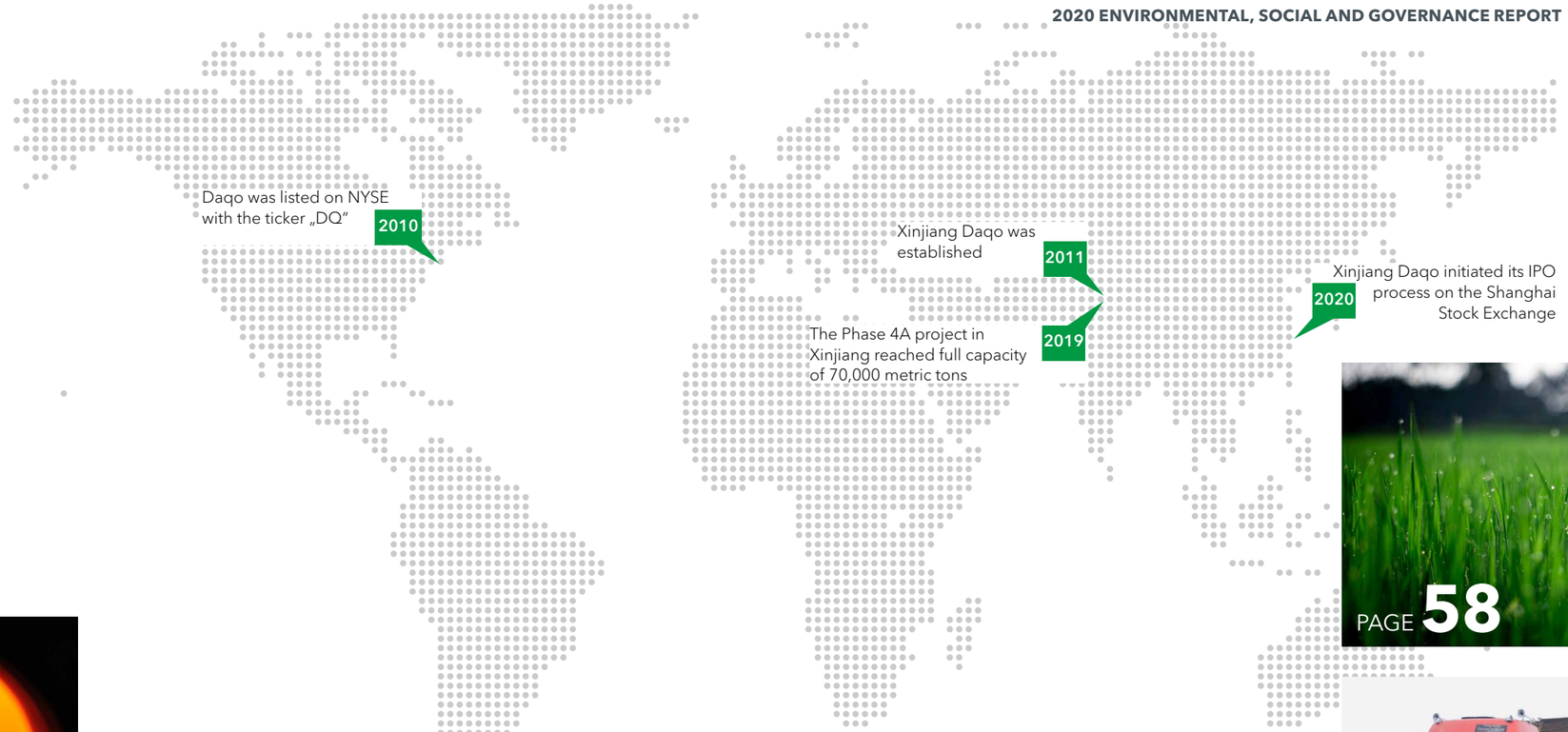

ESG
2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
DAQO NEW ENERGY CORP.



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We attach great importance to the opinions and suggestions of stakeholders and welcome readers to contact us through the following channels. Your comments will help us further improve our Reports, as well as our overall ESG performance.

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Address: 29th Floor, Huadu Building, No. 838, Zhangyang Road, Pudong, Shanghai

"We will continue to focus on our core business and contribute to clean energy development and help to reduce global carbon emissions."

Message from the **CHAIRMAN**

2020 was an unusual year. The COVID-19 pandemic swept the world and triggered people to rethink the relationship between human and nature, as well as the relationship among nations. It also highlighted the urgency of creating a harmonious home on the Earth. Tackling the imminent environmental and climate challenges, continuously improving the well-being of the entire human family, and restoring the relationship between human and nature have become urgent issues that need to be addressed.

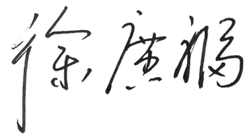
By the end of 2020, more than 100 countries around the world have announced their targets and timetables for reaching carbon neutrality. As the world's most populous country and the global manufacturing center, China also set its goal for peak carbon emissions in 2030 and carbon neutrality by 2060. Ways to achieve these ambitious goals include the electrification of energy use , decarbonization of the energy sector, and the switch to clean renewable power generation.

As a global leading high-purity polysilicon manufacturer for the solar industry, Daqo New Energy has always championed the corporate strategy of "Leading by Innovation, with Sustainable and High-Quality Development". We continue to focus on our core business, adhere to the core concept of green development, and contribute to the rapid development of the photovoltaic industry through capacity expansion and quality improvement. We have also actively assumed social responsibility and attached greater importance to the Company's sustainable development. We strengthened risk and business ethics management to carry out production that complies with all related laws and regulations. To deliver long-term value to our various stakeholders and shareholders, we focus on improving product quality through digital manufacturing and innovation, ensuring the physical and mental health of our employees, complying with low-carbon production, and actively carrying out charity works.

Photovoltaic power generation is one of the most cost competitive, clean and renewable energy sources. In 2020, many regions in the world, including China, have reached grid parity, which means solar power generation is now competitive with traditional fossil-fuel based energy sources even without government subsidies. This is a key milestone in global energy development. In the near future, as both the cost of photovoltaic power generation and energy storage continue to decline, we expect to achieve broad grid parity for clean solar energy generation and energy storage, which would open a new era in clean energy for mankind.

High-purity polysilicon is the raw material that is needed for the production of solar modules, which converts sunlight into electricity. In crystalline-silicon based solar modules, the photoelectric effect converts solar photons irradiated on the surface of modules into electrons. One key contributor to the continuous reduction in solar energy generation costs lies in the continual improvement in photovoltaic cell conversion efficiency, which necessarily requires higher-purity polysilicon. As the world's leading supplier of high-purity silicon materials, we are pleased to contribute to the continuous improvement in the conversion efficiency of photovoltaic modules, thus helping to reduce the cost of photovoltaic power. In the future, we will continue to focus on our core business and contribute to clean energy development and help to reduce global carbon emissions.

Chairman



Guangfu Xu

ABOUT THIS REPORT

Report Introduction

Daqo New Energy Crop. ("Daqo", "we", "us" or the "Company") is pleased to present its first Environmental, Social and Governance ("ESG") Report (the "Report"), whose aim is to present to stakeholders the Group's management, practices and performance in economic and ESG practices.

Report Scope

This Report covers the period from 1 January 2020 to 31 December 2020 (the "Reporting Period"). The business scope covers Daqo New Energy Crop. and its subsidiaries. The environment-related data and related internal control management measure refers mainly to our primary operating subsidiary, Xinjiang Daqo New Energy Co., Ltd. (the "Xinjiang Daqo")

Report Preparation

This Report is prepared with reference to the "GRI Standards" Core Option ("GRI Standards"), published by the Global Reporting Initiative ("GRI"). This Report is determined in accordance with a set of existing procedures, which include identifying key stakeholders, identifying and ranking key ESG issues, determining the report scope, and collecting relevant data for the Report. Procedures such as report preparation and reviewing the information in the Report are also included.

Data Source and Reliability Statement

The information and data in the Report are obtained from internal statistical reports or other relevant documents of the Group, third party surveys and interviews. This Report does not have any false or misleading statements.

Recognition and Approval

This report was approved by the Board of Directors on June 25, 2021 after approval by management.

Obtaining and responding to this report

This report is available in Chinese and English. An electronic version of the Report is available on the Company website.

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Highlighted Summary of Key ESG Performance Indicators for 2020

Technology Innovation

25 New patents during the reporting period

Created a digital platform, relying on industry resources and technical advantages, to improve production and management efficiency

6 Industry standards met during the reporting period

Ecological Environment

17.6% Year-on-year decrease in greenhouse gas emissions

20.1% Year-on-year decrease in overall energy consumption

Product Assurance

100% Quality training for team leaders and engineers

0 Products recalled during the reporting period due to quality defects

96/100 Average customer satisfaction score during the reporting period

Community Contribution

80+ Donations of pandemic protective materials to enterprises and institutions

22 Donations of daily necessities to pandemic prevention stations

Employee Training

99% Training coverage

88,400 Total training hours

46.9 Training time per employee

1

Responsible Operation, Governance and Compliance

Daqo is committed to a long-term strategy of corporate governance with focus on stability, sustainability, transparency, and integrity. We believe this governance approach improves the operational efficiency and business performance of an enterprise, promotes long-term and sustainable value creation, and enhances the capability and responsibility of enterprises to fulfill their social responsibility. Daqo is committed to building a comprehensive and compliant governance structure through stringent risk management and control, active compliance with business ethics, and constant optimization of ESG management. This enables us to carryout long-term sustainable development, protect stakeholder rights and interests, improve corporate management, and contribute to society with well-rounded corporate governance and responsible business operations.

1.1 DAQO NEW ENERGY CORPORATE OVERVIEW

1.1.1 Corporate Introduction

Daqo was registered in 2007 and was listed on the New York Stock Exchange in 2010 (NYSE ticker: DQ). Daqo is a leading solar photovoltaic high-purity polysilicon manufacturer with the world's most advanced technology, experienced R&D and management team. Our polysilicon production costs are among the lowest in the world.

Corporate Development

Since the Company was established in 2007, we have been deeply involved in the field of new energy and have focused on high-purity polysilicon manufacturing. We continue to develop and optimize our polysilicon manufacturing process, improve product quality, and reduce costs. Today, Daqo is one of world's leading, high-purity polysilicon manufacturing companies.

1.1.2 Business Overview

Corporate Culture

We adhere to the core values of "integrity, dedication, and innovation", and continually integrate advanced management concepts and cultural values into the Company's management system during its development, thus gradually establishing a sophisticated and distinct corporate culture at Daqo.

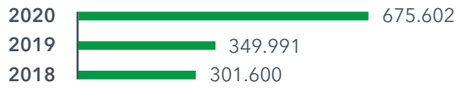
Business Overview

We are one of the world's leading manufacturers of high-purity polysilicon. Our current annual production capacity of polysilicon is 70,000 tons. We have improved our production efficiency and increased output through technological improvement, process innovation and refinement, and equipment advancement. During the reporting period, the Company performed well, achieving significant growth

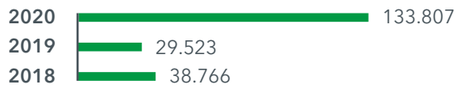
Development Timeline

in revenue, net profit, and net profit attributable to the parent company over the previous year.

Revenue (Thousands of US Dollars)



Net income (Thousands of US Dollars)



Net Profit Attributable to the Parent Company (Thousands of US Dollars)

1.2 CORPORATE GOVERNANCE

Daqo highly values shareholders' interests, and strictly abides by the *Cayman Islands Company Law, local company laws, securities laws , the US Securities Exchange Law and the New York Stock Exchange Corporate Governance Rules*. We strive to improve our governance structure through the joint management and supervision of the general meeting of shareholders, the board of directors, and various professional committees. We are dedicated to enhancing the Company's value and business development capabilities and protecting the rights and interests of all stakeholders.

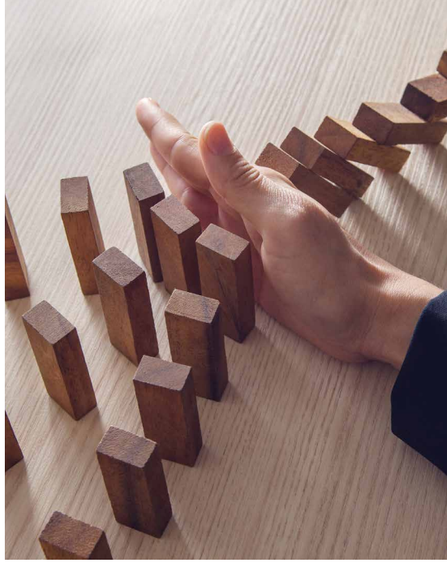
1.2.1. Board Formation

A sound governance structure determines the smooth operation of the Company, ensuring the standardized management of the Company's business, and the balance of structure and power between management and the board of directors. At present, the board of directors of Daqo consists of 9 directors, including 1 executive chairman, 1 executive director, 2 non-executive directors and 5 independent directors. The independent directors account for more than 50% of the board of directors. The photovoltaic industry is an emerging industry with a relatively short history of industrial development. The members of the board of directors of Daqo have been deeply involved in the industry for many years and have experience in the development of the domestic and global photovoltaic industry. They have accumulated rich industry experience, which ensures that they grasp the direction of industry development and adjust the company's technical direction and business development strategy in a timely manner in response to industry trends.

