



# 中化化肥控股有限公司 SINO FERT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) Stock Code: 297

## 2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



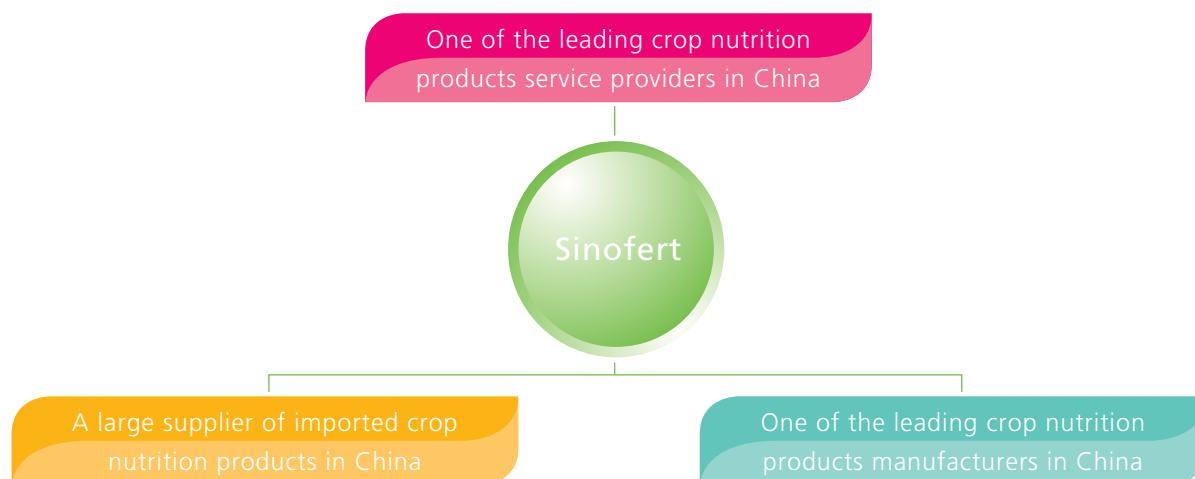
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# OVERVIEW OF THE COMPANY

Sinofert Holdings Limited (the “Company”) and its subsidiaries (collectively as the “Group”, “Sinofert” or “we”) constitute China’s leading crop nutrition products supplier and distribution service provider, covering the whole industry chain of resources, research and development (R&D), production, distribution, and agrochemical services, forming a vertical integrated business from upstream to downstream. The Company was listed on The Stock Exchange of Hong Kong Limited (Stock code: 00297) in July 2005, and was China’s first crop nutrition corporation listed in Hong Kong.

## Benchmarking of Sinofert in Crop Nutrition Industry in 2020



As a large importer of crop nutrition products in China, Sinofert has more than 60 years of international trade experience in the crop nutrition industry, maintaining strong strategic cooperative relationships with major crop nutrition suppliers around the world, acting as a major source of imported crop nutrition products in China. Sinofert also plays a significant role in meeting domestic needs for quality fertilizer products which are otherwise in short supply. The fertilizers products of Sinofert include various nitrogen, phosphate, potash, and compound fertilizers, as well as formula fertilizers, micro-fertilizers, slow-release fertilizers, organic fertilizers, biological fertilizers and other new fertilizers.

Sinofert’s missions are to provide high-quality resources from the global market with China as its base and to provide food security and agricultural production services. Taking a global perspective, the Company develops resources, production, technology, marketing and services, using the latest research and technologies to serve society, raise industry standards and promote industrial development.

Besides, Sinofert has built China’s most comprehensive national sales distribution network. It provides agrochemical services as well as agricultural inputs such as fertilizers and pesticides. The Company has taken the lead on the development of upstream and downstream related industries with a focus on crop nutrition products and serving farmers.



# ABOUT THIS REPORT

The 2020 Environmental, Social and Governance (“ESG”) Report of the Company (the “Report”) presents information about the Group’s performance, policies and strategies on sustainable development, environment, employment and corporate responsibility during the period from 1 January 2020 to 31 December 2020 (the “Reporting Period” or this “Year”). It is expected that the Report will establish a close and long-term relationship with stakeholders by presenting the Group’s concern on sustainable development and its related issues.

## 2.1 Reporting Framework

The Report is prepared in accordance with Appendix 27, the “Environmental, Social and Governance Reporting Guide” (“the Guide”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report complies with all disclosure requirements under the “comply or explain” provisions of the Guide. Please refer to “Appendix 1: Content Index of Environmental, Social and Governance Reporting Guide” for specific compliance.

## 2.2 Reporting Scope

The Report covers all business of Sinofert. During the Reporting Period, the production site of Sinochem Chongqing Fuling Chemicals Co., Ltd. (“Sinochem Fuling”) has officially shut down, and will undergo green relocation to raise business quality, thus it is excluded from the reporting scope of this Report. In consideration of each business’s revenue contribution and environmental and social impacts, the environmental key performance indicators of the Report are based on the business of three major production facilities (the “Subsidiaries”):

- 1) Sinochem Yunlong Co., Ltd. (“Sinochem Yunlong”)
- 2) Sinochem Jilin Changshan Chemical Co., Ltd. (“Sinochem Changshan”)
- 3) Sinochem Shandong Fertilizer Co., Ltd. (“Shandong Fertilizer”)

The Group is gradually extending the disclosure of environmental key performance indicators to other subsidiaries. For the information on corporate governance, please refer to the “Corporate Governance Report” on pages 52 to 80 of the 2020 Annual Report.

## ABOUT THIS REPORT

### Sinochem Yunlong Co., Ltd



- The phosphate-based animal feed is among the leading brands in the world, which has achieved ISO standard and FAMI-QS certification.
- Major products include calcium hydrogen phosphate (type III)-based animal feed for export, calcium dihydrogen phosphate-based animal feed, calcium hydrogen phosphate-based fertilizer, industrial sodium fluorosilicate, sulphuric acid, etc.

### Sinochem Jilin Changshan Chemical Co., Ltd.



- Focuses on technological innovation and R&D has led to new products such as “Changshan Brand” peptide urea, synergistic cinergic peptide urea and synergistic slow-release urea.
- “Changshan Brand” urea has been named “Jilin Province Famous Brand” for 11 consecutive years, and has won honorary recognitions such as “Most Reliable Product for Farmers”, “Jilin Province Customer Satisfactory Products”, etc.
- Major products are compound fertilizer and urea, etc.

### Sinochem Shandong Fertilizer Co., Ltd.



- Includes production, R&D and agrochemical services, equipped with multiple production processes such as spray coating, melting, ammonification, and controlled release manufacturing.
- Major products are general, chelated and slow-release fertilizers, and a series of nitrate-based products. Services include the provision of fertilizer packages that meet farmers’ needs and professional agricultural technology services.

## 2.3 Notes to the Report

The information and data disclosed in the Report are from official documents, statistic reports and records collected by monitoring devices of the Group. The Company is responsible for the reliability, accuracy and objectiveness of the Report. The Report is released in both Chinese and English version. In case of any ambiguity, the Chinese version shall prevail.

## 2.4 Verification of the Report

In order to ensure the accuracy and reliability, the Report is verified by SHINEWING Sustainability Advisory Services Limited in accordance with the international standard AA1000AS v3 with an independent assurance statement (please refer to “Appendix 2: Assurance Statement”).





# HIGHLIGHTS OF THE YEAR

In 2020, the outbreak of Novel Coronavirus 2019 (“COVID-19”) has impacted the global economy severely. While overcoming the challenges of the COVID-19 pandemic, Sinofert still manages to maintain its core operation principles of balancing between business interest, environmental protection and social development. We continue to actively communicate with internal and external stakeholders to further understand their expectations and needs, and identify material issues so as to fulfill our corporate social responsibility.

The Group and their stakeholders profoundly understand the relationship between the production of chemical fertilizers and environmental pollution therefore the control and governance of pollution became the major environmental focus of the Year. With the aim to deal with air, water and soil pollution, Sinofert has invested around RMB168 million in environmental protection during the Year, covering heat source transformation denitration project, management on wastewater and dust from production plants, as well as anti-leakage projects. Part of the funds were used in areas such as reduction on energy consumption, storage and disposal of waste, environmental monitoring, etc. so as to implement various energy saving-related technological transformations in production and the construction of comprehensive utilization device of waste (phosphogypsum), etc. Each subsidiary continuously executes daily environmental management measures, such as regularly monitoring the pollution emission index, inspecting and repairing environmental protection facilities and analyzing data to formulate environmental enhancement measures, etc.

In social aspect, the Group comprehensively implements human resources and labor policies as usual, placing the occupational health and safety as well as training and development of employees as our highest priority. During the Year, the COVID-19 pandemic has posed great challenges to Sinofert and the global economy, the Group actively carries out prevention and control work, so as to protect the health of employees. Each subsidiary formulates an annual training plan in order to provide various training courses and activities regarding occupational health and safety, product knowledge and exchange of technological ideas to their employees. The subsidiaries also care about the mental health of employees, providing welfare and organizing activities such as badminton competitions for the employees. Anti-corruption and product responsibility are also of paramount importance. We rigorously execute anti-corruption system, quality management and supply chain management, as well as actively conduct research and development work on bio-fertilizers, in turn continuously improving existing product systems. Furthermore, we contribute to society through different community charity activities such as protective equipments donation, free soil testing service, agricultural field guidance, etc. to promote the healthy growth of agricultural industry and establish a harmonious relationship with the surrounding community.



# ESG MANAGEMENT STRATEGY

## 4.1 Board Statement

Sinofert believes that comprehensive ESG management principles and risk management practices will increase the Group's investment value and bring long-term return to stakeholders. In order to establish an appropriate and effective ESG management and control system, the Board has assigned the Corporate Governance Committee (the "Committee") to oversee the ESG matters and work of the Group (for the structure of Corporate Governance Committee, please refer to the Company's Corporate Governance Report on pages 52 to 80 of the Annual Report 2020). The Committee focuses on monitoring the ESG work progress and quality of the Group, ensuring that ESG-related policies and measures formulated by the Board and Committee are executed and completed. For the sake of reinforcing the ESG governance of the Group, the Board regularly conducts internal reviews and arranges independent evaluation and efficiency analysis regarding the effectiveness of risk management measures and systems. In addition, the Board has approved the Group of its establishment of the ESG Report Working Group, which consists of members from departments including HSE, human resources, supply chain management and operation, administration and law, etc. to monitor the preparation of ESG report.

Besides, the Board has appointed an independent consultancy firm to assist in managing the Group's ESG matters, carrying out data and information collection and analysis, and offering suggestions for improving the Group's ESG performance. The consultancy firm also assists the Committee to collect and analyze the opinion on ESG matters among the Group's stakeholders. With questionnaires as the basis of the materiality assessment, stakeholders' opinion (including those of Board members) are collected, and by integrating the material ESG issues in the industry, each ESG issue is rated and prioritized by the level of concern to ultimately identify the Group's material issues. The Committee acknowledged and approved the results of the assessment.

In order to lead the Group's ESG progression effectively, the Committee continuously monitors the work of different departments, ensuring close cooperation between the departments, jointly achieving Sinofert's goals of compliant operations and bearing social responsibility. The Committee will raise and discuss the ESG performance and work progress of the Group if necessary.

