

中化化肥控股有限公司
SINO FERT HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY) STOCK CODE: 297

2021 ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT

NURTURING
CHINA'S
AGRICULTURE
SECTOR



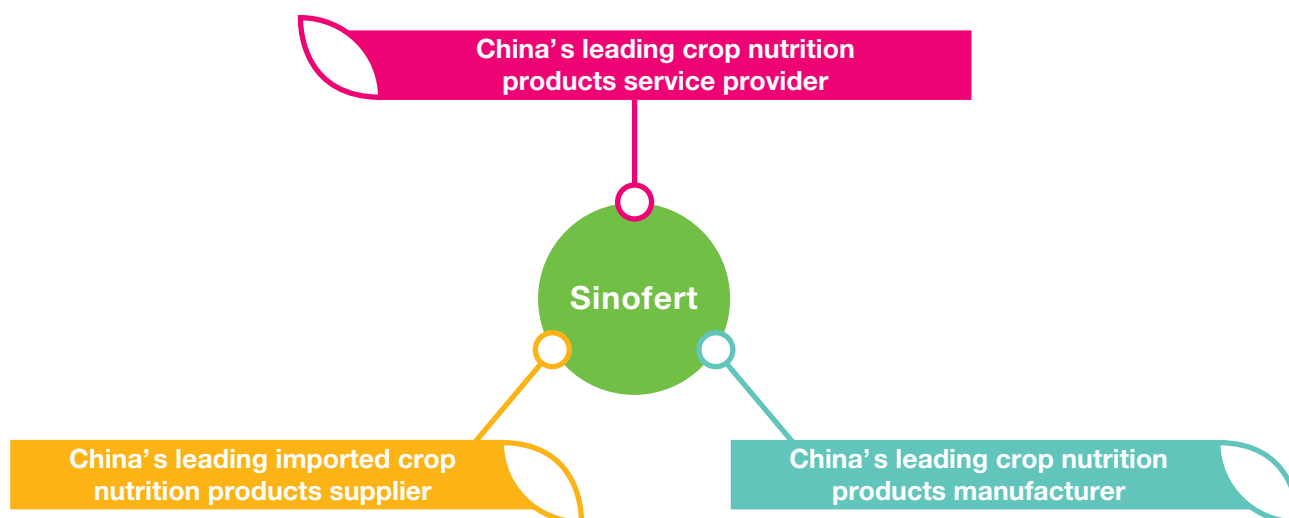


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Sinofert Holdings Limited (the “**Company**”), together with its subsidiaries (collectively referred to as the “**Group**” or “**Sinofert**” or “**We**”) is China’s leading crop nutrition producer, distributor, and supplier, covering operations in resource, research and development, production, distribution and agrochemical services, forming a vertically integrated business model connecting upstream and downstream operations. The Company was listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock code: 00297) in July 2005 and is also the first China crop nutrition enterprise listed in Hong Kong.

Benchmarking of Sinofert in the crop nutrition product market in 2021



With over 60 years of international trade experience in the field of crop nutrition, Sinofert has maintained long-term and close strategic partnerships with major crop nutrition suppliers around the world, acting as an important crop nutrition products importer in China and making significant contributions to solving China’s fertilizers shortages. The Group provides a wide range of fertilizer products, including nitrogen, phosphorus, potash, compound, and formula fertilizers, as well as micro-fertilizers, slow-release fertilizers, organic fertilizers, biological fertilizers, and other new fertilizers.

Based in China, Sinofert’s mission is to allocate high-quality resources to the global market and ensure China’s food security and agricultural production. From an international perspective, the Group aims to develop resources, production, technology, marketing, and services, with cutting-edge research and scientific technology, raising industry standards and promoting industrial development.

In addition, Sinofert has built China’s most extensive sales and distribution network. Sinofert provides not only agricultural inputs such as fertilizers and pesticides, but also agrochemical services. Sinofert has taken the lead in promoting the development of upstream and downstream industries and insists on the key motto of serving quality agricultural services and crop nutrition products to farmers.

ABOUT THIS REPORT

This 2021 Environmental, Social and Governance (“**ESG**”) report of the Company (this “**Report**”) aims to report on the Group’s ESG performances, policies, and strategies during the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**” or the “**Year**”), as disclosed in the various chapters of this Report. We strive to facilitate communication with stakeholders by disclosing ESG-related issues that are of key concern to the Group.

Reporting Standards

The Group prepared this report in accordance with the Environmental, Social and Governance Reporting Guide (“**the ESG Guide**”) as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by the Stock Exchange in 2019. The Group has made corresponding disclosures in this Report in respect of all mandatory disclosure requirements and “comply or explain” provisions in the ESG Guide. This Report has been prepared in accordance with the four reporting principles set out in the Guide, including:

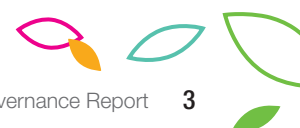
Materiality	This Report aims to disclose the material issues related to its business, including inviting stakeholders to assess and prioritize the materiality of ESG issues. Details of the materiality assessment process and results can be found in the “Materiality Assessment” in this report.
Quantitative	The Group continuously records and discloses quantitative indicators related to its business to facilitate a better understanding of the effectiveness of the Group’s ESG management system. In addition, the Group has disclosed the standards, methodologies, assumptions, and references used in the calculation of environmental data, including the sources of major conversion factors.
Balance	This Report discloses positive and negative ESG performances of the Group in an unbiased manner and objectively reflects the operations of the Group.
Consistency	Unless otherwise stated, this Report is prepared in a consistent manner with previous reports for readers to make meaningful comparisons of the Group’s ESG information during the year.