Type	Name	Age	Committee	Financial Expert	Financial Expert
Chairman of the Board of Directors	Guangfu Xu	80		✓	
Non-executive Director	Xiang Xu	56	Corporate Governance and Nominating Committee (Chairman)	✓	
Non-executive Director	Dafeng Shi	50	Compensation Committee (Chairman)		✓
Executive Director	Longgen Zhang	57		✓	
Independent Director	Fumin Zhuo	69	Compensation Committee	✓	
Independent Director	Arthur Wong	61	Audit Committee (Chairman)		✓
Independent Director	Rongling Chen	79	Audit Committee, Corporate Governance and Nominating Committee	✓	
Independent Director	Shumin Zhao	68	Compensation Committee, Corporate Governance and Nominating Committee	✓	
Independent Director	Minsong Liang	52	Audit committee		✓

The board of directors of Daqo has established an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. The committees are responsible for supervision and management within a specific scope, supervising the Company's strategic development and governance operations, and ensuring the comprehensive regulation of the management of the Company, including the internal audit system and risk management system. The terms of reference of the board committees are available on the Company website[1] for the reference of shareholders.

[1]The website of the terms of reference of the board committees of the company: http://ir.xjdqsolar.com/index.php?s=/Index/corporate2



1.2.2. Risk Management

To improve the Company's comprehensive risk management mechanisms and establish a sound scientific and standardized risk supervision system, Daqo established and implemented *Comprehensive Risk Management Measures* to improve the Company's ability to identify, analyze and handle risk factors, and promote the healthy sustainable development of the production operations of the Company. Daqo has a risk management team led by the CFO. The Internal Control and Supervision Department is responsible for risk management implementation and cooperates with various departments to strengthen the management control of major risks and achieve the overall goals set for risk management.

Responsibilities of Members of the Risk Management Team at All Levels

Responsibilities of the CFO

- Review the Company's risk management strategy and major risk management solutions.
- Review the Company's annual risk database.
- Review and set the Company's risk management and internal control related systems and standards, risk management targets, major risk management strategies, and major decision-making risk assessment procedures.
- Supervise the construction and operation of the Company's risk management and internal control system.

Responsibilities of the Internal Control and Supervision Department

- Strengthen the risk management system, and formulate the Company's commprehensive risk and internal control related systems, standards, and operating procedures.
- Responsible for meeting notification and recording, organizing minutes, and filing documents.
- Coordinate business cooperation among various departments and put forward opinions on risk prevention.

Key risk-management responsibilities of each departmenat

- Responsible for participating in the formulation and implementation of the Company's business risk control plan.
- Participate in the establishment and operation of the Company's business risk control management system.
- Summarize business risks every quarter and provide risk response opinions on planned and current business.
- Identify potential major business risks.
- Report the occurence of major business risks immediately.
- Responsible for internal team's risk management training.
- Responsible for the dynamic management of the Company's business risks and reporting to the Company's risk management team.
- Responsible for updating the team's internal risk data and reporting to the Risk Management Office.

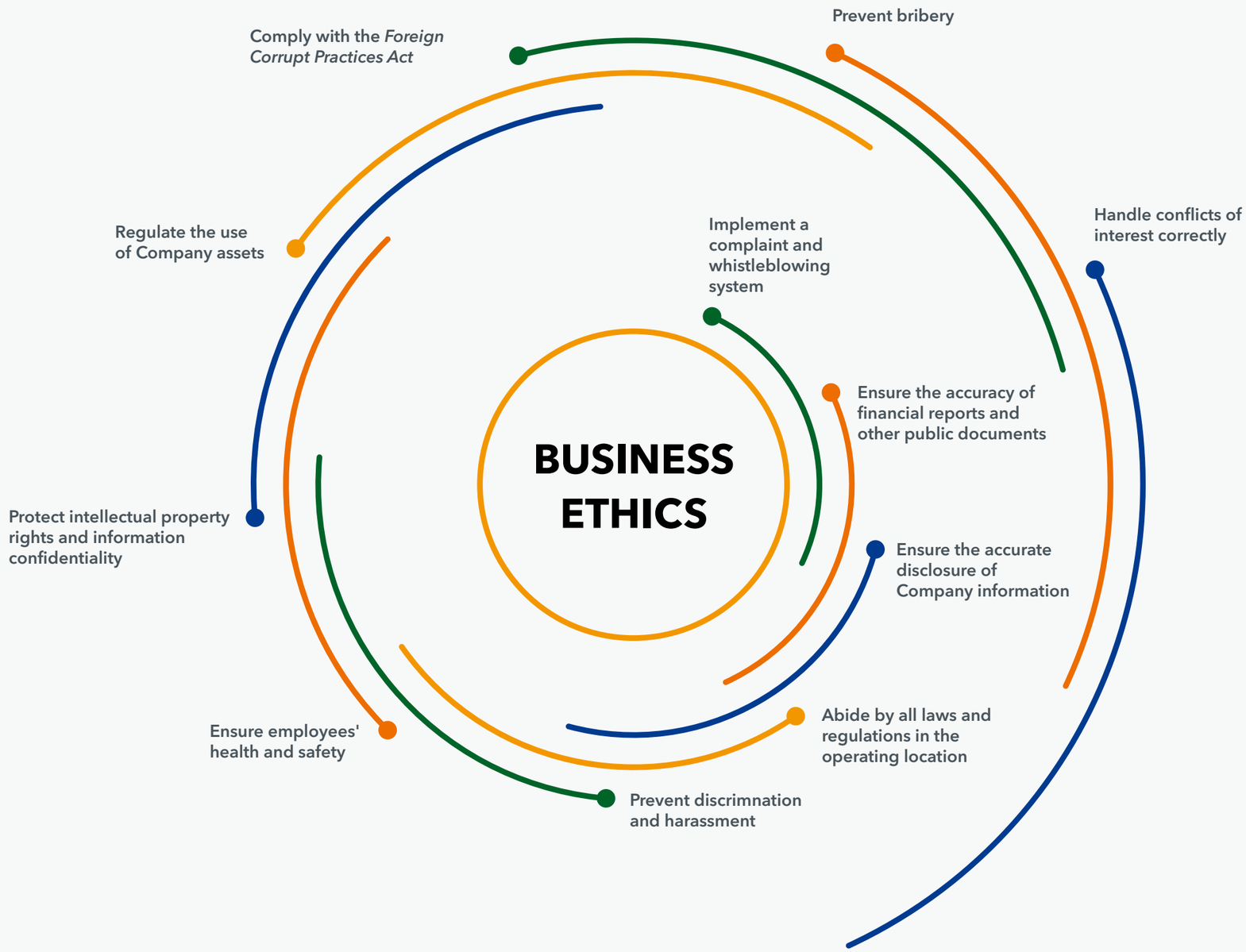
In order to implement effective risk management, Daqo established a risk management reporting system. We implement strict risk management and control in accordance with the Company's risk identification, risk analysis and assessment, risk strategy determination and risk mitigation procedures. As risk entities, each department identifies the risks in its operations on a quarterly basis and fills in the "Risk List". The Internal Control and Supervision Department summarizes the "Risk Management List" every quarter, prepares and updates the annual risk database, based on the Risk List, evaluates control activities, and recommends improvements and solutions. It provides feedback to the relevant departments after approval. Regarding the 10 most important risks in the annual risk database and other risks assessed as significant, the responsible department must conduct a risk management evaluation report within 25 working days of the issuance of the risk database to ensure the smooth operation of the Company and avoid risks to the maximum extent possible.

1.2.2. Business Ethics

Business ethics are the foundation for an enterprise to operate systematically, guaranteeing the realization of its economic goals, strategic planning and responsibility objectives. Daqo strictly regulates the compliance of its employees and business activities to build healthy, cost-effective operations. To guide the development of the Company's business code of conduct, Daqo formulated and implemented the *Code of Professional Ethics and Business Conduct*, which explains and defines various key issues related to business ethics and operations. Daqo strictly supervises its internal employees. Employees who violate the regulations on business ethics are subject to disciplinary sanctions, including termination of employment.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT / 1.2 CORPORATE GOVERNANCE

Key Issues in Daqo's *Code of Business Conduct*



In order to further strengthen and organize the Company's internal control and governance and protect the legitimate rights of the Company and its shareholders, Daqo established an *Anti-fraud Management Procedure*. It defines common forms of illegal fraud, such as misappropriation of corporate assets, malicious transactions, and computer fraud, and this is stated in a prohibition statement. To strengthen our employees' awareness of fraud, Daqo provides them with anti-fraud training, publicity and education, including induction training from time to time. Daqo also conducts questionnaires on employees' anti-fraud awareness every year and generates an Anti-fraud Questionnaire Survey Report to strengthen training related to preventing fraud and to the *Foreign Corrupt Practices Act* (FCPA).

Daqo has an anti-fraud reporting system, with a whistleblowing email address and anonymous hotline. We accept complaints and reports from internal employees, suppliers, customers and other organizations. Daqo takes active measures to protect whistleblowers and has an anti-fraud reward and punishment system to encourage internal and external parties to monitor business compliance together, while preventing the abuse of anti-fraud reporting channels.

Specific Measures to Protect Whistleblowers from Retaliation

Once a fraud report is received, the anti-fraud team investigates and collects evidence after it is authorized by the Company's senior management.

Team members who are close relatives of, or who are otherwise connected to, the people involved may not participate in the case investigation.

The investigation and evidence collection process of the anti-fraud team is integrated into the internal routine audit business process. Team members must keep the investigation matters strictly confidential, they must not disclose the informant's information during the evidence collection process, and they must not disclose the whistleblowing materials.

For anonymous reports, the anti-fraud team must not perform handwriting verification or other methods to determine the informant's identity.

For an effective report, a reward will be given according to the Company's system, but the reward, informant, content, and distribution process remain strictly confidential.

Supplier integrity

The Company insists on clean procurement. We take steps to eliminate any possibility of fraud, bribery or corruption in the procurement process. Anti-fraud terms are added to the procurement contracts. We also provide reporting channels to ensure a clean supply chain system with our partners. We comprehensively control the integrity of our suppliers in terms of bidding, negotiations and training.

Supplier Integrity Control

All material quotations are made online to prevent artificial participation in price negotiations and price fraud to ensure a fair, just and open process.

Bulk procurement of key raw and auxiliary materials is negotiated by management to prevent potential employee fraud.

Procurement employees are regularly trained on legal affairs and intergrity to strengthen their awareness of the law and integrity.

Training on Personal Integrity Risk Prevention and Control

In November 2020, to cultivate integrity risk awareness among procurement employees, the Company arranged personal integrity risk prevention and control measures training for the Procurement Department. During the training, we clarified the integrity risks involved in bidding and material procurement in the supply chain, analyzed the reasons for the risk points, and proposed targeted prevention and control measures.

1.3 ESG MANAGEMENT

With the rapid growth of the photovoltaic industry, which is a strategic emerging industry, as a leading company in the photovoltaic industry chain, Daqo has ESG responsibilities while steadily developing its business. Daqo is committed to optimizing ESG governance, strengthening the consistency of the Company's business with ESG goals, and improving the Company's ability to fulfill its responsibilities and adapt to external changes.

1.3.1. ESG Governance

Daqo actively integrates ESG management into all aspects of corporate operations and management. Based on our own business and development, we actively communicate with the various stakeholders, strengthen our ESG governance capabilities, and strive to achieve sustainable economic, social and environmental development.

A clear and effective governance structure is the foundation for the advancement of ESG performance. To ensure the efficient operation of its ESG-related work, Daqo attaches great importance to ESG performance and continuously improves ESG work management from the top down. The ESG management structure is managed by the CFO, coordinated by the Investor Relations Department, and executed by all departments together. At the same time, Daqo combines the key concerns of internal and external stakeholders, paying attention to their expectations to improve its ESG performance.