## 4.2 Risk Management

Risk management is crucial to the development of business operation. Sinofert deeply understands that effective risk identification and monitoring could help the Group rapidly formulate effective policies and measures, preventing unnecessary negative impacts. Internal control and risk management system of Sinofert are set up using the standard of the internal control framework proposed by the American COSO Committee and the Basic Framework of Internal Control and Risk Management proposed by The Hong Kong Institute of Certified Public Accountants. The Company's system also integrates the Basic Norms for Enterprise Internal Controls and its supporting guidelines proposed by the five national ministries and commissions. The system adopts the principal of "High priority, daily monitoring, and transferring first" and places high value on the comprehensive risk and internal control management mechanism which matches the strategic development of the Group. By utilizing the system, Sinofert carries out risk identification, evaluation and response to deal with risks associated with all operating activities through risk warning and management. During the Year, the Group continued to implement hierarchical authorization management, strengthening principal responsibilities layer by layer, facilitating the standardization of basic duties and providing early warnings on credit risks and market risks. Business departments such as the basic fertilizer department and the sales and distribution department actively conduct trainings on risk management for employees to optimize the system and business process and to ensure a normative operation. Through revising the performance indicators of internal control and management, the headquarters leads business departments to strengthen the consciousness of internal control and risk responsibility. Both the headquarters and business departments enhance daily inspection to further perform the basic duties of internal control and to satisfy the requirement of overseas external controlling organizations.

## 4.3 Stakeholder Engagement

The Group's stakeholders include the government and regulators, shareholders, business partners such as contractors and suppliers, customers, employees, as well as our community and environment. Each stakeholder has close connections with the Group's business development. The precious opinions provided by them allows us to continuously improve the Group's ESG performance and stakeholder engagement helps formulate the Report.

During the Year, we maintained close communication with stakeholders including people from different organizations and sectors of society who have provided various perspectives, opinions and expectations. The Group set up appropriate communication channels to collect valuable opinions from stakeholders. The opinions are helpful for us to determine the new potential risks in business operation, to identify the ESG topics concerned by stakeholders and to bolster the Group's management level in ESG issues.



# ESG MANAGEMENT STRATEGY

Stakeholders	Expectations	Means of Communication and Response
Government and Regulators	<ul style="list-style-type: none"> <li>Compliance with national policies, laws and regulations</li> <li>Tax payment in full and on time</li> <li>Production safety</li> </ul>	<ul style="list-style-type: none"> <li>Regular reporting</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Returns</li> <li>Compliant operations</li> <li>Rise in company value</li> </ul>	<ul style="list-style-type: none"> <li>General meetings</li> <li>Announcements</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>Operation with integrity</li> <li>Performance of contracts</li> </ul>	<ul style="list-style-type: none"> <li>Business communication</li> <li>Engagement and cooperation</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Outstanding products and services</li> <li>Health and safety</li> <li>Operation with integrity</li> <li>Performance of contracts</li> </ul>	<ul style="list-style-type: none"> <li>Customer service centers and hotlines</li> <li>Customer meetings</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Compliance with emission standards</li> <li>Energy conservation and reduction of emissions</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Communication with local environmental departments</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Protection of rights</li> <li>Occupational health</li> <li>Remunerations and benefits</li> <li>Career development</li> </ul>	<ul style="list-style-type: none"> <li>House journal and intranet</li> <li>Employee mailbox</li> <li>Training and workshops</li> <li>Employee activities</li> </ul>
Community	<ul style="list-style-type: none"> <li>Improvement of community environment</li> <li>Participation in charity</li> </ul>	<ul style="list-style-type: none"> <li>Company website</li> <li>Announcement</li> <li>Media interviews</li> <li>Social media platforms</li> </ul>

## 4.4 Materiality Assessment

In order to formulate a clear direction and roadmap for ESG management and development, the Group has engaged an independent consultancy to assist in collecting and reviewing the feedback from different stakeholders on the Group's ESG matters. Through questionnaire surveys, the Group rates and prioritizes the level of concern about ESG issues. Meanwhile, to comprehensively examine ESG issues which are closely related to the Group's business, the consultancy also assists in examining internal and external documents and media interviews, and identifies the ESG issues greatly concerned by the industry, with reference to the materiality maps provided by external authoritative organizations<sup>1</sup>. In view of the above ratings and screening results, as well as the professional feedback given by the management and consultancy firm, the Group has identified 7 material ESG issues, which will be further discussed in the Report.



<sup>1</sup> The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by MSCI and the Sustainability Accounting Standards Board (SASB).



# ENVIRONMENTAL PROTECTION

Sinofert firmly adheres to all national laws and regulations regarding environmental protection and actively carries out clean production, upholding the basic principle of “People-oriented, prioritized environmental protection, prevention first, integrated governance”. While preventing new sources of pollution, the Group adopts advanced crafts, technology and equipment to constantly reduce the emission of pollutants, to establish an effective and persistent mechanism on environmental protection, to create harmony between energy usage and environmental protection, and to continuously improve the environmental performance of the Group.

## 5.1 Compliance Management

Compliance with national laws and regulations on environmental protection is of utmost importance in the operation of the Group. Sinofert’s comprehensive environmental protection duty is led by its HSE Committee, which oversees the Group’s environmental protection work and the management and monitoring of environmental facilities. The Committee regularly holds work-in-progress meetings to review and approve critical environmental protection projects of the Group and propose solutions to material issues regarding environmental protection work. The Committee also initiates strategies and policies with respect to the Company’s short-term and long-term environmental goals. Sinofert strictly executes the environmental-related management system regarding environmental protection, energy saving and emission reduction, etc. The system has been strict and effective along the years to ensure that the Group’s operations are in compliance with relevant standards and regulations.

Sinofert has applied the responsibility system for environmental protection goals, and signed HSE responsibility agreements at the beginning of each year to implement the environmental protection goals to each post and employee. Each year, the three Subsidiaries actively carry out environmental protection promotion and education, and provide employees with training on environmental protection knowledge and skills to ensure that the employees are equipped with relevant knowledge and skills and hence production is in compliance with national environmental protection laws. The Group has also established a daily management and monitoring mechanism for emissions indicators to evaluate the operation rate, maintenance effects and the completion progress of pollutant emission indicators of environmental protection facilities so as to prevent illegal emissions.

For new construction, reconstruction, and expansion projects, we will conduct environmental impact assessments to analyze use of raw material, resource consumption, comprehensive utilization of resources, and generation and disposal of pollutants. Clean production technology, crafts and facilities with high rate of resource utilization and less pollution production are prioritized, aiming to further lower the project’s impact on the surrounding environment with the basis of compliance with national laws and requirements.

During the Reporting Period, all three Subsidiaries have formulated environmental management manuals and obtained ISO14001 Environmental Management System Certification to ensure the environmental compliance management in each enterprise. The Group actively guided and supervised subsidiaries to implement national laws and regulations and the Group’s policies and standards regarding energy conservation and emission reduction. Therefore, during the Reporting Period, the Group did not experience any environmental events at general or above level, or any serious HSE issues with great impacts.

## List of Major Laws and Regulations of Sinofert

Environmental Protection Law of the People's Republic of China	Energy Conservation Law of the People's Republic of China
Law of the People's Republic of China on the Promotion of Clean Production	Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes
Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution	Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise
Law of the People's Republic of China on the Prevention and Control of Water Pollution	Law of the People's Republic of China on Appraising of Environment Impacts
Law of the People's Republic of China on the Prevention and Control of Soil Pollution	Regulations on the Administration of Construction Project Environmental Protection

## 5.2 Pollution Monitoring

### 5.2.1 Exhaust Gas Control

Air pollution is undoubtedly one of the critical environmental topics in the manufacturing industry, and the chemical fertilizer industry is no exception. The main sources of pollution are exhaust gas from boilers and exhaust gas generated during the crafting process. In order to comply with the air pollutant emission standards in the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Sinofert strictly implements environmental-related management systems regarding environmental protection, energy saving and emission reduction, etc., to adopt rigorous control procedures for industrial gas emissions to ensure legal emissions. The smoke detection equipment in all production plants complies with the requirements set by local governments, and automatic monitoring facilities are installed to monitor emissions of exhaust gas in real time. The monitored exhaust gases include sulfur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>) and particulate matter (PM). All production units, including sulfuric acid plants, nitrogen fertilizer plants, ammonium phosphate plants, and compound fertilizer plants, are equipped with real-time monitoring devices (such as environmental protection data collection instruments, etc.) to monitor various pollutants in real time. The production plants also carry out regular inspections and maintenance to ensure the emission system operate normally.

## ENVIRONMENTAL PROTECTION

During the Year, the exhaust gas treatment equipment and emissions of all three Subsidiaries met the requirements of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution. The Subsidiaries regularly commission third-party monitoring companies to carry out independent monitoring and inspection in order to ensure that all emissions comply with national emission standards, and all online flue gas facilities are regularly calibrated and examined. Relevant information can be viewed on the intranet. Besides, the production plants follow a fixed mechanism which reduce production or limit the emission to acceptable levels when the emission rate exceeds the related standards. Apart from the production plants, vehicles used daily by the Subsidiaries also emit small amounts of pollutants. The major air pollutant emissions from the three Subsidiaries are as follows:

Record of Major Air Pollutant Emission <sup>1</sup>	2019 <sup>2</sup>	2020
Sulfur oxides (SO <sub>x</sub> ) (tonnes)	1,252	544
Nitrogen oxides (NO <sub>x</sub> ) (tonnes)	732	652
Particulate matter (PM) (tonnes)	431	149

Remarks:

1. Air pollutant emission includes the emission from production and use of vehicles. The emission generated by the use of vehicles is calculated in accordance with "Reporting Guidance on Environmental KPIs" published by HKEX.
2. The data of 2019 is provided by the four Subsidiaries, which includes Sinochem Fuling, apart from Sinochem Yunlong, Sinochem Changshan, Shandong Fertilizer.

To reduce air pollutant emissions, the three Subsidiaries implemented a series of measures during the Year. For instance, Shandong Fertilizer not only replaced bituminous coal with clean energy natural gas for the hot air stove fuel in two of its production plants, reducing pollutant emissions, but also actively implemented ash and dust treatment in production plants, such as increasing the number of bag filter dust removers in granulation station of production plants. Moreover, sprinkler systems and ground hardening renovations have been implemented in different parts of the production area, sprinkling the factory area regularly every day, reducing dust deposition and dust pollution. Sinochem Yunlong has treated boiler flue gas with exhaust gas washing-out device, purifying industrial gas, as well as maintaining and overhauling washing tower and denitrification facilities, etc., reducing production consumption. Sinochem Yunlong has also completed heat source ash and slag conveyance and coal unloading system technological transformation project in the Year, preventing great amount of dust generated in the ash cleaning process. Sinochem Changshan has also placed wall fans and dust cages in production plants, and adopted semi-sealed conveyor belt, which greatly reduced the pollution problem caused by dust.