Reporting Scope

During the Reporting Period, there were no significant changes in the main businesses of Sinofer. Sinochem Chongqing Fuling Chemicals Co., Ltd. (“**Sinochem Fuling**”), a production site of the Group, is actively working on the environmental relocation to improve business quality and is therefore not included in the reporting scope of this Report. In consideration of our revenue contribution and the environmental and social impacts of each production site, the reporting scope of this Report is consistent with the 2020 ESG Report. The environmental key performance indicators only focused on the businesses of three major production facilities (the “**Subsidiaries**”), including:

- 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 will gradually expand the disclosure of environmental key performance indicators (“**KPIs**”) to other subsidiaries. For details of corporate governance, please refer to the Corporate Governance Report in the Company’s 2021 Annual Report.



SINOCHEN YUNLONG



- Sinochem Yunlong's phosphate-based animal feed is among the leading brands in the world, which has achieved ISO standard and FAMI-QS certifications.
- 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, sulfuric acid, etc.

SINOCHEN CHANGSHAN



- Sinochem Changshan has been continuously increasing its efforts in technological innovation and research & development ("R&D") and has developed "Changshan Brand" peptide urea, synergistic peptide urea, and synergistic slow-release urea.
- "Changshan Brand" urea has been awarded as a "Jilin Province Famous Brand" for 11 consecutive years, and has won honorary recognitions such as "Most Reliable Product for Farmers" and "Jilin Province Customer Satisfactory Products".
- Major products are compound fertilizer and urea, etc.

SHANDONG FERTILIZER



- Shandong Fertilizer integrates production and manufacturing, R&D, and agrochemical services, and is equipped with diversified production processes such as spray coating, melting, ammonia, slow-controlled release, etc.
- The main products are general fertilizer series, chelating fertilizer series, slow-release fertilizer series, nitrate sulfur series. Services include the provision of fertilizer packages that meet the farmers' needs of crops and professional agricultural technology services.

Notes to this Report

The information disclosed in this Report is derived from the Group's internal documents, statistical reports, and records collected by monitoring devices. The Company will be fully responsible for the reliability, accuracy, and completeness of the information in this Report. This Report is published in both Chinese and English. In case of any ambiguity, the Chinese version shall prevail.

Report Assurance

To ensure the reliability and accuracy of the Report, CECEP (HK) Advisory Company Limited has verified this Report in accordance with the international standard AA1000 Assurance Standard v3 and has provided an independent assurance statement.

Highlights of the Year

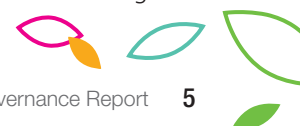
2021 is the first year of the 14th Five-Year Plan (“**14th FYP**”) and the call to promote rural revitalization in China. To achieve this remarkable mission, the Chinese government is committed to solving the “three rural issues” and accelerating green development, promoting the modernization and transformation of agriculture and rural development. Although there was a general rise in product prices, agricultural demand has shown growth and the fertilizer market has begun to recover in the first half of 2021. However, trade frictions and resurgences of the COVID-19 pandemic have brought considerable challenges to international partnerships and economic recovery. While overcoming these various challenges remains critical, we persist in balancing business interests, environmental protection, and social development, continuously understanding and responding to the expectations and needs of internal and external stakeholders, and identifying key material issues to fulfill our corporate responsibilities.

The Group is committed to becoming China’s pioneering leader in the field of crop nutrition through continuous research, innovation, and optimization of business structure. We and our stakeholders are aware that fertilizer production has a significant impact on the environment in terms of energy use, waste emissions, pollution management, and the use of natural resources. Therefore, we are committed to protecting the environment through promoting low-carbon, energy-saving, and water-saving measures and other technological upgrading. In 2021, Sinofert continued to strengthen its environmental protection work to achieve a sustainable future. We continue to require all subsidiaries to implement strict environmental management measures, such as regular monitoring of pollution emissions, inspection, and maintenance of environmental protection equipment, formulating environmental improvement proposals and upgrade plans through comprehensive data analysis, etc. In particular, Sinochem Yunlong, in the spirit of “Science First”, strives to become “the world’s calcium phosphate feed production expert and creating a leading brand in animal nutrition”, develop customized calcium phosphate feed products to improve fertilizer utilization, and promote product upgrading to minimize soil degradation and environmental pollution.

Besides protecting the environment, we pursued implementing effective human resources and labor policies, placing employees’ health and safety as well as training and development as our priority. The Group actively implements measures according to latest national guidances to protect the health of our employees. Every subsidiary has also formulated annual training courses and activities regarding occupational health and safety, product knowledge, technology research, exchange, etc. to their employees. The mental health of our employees is at the very heart of our business, we keep our employees engaged by providing them with various benefits and welfare, as well as organizing team-building activities such as basketball competitions, building capability from within, and investing in their sense of belonging.

Furthermore, the Group emphasizes on the management of operational practices. To this end, we have implemented a top-to-bottom ESG governance approach to identify and manage ESG risks holistically, and have actively responded to stakeholders’ concerns on material issues. At the same time, the Group also strictly adheres to maintaining the highest standards of ethical conduct and integrity, as well as implementing strict quality control and supply chain management.