Daqo ESG structure

ESG Working Group

- Arrange employees to be responsible for ESG-related data collection and report preparation
- Evaluate Daqo's ESG risks
- Regularly report to the CFO, and evaluate the effectiveness of the Company's ESG risk management and controls

CFO

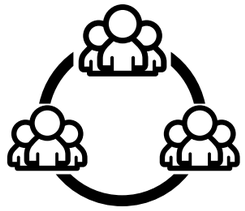
- Coordinate ESG identification and management
- Review and approve the ESG report, and ensure the accuracy of the key performance indicators

Board of Directors

- Ensure the establishment of an effective ESG risk management and control system
- Review and approve ESG-related policies

1.3.2. Stakeholder Communication

Daqo attaches great importance to communicating with stakeholders and allowing them to participate in our ESG management through various channels. Our management decisions are more effective when we understand the views and expectations of our stakeholders. The key stakeholder groups, issues and communication channels are as follows:



Stakeholder	Issues	Communication Channel	Communication Frequency
Government Departments and Regulatory Authorities	• Business performance • Environmental compliance • Product health and safety • Product quality • Product innovation	• Business performance reports • Meetings	• Irregular • Regular and irregular
Investors	• Business performance • Risk management • R&D in environmental protection technology • Anti-corruption and honesty promotion • Corporate governance structure	• General meeting of shareholders • Investment meeting • Corporate announcements • Roadshow • Photovoltaic industry conference	• Regular • Quarterly • Regular and irregular • Irregular • Irregular
Employees	• Occupational health and safety • Employee training and development • Employee benefits and remuneration • Protection of employee rights and interests • Diversified employee backgrounds and equal opportunities	• Employee training • Employee communication activities • Internal publications (such as the WeChat social media platform)	• Regular and irregular • Monthly • Irregular

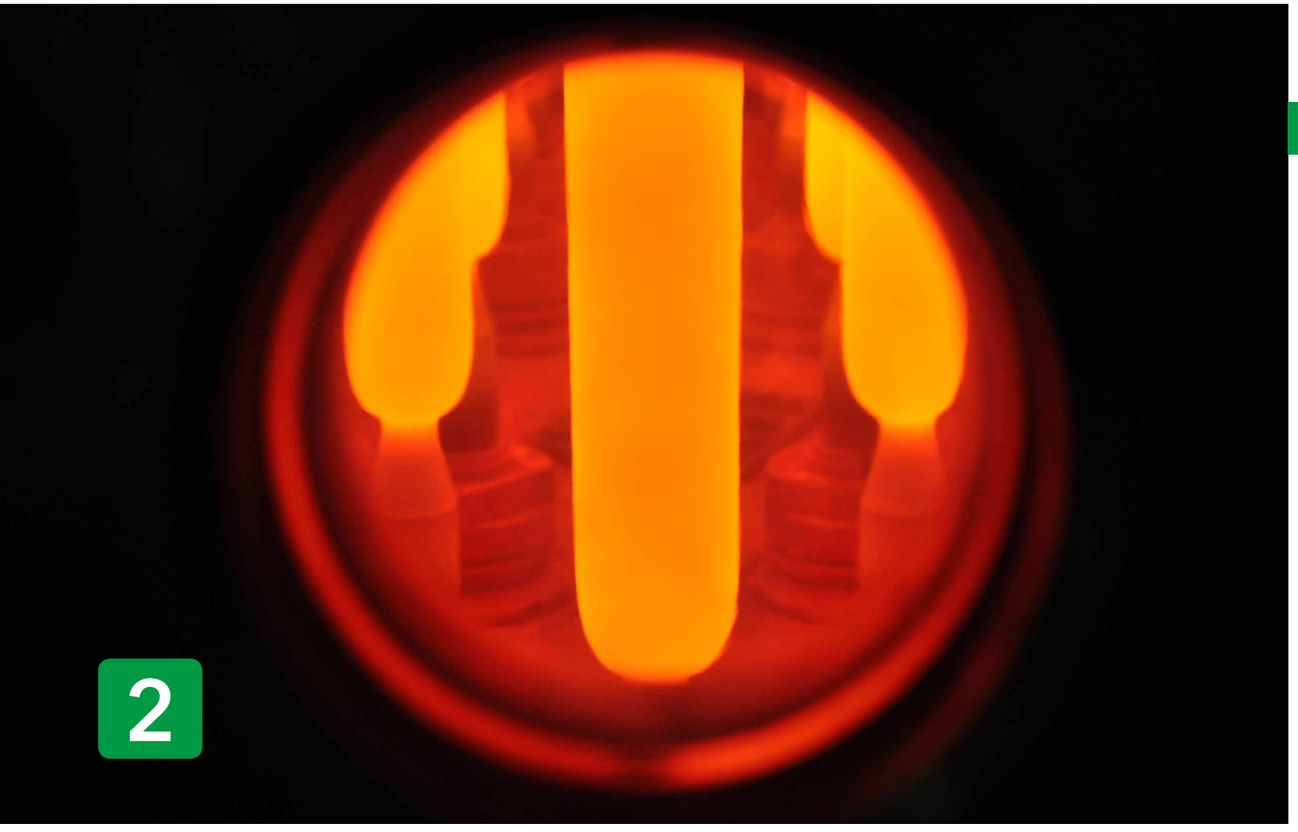
Stakeholder	Issues	Communication Channel	Communication Frequency
Suppliers	• Responsible supply chain management • Product quality and safety • Technology innovation and intellectual property rights • Corporate governance • Risk control	• Supplier on-site assessment • Quality communication • Supplier training and assistance	• Irregular • Irregular • Irregular
Customers	• Product quality and safety • Product carbon footprint • Innovative R&D • Coordinated industry development • Complaint handling mechanisms	• Marketing research • Customer satisfaction survey • Customer complaint handling	• Irregular • Regular • Irregular

1.3.3. ESG Material Issues

With reference to the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards) and combining the internal and external stakeholders' assessment of the issues on the potential issues list and Daqo's business characteristics, 36 material ESG issues related to the Company were identified and summarized. Also, 128 questionnaire responses were collected from internal and external stakeholders through industry benchmarking, internal and external stakeholder surveys, and feedback from management. Issues were ranked according to the materiality of the issues and were presented in a material issues matrix. A total of 9 highly material issues were identified upon assessment: Employee Health, Employee Development, Legal Employment, Labor Rights, Employee Anti-discrimination, Product Innovation Research and Development, Product Quality, Product Health and Safety and Environmental Compliance. This report discloses the material issues of the Company and responds to the highly material issues.

ESG Material Issues

Economic Issues	1 Business Performance	**Labor Issues**	**19 Employee Health**
	2 Tax Planning		**20 Employee Development**
	3 Government Support		**21 Legal Employment**
	4 Environmental Impact of Trade		**22 Labor Rights**
Governance Issues	5. Corporate Governance Structure		**23 Employee Anti-discrimination**
	6 ESG Management Structure	**Community Issues**	24 Community Contribution
	7 Anti-corruption		25 Community Influence
	8 Environmental Compliance		26 Surrounding Community Integration
	9 Energy Consumption and Goals		27 Complying with Relevant Laws and Regulations
	10 Water Resources Use, Status and Goals	**Product and Service Liability Issues**	**28 Product Health and Safety**
	11 Renewable Energy Development and Utilization		**29 Product Quality**
	12 Waste Management		**30 Product Innovation and R&D**
	13 Sewage Treatment		31 Complaint Mechanism and Handling
	14 Greenhouse Gas Emissions		32 Product Compliance
	15 Environmental Research and Development		33 Supplier Environmental Performance
	16 Environmental Protection Investment		34 Supplier Social Performance
	17 Biodiversity		35 Supplier Labor Code Performance
Labor Issues	18 Employment Diversity		36 Supplier Employee Rights Maintenance



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Quality, Innovation, Digital and Intelligent Manufacturing

High-purity polysilicon is the basic material in the solar photovoltaic industry, and product quality directly affects the key performance of downstream products. Daqo's continuous R&D investment and technological innovation has resulted in closed-loop operations and the production of high-quality products through years of technological research and industrialization development. To constantly improve production efficiency, Daqo continuously explores the transformation and upgrading of digital manufacturing to intelligent manufacturing, and the integration of industry resources for mutual development.

2.1 PRODUCT ASSURANCE

Daqo regards quality as an essential element for the enterprise and bases its quality policy on "Scientific Management, Technological Leadership, Full Participation, Self-Improvement, High Efficiency, Low Cost, and Building a Global Quality Brand". Its high product quality and excellent after-sales service have been highly valued by its customers for many years. We are committed to seeking mutual development and a win-win relationship with our customers. We use Plan-Do-Check-Act (PDCA) thinking to continuously improve our processes and products by handling problems and incorporating customer suggestions, and responding to market information and trends. We closely connect our products with the market through stable marketing models and excellent product quality, which along with our comprehensive after-sales service, is highly recognized by our customers.

Daqo GB/T 19001: 2016 Quality Management System Certification

2.1.1. Quality Management

Daqo pursues excellent product quality. In terms of production technology, we use an modified Siemens closed-loop process and advanced polysilicon production equipment from abroad. In terms of quality management, we use independent production methods and have a traceable quality control system, from receiving raw materials to shipping finished products from our plants. We have ISO 9001 quality management system certification. To further ensure the effectiveness of our quality management system and the applicability of our related systems and procedures, we developed our *Finished Product Quality Control Management System*, *Finished Product Quality Control Management Assessment Regulations* and *Product Delivery Quality Control Management System*. The related processes and documents undergo strict review and approval. File management and annual reviews are also carried out to standardize the work procedures.

Daqo's strict and efficient quality management system ensures quality products. They have reached the Electronic Grade Polysilicon (GB/T 12963-2014) electronic level 1 standard, with the highest technical index requirements, and are highly trusted by downstream customers.

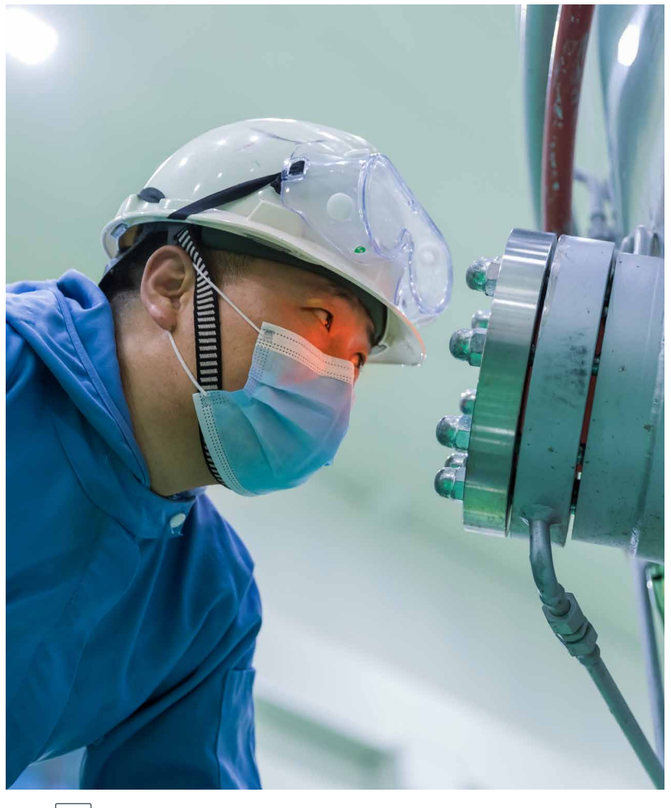
Industry-Leading Product Performance

The product performance of polysilicon products is reflected mainly in the quality of polysilicon. Our polysilicon products meet the national Solar Grade Polysilicon (GB/T 25074-2017) standard and the industry Electronic Grade Polysilicon (GB/T 12963-2014) standard in terms of quality indicators, such as donor impurity concentration, acceptor impurity concentration, oxygen concentration, carbon concentration, minority carrier lifetime, matrix metal impurity content, and surface metal impurity content. These confirm Daqo's competitiveness in the industry.

Polysilicon can be divided into mono-grade and multi-grade based on the

purities and specifications such as resistivity, surface metal and other kinds of contamination. The quality of mono-grade polysilicon is higher than multi-grade. Therefore, the output percentage of mono-grade polysilicon reflects the performance of a polysilicon producer. In 2020, about 97% of Daqo's products was sold at mono-grade, making Daqo a leader in the industry, further proving its product quality.

On top of product quality, Daqo is committed to improving its marketing and service quality, and establishing an effective connection between its high-quality products and target markets. Daqo has established a management and approval process for sample product by clearly defining the responsibilities of the relevant departments. We also established a brand strategy and a *Marketing Management System*, which meet the needs of business development, to reach, provide insights and serve our customers in a more accurate and standardized way.



To ensure the privacy of our customers and the security of our business information, Daqo signs an *Employee Non-Disclosure Agreement* with all employees and conducts training to ensure all business activities are conducted in an orderly manner.

2.1.2. Quality Improvement

To improve our products and service quality, and maintain our long-term market competitiveness, we have continued to improve our product technology, management, employees' knowledge and capabilities, and product and service quality through activities such as technology R&D and training.

Product purity is an important indicator of product performance. To ensure product purity, Daqo carried out a special management strategy in 2020, including construction and maintenance projects under the scope of purity management, minimizing the impact of contamination on product performance throughout the entire supply and production chain, and ensuring a process of purity management from design and production to acceptance upon delivery.

Daqo Clean Management Project 2020

Construction Project

- On-site supervision of all equipment and pipe fittings during the manufacturing process, clean inspection of the equipment and pipe fittings in accordance with cleanliness standards, and reworking and rectifying the equipment and pipe fittings that do not meet the requirements
- The equipment and pipe fittings must be clean and accepted before entering the factory, and any equipment and pipe fittings that do not meet the standards must be cleaned
- Parts such as nozzles must be sealed to ensure that the internal cleanliness meets the requirements

Maintenance Project

- All used spare and repackaged parts are cleaned to ensure that the production system is not affected by pollution from operations, including maintenance

To ensure staff are aware of quality issues and focus on continued quality improvement, Daqo organizes training activities for production and sales staff. While empowering employees with job knowledge, it also further strengthens the connection between marketing and technology, so that sales staff can provide customers with accurate, thoughtful and professional service.

Training Program To Improve Production-related Employee Quality Awareness

In September 2020, we arranged for 137 team leaders to carry out the "Squad Leader Ability Improvement Project" and 118 engineers to carry out the "Key Technical Employee Training Project". The training coverage rate of team leaders and engineers was 100%. Both projects provided training to improve quality awareness to help employees understand the concept and meaning of quality awareness, how to make quality products, and how to handle customer complaints and incidents related to quality. This strengthened their awareness of integrity management and control in production, and helped improve product quality.

2.1.3. Service Optimization

Daqo strives to be customer-oriented and build a closed-loop optimization work path to improve customer satisfaction. We established and implemented the *Customer Satisfaction Measurement Procedure* through external investigation and internal self-examination to comprehensively and objectively understand customer feedback and evaluate and improve all aspects of our business operations. During the reporting period, the average customer satisfaction score Daqo received was 96 points, and customers gave a satisfactory evaluation of the quality of all our products and services.