## ENVIRONMENTAL PROTECTION

Sinochem Changshan	<ul style="list-style-type: none"><li>• Wall fan installation project for coal conveyors</li><li>• Machine conveyer belt dust-proof project</li><li>• Daily cleansing of dust in coal conveyors</li></ul>
Sinochem Yunlong	<ul style="list-style-type: none"><li>• Heat source transformation denitrification project</li><li>• Regular dust treatment and control</li></ul>
Shandong Fertilizer	<ul style="list-style-type: none"><li>• Planting in both sides of the road and idle sites</li><li>• Replacing bituminous coal with clean energy natural gas for the hot air stove fuel</li><li>• Adding granulation tower bag filter dust remover</li></ul>

### 5.2.2 Sewage Control

Driven by our dedication to properly treat sewage generated during production, the three Subsidiaries of Sinofert have each set up their own sewage treatment facilities for on-site sewage treatment. The wastewater produced in production plants are collected in the wastewater collection tank, and then purified by procedures such as sludge activation, sedimentation and filtration. Pollutants which are difficult to be handled are treated by more techniques such as biochemical reactions, aerobic treatment and anaerobic treatment. After the treatment in on-site sewage treatment facilities, the treated sewage generally meet the discharge standard and is discharged to nearby water bodies, otherwise is sent to qualified treatment institutions for secondary treatment.

Each outlet of the production plants is installed with a pollutant monitoring system to monitor the sewage in real time and to keep monitoring records. The chemical oxygen demand (COD), ammonia nitrogen (NH<sub>3</sub>-N), pH and sewage flow of all discharged sewage are monitored in real time constantly to ensure that the sewage meets the requirements as stated in the Law of the People's Republic of China on the Prevention and Control of Water Pollution and relevant national and local government standards before being discharged. The major water pollutants from the three Subsidiaries are as follows:



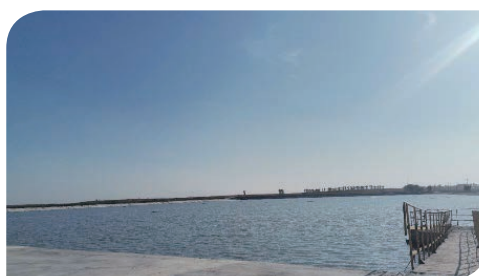
## ENVIRONMENTAL PROTECTION

Record of Water Pollutant Discharge	2019 <sup>1</sup>	2020
Chemical oxygen demand (COD)(tonnes)	39.03	33.09
Ammonia nitrogen (NH <sub>3</sub> -N)(tonnes)	5.90	5.67

Remarks:

1. The data in 2019 is provided by the four Subsidiaries, which includes Sinochem Fuling, apart from Sinochem Yunlong, Sinochem Changshan, Shandong Fertilizer.

During the Year, the three Subsidiaries are actively improving their anti-leakage facilities. For example, in the Year, Sinochem Changshan carried out anti-leakage treatment for the greywater settling tank 2, while Shandong Fertilizer sealed the sewage wells of production plants and set up shutters to prevent sewage from entering the rainwater drainage system. The company also carries out regular inspections, repairs any damages and the accident pool, in order to prevent pollution of the groundwater. Sinochem Yunlong also implemented anti-leakage work such as anti-leakage and anti-corrosion renovation of sulphuric acid storage tank area floor in order to avoid sewage leakage and pollution of the surrounding environment.



Anti-leakage treatment for greywater settling tank in Sinochem Changshan

### 5.2.3 Soil Protection

Sinofert is committed to producing high-quality fertilizer products to promote China's agricultural development and provide a stable food supply. As a fertilizer manufacturer, Sinofert has always attached importance to soil quality and health. Every year, we actively promote the "Defense of Pure Land" initiative, with solid waste handling, anti-leakage measures, and soil pollution investigation and monitoring as the three cores, and require all subsidiaries to firmly implement the relevant measures to ensure soil health.

## ENVIRONMENTAL PROTECTION

### Solid Waste Handling

- Shandong Fertilizer has invested RMB 1.2 million to complete the construction of leather waste warehouse, store the leather waste and other solid waste at fixed point, to avoid being exposed to the rain, reducing the soil pollution

### Anti-leakage Measures

- Shandong Fertilizer has invested RMB 700 thousand to undergo anti-leakage treatment, to avoid soil pollution
- Various anti-leakage projects among the sewage control work have effectively prevented sewage from seeping into the soil (please refer to the section of "Sewage Control")

### Soil Pollution Investigation and Monitoring

- Sinochem Yunlong has completed soil and groundwater inspection survey
- Sinochem Yunlong has invested RMB 1 million to cover the slopes outside the production plant's ash silos sub-dam with vegetation, protecting the health of soil, preventing soil pollution, as well as embellishing surrounding environment of production plant
- Sinochem Changshan has launched self inspection of soil pollution

In addition to the production process, incorrect or excessive use of fertilizers will also cause many environmental problems such as soil pollution, damage to soil ecology, or even lead to soil infertility. To avoid endangering soil health, the Group has been committed to educating customers and farmers on the proper use of fertilizers, and providing them with soil testing services and fertilization recommendations. During the provision of services, by putting focus on the nutrient elements required by different crops, we help customers and farmers choose the most suitable fertilizer products and calculate the amount of fertilizer usage through scientific methods. In the long run, apart from improving efficiency of fertilizer use and production of crops, the services can also protect soil quality from damage and achieve sustainable farming.

## 5.3 Use of Resources

### 5.3.1 Energy

In order to implement the national laws, regulations and policies on energy conservation and emission reduction and the Group's energy conservation and emission reduction management requirements, the Group's policies and administrative measures relating energy conservation and emission reduction are formulated based on relevant laws and regulations such as the Energy Conservation Law of the People's Republic of China and the Measures for the Administration of Energy Conservation of Major Energy-Consuming Entities. This is to strengthen the Group's energy conservation and emission reduction management, improve efficiency of resource utilization, and build a resource-saving and environmentally-friendly society.

Sinofert has launched energy conservation work in accordance with the principles of "unified leadership, confirmed responsibilities, hierarchical management, classified guidance, and full participation". It has established an energy management system and organized an energy management leadership committee, with the managers from different departments as members. The leading committee is responsible for the daily duty of energy management. Each member has clear responsibilities to ensure that energy conservation management is surely implemented.

The subsidiaries of Sinofert sign HSE and energy conservation responsibility agreements every year, as well as implement the energy conservation goals in the energy conservation responsibility agreement, while the Group includes the progress of achieving energy conservation goals into the scope of Sinofert's corporate performance assessment. The Group also supervises, guides and assesses the subsidiaries, and implements the reward and punishment system. When selecting equipment, subsidiaries should choose efficient and energy-saving equipment based on the principles of being conducive to energy conservation and emission reduction and improving overall efficiency. In addition, subsidiaries should give priority to purchasing and using products that have passed certifications on energy saving, emission reduction and environmental protection to reduce waste of energy. Sinofert has also established a well-rounded energy-saving and emission-reduction education and training system to publicize and educate persons in charge, managers, and personnel in key positions of the subsidiaries, in hope to promote the concept of energy-conservation and environmental protection and improve employees' awareness to save energy.

# ENVIRONMENTAL PROTECTION

## Key energy saving solutions of Sinofert's Subsidiaries

	Energy Saving Solutions	Effectiveness
Sinochem Changshan	1. Added a synthesis gas compressor surface cooler, moved the original surface cooler to the ammonia compressor for use.	Increased the heat exchange area of the two compressor surface coolers and meanwhile increased the condenser capacity of the two compressors. The rise in temperature of water circulating in summer does not affect the degree of compressor vacuum, reducing consumption of steam and energy.
	2. Used varying-frequency drives in new boiler induced draft fans and boiler feed water pump motors.	The motor running frequency and speed of the variable-frequency drives can be changed, so that the running speed is proportional to the energy consumption, achieving power saving.
Sinochem Yunlong	1. Used 3,000 kcal of coal calorific value and 2,000 kcal of coal calorific value with a 3 to 1 ratio for the boilers.	Reduced the overall calorific value and price of lignite, and reduced carbon dioxide emissions when using lignite.
	2. Strengthened the utilization of afterheat and increased the temperature of boiler deaerator.	Reduced coal consumption and improved the energy efficiency of coal burning.
	3. Eliminated outdated motors, construction and lighting tools, replaced them with new energy-saving models.	Made full use of energy, reduced power consumption, and avoid wasting energy due to the use of inefficient tools.

## ENVIRONMENTAL PROTECTION

Record of Energy Consumption	2019 <sup>1</sup>	2020
Total energy consumption (MWh)	4,315,902	3,104,572
Fuel consumption of stationary source <sup>2</sup>	3,759,576	2,828,979
Fuel consumption of vehicles <sup>3</sup>	1,725	635
Purchased electricity	547,399	272,326
Purchased steam <sup>4</sup>	7,202	2,632
Energy consumption intensity (MWh/tonne of product)	2.50	2.69

Remarks:

1. The data of 2019 is provided by the four Subsidiaries, which includes Sinochem Fuling, apart from Sinochem Yunlong, Sinochem Changshan, Shandong Fertilizer.
2. The data includes the fuel burning in power generation, steam production and canteen, and is calculated according to fuel consumption and the conversion factors provided by National Development and Reform Commission of the People's Republic of China (NDRC).
3. Calculated based on fuel consumption, vehicle fuel-related national standard and the conversion factors provided by the NDRC.
4. Calculated based on the steam consumption, the methods and conversion factors related to company's greenhouse gas emission accounting provided by the NDRC.

### 5.3.2 Water resources

Water conservation is an important part of the Group's environmental protection policy. Sinofert requires its subsidiaries to establish water use statistical tables for regularly measuring water consumption in order to properly manage water use. The subsidiaries set water use goals at the beginning of every year and formulate annual watersaving plans. They are also required to regularly collect, summarize and analyze water consumption indicators, and submit water-saving summary analysis reports and evaluations of assessments to the headquarters of the Group every year. The Group not only encourages the subsidiaries to utilize reclaimed water and the thoroughly treated wastewater, increasing the reusing rate of water resources, reducing fresh water consumption; the Group also has established a reward and punishment mechanism for water use and water conservation, by which corresponding rewards and punishments are given to different units based on the subsidiary's assessment results or individual water use performance. At the same time, the Group actively provides education about water conservation, raising the staff awareness of water conservation, with the aim of staff treasuring water facilities and equipments, increasing the reusing rate of water resources.

All three Subsidiaries of Sinofert employ water recycling technology to reuse treated wastewater directly in the production plants so as to reduce water consumption and sewage discharge at the same time. On the other hand, the production bases of the Subsidiaries are generally installed with rainwater collection tanks, which collect a large amount of rainwater for production use during the rainy season and thus reducing the demand for water resources.

## ENVIRONMENTAL PROTECTION



Water recycling system in Sinochem Yunlong (left) and Sinochem Changshan (right).

Record of Water Resources Consumption	2019 <sup>1</sup>	2020
New water total consumption (m <sup>3</sup> )	8,278,638	5,281,355
New water consumption intensity (m <sup>3</sup> /tonne of product)	4.80	4.57
Circulating water consumption (m <sup>3</sup> )	217,889,962	198,882,924

Remarks:

1. The data of 2019 is provided by the four Subsidiaries, which includes Sinochem Fuling, apart from Sinochem Yunlong, Sinochem Changshan, Shandong Fertilizer.