In parallel with our operations, we proactively contribute to the societies in the communities where we operate, by carrying out various community investment activities, such as donating protective equipment against the COVID-19 pandemic, hosting agricultural field observation activities, agricultural field guidance, free soil testing, and other services, allowing us to promote the growth of a healthy agricultural industry, ensuring food security, and maintaining a healthy and harmonious relationship with surrounding communities.





OUR ESG MANAGEMENT STRATEGY

Sound governance is the key to achieving stable and sustainable growth. During the Reporting Period, the board of Directors of the Company (the “**Board**”) continued to enhance its corporate governance, risk management, and internal controls, creating long-term value for our stakeholders and establishing a sustainable business model. The Group has also enhanced its disclosure responsibilities to ensure the transparency and accountability of the Group’s operational activities.

ESG Governance

The Board is responsible for leading and monitoring the Group’s sustainability performances. The Corporate Governance Committee (the “**Committee**”) has been assigned to oversee the Group’s ESG issues and matters, and to establish appropriate and effective ESG management approaches and strategies. The duties of the Committee include (but not limited to):

- Assisting the Board in identifying ESG-related issues, risks and opportunities
- Assisting the Board in reviewing progress made against ESG goals and targets
- Coordinating internal and external materiality assessments
- Organizing ESG-related training for the Board and senior staff
- Preparing the annual ESG report, and coordinating with other business units

The Group has also set up an ESG Report Working Group to oversee the preparation of the ESG report. The ESG Report Working Group consists of members from departments including Health, Safety and Environment (“**HSE**”) and Operational Management (“**HSE and Operational Management**”) Department, Human Resources Department, Supply Chain and Operational Management Department, Sales Department, Basic Fertilizer Department, Administration and Communications Department, Legal Department, Discipline Inspection and Compliance (“**Discipline and Compliance**”) Department, and other departments. The Committee meets at least once a year to discuss issues of concern to the Board, report on the progress and performances of ESG work, and make recommendations to the Board to ensure that ESG-related policies formulated by the Board are implemented and completed in a timely manner. For details of the Board and the Committee of Sinofert, please refer to the Corporate Governance Report in the Company’s 2021 Annual Report.

ESG Risk Management

Since Sinofert's establishment, the Group understands that internal control and risk management are critical to Sinofert's sustainable development. The Group adopts the principle of "high priority, frequent monitoring, and diversion as the main solution" to identify, assess and prioritize risks to manage and respond to significant risks faced by our businesses. We adhere to the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, ISO Risk Management Guidelines and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, "Central Enterprises Comprehensive Risk Management Guidelines", the "Basic Rules of Corporate Internal Control" and its reinforcing guidelines, and the "Central Enterprises Compliance Management Guidelines" of China and national requirements, on strengthening internal control and supervision in recent years, improving internal control and risk management mechanisms and keeping it in line with our business strategy and development.

Sinofert continues to implement a hierarchical authorization risk management model, in which the Board undertakes the overall responsibility of the Group's internal control and risk management system. Senior management, risk management, and others that are vulnerable to significant risks are responsible for incorporating risk and compliance management approaches into the business cycle besides fulfilling their daily duties. During the Reporting Period, the Group has refined and strengthened its internal control and risk management system with the motto of "streamlining, high efficiency, accountability and controlled authority", stepping up internal control monitoring, enhancing rewards and punishment mechanisms, as well as furthering risks' awareness to ensure risks we face are properly identified and mitigated by appropriate management measures.

Sinofert has identified ESG-related risks that have a significant impact on its operations and businesses during the Reporting Period. We reviewed corresponding management measures to ensure such risks are effectively controlled and met the requirements of external regulatory authorities from other countries. Details are as follows:



Risks	Impacts of Risks	Management Measures
HSE Risk	<ul style="list-style-type: none"> Unstable HSE management may lead to major HSE accidents, environmental pollution, and security incidents 	<ul style="list-style-type: none"> The Group has signed HSE responsibility statements with all business units, formulated personal action plans, strengthened the HSE management system, promoted a three-year special rectification plan for hazardous chemicals, held regular project meetings, improved HSE leadership to ensure major risks are under control
Construction Projects Management Risk	<ul style="list-style-type: none"> Different management standards on construction units may have a negative impact on project progress, quality and employee safety, etc. 	<ul style="list-style-type: none"> The Group has strengthened on-site safety measures, established the Fuling Relocation Project Brigade, conducted follow-up inspections and protocols on construction facilities and professional operators, provided employees with a series of preventive measures to improve conditions and working environment of engineering projects

CASE STUDY: BOARD ESG GOVERNANCE TRAINING

In December 2021, members of the Board participated in a training organized by a third-party professional organization on ESG governance issues. This allows the Board to be continuously informed and updated on their professional knowledge and market acumen, thereby contributing to the enhancement of the Group's ESG governance when appropriate. The training aims to introduce ESG regulatory requirements of the Stock Exchange, ESG trends amongst the industry, and improvements on ESG performances and governance, further enhancing the Board's understanding of the background of ESG and the knowledge to effectively manage and reduce ESG-related risks. This training helps them to incorporate environmental protection, resource utilization, human rights, supply chain management, and other related issues into business development strategies and create a sustainable value for Sinofert while maintaining a good corporate reputation.