Daqo Customer Satisfaction Survey

Survey Method

- **Investigation Scope:** For customers who maintain long-term cooperation with the Company
- **Investigation Methods:** Interviews and surveys in various forms, such as visits, fax/mail, and telephone calls.

Survey Content

- **Product Quality:** Packaging, transportation quality, logo, appearance, and performance
- **Delivery Conditions:** Delivery speed, completeness and applicability of delivery reports, service speed, customer communication, customer cooperation, and complaint-handling speed and effectiveness.

On the basis of proactively investigating customer satisfaction, we set up a complete and efficient complaint-handling mechanism and system, along with procedural documents, such as the *Customer Complaint and Return and Exchange Management System*, to respond quickly and effectively to customer complaints. The aim of the complaint mechanism is to solve customer problems, increase customer satisfaction, improve our performance, and provide customers with closed-loop solutions. In the event of a material customer complaint, we convene all the relevant departments to analyze and solve it quickly and deal with it on-site, when necessary.

Complaint Mechanism for Daqo Customers

Prompt response to complaints

- After receiving a complaint, the relevant departments are informed immediately of the situation, and an 8D report is initiated. To ensure speedy complaint handling, the complaint acceptor must reply within two working days.

Responsibility determination and immediate rectification

- After receiving an 8D report, the responsible department immediately organizes relevant meetings to analyze the cause and determine the responsible department(s), which then confirms the remedial measures and completes the 8D report.

Active response and optimization

- The complaint handler communicates with the customer to explain the situation. The responsible department implements and verifies remedial measures and conducts follow-up verification.

Daqo attaches great importance to the opinions and complaints from its customers and undertakes practical remedial measures. We summarize the key complaints, analyze and verify the causes, and provide immediate solutions and remedial measures to resolve any problems and prevent a recurrence. To focus on solving customer complaints about product packaging, Daqo launched scientific research projects, named "A Packaging Box for Polycrystalline Silicon Products" and "A Packaging Structure for Bags of

Silicon Material". The projects reduced the generation of silicon friction powder, while increasing the strength of the boxes, so that the product packaging can guarantee product quality during transportation. We received a patent for the packaging products. Relying on our technical capability and customer-centric concepts, we have formed a closed-loop working method, which has improved customer satisfaction by providing practical solutions to their problems.

In 2020, Daqo had no product recalls caused by product quality problems.

2.1.4 Responsible Supply

Daqo spares no effort to ensure the stability of its supply chain and is committed to building a sustainable supply chain with all its partners and to meeting its social responsibility, while ensuring high-quality products and services. We formulated a series of supplier management systems, such as the *Supplier Approval and Management System*, *Qualified Supplier Management Policy*, and *Supplier Rating Policy*, to comprehensively standardize the management process for each link with our supplier, to improve the delivery time and quality passing rate, and to ensure the high efficiency and quality of the supply chain.

Supplier Approval and Evaluation

Daqo strictly controls the supplier approval process in accordance with our internal system. We establish different requirements for new suppliers in terms of quality, production capacity, delivery time and cost, and we conduct mass trials. When a trial is successful, each department of the Company conducts a comprehensive evaluation and formulates an annual list of qualified suppliers to complete the approval process. As at December 31, 2020, we had 291 suppliers, 21% of them are from Xinjiang local. We pay close attention to the measures our suppliers take related to social responsibility, including employee rights, environmental protection, and safety management.

Social Responsibility Management for Suppliers

Employee Rights

- All suppliers must sign the *Declaration on Protecting the Legal Rights and Interests of Employees and Opposing Forced Labor* and make the following commitments:
- Prohibiting forced labor
- Prohibiting child labor
- Prohibiting workplace discrimination and sexual harassment
- Protecting employees' legal rights

Environmental Protection

- ISO 14001 Environmental Protection System Certification
- Environmental protection-related regulations are part of the procurement contract, with the following commitments:
- Strictly abiding by environmental laws and regulations
- Preventing a negative impact on the environment and circulating water bodies in the manufacturing and construction areas
- Preventing polluting construction activities

Safety Management

- Safety certification, such as a safety production license
- Safety-related regulations are included in the procurement contract, and suppliers make the following commitments:
- Strictly abiding by the laws and regulations related to construction and occupational safety
- Preventing accidents related to employees and facilities, and ensuring the implementation of the responsibility certificates for safety, health and environmental protection
- Creating a good living and working environment for employees, and eliminating unsafe and unsound construction practices

To further ensure product quality and fast delivery, we conduct monthly and annual evaluations of qualified suppliers. In the monthly evaluation, the monthly delivery time and quality qualification rate of suppliers are calculated in the information system. Rectification is required for suppliers that do not meet the standards. The annual evaluation comprehensively evaluates qualified suppliers in multiple dimensions, such as quality control level, delivery and capability assurance, prices, technical capabilities, follow-up service, and corporate qualifications. They are divided into four levels for separate management: excellent, good, pass and unqualified.

When a supplier's materials arrive, they must pass quality inspection before they enter the warehouse. If they do not pass the quality inspection, they are returned and exchanged. For each unqualified quality inspection, the supplier must issue an 8D report to analyze the root cause of the quality problem and formulate an immediate remedial solution.

Supplier Communication

Maintaining real-time communication with suppliers is an important link in promoting a sustainable supply chain. We regularly organize supplier conferences and supplier assistance activities, and promote communication and interaction with our suppliers to ensure effective cooperation.

Supplier Conference 2020

On October 20, 2020, Daqo held its annual supplier conference and invited the management of 33 key raw and auxiliary material suppliers to participate. Xinjiang Daqo management announced and implemented a new supplier management policy to inform suppliers that the Daqo procurement system adheres to the principles of openness, fairness, and justice. We have zero tolerance for bribery, and we provide multiple secure channels for whistleblowers.

We have strict quality requirements for outsourced materials and components. All outsourced materials must pass quality inspection before entering Daqo facilities. If they fail the quality inspection, they are returned and exchanged. For each unqualified quality inspection, the supplier must issue an 8D report to analyze the root cause of the quality problem. Daqo helps suppliers formulate short- and long-term solutions to improve the quality of the supply chain.

Measures To Assist Suppliers

If the silicon powder provided by a supplier has foreign matter in it, we communicate with the supplier to improve its screening system to eliminate the problem.

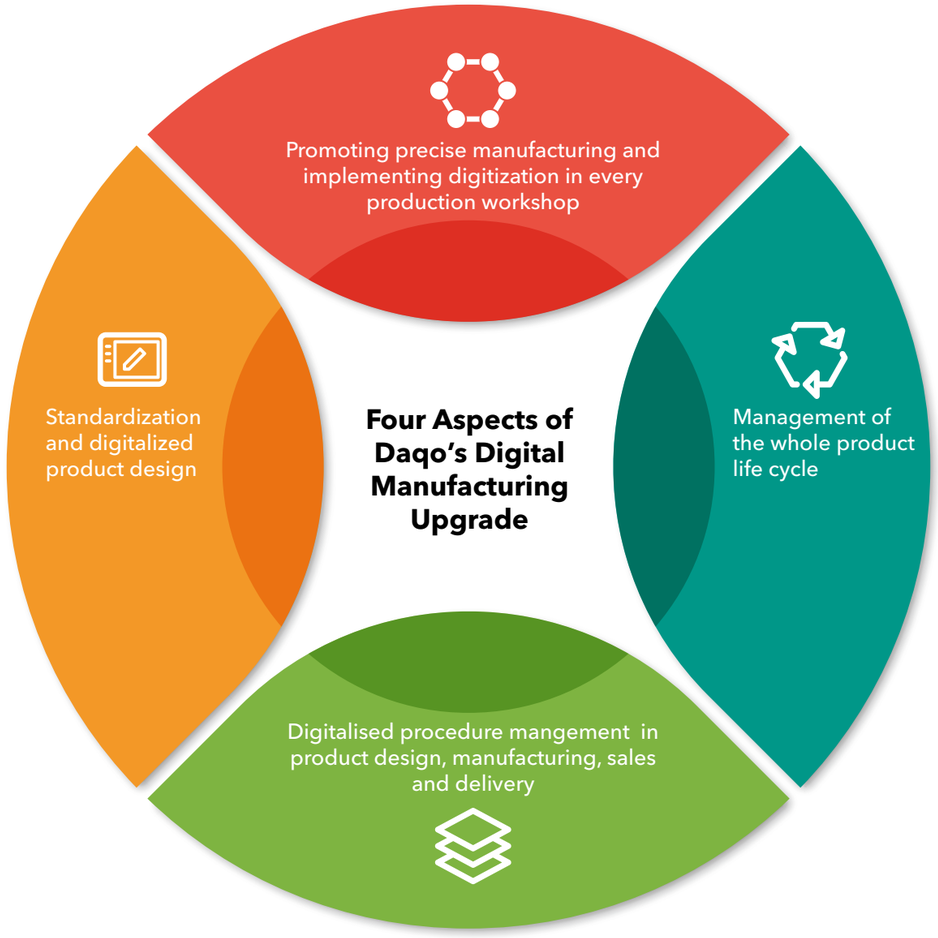
If the compressive strength of a carton provided by a supplier is insufficient, we require the supplier to provide a grade of cattle jam paper to ensure that the compressive strength meets our standards.

2.2 DIGITALIZED MANUFACTURING

Innovation is the main driving force for enterprise development. Daqo has long been committed to the R&D of high-end technologies and products. We guarantee product manufacturing, production quality and management competence through digitalization and informatization, and building a digital platform through the in-depth integration of informatization and automation. This contributes to data integration and analysis for corporate production, operations and decision-making. Relying on industry resources and technological advances, Daqo will continue to explore transforming and upgrading from digital manufacturing to intelligent manufacturing and improving production efficiency and the management level of large-scale process industry manufacturing enterprises.

2.2.1. Digitalization in the Manufacturing Platform

To improve the operating efficiency and management capability of the Company and ensure product quality, Daqo has continued to explore the comprehensive digital transformation of its manufacturing management model since 2019, taking product intelligence and manufacturing digitization as the two major directions in corporate digital transformation. A digital manufacturing upgrade was completed in 2020, promoting the mutual development of enterprises and industries through industry cooperation projects such as the establishment of smart factory application demonstration sites.



Daqo realizes the standardization of product manufacturing through digital manufacturing projects to further ensure and improve product quality. Based on structured process indicators, standardized process operations, and strict quality-assurance plans, Daqo promotes production operations through systematic program management to ensure process and quality stability.

To ensure the stability of product performance, we implement digitization in every workshop. Through the application of data interconnection technology, we comprehensively monitor the operation of important equipment to ensure consistent production processes. In addition, through systematic equipment point inspection management, we improved the preventive maintenance of production equipment, and we use forward-looking management methods to ensure the stable operation of the equipment.

The "Dynamic Balance of the Production Process" is significant in digital manufacturing. Through digital upgrades, we have realized the digital management of the entire process of product manufacturing, sales and delivery. Based on the unified production plan of the whole plant and a systematic demand and supply plan for materials, we use real-time data to monitor the dynamic balance in the production process to make quick decisions and adjustments to ensure full production. The digital upgrade of Daqo runs through a comprehensive process of production, safety, environmental protection, technology, quality assurance and equipment, building a complete production process management system, while achieving the traceability of the entire product life cycle and closed-loop management of the production process.

Daqo has realized the operation and improvement of the production and management system through digital manufacturing. At present, the digital manufacturing project system is running steadily and is being used in all departments.