### 5.3.3 Packaging Materials

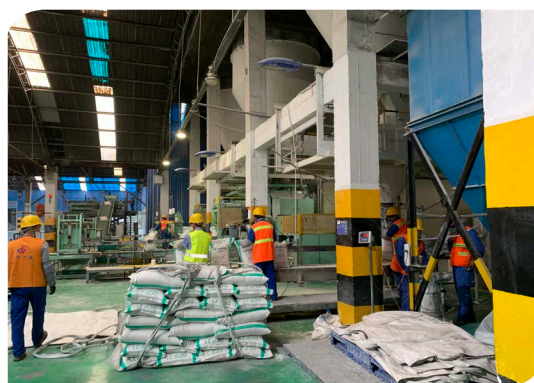
Sinofert strives to avoid excessive production and procurement with the principle of reducing environmental damage. Our packaging materials are mainly plastic bags and cartons with specific capacities. During the design process, we consider the impacts of the products and packaging materials on human health and the environment throughout its life cycle, and prefer non-toxic, harmless, easily degradable or easily recyclable materials. The packaging materials of the product are used reasonably to avoid excessive packaging which causes waste. Where possible, we try to reuse or recycle the used packaging materials.



## ENVIRONMENTAL PROTECTION



Warehouse for packed finished products in Shandong Fertilizer



Packaging process of finished products in Sinochem Yunlong

Consumptions and usage intensity of packaging materials of the three Subsidiaries are as follows:

Record of Packaging Materials Use	Total Amount (ten-thousand piece)		Intensity (piece/tonne of product)	
	2019	2020	2019	2020
Sinochem Yunlong	721	800	22.19	23.38
Shandong Fertilizer	724	1,166	20.00	22.47
Sinochem Changshan	104	148	3.97	20.00

### 5.4 Dealing with Climate Change

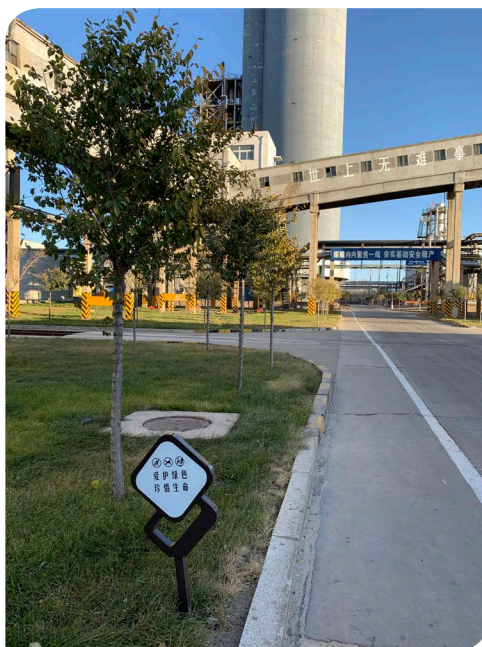
Issues such as climate change and greenhouse gas emissions have attracted international attention in recent years. Following international trends, Sinofert has gradually strengthened its management towards climate change related issues of the Group. During production and operation, most of the greenhouse gases emitted by the Group come from direct emissions from fuel combustion and indirect emissions from purchased electricity during production. Other sources of emissions include vehicle use, business travels by plane, and paper disposal. We are fully aware that energy use (including self-generated electricity, self-generated steam, and purchased electricity) is the Group's main source of carbon emissions. Therefore, we robustly promote energy conservation and consumption reduction to mitigate the impact on climate change due to production and operation (please refer to the section of "Use of Resources"). Apart from that, each subsidiary has planted a large number of trees at its production base to reduce the company's overall greenhouse gas emissions. During the year, the three Subsidiaries' reduction of greenhouse gas by planted trees is 62 tonnes of CO<sub>2</sub>e.

## ENVIRONMENTAL PROTECTION

Record of Greenhouse Gas Emissions	2019 <sup>1</sup>	2020
Greenhouse gas total emission (tonnes of CO <sub>2</sub> e) <sup>2</sup>	1,926,371	1,198,198
Scope 1 – Direct emissions <sup>3</sup>	1,584,918	1,001,131
Scope 2 – Energy indirect emissions <sup>4</sup>	337,926	194,779
Scope 3 – Other indirect emissions <sup>5</sup>	3,527	2,288
Greenhouse gas emission intensity (tonnes of CO <sub>2</sub> e/tonne of product)	1.12	1.04

### Remarks:

1. The data of 2019 is provided by the four Subsidiaries, which includes Sinochem Fuling, apart from Sinochem Yunlong, Sinochem Changshan, Shandong Fertilizer.
2. The Group's greenhouse gas list includes carbon dioxide, methane and nitrous oxide, the greenhouse gas emission presented in CO<sub>2</sub>e.
3. Scope 1 includes consumption of fuels in stationary sources (power generation, steam production and canteen), consumption of vehicle fuels, consumption of refrigerant, and the related reduction by planting trees. The data is calculated based on the methods and emission factors related to company's greenhouse gas emission accounting provided by the NDRC, and HKEX's "Reporting Guidance on Environmental KPIs".
4. Scope 2 includes purchased electricity and purchased steam. The data is calculated based on the "Average Carbon Dioxide Factors for Regional Power Grids in China" published by NDRC, and methods and emission factors related to company's greenhouse gas emission accounting.
5. Scope 3 includes business air travel, emission from waste paper disposal, energy consumption from water and wastewater treatment. The data is calculated based on the Carbon Emissions Calculator of the International Civil Aviation Organization, and HKEX's "Reporting Guidance on Environmental KPIs".



Greening of production base in Sinochem Changshan



## ENVIRONMENTAL PROTECTION

In order to stringently control risks caused by climate change, the Group has implemented risk identification work every year, in order to respond and formulate preventive measures as soon as possible. The production and operation of the Group involve climate-related risks, including policy-induced risks such as raising requirements for the Group's production and product, market risk such as the cost of adopting low carbon technology, and physical risk such as the damage caused by extreme weather incidents, etc. Among these, since natural disasters around the world become more frequent, and the scope and damage of disasters getting higher, we believe that the physical risk caused by climate and environmental change will become a challenge to Sinofert.

With regard to this, Sinofert has planned ahead and set up effective prevention and emergency mechanisms. All subsidiaries of Sinofert have set up contingency plans for environmental emergencies to prevent major environmental incidents caused by natural disasters or man-made incidents, and eliminate or mitigate the impacts by the environmental incidents. In terms of accident prevention, subsidiaries conduct daily monitoring on dangerous sources and formulate measures to prevent and control existing risks. When an emergency occurs, the company will launch an emergency response mechanism and strictly follow the information reporting procedures. A pre-established emergency team will execute targeted rescue measures in the incidents such as various leakages, explosions, and fires to achieve timely control and improve the capability in handling environmental incidents. Apart from this, in order to respond to heavily polluted weather, the subsidiaries of the Group formulate emergency response plans under heavily polluted weather according to the requirements of Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, protecting the public health, as well as developing emergency emission reduction, reducing the impact of production plant operation emission on environment and climate change.

### 5.5 Waste Management

The Group strictly complies with laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Environmental Protection Law of the People's Republic of China and the Directory of National Hazardous Wastes to formulate requirements and management measures for the disposal of hazardous and non-hazardous waste. According to the Environmental Protection Management formulated by the Group, each subsidiary should conduct waste classification management to reasonably collect, store, transport and utilize the waste, and should take measures on spread, loss and leakage prevention or other anti-environmental pollution measures. Hazardous waste should also be utilized and handled by qualified units and follow-up management should also be performed to prevent secondary pollution. Therefore, the subsidiaries have formulated classification methods, hazardous waste handling procedures and disposal standards specific to the types of waste each of the subsidiaries produce.

## ENVIRONMENTAL PROTECTION

In terms of waste reduction, Sinofert actively responds to “The State Council of the PRC’s suggestions about formulating the 14th Five-Year Plan (2021-25) for Economic and Social Development and Long-Range Objectives Through the Year 2035”, improving efficiency of resource utilization comprehensively, accelerating the development of waste material utilization system, reducing the exploitation of natural resources. For example, unused materials such as steel leftovers and sulfur slag are generally recycled and reused by related corporates, while other recyclables such as phosphorus slag powder are sold to make fertilizers. In addition, some of the phosphogypsum produced during the production of phosphate fertilizers are used comprehensively to manufacture cement retarders and for sale, the fluorosilicic acid produced by phosphoric acid production plant would be used internally for the production of sodium fluosilicate, reducing waste and achieving harmlessness. In order to make full use of the waste generated during the production process, Sinochem Yunlong increased investment in phosphogypsum comprehensive utilization research and development project in the Year to build a phosphogypsum cement retarder plant with 50,000 tonnes annual production capacity to increase the comprehensive utilization rate of phosphogypsum and reduce storage and disposal. Furthermore, the subsidiaries also self-monitored the situation of dangerous waste utilization and external facilities operation, to reduce hazardous waste and its harmfulness.

### 5.5.1 Hazardous Waste

The major hazardous waste produced by Sinofert during the Year included waste mineral oil, waste catalyst, fluorosilicic acid, waste chemical reagent, battery, heat insulation cotton and fiberglass reinforced plastic, etc.. The total amount and intensity are 89,719 tonnes (46.91 tonnes in 2019) and 0.08 tonnes/tonne of product (0.03 kg/tonne of product in 2019) respectively. All hazardous wastes were centrally and properly stored in a dedicated storage area and collected and processed by qualified contractors, or used for the internal purposes of the companies.

Types <sup>1</sup>	Processing Method	Amount (tonnes)	
		2019 <sup>2</sup>	2020
Waste mineral oil	Processed by qualified units	22.53	31.77
Waste catalyst		23.34	11.16
Battery		Not applicable	7.15
Waste chemical reagent <sup>3</sup>		Not applicable	1.77
Heat insulation cotton		Not applicable	16.88
Fiberglass reinforced plastic		Not applicable	11.44
Fluorosilicic acid	Internal use of the companies	Not applicable	89,638.71

Remarks:

1. Battery, waste chemical reagent, warm-keeping cotton, fiber reinforced plastics and fluorosilicic acid are the additional waste types in the Year.
2. The data of 2019 is provided by the four Subsidiaries, which includes Sinochem Fuling, apart from Sinochem Yunlong, Sinochem Changshan, Shandong Fertilizer.
3. Waste chemical reagent includes chemical reagent and its packaging container.

# ENVIRONMENTAL PROTECTION

## 5.5.2 Non-hazardous Waste

The major non-hazardous waste produced by Sinofert during the Year included phosphogypsum, phosphorous slag powder, coal ash, waste steel, slag, sulfur slag and plastics, etc. The total amount and intensity are 978,959 tonnes (2,544,697 tonnes in 2019) and 0.85 tonnes/tonne of product (1.48 tonnes/tonne of product in 2019) respectively. All non-hazardous wastes were properly stored and treated accordingly.

Types	Processing Method	Amount (tonnes)	
		2019 <sup>1</sup>	2020
Phosphogypsum	Stockpiled/used for manufacturing cement retarders/processed by qualified units	2,364,108	907,781
Phosphorous slag powder	Used for manufacturing fertilizers by qualified units	18,768	13,216
Coal ash	Processed by qualified units	126,035	48,382
Waste steel <sup>2</sup>	Recycled by qualified units	378	311
Slag	Processed by qualified units	34,235	7,654
Sulfur slag	Recycled by qualified units	161	251
Plastic <sup>3</sup>	Processed by qualified units	1,011	1,210

Remarks:

1. The data of 2019 is provided by the four Subsidiaries, which includes Sinochem Fuling, apart from Sinochem Yunlong, Sinochem Changshan, Shandong Fertilizer.
2. Waste steel includes steel leftovers, waste machine tool and other general waste steel.
3. Plastic includes waste broken bags, waste woven bags, waste ton bags, waste plastic buckets, inner film, waste small ton bags, waste trays, tarpaulin and other plastic products.