ESG Award

For Sinofert, it is crucial to bring a positive impact on society in terms of sustainable development through the fertilizer and agricultural industry. During the Reporting Period, our efforts in ESG have been well recognized. We won the ESG Leading Enterprise Award 2021 with our distinctive green planting services and innovative practices and professional services in promoting sustainable agricultural development. In the future, we will continue to pay attention to the challenges and opportunities brought by ESG issues, and actively contribute to low-carbon transformation.



ESG Leading Enterprise Award 2021

Stakeholder Engagement

Stakeholder engagement is an important part of promoting corporate sustainable development. The perspectives, comments, and expectations of various stakeholders enable us to identify potential new risks and opportunities, thereby improving our ESG management at all levels. Under a strict identification process, we have identified Sinofert's major stakeholders including Government and Regulators, Shareholders and Investors, Business Partners (such as contractors and suppliers), Customers, and Employees. The Group is committed to maintaining close communication with all stakeholders. We continuously improve and enhance our work on sustainable development according to the ESG issues to which all stakeholders put close attention to. We have summarized all stakeholders' expectations on the Group and the communication channels between the Group and stakeholders as follow:

Stakeholders	Expectations	Management response/ communication methods
Government and Regulators	<ul style="list-style-type: none"> ● Compliance with national policies, laws, and regulations ● Tax payment in full and on time ● Safety Production 	<ul style="list-style-type: none"> ● Regular reporting
Shareholders and Investors	<ul style="list-style-type: none"> ● Return and earnings ● Compliant operations ● Enhancing corporate value and promoting industry development 	<ul style="list-style-type: none"> ● Official website ● General Meetings ● Company announcements ● Individual meetings
Business Partners	<ul style="list-style-type: none"> ● Operation with integrity ● Honor an agreement in accordance with law 	<ul style="list-style-type: none"> ● Business communication ● Engagement and cooperation
Customers	<ul style="list-style-type: none"> ● Quality Products and Services ● Health and Safety ● Operation with integrity ● Honor an agreement in accordance with law 	<ul style="list-style-type: none"> ● Customer service centers and hotlines ● Customer meetings
Employees	<ul style="list-style-type: none"> ● Protection of Rights and Interests ● Occupational Health ● Remuneration and benefits ● Career development 	<ul style="list-style-type: none"> ● Company internal publications and intranet ● Employee mailbox ● Training and workshops ● Employee activities
Community	<ul style="list-style-type: none"> ● Improving Community Environment ● Participation in charity events 	<ul style="list-style-type: none"> ● Company website ● Company announcements ● Media interviews ● Social media platforms
Environment	<ul style="list-style-type: none"> ● Compliance with emission standards ● Energy conservation and reduction of emissions ● Environmental protection 	<ul style="list-style-type: none"> ● Communication with local environmental departments

Materiality Assessment

To better understand our stakeholders' expectations and to set a clear direction for our ESG management and development, the Group appointed a third-party consultancy to assist in conducting a materiality assessment during the Reporting Period, as well as collecting and analyzing stakeholders' opinions on the Group's ESG issues. By inviting various stakeholders to conduct questionnaire surveys and management reviews, we have identified the material issues in 2021, and will be further disclosed in this Report.

The Group identified the material ESG issues in 2021 through the following steps:



1. Identify potential material issues

The Group communicates with key stakeholders to understand their expectations. During the Reporting Period, we referred to disclosure requirements of the Guide published by the Stock Exchange, chemicals materiality map published by the Sustainability Accounting Standards Board (SASB), and ESG issues concerned by industry peers. In addition, the Group established a database of ESG issues, with reference to ESG issues disclosed in the 2020 ESG report. The person in charge of ESG matters screened and confirmed 19 potential ESG issues related to the Group.

2. Conduct questionnaire survey

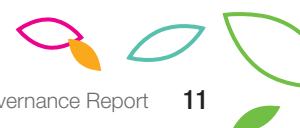
The Group invited internal and external stakeholders to complete an online questionnaire to assess the materiality of 19 ESG issues related to the Group. We have obtained 68 stakeholders' opinions in this survey, in which internal stakeholders (the Board and senior staff) ranked ESG issues from the perspective of "Importance to Sinofert", and external stakeholders (employees, customers, and business partners) ranked ESG issues from the perspective of "Importance to Stakeholders".