Daqo Improvements from Digital Manufacturing

Management process establishment and execution

Using the management process as the guideline to fully realize the effective implementation of the management sub-processes in each operational sector

Refining online operation and realizing precise management

Improving the original online operation, refining operational management, cost calculation changed from the original per month to per batch

Building a comprehensive equipment management system

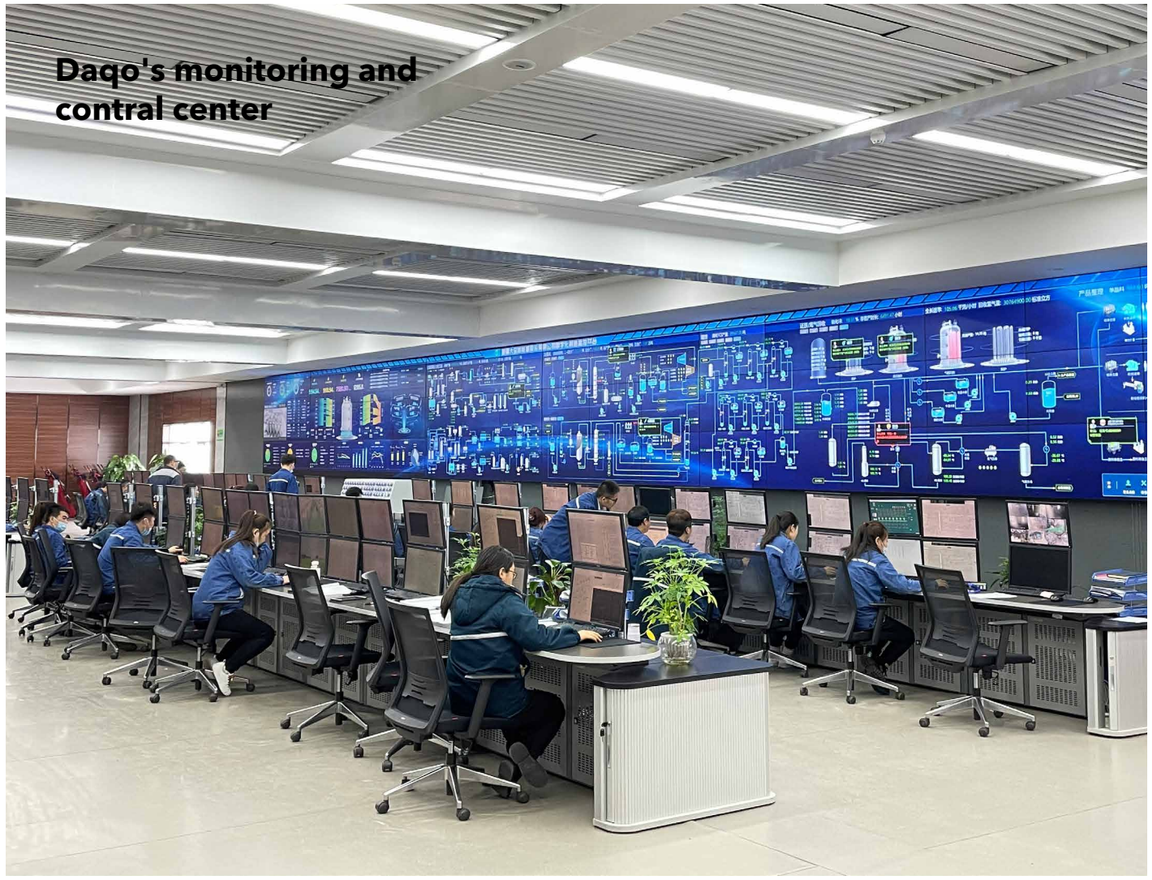
Achieving full life cycle management to provide a complete record and traceability of the entire life cycle process

Online production management

Implementing a policy that is goal-driven, task-driven, and data-driven. Each sector shall set up a monthly goal including the operation tasks, the actual production performance and the material balance

Building a quality management system for the entire production process

Systematically controlling the warehouse inspection process, finished product inspection, factory inspection and tracking, and improving efficiency through mobile terminals



The core of the Daqo digital manufacturing project is "Continuous Data Accumulation". By integrating equipment, device, production and management data, we use the construction of an information platform as the core module of the digital manufacturing project to realize the deep integration of digital management and digital manufacturing. To ensure information and data security, Daqo established and implemented strict "Information Management Rules and Regulations" and carries out regular internal and external IT audits. In addition, we engage a third party to further evaluate and improve network information security, maximize the advantages of informatization resources, and improve the informatization management level.

Daqo's manufacturing system includes Enterprise Resource Planning (Management) (ERP), Manufacturing Execution System (MES), Warehouse Management System (WMS), and Application Lifecycle Management (ALM), involving 14 core modules, basically covering all our business areas. At the same time, the Thingwox industrial Internet platform provides data interconnection with the plant-wide Distributed Control System (DCS), accumulating business data from various fields. We conduct modeling analysis and continuously improve the production process of the core production link, as well as product quality.

At the same time, the real-time collection of massive and comprehensive enterprise operating data enables Daqo to have the application capabilities of big data technology, laying a solid foundation to further realize intelligent manufacturing in the future. This will help us achieve full-scale transformation in manufacturing and management in both the production process and project management.

Daqo's Application of Big Data Technology

Production process application scenarios

Big data technology is used to sort out the production process influencing factors. Through iterative process models and data training scenarios, the optimization of the whole process is gradually realized, beginning from the core process link reduction workshop.

Project management application scenarios

The digital management project comprehensively covers all the management elements of the polysilicon and process chemical industry. Full-process, multi-system, integrated high-standard projects are completed quickly, enabling the comprehensive digital transformation of the manufacturing management model.

2.2.2. Intelligentizaion of the assisting facilities

The rapid development of Daqo's informatization has not only consolidated the implementation and smooth operation of Daqo 's digital manufacturing project, but also laid a solid foundation for the comprehensive transformation from "Digital Manufacturing to Intelligent Manufacturing". To further explore and build smart factories, Daqo has joined hands with industry-university-research cooperative universities (Shihezi University and Dalian University of Technology), China's leading industrial Internet and key enterprises within the national planning system, to jointly build a "High-Purity Crystalline Silicon Industry IT-OT Integration of the Industrial Internet and Intranet Network Transformation Service Platform Project".

The service platform project is committed to solving the problems of information islands and the lack of information fusion in the complex and changeable environment of Information Technology (IT) and Operational Technology (OT) applications in large-scale process industry manufacturing enterprises. Big data meets the business development needs of enterprises for full coverage, large bandwidth, and real-time industrial networks. This involves building a network system that supports all-element connections in industrial enterprises, enhancing the production, manufacturing and service capabilities of enterprises in various operating scenarios.

To promote the application of intelligent manufacturing related technologies more widely and quickly, we utilize dedicated 4G/5G networks and edge computing, which speeds up the transformation and upgrading of industrial Internet enterprises' networks and provides them with technical support. Based on the considerable technological exploration process and practical results, we plan to implement smart factory applications in our Xinjiang production base to further improve the production efficiency of large-scale process industry manufacturing enterprises, complete the transformation of smart factories, and improve the market competitiveness of our products.

Service Platform Project Intelligent Module

Technical Support

Providing technical consulting and training services for process industrial enterprises to support the promotion and application of industrial transformation

Smart Optimzation

Cultivating new capabilities of enterprises, based on networks and data, and promoting market share growth, customer satisfaction, and manpower productivity

Smart Decision-Making

Using the low-latency features of the 5G network, real-time processing and feedback to increase the speed of data and decision-making and improve the efficiency of collaborative corporate task processing

2.3 INNOVATIVE RESEARCH AND DEVELOPMENT

Innovative research and development (R&D) capabilities are a technological guarantee for enterprise development. Daqo is committed to continuously improving its R&D level and product competitiveness by encouraging scientific research and industry collaboration. We also established and implemented a number of management systems, such as the "Research and Development Project Management System", "Patent Management System", "Science and Technology Achievement Reward Implementation Measures" and "Thesis and Publication Management System", to protect the Company's scientific and technological achievements and support innovative R&D.

2.3.1. Technology as a Foundation

Since its establishment, Daqo has attached great importance to the R&D of polysilicon production technology. We set up a technical committee to be responsible for the Company's technology development and R&D strategy. The general manager of the Company serves as the director of the technical committee to conduct diversified technology R&D through independent R&D, absorption and introduction, and industry-university research cooperation. We also established an R&D management system, with technical committees, technology R&D related departments, and functional departments working together to ensure that R&D activities serve business development to the maximum.

Daqo has an R&D team composed of experts in the polysilicon industry at home and abroad, as well as a management team with an international background. Daqo's outstanding product R&D and technological innovation capabilities have contributed to its being awarded the title "National Enterprise Technology Center", recognized by the National Development and Reform Commission (NDRC). The Company was also recognized as a "National and Local Joint Engineering Laboratory for Photovoltaic Silicon Material Development Technology" by the NDRC; and it was recognized as a "Smart Photovoltaic Pilot Demonstration Enterprise", "2019 National Technology Innovation Demonstration Enterprise" and "Enterprise fulling Standard Criteria in Photovoltaic Manufacturing Industry" by the Ministry of Industry and Information Technology. It was selected for the "2018 Smart Manufacturing Pilot Demonstration Project List" and "The First List of Approved Green Manufacturing Demonstrations" by the Ministry of Industry and Information Technology. We are a national high-tech enterprise. Relying on the above R&D platforms, Daqo continues to tackle key technical challenges in the polysilicon industry.

To meet R&D needs in different scenarios, Daqo has a variety of organizational methods to conduct R&D management. Through the R&D cycle management method, the R&D project team management method, and the management method of the technicians in the production department, the precise control and resource support of the cost, organization, risk control, and benefit of scientific research projects have been realized to ensure R&D projects run effortlessly.

Daqo's Diversified R&D Management System

Integration of R&D management and the R&D cycle

Form: Carry out R&D management in accordance with the different cycles of R&D projects

Advantages: Fast, accurate management and supervision of employees and material organization, cost input, and risk control at different stages of R&D

R&D project team establishment

Form: Take each R&D project as a unit and adopt the method of forming an R&D project team for implementation

Advantages: Facilitates effective resource allocation and project control, and increases the ratio of R&D input and output

Sending technicians to the production department

Form: Send technicians to the production department to manage the R&D project related to the department

Advantages: Ensures the stability of the production process and ensures product quality; allows the timely discovery of difficulties in production process, and provides technical, personnel, and site support, so that the R&D results can be smoothly transformed and applied to the production line, resulting in greater efficiencies

To encourage R&D technicians, Daqo formulated a corresponding evaluation system for the R&D management system. The assessment content involves indicators such as the level of project management and the quality of the results of the R&D project. Comprehensive assessment of progress management, cost management and quality management of the R&D project is carried out. Daqo uses the assessment results to conduct a comprehensive evaluation of, and awards for, outstanding projects. The award-winning projects are given cash awards, which are allocated by the project team. Daqo also has an intellectual property reward scheme for R&D personnel who apply for patents or publish papers. Incentives such as title reviews and job promotions are provided on the basis of the cash incentives to cultivate scientific research talent.

2.3.2. Research and Development Results

As a result of its emphasis on technological R&D innovation and efficient management, Daqo has achieved significant R&D results and industry technical advantages. To ensure that the Company's product quality and efficiency allow it to maintain its competitiveness in the industry.

After nearly 10 years of independent R&D, and the introduction and integration of joint R&D, Daqo has accumulated core technologies covering the entire process of polysilicon production. As at the end of March 2021, the Company had received 142 patents (140 domestic and 2 overseas) and 29 inventions (27 domestic and 2 overseas). In 2020, Daqo received 25 patents, including 24 domestic utility patents and 1 Australian patent.

Daqo's Outstanding Technology R&D Results

- Introduced and independently optimized silicon tetrachloride comprehensive utilization technology, high-boiling matter recovery and conversion technology, which greatly improves the utilization rate and reduces the cost of raw materials
- Introducing and self-optimizing distillation coupling technology and reduction tail gas recovery H_2 purification technology has enabled the Company's product quality to reach the advanced level domestically
- The self-developed reduction furnace start-up technology greatly shortens the start-up time, improves the online rate of the reduction furnace, and increases the production capacity of the device
- The independent R&D of polysilicon reduction furnace parameter formula and control technology, and trichlorosilane boron and phosphorus removal technology are effective for ensuring stable product quality
- The Company's self-developed polysilicon production equipment waste heat recovery technology effectively reduces production energy consumption
- The Company's self-developed polysilicon production waste gas deep recovery technology and jointly researched and developed silicon slag recycling technology recycle waste gas and waste slag, providing cost and environmental benefits
- The Company's self-developed polysilicon crushing and screening technology and automatic packaging technology for polysilicon products meet the specific needs of different customers, while improving manpower efficiency and reducing labor costs

2.3.3. Joint R&D

Daqo is committed to working with its industry partners to jointly explore technological innovation and promote mutual development of the industry. While strengthening our own R&D capability, we attach importance to cooperating with technical consulting institutions, universities and research institutes. We actively leverage the power of external R&D institutions to improve our overall technical level, forming an integrated operation mode of production, learning and research. We have established cooperative relationships with universities with strong R&D capabilities in related fields, such as Shihezi University, Tianjin University, Jiangsu University and Dalian University of Technology, to carry out cooperative research in the field of polysilicon. Daqo uses joint laboratories as a link with cooperative R&D units to consistently promote the transformation of scientific research results.

In 2020, Daqo New Energy Corp., Shihezi University, and Tianjin University jointly launched two production-university-research cooperation projects: the "Polychlorosilane Utilization Complete Technology Development and Engineering Demonstration" project and the "N-type High-Efficiency Monocrystalline Silicon Raw Material Production Complete Set of Technology and Engineering Demonstration" project. Together with Shihezi University and Dalian University of Technology, the "R&D and Application of Basic Information Platform for Process Industry Intelligent Manufacturing based on IT-OT Integration" project was launched.

Daqo Participated in the 22nd China International High-tech Fair

Xinjiang Daqo participated in the 22nd China International High-tech Fair, held in the Shenzhen International Convention and Exhibition Center from November 11 to 15, 2020. During the event, Xinjiang Daqo introduced its concept of "Technology, Green, and Harmony" production and operations and the industry's leading product/technology "N-Type High-Efficiency Monocrystalline Silicon Raw Material Production Complete Set of Technology and Engineering Demonstration" project technology.

Based on rich industry experience and advanced technology, Daqo has participated in the formulation six national standards, group and SEMI standards related to the photovoltaic industry in 2020, including two national standards, three group standards, and one SEMI[2] standard. Among these six standards, the national "Water Quota Part 47 Polysilicon Production GB/T 18916.47-2020" standard was issued and implemented in October 2020. The revised industry standards "Determination of Carbon Content in Chlorosilane-Gas Chromatography Mass Spectrometry" and "Determination of Hexachlorodisilane Component Content by Gas Chromatography" will be issued and implemented in 2021.

[2] SEMI (Semiconductor Equipment and Materials International) is the International Semiconductor Industry Association, which is a global industry association dedicated to promoting the overall development of the supply chain of industries such as microelectronics, flat panel displays and solar photovoltaics.