# TALENT MANAGEMENT

## 6.1 Our Staff

Sinofert believes that “human resources are the most important resources of an enterprise, and enterprise value and employee value shall be promoted mutually”. We treat our employees as our most precious resources, supporters of business development and promoters of tertiary business start-up. Sinofert cares for the well-being of its employees from the first day of work to retirement, and strives to achieve common growth between the company and employees. Therefore, the Group has the following three objectives:

1. Fully protect the rights of employees: Sinofert puts focus on the protection of employees’ rights and insists on employing labor legally that employees are guaranteed equal and democratic rights. The Group promotes diverse development of talents which in turn provides a strong support in sustainable development of the Group.
2. Maximize employee’s value: Sinofert continuously improves staff training and employees’ professional abilities which helps raise their career development possibilities and maximize their value to the Group.
3. Foster employee’s sense of belonging: Sinofert cultivates a “people-oriented” corporate culture and the caring atmosphere within the Group which helps reduce staff turnover rate and improve employee’s sense of belonging.

Sinofert believes that employee unity is an important factor in maintaining a stable rate of business development. Therefore, we always whole-heartedly try to build the Group into a desired career development platform for employees. The Group will continue to attract and retain talents to build a competitive and united team by creating a harmonious atmosphere.

Indicators	Employees Turnover Rate in 2020
<b>Gender</b>	
Male	12%
Female	19%
<b>Age</b>	
Lower than 30 years old	22%
30-50 years old	11%
Greater than 50 years old	17%
<b>Geographical region</b>	
Mainland China	14%
Hong Kong	0%



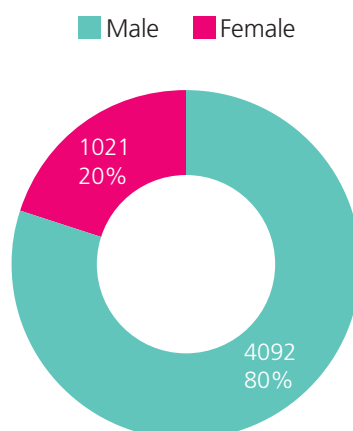
The Group strictly complies with the Labor Contract Law of the People's Republic of China and other employment regulations and policies. The Group is committed to equal employment and to providing a fair, democratic, competitive and merit-based staff selection and employment mechanism. Discriminatory behavior in any form is strictly prohibited, and we do not employ any child labor and forced labor. We rigorously comply with the Provisions on the Prohibition of Using Child Labor that the human resources department will stringently verify the applicant's identity card to ensure that the applicant reaches the legal working age. If child labor is found, we will terminate the employment immediately, and conduct investigation to identify loopholes and implement remedial measures to prevent the incident from repeating. We protect the rights and interests of female employees by implementing equal pay for the same work, and by prohibiting the employment of female workers in mines or as mine laborers. Also, all subsidiaries follow relevant laws to pay the actual amount of salary and overtime compensation to employees. Working hours and holidays are also defined and provided in accordance with national laws.

The main components of Sinofert's remuneration package include basic salary, and (if applicable) other allowances, annual performance bonuses and other rewards, mandatory provident funds, and state-managed retirement benefit plans. Through reasonable salary structure design, we can combine the benefits of key employees with the performance of Sinofert and the value of shareholders, and balance short-term and long-term interests. At the same time, we also aim to maintain the competitiveness of overall salaries. Difference in cash remuneration is set according to the importance of the staff's positions. The higher the importance of the position, the higher the proportion of the performance-based bonus to the direct compensation. This ensures that the Group can attract, retain and motivate the talents needed for the development of Sinofert and, at the same time, avoid over-motivation. Sinofert holds meetings and reviews its remuneration policy every year, during which the Group takes suggestions, when necessary, from professional consultants to ensure the suitability of the remuneration's competitiveness so as to support the business development of the Group.

## 6.2 Staff Composition

During the Reporting Period, Sinofert was not aware of any significant violation of law and regulations regarding its employees. As at 31 December 2020, the Group had a total of 5,113 employees, among which 80% were male and 20% were female.

### Gender Distribution of Employees

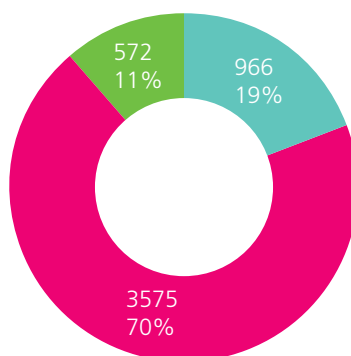


## TALENT MANAGEMENT

According to the Chinese labor laws, the minimum legal working age is 16 years old. The Group ensures all employees are in possession of valid identification documents and are in compliance with Chinese labor laws. As at 31 December 2020, 19% of the Group's employees were under 30 years old, 70% were 30-50 years old, and 11% were greater than 50 years old.

### Age Distribution of Employees

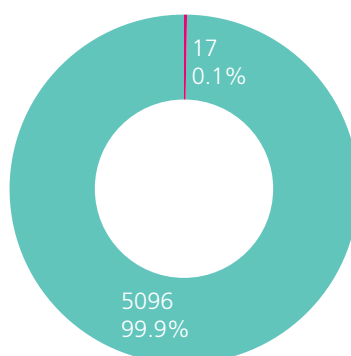
■ < 30 years old ■ 30-50 years old ■ > 50 years old



As at 31 December 2020, 5096 employees of the Group worked in mainland China, while 17 employees worked in other areas.

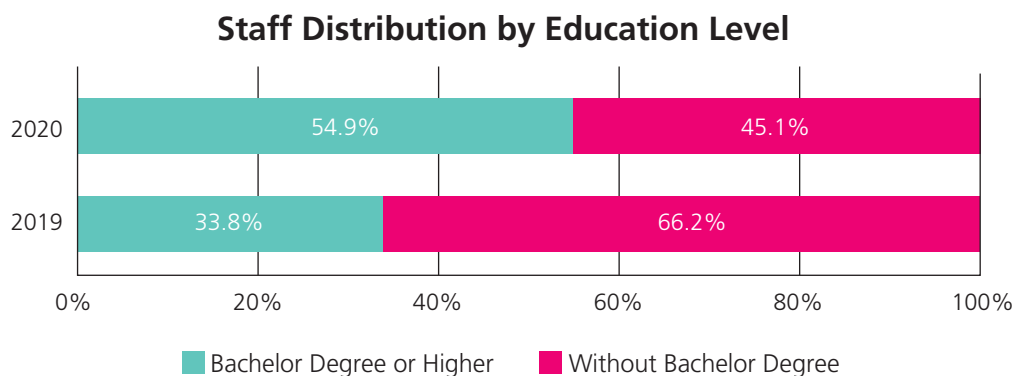
### Geographical Distribution of Employees

■ Mainland China ■ Others



## TALENT MANAGEMENT

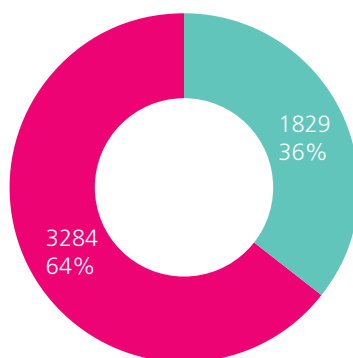
As at 31 December 2020, 54.9% of the Group's employees were holders of a bachelor's degree or above, showing an increase as compared with the previous year.



As at 31 December 2020, about 36% of employees were office staff, and the rest were manual workers.

### Staff Distribution by Duty

■ Office Staff ■ Manual workers



### 6.3 Occupational Health and Safety

Sinofert, as the responsible body for occupational hazards prevention, considers its chief executives to be fully responsible for the prevention and control of occupational hazards in the workplace of the Group. The Group has set up an occupational health management organization, HSE and Capacity Management Department, with occupational health management staff, human resources management departments and labor unions to assist in supervision and management. The Group has established a series of systems, such as the construction of a “triple-simultaneous” management system for occupational hygiene, occupational disease prevention education and training policies, protective equipment management policies, employee occupational health monitoring and documentation management system, etc. to ensure the occupational health and safety of employees. In terms of prevention and control of occupational disease hazards, we also have a responsibility system for prevention and control of occupational diseases. We have established strict guidelines and requirements for hazard prevention, warning and notification, declaration, monitoring and evaluation, accident handling and reporting, and emergency rescue and management to minimize the risk brought by occupational hazards.

During the Year, 39 days were lost due to work injuries. In the past three years, the Group has no work-related fatalities.

Sinofert adheres to the “prevention-oriented, integrated prevention and control, and comprehensive management” approach to deal with occupational health. The Group conforms to the Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases, Provisions on the Supervision and Administration of Occupational Health at Work Sites, and the Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance and other related laws, regulations and standards to implement the management system of “corporate responsibility, hierarchical management, and periodic assessment”. During the Year, we continued to aim at achieving “no production accidents of high level or above, no environmental protection incidents of level IV or above, and no occupational disease hazard accidents”, etc. in order to achieve the overall stable development of health, safety and environmental protection.

The Group attaches great importance to the safety and health of employees and have joined work injury insurance in accordance with the law to pay work injury insurance premiums for all employees. The Group also entrusts technical service organizations with corresponding qualifications to conduct occupational hazard factor tests at least once a year. For subsidiaries or departments with serious occupational hazards, the subsidiaries assess the status of occupational hazards at least once every three years and rectify the issues raised. Apart from this, the Group actively engages in screening and identification of potential hazards, and has discovered various potential hazards during the Year, which involved fire safety issues and hazardous chemicals handling. Relevant departments actively implemented screening and identification of potential hazards in teams to eliminate the hazards in a timely manner, thereby enhancing safety of the production plants.

## Respond to the Novel Coronavirus Epidemic

In the face of the novel coronavirus epidemic, the Group has put great efforts on epidemic prevention and anti-epidemic work. The subsidiaries have formulated guidelines for epidemic prevention and control as well as emergency plans, to ensure the production plants can operate normally, while the health of employees is also guaranteed. In order to respond to the novel coronavirus epidemic, the subsidiaries have established an emergency rescue leading group for handling emergency items related to the novel coronavirus epidemic. Among these, Sinochem Shandong has formulated “The Three Disciplines and the Eight Considerations for Novel Coronavirus Epidemic Protection”, listing the points to note for the employees under the epidemic, for instance, forbidding to cover up the contact history with confirmed cases announced by the government or employees with symptoms similar to novel coronavirus epidemic, prohibiting any group gatherings at work.

The Group has also procured protection and disinfection materials and distributed them to employees. The Group also set disinfection checkpoints at the office entrance, further improving the epidemic prevention for on-site working. Besides, for employees who live in areas with confirmed cases, we consoled them through telephone conversation and sent epidemic prevention kits to their homes. Regarding the psychological health of employees, online public courses on psychological health have been organized and a 24-hour psychological counseling hotline has been set to relieve their psychological stress when working under the epidemic.



In terms of education, the Group’s headquarters and its subsidiaries have formulated health and safety training and education programs to provide focused training to production teams, team leaders, managerial staff, outsourced construction workers, and new employees. The training programs involve various issues related to occupational health and safety, including instructions for using personal protective equipment, interpretation of occupational health law and regulations, emergency rescue procedures for acute occupational injuries, with the aim of increasing employees’ awareness and knowledge of occupational health and safety.