3. Analyze the results of materiality assessment

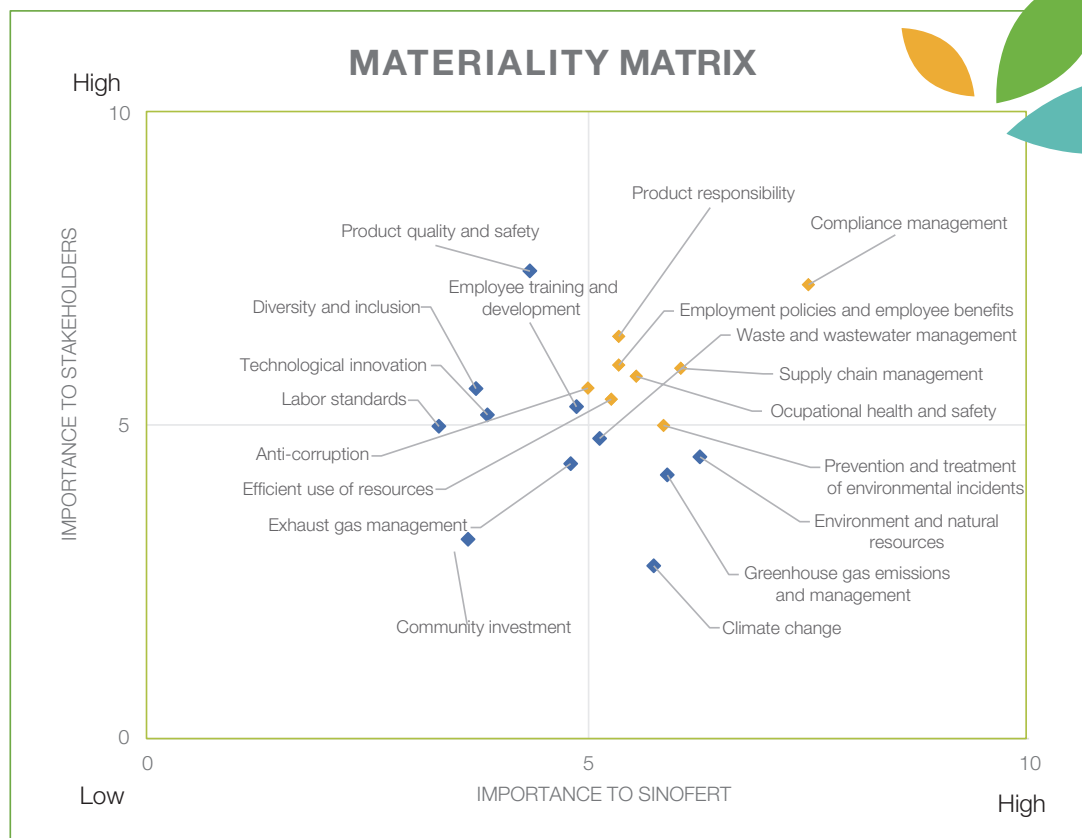
The Group analyzed the results of the questionnaire survey and constructed a materiality analysis matrix, aiming to identify issues with more than 5 points under both dimensions of "Importance to Sinofert" and "Importance to Stakeholders" as material issues. A total of 8 material issues were identified in this materiality assessment.

4. Verify the materiality assessment

The Board reviewed the results of the materiality analysis and confirmed the material issues for 2021.

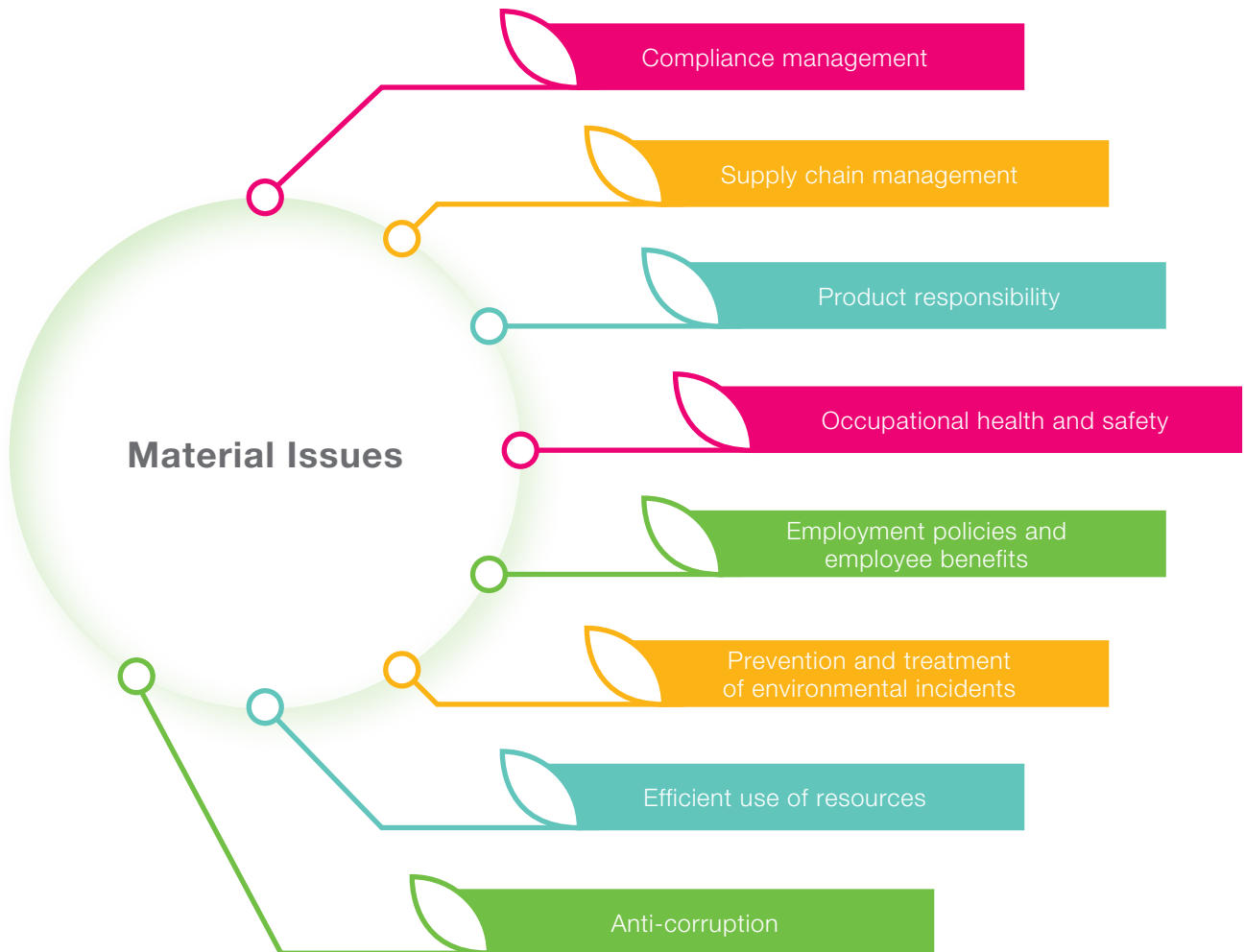


The following is the materiality matrix of the Group in 2021:

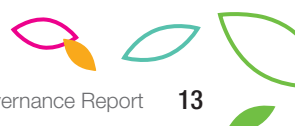


OUR ESG MANAGEMENT STRATEGY

The Group identified 8 material issues (located at the top right corner of the materiality matrix) in this materiality assessment, and the table below shows the material ESG issues prioritized with its materiality:



This Report focuses on the above material issues and discloses the corresponding ESG management strategies and performance of the Group in each chapter to specifically respond to the major concerns of key stakeholders.





PROTECTING OUR ENVIRONMENT

“People-oriented, prioritized environmental protection, prevention first, integrated governance” is the key objective for Sinofert in building a climate-resilient value chain. With the increasingly severe problems posed by climate change and global warming, the Group is increasingly aware of its responsibility to protect the environment. While preventing the generation of new pollutants, we are making use of advanced technologies and equipment to continuously reduce the emission of pollutants, establish efficient environmental protection mechanisms, reduce the impacts of our value chain on the environment and promote the integration of energy efficiency and environmental protection.

Environmental Compliance Management

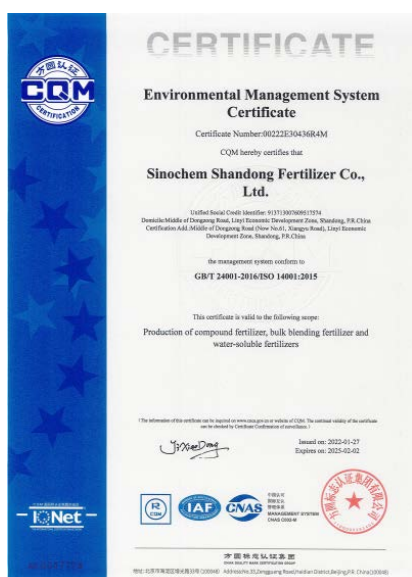
The Group is committed to the prevention and treatment of environmental incidents, by actively fulfilling its environmental responsibilities and supervising the management of environmental facilities. The Group continues to strengthen the regulation of emission management, use of resources, and the mitigation of significant impacts on the environment and natural resources. We have established the HSE Committee to ensure compliance with the Group’s environmental protection work and to lead the Group in supervising and managing environmental protection work and environmental facilities. In the course of its operations, the HSE Committee is in charge of preventing violations of laws and regulations to prevent potential losses to the Group caused by environmental incidents. The duties of the HSE Committee includes but not limited to the following areas:

- Overseeing the Group’s environmental activities and environmental facilities
- Holding regular work progress meetings to evaluate and approve the Group’s major environmental projects and provide solutions for urgent environmental projects
- Formulating environmental strategies and policies to achieve the Group’s short-term and long-term environmental objectives

At the same time, Sinofert has implemented a responsibility system for environmental protection goals and signed HSE responsibility agreements at the beginning of each year to implement environmental protection goals to each post and employee. The management at all levels and all employees must clearly understand their safety responsibilities and strictly comply with these responsibilities in accordance with the environmental protection goals and responsibility system, further reducing the possibility of environmental incidents. In addition, the Group has formulated environmental management manuals and obtained ISO14001 Environmental Management System Certification to implement standardized environmental management procedures across business operations. During the Reporting Period, the Group has strictly complied with relevant environmental protection laws and regulations that have a significant impact on the Group.

ENVIRONMENTAL PROTECTION LAWS AND REGULATIONS COMPLIED BY SINO FERT (INCLUDING BUT NOT LIMITED TO)

- 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 Waste
- 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 Appraising of Environmental 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



Shandong Fertilizer
ISO14001 certification



Sinochem Changshan
ISO14001 certification



Sinochem Yunlong
ISO14001 certification

On the basis of complying with relevant laws and regulations on environmental protection, the Group has formulated internal management policies such as "Sinofert's Measures on Environmental Protection", the "Three-simultaneity" management of environmental protection for construction projects, and "Sinofert's Measures on HSE Incident Reporting", to investigate and respond to environmental incidents and risks, reducing the impact of production and operation activities on the environment and natural resources. Environmental incidents are one of the major classifications of the Group's HSE incidents. In case of sudden environmental pollution incidents such as atmospheric pollution, water pollution, soil pollution, and radiation pollution, we take emergency response measures as soon as possible. While the government department investigates environmental incidents, we initiate incident investigation procedures simultaneously to identify the process of the incident, make recommendations to those responsible for the incident, implement preventive and corrective measures, and submit incident investigation reports to prevent the recurrence of the accident, fulfilling our responsibility to protect the environment.