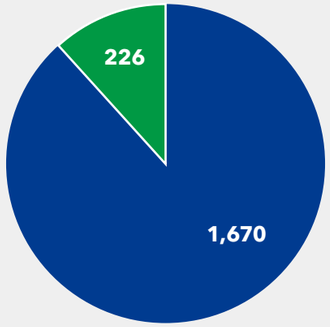
3

Caring for Employees and Creating a Better Future

At Daqo New Energy, we focus on building a high-quality and highly motivated workforce with strong morale, continuous improvement of our employee's management and problem-solving capabilities, and making a strong commitment to employee training and employee's long-term career opportunities.

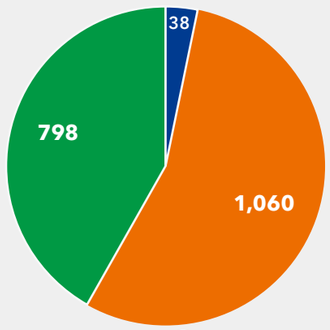
3.1 EMPLOYEE OVERVIEW

Daqo continues to improve its employee management system. We strictly abide by the *Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China,* formulating and improving employee management systems, while strengthening employee management. We strictly prohibit child labor and forced labor. We strive to eliminate employee discrimination. At the same time, we continue to optimize the employee recruitment management system and protect the rights and interests of employees through a fair and transparent talent employment and management model. At the end of the reporting period, we had 1,896 employees, 14 of whom were from ethnic minorities.



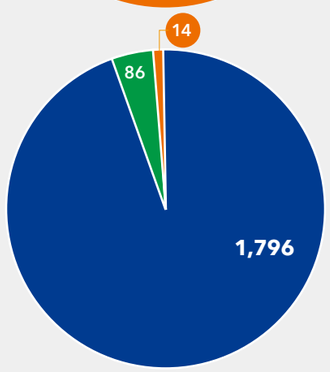
Total Number of Employees by Gender (Persons)

- Male
- Female



Total Number of Employees by Age (Persons)

- 50 Years Old or Above
- 30 Years Old or Below
- 31-49 Years Old



Total Number of Employees by Position or Rank (Persons)

- General Employee
- Middle Level Employee
- Senior Level Employee

3.2 CARING FOR EMPLOYEES

Daqo strongly believes that we can build a sustainable future by constantly attracting new talent. We fully protect the rights and interests of our employees, providing them with attractive salaries and welfare benefits. We strive to create a warm and happy work environment, actively listen to our employees, and organize employee activities. We sincerely hope that our employees can develop and grow together with us.

3.2.1. Employee Rights and Interests

Daqo attaches great importance to the rights and interest of our employees. The Company strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, the *Provisions on the Prohibition of Child Labor*, and the *Provisions on Collective Contracts* to fully protect the rights and interests of our employees. We completely oppose all forms of forced labor and prohibit child labor. We prohibit any form of employee discrimination, harassment or threats. We promise to treat every employee fairly and protect the legal rights of all employees.

We sign a *Collective Contract* with the representatives of employees to provide a guarantee in terms of remuneration, working hours, benefits, safety and sanitation, and education and training. For female employees, we set up the *Special Provisions on Labor Protection for Female Employees and sign a Special Collective Contract for the Protection of Female Employees' Rights and Interests* with them. We make commitments to female employees in areas such as pregnancy protection, maternity leave protection, and physical examinations, which reflects our determination to protecting the rights and interests of female employees, and promote the mutual growth and development of our female employees and the Company.

Measures to Protect Employees' Rights

Prohibition of Forced Labor

The Company prohibits any form of forced labor, which forces people to work or to serve unwillingly by threats or any form of punishment, especially violence, coercion or restriction of personal freedom

Prohibition of Child Labor Employment

The Company prohibits the employment of child labor under the age of 16

Prohibition of Discrimination and Harassment

The Company provides employees with fair development opportunities and treatment

Discrimination against any employee in any form is prohibited, regardless of ethnicity, race, gender, nationality, birthplace, political or religious beliefs, etc.

Protection of Legal Rights

Respect the rights and freedom of employees to join a trade union in accordance with the law

Respect the rights and freedom of employees to participate in collective negotiation on labor contracts in accordance with the law

Respect employees' personal dignity and personal privacy, and never illegally use or disclose employees' personal information

HR led program to educate and promote female worker's rights and the *Special Provisions on Labor Protection for Female Employees*

3.2.2. Remuneration and Welfare

We believe that a complete salary and benefits system is important for retaining talent. In accordance with the *Social Insurance Law of the People's Republic of China* and the *Labor Law of the People's Republic of China*, we established internal management systems, such as the *Salary and Welfare Management System* and the *Salary Scale*, to standardize the Company's salary assessment and benefits distribution to ensure the fairness and transparency of the salary and benefits system. During the reporting period, we carried out salary surveys on the salary levels of our peers, and continuously improved the Company's remuneration and benefits strategy. We set up an employee equity incentive plan to fully mobilize the enthusiasm of employees and promise to develop together with our employees. In addition to statutory benefits, the Company provides additional benefits to care for employees in all aspects.

Employee Benefits

Statutory Benfits

- Social insurance, such as pension insurance, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance
- Comprehensive arrangements for serious disease
- Housing fund
- Paid leave

Company Benefits

- Transportation and communication allowance
- Orientation health check
- Wedding gift
- Severe illness and death condolences
- "Hand in Hand" Fund: helping employees in difficulties

Minority Benefits

- Minority National Holidays: Xinjiang National Holidays (Rouzi Festival, Gurbang Festival)

To promote the traditional virtues of mutual assistance and build a harmonious enterprise, the Company established the unique "Hand in Hand" Fund to provide caring assistance to employees and their families who are suffering from serious illness, accidents or other difficulties. During the reporting period, nine employees were supported by the "Hand in Hand" Fund.

3.2.3. Employee Communication

We believe that effective employee communication is a useful way to help the Company make progress. We set up unobstructed employee communication channels, including internal department communication, Administration and Human Resource Department feedback channels, the general manager mailbox, and canteen satisfaction surveys, to listen to the voices and opinions of our employees. We seriously deal with every opinion and suggestion and respond to employees' requests in a timely manner. Every month, we organize meetings to communicate with new, current and resigning employees to fully understand their thoughts.

At the same time, we organize diversified employee communication activities to increase communication opportunities between employees, and between employees and senior management, such as "Face-to-Face Meeting with Seniors", to broaden the communication channels and opportunities between management and employees and enhance workplace cohesion.

Employee Communication Measures

New Employees

Recruiters conduct monthly interviews with new employees to understand their current situation and satisfaction with the Company

Current Employees

Employee relations specialists conduct monthly interviews with employees to learn about their work, life, and career planning

Resigning Employees

Recruitment specialists and employee relations specialists conduct monthly interviews with resigning employees to understand their perspective and reasons for resignation, to help improve the work environment and reduce the turnover rate of employees

"Face-to-Face Meeting with Seniors"

Before the May 1st International Labor Day, to show appreciation and understanding to the employees who remained at work during the pandemic, the employees had opportunities to communicate with senior management to further enhance workplace cohesion and reflect the Company's humanistic care for its employees. This also strengthened communication between staff and the leaders of various departments and workshops as well as allowed employees to share their opinions and suggestions with senior management in a more direct way. Management also learned more about the key issues that employees were concerned about, thus building an effective communication platform and contributing to the development and construction of the enterprise.

3.2.4. Employee Activities

We advocate a healthy work-life balance so that employees can deal with work and life with a positive attitude. We organize various cultural and sports activities, including basketball games and tug-of-war competitions, to encourage employees to actively participate, thus enriching their leisure time, enhancing team cohesion, and creating a good team atmosphere. We also established employee homes and set up a variety of cultural and recreational facilities to allow employees to enjoy a better life while enjoying a pleasant work environment.

Employee Activities

Employee Basketball Game 2020

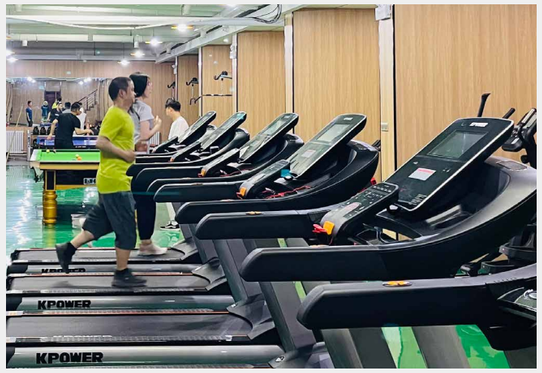
To help cope with the health challenges resulting from the pandemic and improve the physical fitness and natural immunity of our employees, we organized "Employee Basketball Game 2020" during the holiday from 19 September to 15 October 2020, while implementing necessary protective measures. There were nine participating teams, each with 12 players. The event received a warm response from employees and active participaton by basketball enthusiasts. Honors and cash rewards were given to selected participants.

Tug-of-War 2020

To enrich the employees' daily life, and help build friendships, team awareness and corporate cohesion, while creating a positive spirit of unity and mutual assistance, and building a harmonious enterprise, the Company held the 2020 tug-of-war competition on the road in front of the 4A rectification spherical tank area at 15:30 on November 6, 2020.

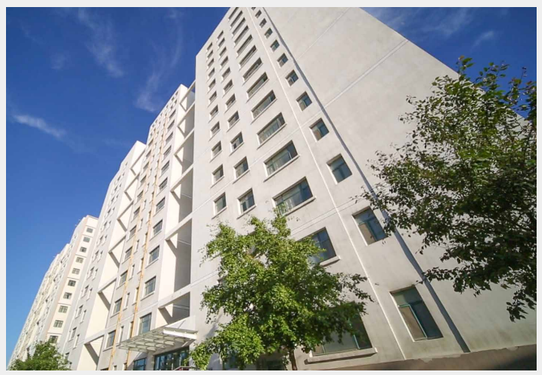
Employee Benefits and Facilities

Gym



Gym

Employee Homes



Employee Homes

3.3 EMPLOYEE DEVELOPMENT

3.3.1. Employee Performance and Promotion

Fair performance management and transparent promotion mechanisms are important conditions for establishing a stable workforce. To ensure the rationality of salary performance, Daqo formulated various management systems, including the *Performance Appraisal Management System* and the *New Employees Annual Appraisal Management System*, to continuously improve the employee performance management system.

While improving employee promotion channels, we continued to improve the employee promotion assessment management system and set up promotion channels for employees in combination with job adjustments and employee selection. When an employee selects a career-development channel, it will generally not be changed, but if the Company has a related position that is vacant, the development channel can be changed according to the employee's interests and competence. We provide employees with promotion channels through an annual promotion evaluation, which includes four parts: a department evaluation, a promotion application, a theoretical examination and an interview.

Employee Assessment Measures

Monthly Assessment

Form: Form fillling, performance interview

Assessment: Indicators set by senior management, and key performance indicators drawn from the work performance of the assessed employee

Annual Assessment

Form: Form filling, performance interview, annual presentation

Assessment: Monthly assessment results, key performance indicators and evaluation from seniors

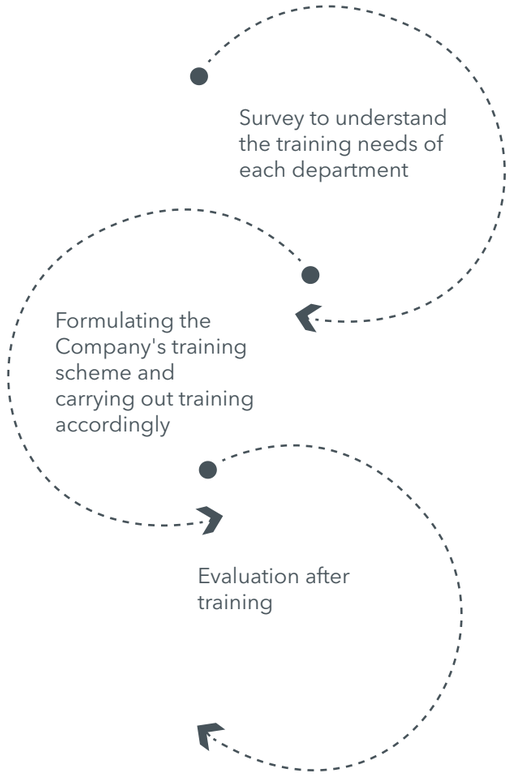
The results of an employee's annual performance appraisal are an important basis for the Administration and Human Resource Department to decide whether an employee is promoted. We have a just and fair promotion mechanism for employees. We formulated the *Management Measures for Employee Career Development Channels* and regard it as an important system for employee promotion management. Daqo developed a dual-channel career-development model to provide employees with two career-development paths: management and skills. Employees can choose according to their interests and needs.

3.3.2. Employee Training

Developing an efficient employee training system and exploring innovative models for talent and organizational development are important ways for us to build a high-quality team to ensure the long-term development of the Company. Daqo has formulated a related staff-training system, which we continuously improve. We set up different courses for employees of different job types and levels.

During the reporting period, we carried out various training programs, such as a training program for team leaders and key technical employees.

Main Training Process



Training Project to Improve the Abilities of Team Leaders

An improvement project for team leaders' capabilities is organized and implemented by the Company. The Company formulated the *Team Building Training Project Implementation Plan*, conducted research on training team leaders, determined the training and teaching topics for each lecturer, and implemented it in accordance with the *Team Leader Training Course Arrangement*.