## Case Study

### Sinochem Shandong “Safety Production Month” Training and Emergency Incident Practices in 2020

Sinochem Shandong launched the Production Safety Law and double prevention system and related incidents specialized training in the “Safety Production Month”, spoken by the Safety Director and Manager of the Safety Department, with the aim of raising the awareness of safety production for different levels of managing staff, ensuring safe operation of the company. In addition, the company organized 9 emergency practices in June, and improved the emergency response ability of on-site staff according to the weaknesses revealed in the practice process, in order to ensure stable operation of the company.



## 6.4 Employee Training and Development

Sinofert believes that staff members’ personal improvement and business development are closely connected. We regard each employee as a partner and aim to let them grow with the Group. We respect employee’s character and ideas, and strive to create equal opportunities for all to develop their talent and advance their career.





## TALENT MANAGEMENT

Furthermore, Sinofert also puts great emphasis on improving the comprehensive quality and professional and technical capabilities of all employees, enhancing the employees' own ability while raising the Group's talent competitiveness. During the Year, the Group provided 123,687 hours of training (excluded the training organized by the subsidiaries) with around 19,258 participants. The training courses covered all aspects from industry development, strategic implementation, organizational capacity building, corporate culture, leadership enhancement, marketing management, innovative method and tool, policy interpretation, new media operation, product knowledge, technical exchange, compliance risk, epidemic prevention and control, finance, human resource management, production safety, general skills, etc. These trainings help to continuously improve the management skills and professional level of the Group's management, enhance the overall quality of the employees, so as to follow the rapid development of the Group and increase the core competitiveness. Furthermore, in order to focus on ability engancement and development demands of the talents, the Group has built trailblazer online learning platform for employees, so as to stimulate the learning vitality of employees as well as improve the professional skills and combat power of the operation team through various functional designs, thousand-person learning projects, fruitful course content and operational activities..

At the same time, the Group makes sure directors have sufficient channels and opportunities to participate in training in order to constantly update themselves with professional knowledge and business acumen, which ensures that their contributions to the Board remain informed and relevant. During the Year, some directors attended seminars on ESG reporting which was organised by the Stock Exchange of Hong Kong, as well as training on ESG matters such as anti-corruption, compliance and corporate training under the epidemic, organised by external professional orgainisations. In addition, the subsidiaries has formulated annual training programs, providing training corresponding to the working environment and position of the staff, including occupational safety, environmental protection, facilities update and so on, consolidating their knowledge and understanding about the work positions, as well as broadening the horizon of the staff, enhancing the understanding and sense of belongings to the Group comprehensively.

## Case Study

### Environmental Protection Training of Sinochem Changshan

During the Reporting Period, Sinochem Changshan held a training course related to the Measures for Hazardous Chemicals, Hazardous Waste and Solid Waste and national catalogue of hazardous wastes, explaining to employees about legal waste treatment and introducing hazardous waste listed in the national catalogue of hazardous wastes. In addition to environmental protection departments, this training allowed other functional departments to understand the importance of proper waste treatment and improved the company's overall environmental protection awareness.



## 6.5 Caring for Employees

The Group pays attention to the protection of employees' rights. The Group also strictly abides by relevant laws and regulations of the Labor Law of the People's Republic of China, and treats employees of different nationalities, races, genders, religious beliefs and cultural backgrounds fairly and equally. We have established a sound democratic management system based on employee congresses as the main form to protect employees 'right to know, express and supervise, and pay attention to and actively respond to employees' demands. The Group has always been people-oriented, caring for employees while setting strict requirements for employees. This enables employees to work happily, live happily, and have well-rounded development and share the benefits of reforms and development with the Group.

## Case Study

### 2020 Autumn Badminton Competition

The Group held Autumn Badminton Competition in the Year, further enriching the cultural life of employees, developing team spirit, and facilitating communication between badminton lovers.



### Establishment of Love Foundation

With the principal of “Poverty Relieving, Caring and Supportive”, the Group established “Love Foundation” to promote the spirit of unity, supporting and love, concerning and caring employees experiencing difficulties, helping those employees to alleviate the life difficulties caused by critical illness or family crisis. The Foundation is responsible for regularly holding and subsidizing staff and charity events by launching two main supporting programs: Caring Supporting Program and Stand Up Supporting Program, aiding the employees, their parents, spouses, children and fresh graduates respectively, bringing the benefits of “Love Foundation” to more staff, facilitating mutual development of the Group and employees.



# OPERATING PRACTICES

## 7.1 Corruption Prevention System Establishment

Combined with the latest reform and development as well as the actual situation of operation, Sinofert focuses on integrity construction and anti-corruption work, and continuously builds an atmosphere of “Dare Not Corrupt”, sets up a “No Corruption” mechanism and establishes the idea of “Unwilling to Corrupt”. This helps upgrade Sinofert’s strategy of development and innovation.

### (1) Establishing a “No Corruption” mechanism

Through research, the Group is able to understand the risks and phenomenon of corruption when the management exercises its authority. Based on the restriction of power and the control of corruption risks, the Group has motivated every units of the Group to consolidate the measures for integrity risk prevention and control in full process of corporate governance, internal control and risk management. Sinofert has formulated different relevant regulations and standards, for instance, Sinofert Administrative Measures for Economic Responsibilities Accounting, Administrative Measures for Fees and Reimbursement Process, Provisions on Administration of Securities Transactions and etc. so as to protect public interests and ensure legality of financial expenditure, eradicating insider trading and market misconduct. At the same time, in order to highlight key corruption risks and areas and to strengthen institutional control, the Group has integrated the establishment of “No Corruption” mechanism tightly with operational management so as to promote the implementation of key tasks and facilitate the healthy development of the Group.

The Group has formulated measures specifically for the administration of directors and senior management security transaction, in an effort to regulate the security transaction of directors and senior management, and prevent any corrupt behavior. In addition, in view of implementing the eight Central regulatory rules and related regulations, as well as preventing the “four culture”, the Group has launched the special campaign against violating the eight Central regulatory rules. The Group regulates the abuse of public resources for private use, transfer of benefits and other malpractices by different measures, for instance, requiring all employees to study anti-corruption-related policies and complete self-inspection within a time limit.

### (2) Practical and detailed day-to-day supervision

At the timing of general election, selection and appointment, evaluation for excellence, Sinofert strengthens the procedures for checking integrity of new staff, engages response to integrity and culture of the Party, organizes conversations about integrity with new staff working at key positions, and dynamically updates the integrity files of key positions in the division. In addition to announcing the internal whistle-blowing emails and phone numbers, we also post “service supervision cards” at different units of the Group so that all staff are under internal and external supervision. By exerting more efforts in the investigation and handling of problem clues, we earnestly maintain the solemnity and authority of discipline. During the Reporting Period, the Group did not find any serious violations of rules and regulations and was not involved in any corruption lawsuit.

### (3) Creating clean and positive atmosphere of operation administration

In order to raise the staff's self-awareness against corruption, the Group has actively organized anti-corruption training and workshops, providing updated information about anti-corruption and integrity to the staff regularly. The Group also provides education about compliance with regulations and discipline, seizing the timing of significant conference event, festive holidays and new staff promotion. Furthermore, we launched the fourth "Clean Agriculture – Recording integrity accomplishments" event. By providing 8 sessions (in a total of 9 hours) of professional integrity training for over 400 staff, we continuously implant the attitude of integrity and self-discipline to our staff.

## 7.2 Supply Chain Management

Sinofert is a member of the International Fertilizer Association (IFA), and is one of the 17 members of the International Plant Nutrition Institute (IPNI). We have more than 60 years of experience in international trade and development of international trading network, and are the main importer of chemical fertilizers in China. For potash fertilizer imports, the Group has established long-term strategic partnerships with major suppliers including Canpotex, the Arab Potash Company (APC) and the Belarusian Potash Company (BPC), safeguarding a constant input of quality products.

### 7.2.1 Employment, Management and Monitoring of Suppliers

Sinofert categorizes its material procurement and has adopted an integrated system of supplier management for bulk commodities. To select the most comprehensive and outstanding supplier, the Group applies entry review mechanism, the assessment indicators include business nature, scale, productivity and capacity, management stability, technological strengths, its environmental and social performance and other factors. We especially value the environmental and social risk management of the suppliers. In the environmental aspect of the reviewing process, we prioritize the suppliers which apply more comprehensive environmental management mechanism, especially those passing ISO14000 or similar certifications. In the social aspect, we value the quality and social responsibility performance of the suppliers, for instance, if they have obtained any ISO9000 or related certification, and if any significant safety incidents and negative news have occurred. The access review mechanism effectively protects the Group from potential environmental and social risks in the supply chain.

For existing suppliers, Sinofert has also applied suppliers' evaluation mechanism, including annual review and irregular sampling investigation. The evaluation uses the product, service quality, technology and service standard, price, delivery condition, after-sales services and other factors as rating indicators, providing the main blueprint for the Group rewarding and punishing suppliers.

Furthermore, to promote the usual practice of using green products and services, the Group selects efficient, energy-saving and emission-reduction models when choosing equipment, with the principles of facilitating energy saving, emission reduction and raising comprehensive results, eliminating energy intensive equipment. The Group prioritizes the procurement and use of products certified with energy saving and emission reduction criteria, and reduces or stops using products that waste energy and water resources.

## 7.2.2 Categorization of Suppliers

During the Year, Sinofert implemented further integration for and compiled statistics of national suppliers. As of 31 December 2020, a total of 1,363 suppliers had qualified through the admission approval process of the Group, including 173 trading companies and 1,190 production companies. Through the integration of information of suppliers including their regional distribution, business nature, supply chain network, etc., Sinofert has become more effective in selecting, managing and monitoring suppliers, which improves the cost-effectiveness of the supply chain.

	Number of Suppliers in 2020 (Unit)		
	Trading	Production	Total
<b>Domestic</b>	165	1,168	1,333
<b>Overseas</b>	8	22	30
<b>Total</b>	173	1,190	1,363

## 7.3 Quality Management

In order to conscientiously implement the Product Quality Law of the People's Republic of China, Sinofert has formulated the Quality Management Measures of Sinofert, and at the same time requires its subsidiaries to formulate relevant quality management systems according to their product categories and actual conditions as well as establish a sound quality management system. The quality management systems of the Group's subsidiaries meet the relevant requirements of ISO 9001. Through strengthening the process management and actively adopting advanced production process, technologies and equipment, the Group strives to achieve that all products meet national quality requirements and safety regulations and all industry-related standards. We earnestly carry out quality management publicity and education, and provide operation trainings for quality control personnel so that overall management quality can be improved.

### 7.3.1 Product Quality Control

In terms of product quality, Sinofert has always maintained extremely high requirements and handled with prudence. The Group pushed the subsidiaries to establish internal corporate standards for product quality that are equivalent to, or more stringent than, national standards. The Quality Management Measures of Sinofert stipulates that the quality management department of subsidiaries should formulate product quality technical indicators and quality control indicators and analysis plans for intermediate products. Defective intermediate products and returned materials of are not allowed to enter the next manufacturing process. Causes of the defects have to be identified with corrective measures and appropriate treatment carried out. The Group also has a professional laboratory to analyze and test each batch of products so as to strength quality control of the manufactured products, ensure the quality of the manufactured products fulfill clients' requirements and avoid delivering unqualified products. During the Year, the Group did not recall any sold or shipped product due to safety and health reasons.