In addition, we have implemented the “Five-Star Quantitative Evaluation Standard for the HSE Management System of Sinofert”, and actively provided training on production safety knowledge and management skills that are suitable for production and operation activities. We incorporate considerations on the performances of environmental protection and safety works into employees’ promotion and reward assessment system, and we evaluate the contribution of employees to the prevention of environmental incidents and safety rectification work. Employees with five-star ratings would be prioritized in their promotion, and we will demote leaders and person-in-charge at all levels who fail to perform their duties on safety production and environmental protection, thereby urging employees to undertake and commit to compliant environmental protection measures.

While carrying out any new construction, reconstruction, and expansion projects, the Group strictly enforces the “Three-simultaneity” management approach and initiates environmental impact assessments. We ensure that the safety, occupational health and environmental protection facilities in our construction projects comply with national standards and must be designed, constructed, and used simultaneously with the main part of the construction. We continuously inspect and analyze the use of raw materials, resource consumption, resource efficiency, and the generation and disposal of pollutants in the project, and we select clean production technologies, processes, and facilities with high resource efficiencies and low polluting impacts to prevent environmental pollution incidents. At the same time, the Group has formulated emergency plans for sudden environmental pollution incidents, prepared necessary emergency response equipment, and conducted emergency response drills to further reduce the environmental impact of projects and protect the safety of employees while complying with national laws and standards.

Tackling Climate Change

In recent years, concerns on climate change and global warming have been looming globally. International organizations are actively strengthening their climate change management in response to the Paris Agreement, and China has proposed relevant commitments and goals of “carbon peak” and “carbon neutrality”. Against this backdrop, Sinofert actively acts upon international and national calls by developing climate change strategies and formulating a carbon roadmap. We are committed to adopting measures to address climate change across all of our operations, such as enhancing energy management, technological upgrading, and adopting advanced carbon capture technologies. In the future, we will continue to reinforce our carbon footprints to accelerate our transition to a low-carbon economy.

THE GROUP'S CLIMATE CHANGE TARGETS AND RESPONSES

- With 2020 as the baseline, achieve energy saving of 84,200 tonnes of standard coal per year and reduce energy consumption per unit of output by approximately 18% by 2025.
- With 2019 as the baseline, reduce approximately 636,000 tonnes of CO₂ emission per year, with a reduction of about 25% in CO₂ per unit of output by 2025.

Our climate strategy

We developed our carbon roadmap with reference to the timeline of the 14th FYP, as well as setting out climate change targets and corresponding action plans for 2021 to 2025, mainly in terms of energy-saving and carbon reduction.

To achieve energy efficiency targets from 2021 to 2025, the Group has implemented several energy-saving and carbon reduction projects. Some key projects are shown as follows:

SINOCHEN CHANGSHAN

Energy-saving transformation

- Adopting heating renovation solutions.

Carbon capture and energy transition

- Carrying out carbon capture, utilization, and storage (CCUS) processes, investing RMB20 million in a new 100,000 tonnes per year CO₂ liquefaction plant, and cooperating with a National Energy Group to build a new photovoltaic project to promote the development of photovoltaic industry and use green hydrogen as a production supplement.



SINOCHEN YUNLONG

Energy-saving transformation

- Enhancing the sulfuric acid plants' heat utilization rate and reducing energy consumption by promoting a low-level heat recovery project with an annual production capacity of 330,000 tonnes of sulfuric acid.

Optimization of production processes

- Strengthening the utilization of residual heat, balancing the use of purchased electricity and self-generated electricity, reducing coal consumption, and improving energy efficiency.



CASE STUDY: SINOCHEM FULING TOOK THE INITIATIVE AND IMPLEMENTED THE PROTECTION OF THE YANGTZE RIVER PROJECT, FURTHERING ENVIRONMENTAL PROTECTION EFFORTS

During the Reporting Period, the Group expedited the relocation of Sinochem Fuling. We completed the protective dismantling of the production facilities at the old plant, completed the treatment and greening of the phosphogypsum slag field with high standards, and passed relevant inspections to ensure the leachate treatment station operates smoothly. We invested approximately RMB3.3 billion in the new Sinochem Fuling plant, and actively built installations and ancillary equipment to improve production efficiency. Furthermore, we have built the first phase of a new special fertilizer project in Baitao Chemical District, producing 200,000 tonnes per year of fine phosphate. At the same time, we are actively exploring in-depth design and technology applications to reduce carbon emissions and achieve carbon neutrality. We have implemented 42 technical improvement projects, including 2 wastewater management projects, 2 waste residue treatment projects, 9 energy-saving projects, 8 exhaust gas treatment projects, and other technical improvement projects to further reduce energy consumption, demonstrating our response to climate change and contribution to China's agricultural transition to a low-carbon economy.

Energy management system

Effective energy management is essential to reduce greenhouse gas emissions. To comply with national laws, regulations, and policies on energy conservation and emission reduction, and the Group's management requirements on energy conservation and emission reduction, Sinofert has formulated many internal energy conservation policies in accordance with the "Energy Conservation Law of the People's Republic of China", "Regulations on Energy Saving Management of Key Energy-using Units" and other relevant laws and regulations.