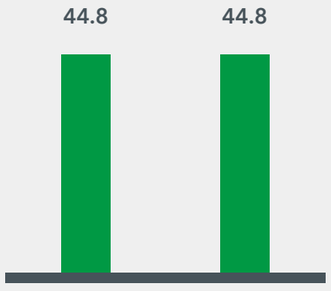
The Team Leader Ability Improvement Project targets ordinary employees, with the aim of training outstanding non-management employees, building a team culture, and making team building a cornerstone of the Company's culture for entry-level employees.

Key Technical Employees Training Project

The Key Technical Employees Training Project is organized and implemented by the Company. The *Engineer Training Project Implementation Plan* and key technical employees training course system were formulated, and the courses were implemented as planned. The program targets the Company's engineers and aims to broaden their professional knowledge and improve their mastery of tools and software.

During the reporting period, 1,886 employees were trained. There were 88,400 training hours for employees in total, and the average training time per employee was 46.9 hours.

Average Training Hours per Employee by Gender



Average Training Hours per Employee by Position or Rank

3.4 HEALTH AND SAFETY

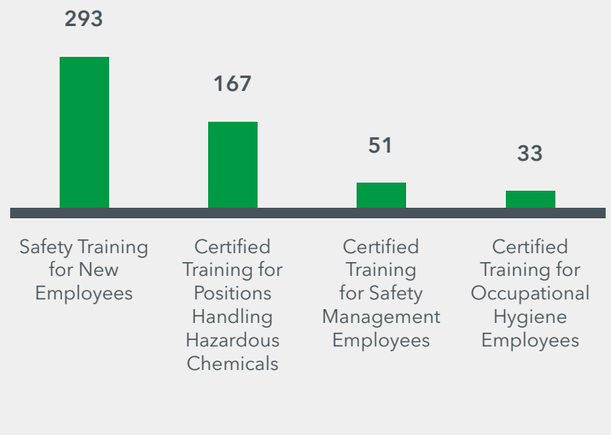
Ensuring the health and safety of our employees is our bottom line. We attach great importance to safety management in the production process and to employees' occupational health. We earnestly implement the approach "Safety Comes First, Prevention is the Key", and constantly strive to improve the occupational health and safety management system to ensure the Company's production system is safe, orderly, and legal compliance. We are committed to providing a healthy and safe work environment for our employees.

3.4.1. Production Safety

We strictly abide by the *Safety Production Law of the People's Republic of China* and the *Production Safety Accident Emergency Response Regulations*. On this basis, we formulated a *Production Safety Accident Emergency Response Plan* to ensure our employees' personal safety and reduce the occurrence of safety accidents. Daqo is a qualified enterprise that meets the safety standards of second-level hazardous chemical industry. Based on safety standardization, we established a dual prevention management system and conducted benchmarking management based on the "Hazardous Chemical Enterprise Safety Risk and Hidden Risk Investigation and Management". We formulated a safety production responsibility system and established a complete safety performance appraisal system. We set up the "safety points system" model, which uses bonus points and deductions for all safety management methods carried out by all departments, including accidents and other incidents. The quantitative assessment of location data comprehensively reflects the safety management status of each department, and intuitively reflects the company-wide phased safety management level.

The safety awareness and safety operation of our employees are an important part of improving our safety management level. Daqo actively carries out various safety training and activities. We are committed to improving the safety management level of all employees. During the reporting period, we organized 1,750 employee safety training sessions.

Number of Employees Attending Safety Training



To further prevent the occurrence of accidents, we conduct regular safety inspections and formulated a *Safety Accident Emergency Plan* to ensure the ability of employees to deal with emergencies, so that emergency rescue work can be carried out quickly, effectively and systematically after an accident. At the same time, we organize emergency drills, implement safety emergency plans, and improve employees' accident response capabilities. During the reporting period, we organized 61 drills, including two comprehensive emergency drills, two special plan drills, and 57 on-site disposal plan drills.

In 2020, we carried out a safety production month activity with the theme "Eliminating Hidden Dangers of Accidents and Strengthening Safety Lines". A series of safety activities were organized to enhance safety awareness and skills, such as safety skills

and knowledge contests, safety short video shooting, and safety publicity activities, which enhanced our employees' safety awareness. These improved accident prevention and emergency response capabilities, strengthened our grass-roots team safety culture, further consolidated our basic safety management, and provided a solid guarantee for the Company's continuous safe production and stable operations.

Safety Production Month Activities

Publicity Activities on Safety

- To create a sound atmosphere for "Safety Production Month" activities throughout the Company, we produced and hung banners related to the theme "Safety Production Month" to promote safety production policies, knowledge of the laws and regulations, fire protection, and occupational hygiene. Through publicity, we made our employees fully aware of the importance of safe production, increasing their motivation to participate in the activities. The purpose of promoting safe work was achieved through the activities.

Short Safety Video Shooting Activities

- Workshop employees actively participated in the safety short video shooting activities. The shooting content included hidden danger troubleshooting, the standardized use of emergency equipment, and the prevention of safety violations. It fully mobilized the enthusiasm of employees and established proactive awareness of safe behavior and safety precautions. The short videos were projected on the large screen in the canteen so that more employees could learn from them, improving the overall safety quality and safety awareness of our employees.

Emergency Drills

- In accordance with the 2020 production safety accident emergency response plan, we organized emergency drills in the relevant workshops in June to test our emergency operation capability, resilience, and teamwork, as well as the practicability and reliability of the plan, and the smoothness of the incident reporting process to improve the professionalism of employees and their ability to stay calm when encountering similar incidents, thus minimizing any losses in real accidents.

Skills and Safety Knowledge Competitions

- All workshops and departments in the production system actively organize and participate in skills and safety knowledge competitions. Twenty-four safety skill competitions were organized, and a prize of RMB$24,000 was awarded. A safe and healthy production and living environment was created, enhancing the emergency and safety awareness of all employees and effectively reducing the number of accidents in the workplace.

Safety Inspections

- According to the requirements of safety at work, we organized and carried out a comprehensive safety inspection once a week, covering occupational hygiene, the worksite environment, onsite running and dripping, regulations of using labor protection appliances and worksite behaviors, electrical safety, hazardous chemicals, and major hazardous source management. Potential onsite safety hazards were eliminated through proactive ammendments.

Safety Production Month Activities

Publicity Safety Slogan

Competition to Connect the Fire Hose with Air Call

Employee Knowledge Competition

Fire Safety Drill

3.4.2. Occupational Health

In accordance with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and the *Employers' Occupational Health Surveillance and Supervision and Administration Measures*, we formulated the following systems to establish a sound occupational health management system: the *Occupational Disease Hazard Prevention Responsibility System*, the *Occupational Disease Hazard Warning and Notification System*, the *Occupational Hazard Declaration System*, the *Occupational Health Education and Training System*, the *Occupational Disease Hazard Protective Equipment Management System*, and the *Occupational Disease Hazard Emergency Rescue and Management System*.

In the production and construction process, we paid great attention to occupational hazards and actively carried out annual occupational health facility monitoring. Third parties were invited to conduct routine inspections of the Company's noise and pollutant emissions. We proposed specific protective measures based on the job and position requirements and distributed free protective supplies for employees, including head, eye, arm, body and feet protection to ensure comprehensive protection. We also formulated an annual occupational health examination plan for employees exposed to occupational disease hazards, including physical checking at orientation and resignation, and on-the-job physical examinations. During the reporting period, we invested more on the employee's safety protection and actively paid attention to their occupational health.

4

Environmental Protection and Resource Management for Sustainable Economy and Livelihoods Improvement

As a leader in green energy, Daqo is well aware of the importance of environmental protection and low carbon emissions. We integrate the green environmental protection concept in our daily operations and manufacturing, setting up an environmental management system, strictly controlling emissions, and using resources rationally to minimize our impact on the environment.

4.1 ENVIRONMENTAL MANAGEMENT

Daqo has continued to improve its environmental management system. We strictly abide by the *Environmental Protection Law of the People's Republic of China* and the *Environmental Impact Assessment Law of the People's Republic of China*, strictly controlling environmental pollution and improving resource utilization. Our plants received ISO 14001 Environmental Management System Certification. We have incorporated environmental protection management into "bottom line" management. Clear indicators in our annual production and operation goals were formulated, and the assessment indicators for environmental pollution accidents were refined. A variety of environmental protection measures were implemented to reduce the impact on the environment during production and other operations.

To raise employee awareness of environmental protection, we carried out environmental emergency drills and environmental protection training to establish a more comprehensive environmental management system.

Environmental Online Facility Management Regulations and Training Requirements

In June 2020, we organized training that focused mainly on the preparation process for three types of reports (commissioning reports, networking reports and comparison reports) for environmental protection monitoring equipment and monitoring facility acceptance review, for monitoring station construction and daily management requirements, and for the environmental protection online data exception handling process. All safety management employees participated in the training, which enhanced their awareness of the environmental protection requirements in online facility management.

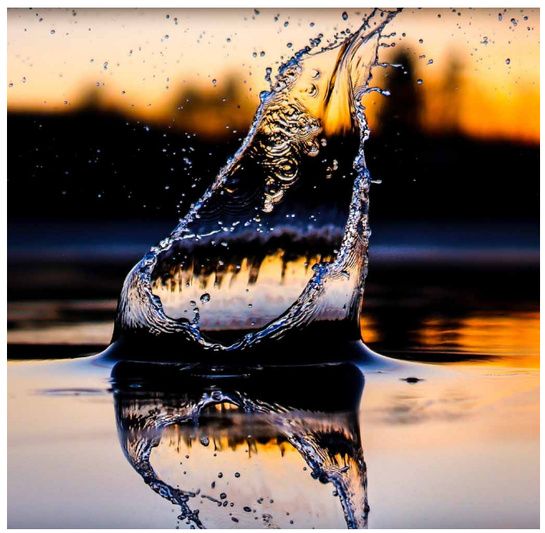
During the reporting period, we invested RMB 23.96 million in environmental protection. We had no cases of violation of any environmental laws and regulations.

4.2 EMISSIONS COMPLIANCE

As a manufacturing company, Daqo is well aware of the impact of emissions on the surrounding environment. We strictly abide by all applicable emissions-related laws, regulations and emissions standards, while retrofitting our equipment and processes. We strictly control and monitor the discharge and treatment of wastewater, air emissions, and solid waste, implementing the principles of low-carbon production and discharge standards.

4.2.1. Wastewater Management

We abide by the *Water Pollution Prevention Law of the People's Republic of China* and the *Water Resources Protection Law of the People's Republic of China* to control the discharge of sewage generated during production and other operations. We conduct classified collection and treatment of production and domestic wastewater. All wastewater discharge must pass through waste treatment facilities and meet the pollutant discharge standards before discharge. We also set up an annual wastewater discharge target, based on the previous year's drainage situation and the current year's production plans to propose a drainage target value to further meet the discharge requirements.



Sewage Treatment Measures

Domestic sewage

- Domestic sewage is treated in a septic tank and then discharged into the park's sewage treatment plant after passing the monitoring of the main discharge outlet.

Production Sewage

- Wastewater containing fluorine is collected and treated,and then qualified water is reused in the circulating water system. The concentrated water, produced by reverse osmosis, is sent to the fluorine-containing wastewater treatment device and discharged after being qualified through the main outlet.
- After salty wastewater is produced, it is recycled in the Three Wastes Treatment Center several times, and then it is checked and qualified by the tank truck and transported to the sewage treatment plant in the park.
- The discharged sewage from the circulating water system enters the reclaimed water reuse device for treatment, and the qualified water is reused in the circulating water system. The concentrated water produced by reverse osmosis is discharged to the sewage treatment plant in the park after being qualified through the main outlet.
- The remaining sewage in daily production is recycled into the recirculating water system through the sewage classification recycling device

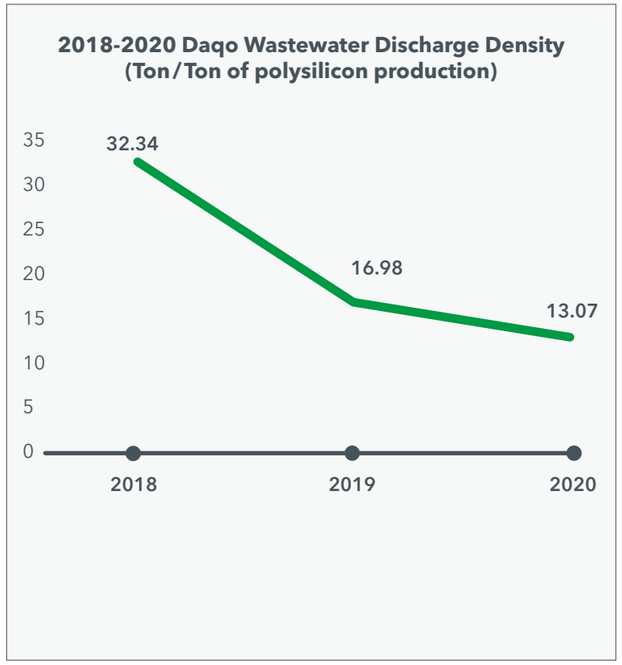
Research and Application Project of Integrated Recycling and Reuse Technology of External Drainage

The "Research and Application Project of Integrated Recycling and Reuse Technology of External Drainage" launched in late 2017 aims to recycle the production and domestic sewage as well as clean drainage discharged from the Xinjiang Daqo polysilicon device for integrated use. Production and domestic sewage as well as clean sewage water is reduced by 1 million tons per year with the existing Xinjiang Daqo production process equipment and public utilities. The recycling water after treatment can replace fresh water to replenish the circulated water device, water for plants, and leaching water for three-waste treatment. The project has improved the efficiency of water resources, reduced water consumption during the polysilicon production process, and reduced sewage discharge. This effectively reduces the material consumption per unit product of polysilicon, saving energy and reducing consumption and production costs. The corporate economic efficiency and competitiveness has also enhanced.