### 7.3.2 Whole-Process Quality Inspection

The Group has established quality inspection procedures for each of its products, from raw material procurement, production and processing, process inspection, logistics and warehousing, sales tracking, to product accident handling. Each subsidiary has a dedicated quality management department that overlooks and controls the entire internal and external quality management process of the company in different stages to ensure that the quality inspection process and results are controllable. We implement the target system of quality control indicators, define the key quality indicators of the Group, and implement periodic tracking and assessment of the results of enterprise quality indicator operations. Taking Sinochem Yunlong as an example, through comprehensive management of technology innovation, process quality control, and equipment technology transformation, Sinochem Yunlong has formulated comprehensive quality management system to ensure that the devices within the processes are “stable, long-lasting and excellent”. The one-time inspection pass rate is close to 100%, and the quality reaches international advanced level, gaining the European Feed Additive and Premixture Quality System (FAMI-QS(ver. 6.0)) Certification.

#### Compound (Composite) Fertilizer Test

To implement “Sinofert Compound Fertilizer Enterprise Standard” (stricter than National Standard GB15063): Testing items include the specified indicators in national standards such as nutrients, water, chloride etc., as well as the scrap rates, particle strength testing and other corporate indicators (not specified in national standards but in the Group). For national standard projects, Sinofert launches continuous sample tests, testing one batch each shift or batches of no more than 500 tonnes. For non-national standard projects, Sinofert carries out type inspection every three months in principle (special cases are not included).

#### Urea, Phosphate Fertilizer (Monoammonium Phosphate, Phosphoric Acid li) Test

To implement national standard (GB00240, GB10205): Testing items include the specified indicators in national standards such as nutrients, water, chloride etc., as well as the scrap rates, particle strength testing and other corporate indicators (not specified in national standards but in the Group). For national standard projects, Sinofert launches continuous sample tests, testing one batch each shift or the batches of no more than 500 tonnes. For non-national standard projects, Sinofert carries out type inspection every three months in principle (special cases are not included).



### 7.3.3 Handling of Customer Complaints

Sinofert has a dedicated customer service department to accept and handle complaints about quality or customer opinions. The responsible department has established clear responsibilities and established a comprehensive working mechanism. If customers report product issues and raise questions to distribution outlets, the Group will fully communicate with customers. By communicating about the complaints that cannot be resolved, the Group will organize relevant units to provide users with technical advice, or even conduct external investigations or provide technical services on-site, and provide necessary explanations and comfort to customers involved in the issue. During the Year, the Group received 18 complaint cases from dealers and customers, mainly involving product chalking problem. After investigation and communication, the responsible departments arranged appropriate refund, return and other settlements. All customer complaints were resolved properly.

### 7.4 Privacy of Customers

The Group is committed to protecting customer information and customer privacy, since the leakage of customer information will cause adverse impacts and losses to the company itself, customers and other stakeholders. Therefore, the Group has established the Customer Management Regulations of Sinofert, which indicates that customer information is an important asset of the Group and an integral part of the Group's confidential trade information. No one is allowed to disclose customer information without approval. The paper and electronic documents related to customer information management should be properly archived and stored in accordance with the Administrative Measures of Documentation.

### 7.5 Labeling and Advertisement

In order to avoid the spread of misleading information, the Group strictly executes Administrative Measures for Product Packaging and Labeling, controlling the labels and information contained in product packaging, as well as the content of any product promotion. The marketing management department of the Group is responsible for coordinating the planning and launch of online advertising strategies for the Group's brand and product brand. The advertising planning and delivery of each subsidiary should be submitted to the marketing management department for review. The marketing management department inspects all kinds of advertisements issued by the subsidiaries, finds non-compliances, and orders for rectification. The Group also has Administrative Measures for Product Marking and Tracing, regulating the marking of products, avoiding blurry and unclear brand logo or inconsistent packages. Upon discovering substandard products in production process or after sales, the quality and technology department and the sales department have the rights to trace the products, ascertain the cause and explain to the customers. In addition, the Group requires that the design of product packaging and promotional materials need to be in compliance with relevant national standards and regulations, and relevant departments should complete the registration of fertilizers and product enterprise standards in advance. Before carrying out product packaging and promotion programs, each subsidiary must strictly implement the preliminary work and perform fertilizer efficiency verification in accordance with the Administrative Measures for the Entry and Exit of Products of Sinofert.

## 7.6 Protection of Intellectual Property Rights

The Group is dedicated to protecting intellectual property rights, strictly executing the Administrative Measures for Intellectual Property Rights of Sinofert and Administrative Procedures for Patent of Sinofert, focusing on development and protection of high quality patent. Compared with 2019, Sinofert's proportion of invention patent in the patent application increased by 19.6% in 2020. During the Year, the Group further enhanced protection and portfolio of intellectual property rights of high-value products, centering on ecological fertilizer, functional fertilizer, soil improvement and synergistic basic fertilizer for research and development and products patent protection, submitting 19 invention patent applications. Sinofert actively raises intellectual property rights protection awareness and intellectual property rights professional ability of the research and development team, organizing training under the themes such as "high value patent nurturing essentials and case studies". To strengthen intellectual property right protection and standardized management of Sinofert, Sinofert set up intellectual property rights specialized positions at the group level and subordinate units respectively, which are responsible for protection of intellectual property rights and related management.



## CARING FOR THE COMMUNITY

As a corporate citizen, Sinofert has been actively participating in various types of community activities and proactively understanding the needs of the communities in which it operates. This ensures that our business development can effectively strengthen the interests of the community and maintain good neighborhood relationships. At the same time, we are also actively promoting the development of the surrounding areas by various ways such as supporting local education to build a close relationship between the Group and the community.

With serving Chinese farmers wholeheartedly as our main goal, we actively exert industry influence and leading role, and expand the sales and distribution channels.. During the critical production period in spring and summer, we relied on comprehensive agricultural materials distribution service network, which covers more than 95% of the country's cultivated land area, to push forward direct access of agricultural materials to the grassroots and ensure a stable supply. At the same time, we provided comprehensive and differentiated customized services for large-scale planting unit and new kind of planting entity, guiding farmers to fertilize land scientifically. Integrating quality resources, and uniting international advanced agricultural capital good enterprises for complementary advantages, Sinofert provides plant nutrition, plant protection, cultivation technologies and other comprehensive training services for farmers. Sinofert also gradually forms comprehensive crop planting solutions in different regions of the country, reducing planting costs of farmers, improving crop quality, and increasing income of farmers..

During the Reporting Period, the Group continued to focus on initiatives such as providing free soil testing services, field guidance, online and offline technical lectures, and anti-counterfeiting activities. We also cooperated with the National Agricultural Technology Extension and Service Center to carry out projects such as construction of experimental demonstration fields and new types of training for farmers. The Group carried out a total of over 50,000 events, including more than 24,000 field guidance and soil testing and fertilizer activities, over 6,000 anti-counterfeiting activities, no less than 10,000 sessions of online and offline trainings for farmers, over 4,000 sessions of online and offline demonstration seminars, and more than 3,000 construction of experimental demonstration fields. Over 60,000 copies of the online and offline promotion information are distributed. This has greatly benefited thousands of villages and towns across the country, with more than 5.4 million farmers benefited directly.

### Case Study

#### Research and Demonstration of Sinofert's Technology

During the Reporting Period, Linyi Research and Development Center of the Group, as the production-education-research base of the "National Alliance of Technology Innovation for Fertilizer Reduction and Higher Efficiency", has developed new crop nutrition products and explored new scientific fertilization methods, with the goals of fertilizer reduction while increasing efficiency and sustainability, by cooperating with scientific research units such as the Chinese Academy of Agricultural Sciences. In addition, we cooperated with government departments such as the Planting Division of Ministry of Agriculture and the National Agricultural Technology Extension Service Center to organize demonstration and promotion workshop. The workshop was related to green and efficient products, fertilizer and pesticide integrated products, and projects on reduction of fertilizers with increased efficiency, replacement of chemical fertilizers with organic fertilizers, as well as green, quality and efficient production and technology integration.

The Group combines soil improvement with fertilizer application, improving the soil environment reasonably. Through performing flying prevention operations with mixtures of special fertilizers and pesticides, the overall usage of fertilizers and pesticides can be reduced, and labor costs can be saved so that we can fulfill social responsibility by helping farmers to earn higher income. Sinofert actively organized new business entities and carried out large-scale demonstration seminars in different places surrounding the combination of agronomy and agricultural machine, which helped facilitate projects such as deep application of rice fertilizers and water and fertilizer integration. Such practice facilitated the structural reform at the agricultural supply side and vigorously promoted the mechanization of agricultural production. It also fully improved the utilization rate of fertilizer and water resources and reduced pollution to the agricultural environment. Sinofert has also carried out numerous experiment demonstrations and farmer trainings through the scientific use of soil conditioner and organic fertilizers, implementing national farmland protection-related policies.

During the Year, when fighting against the novel coronavirus epidemic, Sinofert fully performed corporate social responsibility, providing sanitizer and other protective equipment to the Hubei area and has donated in total RMB209,800, launching charity campaign jointly with local villages. Online and offline linkages of all business departments of the Group allocated nitrogen, phosphorus, potassium, common compound fertilizer and functional compound fertilizer across the country to the market, fulfilling farmers' needs of spring ploughing, contributing to a stable production of agricultural products. Numerous employees of the Group actively responded by donating to the areas in Hubei with severe epidemics for prevention and control measures of local government departments. We also donated to fruit tree growers who suffered from hail and other disasters, and organized expert team to formulate administrative plan for scientific post-disaster nutritious plant protection timely based on the situation of the disaster, contributing to the stable agricultural production and supply.



## CARING FOR THE COMMUNITY

Sinofert's subsidiaries have also engaged in various types of community caring activities, actively carried out donation, education-aid and other charity activities in rural areas, and contributed to the realization of the goal of strong agriculture, beautiful countryside and prosperous farmers. For example, Sinochem Yunlong participated in the blood donation in Xundian County during the Year. With the improvement of medical protection quality and the increasing demand for medical services, clinical blood usage is increasing year by year, thus the demand for blood collection in Kunming City. Xundian County has therefore encouraged enterprises in the county and the public to donate blood. The activity was actively responded by Sinochem Yunlong's employees with numerous participants. This helped achieve the goals and tasks of the county's blood donation and made everyone's life wonderful because of our dedication. Besides, the Group donated RMB 1 million in cash to the Red Cross Society of Chifeng for the purchase of intelligent irrigation system and supplementary agricultural equipment in Alu Kerqin Banner of Inner Mongolia, as well as supported the development of Alu Kerqin Banner and other rural areas with the amount of poverty alleviation in the form of consumption reaching RMB968,300. The Group also donated RMB 203,300 of fertilizer to the disaster areas including Laiyang and Luochuan of Shandong Province, and carried out charity activities to help students in Xianfeng Town, Pulu Village, Fulu Village and Xundian County of Yunnan Province, donating RMB166,400.

# PROSPECT

During the Reporting Period, Sinofert spared no effort to perform ESG-related work and strived for perfection. We are dedicated to meeting the expectations of our stakeholders, focusing on aspects such as corporate compliance operations, pollution prevention, energy conservation and emission reduction, occupational health and safety, quality assurance, and anti-corruption. We also pay attention to other issues related to the Group's operation, and continue to implement high-level human resources management and enrich community projects and activities.

