientific and technological achievements evaluation for the “Development and Application for the Use of Non-Existent API Tubing Key Technology in Natural Gas Drilling” (《天然氣鑽採用非API油套管關鍵技術開發及應用》), while partial results have reached the international leading level and reached the international advanced level in general.

B7. Anti-corruption

Our Group believes the integrity and commitment of our employees are our critical factors to success. The Group has implemented “Anti-fraud Management Policy” (《反舞弊管理制度》) and “Practice for Professional Integrity for Employees” (《員工廉潔從業規定》) with its formulation of Anti-business Corruption Regulation based on the Anti-Money Laundering Law of the People’s Republic of China (《中華人民共和國反洗錢法》), Criminal Law of the People’s Republic of China (《中華人民共和國刑法》), the Prevention of Bribery Ordinance (香港法例第201章《防止賄賂條例》) (Cap. 201 of the Laws of Hong Kong) and other national or regional laws and regulations to set out our commitment to preventing all forms of corrupt practices. Employees are required and have the responsibility to conduct themselves with integrity in an ethical and proper manner. Payments or acceptance of any kickbacks from external parties is strictly prohibited. The Group takes disciplinary action to combat against any violation of the Group’s regulation. We also have the same expectations for our suppliers and other business partners.

Commitment to Integrity

Employees in sensitive positions such as purchasing positions, quality inspection positions, and sales positions shall enter into “Promise of Integrity and Self-Discipline for Employees” (《員工廉潔自律承諾書》), register and renew the “Sensitive Positions and Employees Information Form” (《敏感崗位及從業人員信息表》) every six months. “Probity Commitment” (《廉潔協議》) is also required to be entered into with customers or suppliers before transacting with them, promising no behaviour violating the principle of good faith such as fraud and bribery in any business connection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whistle-blowing Policy

The Group sets up whistle-blowing channel to encourage employees, suppliers and clients to raise concerns about fraud, corruption and bribery in confidence, through hotlines, mail and electronic media communications. We have established an “Anti-Corruption Whistle-blowing” program in corporate WeCom to alert users towards suspected misconduct, malpractice or irregularities. We have posted a hotline on our company website and the purchase system for whistle-blowing. Suppliers can also report bribery to us by complaint on our purchase system with message. All reported cases are promptly and thoroughly investigated by the Group’s internal audit department and reported to the Audit Committee and the Board.

Complainants and whistle-blowers are protected in assisting in investigations. The Company prohibits any unlawful discrimination or retaliation, or hostile measures against employees involved in the investigation. Personnel who leak information on whistle-blowers or retaliate against whistle-blowers in violation of regulations shall be deemed to have seriously violated the Company’s regulations and will be dismissed and terminated from their employment contracts. Where laws are violated, the case will be reported to the judiciary in accordance with law. If there is sufficient evidence to prove possible acts of corruption, the case will be reported to the relevant local authority.

Anti-corruption Training

Employees in sensitive positions should be trained on anti-corruption at least quarterly, other employees and departments should be trained or organize training at least annually to promote the awareness of integrity. Internal Audit Department publishes integrity education articles every month and organizes various studies among departments. We will continue to fight corruption and bribery to eliminate dishonest act in business.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering. The Group endeavours to prevent any non-compliance to relevant laws. To enhance corporate governance, the Group sets up Audit Committee and engages external lawyers and auditors to review and provide opinions on the company’s financial report and other compliance issues. Besides complying with the requirement to the corporate governance of listing companies enforced by the Stock Exchange, we constantly review the effectiveness of our internal control measures to enhance governance level.

Community**B8. Community Investment**

Our Group believes in the concept of giving back to the community, as contributing to society is one of the Group’s sustainable development strategies. We are committed to creating employment opportunities for local people and promoting the economic development of the community:

- Jointly organize a variety of activities, such as pairing interaction group, “Healthy China Initiative” and constitutional publicity activities among enterprises, online teaching about occupational health and safety, with Cangzhou Bohai New Area Federation of Trade Unions;
- Conduct research according to the Company’s recruitment needs and adjust the recruitment requirements for certain positions;
- Recruit through the recruitment website of Bohai New Area every month, and encourage referral recruitment by existing internal staff; and
- Participate with 1,120 people in the “One-Day Donation for Employees and Staff” activity organized by the Cangzhou Bohai New Area Federation of Trade Unions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We believe that through community investment, a socially responsible corporate culture and practice can be nurtured in the Group and seek to make contributions to programmes that have a positive impact on community development. We organize studies of “The Amendment to the Criminal Law” (《刑法修正案》) and safety rules and regulations of local governments for employees, as well as continue to participate in other community engagement activities:

- Actively organize education activities such as safety month and fire protection month;
- Carried out celebration activities for the 23rd anniversary of the factory, live broadcasted flag-raising activities in 2 additional locations, and other birthday celebration activities for the Company;
- In response to the government of Bohai New Area, we organized voluntary tree planting in spring, 60 people participated and planted 450 tree sprouts, with a greening area of about 1,300 square meters;
- Donation of anti-epidemic items to help control the pandemic; and
- Open to the public the group’s internal table tennis, basketball, football and other sports activities venues.



Voluntary tree planting in spring

At the same time, we attach importance to national security and hence we organized relevant education and publicity activities. During the Reporting Period, we organized historical education of the Party, including revisiting the admission oath of the Party, watching Ceremony Marking the Centenary of the Communist Party of China, and organizing leisure and cultural activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE STOCK EXCHANGE OF HONG KONG LIMITED'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Subject Area	Content	Section
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Sustainability Governance
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles (Materiality, Quantitative and Consistency) in the preparation of the ESG report.	Reporting Principles
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	About this Report, Reporting Period, Reporting Scope and Reporting Basis
'Comply or explain' Provisions		
A. Environmental Aspects		
A1 Emissions		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
A1.1	The types of emissions and respective emissions data.	Emissions
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Emissions
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Emissions
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Emissions
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions and Use of Resources
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Area	Content	Section
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources.	Use of Resources
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources
A2.2	Water consumption in total and intensity.	Use of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Due to the nature of the Group's business, the packaging used in the finished products is not applicable.
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Emissions, Use of Resources and The Environment and Natural Resources
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B. Social Aspects		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
B1.1	Total workforce by gender, employment type, age group, and geographical region.	Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

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Subject Area	Content	Section
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
B2.2	Lost days due to work injury.	Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
B3 Development and Training		
General Disclosure	Policy on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B3.1	The percentage of employees trained by gender and employee category.	Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

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Subject Area	Content	Section
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
B8.1	Focus areas of contribution.	Community Investment
B8.2	Resources contributed to the focus area.	Community Investment



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