During the reporting period, the Company's wastewater discharge data was as follows:

Wastewater	Unit	2020
Wastewater discharge	Ton	1,010,052
Total amount of recycled and reused water	10,000 Tons	66,751.2
Wastewater discharge density	Ton / Ton of polysilicon production	13.07

To strengthen wastewater management while taking actual operations into account, the Company is committed to control the volume of water used in production and the volume of drainage, while achieving an annual quantitative decreasing target. The Company's wastewater discharge in 2020 was 1,010,052 tons. Through the integrated recycling and reuse technology of external drainage, the Company's wastewater discharge density dropped by 59.6% compared with that in 2018.



4.2.2. Air Emissions Management

We strictly comply with the *Air Pollution Prevention and Control Law of the People's Republic of China and the Comprehensive Emission Standard of Air Pollutants*, and manage air emissions accordingly. We have installed air emission treatment equipment, such as dust collectors and leaching towers. Air emissions can be emitted only after passing the corresponding pollutant treatment facilities and meeting the pollutant emission standards to reduce environmental pollution.

Chlorosilane Recycling Project

During the reporting period, we started to deal with chlorosilanes in recycled air emissions. The air emissions containing chlorosilanes discharged from each production unit were sent to the project through pipelines before being discharged into the air emissions treatment unit. Through a series of process treatments, we recycled the chlorosilanes in the air emissions, thus reducing silicon, chlorine and alkali consumption.

During the reporting period, the Company's air emissions data was as follows:

Air Emission	Unit	2020
Nitrogen oxide	Ton	1.00
Dust	Ton	8.10

4.2.3. Waste Management

We strictly classify and manage general solid waste and hazardous waste in production and other operations in accordance with the requirements of the *Solid Waste Pollution Prevention and Control Law of the People's Republic of China*. We make every effort to ensure the safe storage, compliant treatment, and recycling of all waste. We transport general solid waste to a solid waste landfill for landfill disposal in accordance with the requirements of the local government. For hazardous waste, we entrust a qualified hazardous waste disposal unit to carry out follow-up treatment and strive to reduce the impact of waste on the environment.

To further strengthen employee awareness of waste compliance management, we organize waste management and disposal training, standardize waste disposal operations, and actively carry out hazardous waste leakage accident training for employees to strengthen their ability to react to and handle any accidents, and to prevent accidents from occurring. During the reporting period, the Company did not have any non-compliant disposal of hazardous waste.

Knowledge Training on Hazardous Waste

On May 21, 2020, internal training was conducted in four areas: (1) hazardous waste related laws and regulations, (2) an introduction to the Company's hazardous waste types, (3) eight hazardous waste management systems, and (4) internal hazardous waste management procedures. All employees in safety management and managing warehouses storing hazardous waste participated in the training. The training helped safety management personnel management better understand the regulations, standards and daily management requirements for hazardous waste.

During the reporting period, the Company's waste data were as follows:

Waste	Unit	2020
Hazardous waste	Ton	501.70
Hazardous waste density	Kg/Ton of polysilicon production	6.49
General garbage (non-hazardous waste)	Ton	27,642.39
Recyclable waste	Ton	960.65
Density of non-hazardous waste	Ton/Ton of polysilicon production	0.37

4.3 RESOURCE USAGE

On the basis of compliant emissions, Daqo continued to explore new ways to save energy, reduce consumption, enhance resource usage efficiency, and further implement our green and sustainable development concepts.

4.3.1. Reducing energy use

In accordance with the *Energy Conservation Law of the People's Republic of China*, the *Renewable Energy Law of the People's Republic of China*, and the *Cleaner Production Promotion Law of the People's Republic of China*, Daqo ensures product quality and safety, while striving to reduce energy use during production, standardize energy management, and improve energy use efficiency. We set annual energy consumption targets, and have continued to reduce energy consumption and energy costs, improving economic efficiency through optimizing processes and technological transformation.

Energy-saving Retrofitting Case

Exhaust Gas Recycling Device

- After the exhaust gas recycling device absorbs the heat exchange at the bottom of the tower, two cold recovery heat exchangers operate in series to increase the absorption of the volume of cold recycling at the bottom of the tower, reduce the operating load of the HCL absorption tower top cooler, and ensure the system process requirements and stable operation.
- After the transformation, the heat exchanger is added and the single set of equipment is increased by 653kW/h.

Medium-Pressure Steam to Low-Pressure Steam Technical Transformation Project

- Because there is a surplus of low-pressure steam in the plant, we changed the reduced TCS evaporator heat source medium-pressure steam to reduced self-produced flash low-pressure steam, reducing the use of medium-pressure steam, thus saving energy by reducing consumption.
- Purchased medium pressure steam was reduced by 10 tons/hour after the transformation.

Furnace Power Consumption Reduction and Technical Reform

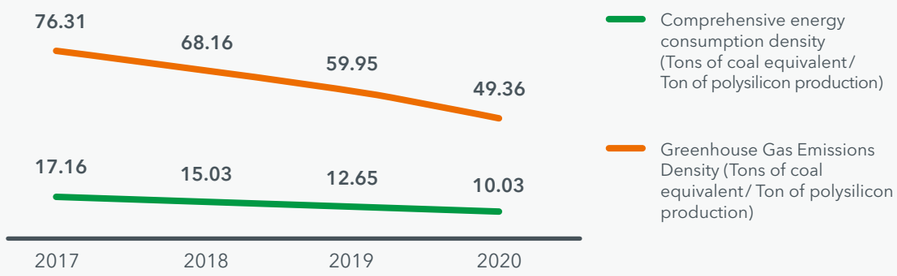
- We optimized the operating parameters of the reduction furnace, optimized the operating current increase rate of the reduction furnace, adjusted the ratio of TCS and hydrogen, changed the configuration of the feed nozzle of the reduction furnace, and optimized the airflow distribution in the furnace, the thermal field and the gas field in the furnace, and the air velocity in the furnace.
- The electrity consumption has been decreased by 9.6% after retrofitting.

During the reporting period, the Group's energy consumption and greenhouse gas emissions data were as follows:

Energy Type	Unit	2020
Diesel	Liters	47,032
Purchased electricity	kWh	4,996,330,000
Stream	GJ	4,719,663
Direct energy consumption	Tons of coal equivalent	57.57
Indirect energy consumption	Tons of coal equivalent	775,091.13
Comprehensive energy consumption	Tons of coal equivalent	775,148.70
Comprehensive energy consumption density	Tons of coal equivalent/ Ton of polysilicon production	10.03
Direct (Scope 1) Greenhouse gas emissions	Tons of CO_2-e	124.25
Indirect (Scope 2) Greenhouse gas emissions	Tons of CO_2-e	3,815,203.73
Total greenhouse gas emissions (Scope 1 and Scope 2)	Tons of CO_2-e	3,815,327.98
Greenhouse gas emission density	Tons of CO_2-e/ Ton of polysilicon production	49.37

Our comprehensive energy consumption density and greenhouse gas emissions density have gradually decreased year by year since 2017, fully demonstrating our emphasis on energy conservation. Compared with 2019, the Company's greenhouse gas emissions density in 2020 dropped by 17.6%, while the overall energy consumption density dropped by 20.7%. Compared with 2017, the Company's greenhouse gas emissions density in 2020 dropped by 35.3%, while the overall energy consumption density dropped by 41.5%. We constantly pay attention to the energy consumption and energy consumption density of our products. We will continue to do our best to reduce the energy consumption density and greenhouse gas emissions density of the Company's products through various measures in the future.

Comparison of Daqo Comprehensive Energy Consumption and Greenhouse Gas Emissions Density 2017-2020



The high-purity polysilicon material products of Daqo are essential basic raw materials for the manufacture of photovoltaic power generation modules. Based on the industry's average production level, each watt of photovoltaic module products requires about 3 grams of polysilicon as essential raw material. In 2020, the Company sold 74,812 tons of polysilicon products for photovoltaic module manufacturing, which can produce 24.9GW of photovoltaic module products. This generates approximately 37.3 billion kilowatt-hours of green renewable electricity each year, which is equivalent to reducing greenhouse gas emissions of approximately 28.5 million tons of CO_2-e per year

4.3.2. Resource Management

Water Resources Management

The reasonable and efficient use of water resources is one of our concerns in production. We continued to improve our water resources management, increase water reuse, and improve water use efficiency. To further reduce water consumption in production, we plan a series of technological transformation projects for water recycling.

Water Recycling Project

Whole Plant Sewage Grading Recycling Project

We test and analyze the waste water discharged into the sewage system from the various devices of the whole plant, and classify the waste water according to the analysis results. We also test and verify the minimum water quality requirements of the water points of the whole plant. Then we match the water points with the grade of waste water, achieving gradient utilization and sewage discharge to save energy and reduce emissions.

High-salt Wastewater (Sodium Chloride) Recycling Project

The high-salt wastewater produced during the production of polysilicon cannot be recycled, and the processing cost is relatively high. Through basic research on high-salt wastewater and a large number of experiments, this project developed a high-salt wastewater purification treatment technology to purify the generated high-salt wastewater to remove impurities and realize the recycling of high-salt wastewater.

Reclaimed Water Recycling Technology Reform Project

The reclaimed water pipeline of the sewage treatment plant was constructed with PC pipes to the east of the plant's 1450 circulating pool. The reclaimed water treated by the sewage treatment plant was used to replace part of the fresh water in the Company's circulating water replenishment, reducing municipal water consumption and sewage discharge. In the first month after the technical transformation was put into use, 35,036m³ of reclaimed water was reused.

During the reporting period, the Company's water consumption was as follows:

Type of Water Resource	Unit	2020
Municipal water consumption	1,000 Tons	4,894
Water consumption from other sources	1,000 Tons	11.45
Total water consumption	1,000 Tons	4,905.45
Water consumption density	1,000 Tons / Ton of polysilicon production	0.06

Material Management

In the production process, the main materials we use are silicon powder, hydrochloric acid and hydrogen. We attach great importance to the management and use of materials and choose environmentally friendly, low-consumption materials as much as possible. We actively use the material recovery process to reduce silicon consumption while maintaining production volume and to achieve the most cost-effective and environmentally friendly benefits.

Slurry Recovery Project

In 2020, Daqo launched a slurry recovery project, whose main purpose was to reduce the amount of hydrolysis of high-boiling by-products in hydrogenation synthesis and reduce silicon and chlorine consumption. These high boilers are usually mixed with slurry materials and sent to the hydrolysis system for hydrolysis treatment, resulting in the waste of production raw materials. We separated the slurry mixture and recovered as much as possible of the active ingredients, such as high boiling substances in the slurry for cracking recovery, to make the best use of the material. This creates a green, closed loop polysilicon production process, and reduces on the amount of sewage discharged.

5

Active Participation in Charity Works

5.1 FIGHTING THE PANDEMIC

In 2020, the pandemic resulted in severe damage to the global economy and society. Daqo actively fought the pandemic with residents in the operating areas. We donated anti-pandemic equipment, such as disinfectants, to front-line anti-pandemic personnel. We prioritized people's safety and mobilized the strength of our employees. We participated extensively in pandemic prevention and control, supported local efforts, and built a solid defense line for pandemic prevention and control.

Support for Front-line Anti-Pandemic Staff

During the pandemic, Daqo donated anti-pandemic materials and daily necessities to frontline anti-pandemic personnel. We donated 105 barrels of sodium hypochlorite disinfectant, 285 sets of protective clothing, and 294 boxes of food to 22 pandemic prevention points in local communities and at security checkpoints.

Donating Pandemic Preventive Materials to Enterprises and Institutions

During the pandemic, Daqo procured and donated pandemic prevention materials from various sources, and donated 36.5 tons of disinfectant to more than 80 enterprises and institutions in Shihezi City for free to contribute to the fight against the pandemic.

5.2 POVERTY ALLEVIATION THROUGH CONSUMPTION

Poverty alleviation is critical to build a stable society. Poverty alleviation through consumption (help rural people by buying their products) is an innovative model to introduce new production methods and distribution channelsto poor rural areas. During the reporting period, Daqo actively helped local rural people by buying stagnant agricultural products.

Energy-saving Retrofitting Case

To help the farmers with the difficulty of selling local agricultural products, Daqo purchased those products, such as watermelon and peaches, as employee benefit.

5.3 CREATING LIVABLE CITIES

We actively fulfill our corporate social responsibility and work together with all citizens to enhance the image of urban civilization. We also contribute to the construction of an ecologically beautiful, harmonious and livable city. We helped employees organize a debris cleaning-up activity, and encouraged them to contribute, love their jobs and participate in the construction of a civilized city.

Supporting the Creation of Civilized Cities

During the reporting period, Daqo employees organized a clean-up project with the community to remove debris from public areas, contributing to the creation of a civilized city in Shihezi City.

6 Appendix

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