Looking ahead, the demand for agricultural modernization will remain as Sinofert's direction of development, and serving farmers will remain as its mission. We will deepen the cooperation with the government and scientific research institutions surrounding the goals of "Reducing Quantity" in national fertilizers and pesticides. We will also integrate internal and external resources of the Group with scientific fertilization, combination of water and fertilizer, new forms of training for farmers and integrated social agriculture services as major focuses, so as to constantly renovate our services and provide high-quality, professional and effective integrated agricultural services to Chinese farmers. At the same time, the Group deeply believes that ESG will become one of the leads in directing our development. Therefore, the Group will also keep improving its ESG policies, facilitating environmental governance, employment and product responsibility, and pushing forward the modernization of China's agriculture in order to share the fruits of the Group's development with the community and establish a sustainable community with higher value.





## YOUR FEEDBACK

We value your feedback on our sustainability performance. If you have any comments or suggestions regarding the Report or our environmental and social performance, please contact us by the following means:

1) Hong Kong office

Address: Room 4705, 47/F Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong

Tel: 852-3656 1588

Fax: 852-2850 7229

2) Investor Relations Department, Sinofert Holdings Limited

Address: Level 18, Youan International Tower, Xitieying Middle Road, Fengtai District, Beijing 100069, PRC

Email: [ir\\_sinofert@sinochem.com](mailto:ir_sinofert@sinochem.com)



# APPENDIX 1: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Chapter	Pages
<b>A. Environmental</b>			
<b>A1 Emissions</b>			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection	10-24
A1.1	The types of emissions and respective emissions data.	Pollution Monitoring	11-15
A1.2	Greenhouse gas emissions in total and its intensity.	Dealing with Climate Change	20-22
A1.3	Total hazardous waste produced and its intensity.	Waste Management	22-24
A1.4	Total non-hazardous waste produced and its intensity.	Waste Management	22-24
A1.5	Description of measures to mitigate emissions and results achieved.	Pollution Monitoring ; Use of Resources ; Dealing with Climate Change	11-22
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	22-24
<b>A2 Use of Resources</b>			
General disclosure	Policies on the efficient use of resources.	Use of Resources	16-20
A2.1	Direct and/or indirect energy consumption by type and its intensity.		
A2.2	Water consumption in total and intensity.		
A2.3	Description of energy use efficiency initiatives and results achieved.		
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		
A2.5	Total packaging material used for finished products with reference to per unit produced.		

## APPENDIX 1: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Chapter	Pages
A3 Environment and Natural Resources			
General disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	Environmental Protection	10-24
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		
B. Social			
B1 Employment			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations with that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	Our Staff; Caring for Employees	25-26 ; 33-34
B1.1	Total workforce by gender, employment type, age group and geographical region.	Staff Composition	26-28
B1.2	Employee turnover rate by gender, age group and geographical region.	N/A	N/A
B2 Health and Safety			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	29-31
B2.1	Number and rate of work-related fatalities.	Occupational Health and Safety	29-31
B2.2	Lost days due to work injury.	Occupational Health and Safety	29-31
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	29-31

## APPENDIX 1: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Chapter	Pages
B3 Development and Training			
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training and Development	31-33
B3.1	The percentage of employees trained by gender and employee category.	N/A	N/A
B3.2	The average training hours completed per employee, by gender and employee category.	N/A	N/A
B4 Labor Standards			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Our Staff	25-26
B4.1	Description of measures to review employment practices to avoid child and forced labor.		
B4.2	Description of steps taken to eliminate such practices when discovered.		
B5 Supply Chain Management			
General disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	36-37
B5.1	Number of suppliers by geographical region.		
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.		

## APPENDIX 1: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Chapter	Pages
<b>B6 Product Responsibility</b>			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Quality Management; Privacy of Customers; Labeling and Advertisement	37-39
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Quality Management	37-39
B6.2	Number of products and service related complaints received and how they are dealt with.	Quality Management	37-39
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Property Rights	40
B6.4	Description of quality assurance process and recall procedures.	Quality Management	37-39
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Privacy of Customers	39
<b>B7 Anti-corruption</b>			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corruption Prevention System Establishment	35-36
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.		

## APPENDIX 1: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Chapter	Pages
<b>B8 Community Investment</b>			
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities interests.	Caring for the Community	41-43
B8.1	Focus areas of contribution.		
B8.2	Resources contributed to the focus area.		



## APPENDIX 2: ASSURANCE STATEMENT

To the Board of Directors of Sinofert Holdings Limited:

SHINEWING Sustainability Advisory Services Limited (“SHINEWING” or “We”) has been engaged by Sinofert Holdings Limited (“Sinofert”) to conduct an independent assurance engagement on the information and data about sustainable development in the *2020 Environmental, Social and Governance Report* (“2020 ESG Report”) of Sinofert. This independent assurance statement is for the use by the stakeholders and management personnel of Sinofert. The statement has been prepared in English and Chinese versions. Should there be any discrepancies between these versions, the Chinese version shall prevail.

### I. Sinofert’s Responsibilities

Sinofert is responsible for preparing and writing the 2020 ESG Report in accordance with Appendix 27, the *Environmental, Social and Governance Reporting Guide* (“ESG Reporting Guide”) to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* issued by the Stock Exchange of Hong Kong Limited (“SEHK”). Sinofert is also responsible for implementing internal control procedures to ensure that the contents of the 2020 ESG Report are free from material misstatement, whether due to fraud or error.

### II. Assurance Provider’s Responsibilities

SHINEWING is responsible for issuing an independent assurance statement to the Board of Directors of Sinofert. This independent assurance statement applies solely to the expression of the conclusion on the assurance work in the specified scope of Sinofert’s ESG Report, and does not serve any other intents or purposes. SHINEWING ensures that all personnel involved in the assurance work meet professional qualification, training and experience requirements, and are demonstrably competent. SHINEWING also ensures that personnel involved in the assurance work are capable of conducting assurance engagements. All results of assurance and verification are internally reviewed by senior staff to ensure that methodologies used in the process are sufficiently stringent and transparent.

### III. Assurance Scope

- Adoption of a Type 2 Moderate Level of Assurance to evaluate the 2020 ESG Report’s adherence to the AA1000 Assurance Standard v3 (“AA1000ASv3”) issued by AccountAbility, an international advisory and standardization firm;
- Assess the nature and level of compliance of the 2020 ESG Report with the principles of Inclusivity, Materiality, Responsiveness and Impact suggested in the AA1000 Accountability Principles Standard (2018) (“AA1000AP”);
- Assess the extent of compliance of the 2020 ESG Report with the ESG Reporting Guide issued by SEHK;



## APPENDIX 2: ASSURANCE STATEMENT

- Limited assurance of the reliability of four specified performance indicators disclosed in the 2020 ESG Report selected and agreed upon between Sinofert and SHINEWING. The selected specified performance indicators are as follows :
  - Pollution Monitoring
  - Use of Resources
  - Dealing with Climate Change
  - Waste Management
- The scope of the assurance engagement is limited to information disclosed for the period from 1 January 2020 to 31 December 2020. Any information that falls outside this period or any other information disclosed in the 2020 ESG Report are not included in the assurance scope and thus we do not express any conclusions on these information;
- The scope of the assurance engagement is confined to the data and information in the 2020 ESG Report that are related to the production bases and offices in Jilin, Shandong and Yunnan of Sinofert and its subsidiaries, and does not include data and information of Sinofert's suppliers, contractors or other third parties;
- The scope of the assurance engagement is based on and confined to the information provided by Sinofert. Any queries regarding the content or related matters of this independent assurance statement should be addressed to Sinofert only.

### IV. Reporting Criteria

The environmental and social indicators in the 2020 ESG Report have been disclosed, in all material aspects, in alignment with the clause of "Comply or Explain" in the ESG Reporting Guide issued by SEHK.

### V. Methodology

SHINEWING's assurance work performed on Sinofert included:

- Assessing the suitability of Sinofert's stakeholder engagement participation process;
- Conducting online interviews with personnel involved in sustainability management, report preparation and the provision of other relevant information;
- Assessing whether the reporting and management approach for the 2020 ESG Report have been conducted in line with the AA1000AP principles of Inclusivity, Materiality, Responsiveness and Impact;





## APPENDIX 2: ASSURANCE STATEMENT

- Reviewing the supporting evidence of the qualitative specified performance indicators;
- Conducting random sampling of evidence pertaining to the quantitative specified performance indicators;
- Recalculating quantitative specified performance indicators;
- Performing other procedures we deemed necessary.

Assurance work was performed and conclusions were expressed based upon assumptions that information and data provided by Sinofert to SHINEWING were complete and accurate.

### VI. Independence and Competence

SHINEWING was not involved in data collection and calculation, or in the preparation of the 2020 ESG Report. SHINEWING's assurance works are independent of Sinofert. There is no relationship between Sinofert and SHINEWING beyond the contractual agreement for providing this assurance engagement.

### VII. Limitations

The absence of an internationally-agreed standard of evaluation and measurement of non-financial information allows different, but acceptable, measurement techniques for information and data and may affect comparability between entities.

### VIII. Conclusions

In accordance with the AA1000AP principles of Inclusivity, Materiality, Responsiveness and Impact, as well as the ESG Reporting Guide published by SEHK, our conclusions are as follows:

#### Inclusivity

Sinofert has identified key stakeholders and has established a database of sustainability issues through various forms of stakeholder engagement. Sinofert has demonstrated that their formulation of policies and daily operations account for stakeholders' expectations and their potential impacts. In our professional opinion, Sinofert adheres to the principle of Inclusivity.

#### Materiality

Sinofert has accounted for stakeholders' needs and concerned issues, and has disclosed qualitative and quantitative sustainability material issues and key performance indicators based on its unique business characteristics, legal and regulatory requirements, economic, environmental and social impacts, etc. In our professional opinion, Sinofert adheres to the principle of Materiality, and has identified material issues using suitable means.

## APPENDIX 2: ASSURANCE STATEMENT

### Responsiveness

Sinofert has developed multi-faceted policies to constantly respond to its material issues and at the same time has established channels to collect opinions from their stakeholders and discuss material issues. In response to stakeholders' needs and concerned issues identified in the materiality assessment, Sinofert has disclosed relevant policies in the 2020 ESG Report. In our professional opinion, Sinofert adheres to the principle of Responsiveness.

### Impact

Sinofert has adopted appropriate measures to identify, balance, manage and assess the material issues on environmental, social, market and industrial impacts during business operation. With stakeholder engagement and materiality assessment, Sinofert has fully considered their impacts of business operation to the external environment and has disclosed relevant information in the 2020 ESG Report. In our professional opinion, Sinofert adheres to the principle of Impact.

### Specified Performance Indicators

Based on the procedures SHINEWING has adopted and the evidence obtained, nothing has come to our attention, in all material respects, that causes us to believe that the disclosure of the four selected specified performance indicators in the 2020 ESG Report for the year ended 31 December, 2020 is unreliable, or was not prepared in accordance with the reporting basis as stated in the 2020 ESG Report.



SHINEWING  
Sustainability Advisory Services Limited  
信永方略  
可持續發展諮詢服務有限公司

30 March 2021  
Hong Kong