"Unified leadership, confirmed responsibilities, hierarchical management, classified guidance, and full participation" are the principles followed by Sinofert in energy conservation and emission reduction works. We have established an energy management system and organized an energy management leadership committee, with the managers from different departments as members of the committee. The Energy Management Leadership Committee is responsible for the daily duties of energy management. Each member has clear responsibilities to ensure energy conservation management has been fully implemented. Each year, the Group signs an energy-saving responsibility agreement and strictly enforces the energy-saving targets set out therein. We also incorporated the completion of energy-saving targets into corporate's performance appraisals to monitor, guide, and evaluate our subsidiaries, as well as implement a reward and punishment system.

PROTECTING OUR ENVIRONMENT

The Group actively seeks national financial support for energy conservation and emission reduction projects, further exploring the potential of energy-saving and emission reductions through the implementation of advanced carbon reduction equipment and technologies. While selecting equipment for our operations, the Group adheres to the principle of being conducive to energy conservation and emission reduction and improving overall efficiency, eliminating intensive energy-consuming equipment, and choosing energy-efficient equipment. At the same time, the Group continuously enhances energy efficiency and reduces energy waste by prioritizing and using products that are certified in energy conservation, emission reduction, and environmental protection. We have also established a monitoring system to reinforce the monitoring of energy consumption and improve energy saving and emission reduction standards. In addition, we aim to align energy conservation and emission reduction with our business development strategy by establishing a comprehensive education and training system on energy saving and emission reduction, publicizing and educating the persons in charge, senior staff, and key personnel in key positions in our subsidiaries on the importance of energy conservation and environmental protection and raising employees' awareness on energy-saving.



Sinochem Changshan and Sinochem Yunlong obtained the energy management system certification in 2021.

During the Reporting Period, the Group's energy consumption and greenhouse gas emissions are shown in the following table¹:

	2021	2020	Unit
Fuel consumption from stationary sources	2,008,434	2,828,979	MWh
Vehicle fuel consumption	187	635	MWh
Purchased electricity	264,599	272,326	MWh
Purchased steam	2,599	2,632	MWh
Total energy consumption	2,275,819	3,104,572	MWh
Intensity of energy consumption	2.34	2.69	MWh/tonne of product

	2021	2020	Unit
Scope 1 ²	1,390,803	1,001,131	tCO ₂ e
Scope 2 ³	196,698	194,779	tCO ₂ e
Scope 3 ⁴	835	2,288	tCO ₂ e
Total GHG emissions	1,588,336	1,198,198	tCO ₂ e
Total GHG emission intensity	1.63	1.04	tCO ₂ e/tonne of product

Climate risk management

The Group implements annual risk identification processes to formulate mitigations and precautionary measures against risks caused by climate change. The Group understands that its operations are subject to climate risks, including transitional risks, such as increased demand on the Group's production and products, changing customer preferences, and the cost of adopting low-carbon technologies, as well as physical risks, such as damage to operations or supply chain disruptions caused by extreme weather

¹ The total energy consumption includes the consumption from boilers, gasoline, diesel, purchased electricity and purchased steam. The conversion method is based on the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Enterprises in Other Industries (Trial) issued by the National Development and Reform Commission of the People's Republic of China.

² Scope 1 is disclosed based on the Group's monitoring data, which includes the Group's fossil fuel consumption, flare combustion consumption and greenhouse gas emissions from our production processes.

³ Scope 2 is disclosed based on the Group's monitoring data, which includes the Group's purchased electricity and purchased steam.

⁴ Scope 3 includes emissions from business air travel, paper waste disposal and energy consumption for processing water and sewage. The data is calculated based on the Carbon Emissions Calculator of the International Civil Aviation Organization, and the Hong Kong Stock Exchange's Reporting Guidance on Environmental KPIs.

events, for example, strong typhoons and floods. We understand that there is an increase in the frequency, scope and extent of damage of natural disasters around the world. To assure that we have an explicit and efficient climate risk management system, we continue to strengthen our mitigation and management of climate risks, supervise the implementation of climate change-related works, as well as review work progresses and performance regularly.

Sinofert has set up effective prevention and emergency mechanisms to reduce the risks and impacts caused by natural disasters. All subsidiaries of the Group have established and organized environmental emergencies contingency plans and drills and conducted education and training to prevent, mitigate and eliminate possible impacts posed by major natural or man-made environmental incidents. Regarding incident prevention, we conduct daily monitoring on hazardous sources and develop precautionary measures to prevent and control existing risks. When an emergency occurs, each department will immediately activate an emergency response mechanism and strictly follow information reporting procedures. A pre-established emergency team will implement various targeted rescue measures, to manage incidents such as leakages, explosions, and fires, demonstrating the Group's strong capability in overcoming environmental incidents. Moreover, to cope with various severe air polluting events, all subsidiaries of the Group have formulated emergency response plans in accordance with the requirements of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and adopted emergency emission reduction measures, when necessary, to safeguard public health and safety and reduce the impact of emissions on the environment deriving from our operations.

CASE STUDY: EMERGENCY DRILL ON LIQUID AMMONIA LEAKAGE

On 12th October 2021, Sinochem Changshan carried out an emergency drill on liquid ammonia leakage, aiming to educate employees understanding on the significant environmental impacts that can be caused by liquid ammonia leakages, such as air, soil, and water pollution. We also trained them to be familiar with the emergency treatments in case of liquid ammonia leakage and how to ensure their safety, while minimizing detrimental impacts on the environment.



In the future, Sinofert is dedicated to identifying and seizing opportunities brought by climate change. We will continue to pursue and adopt new technologies and applications, such as increasing our investments in bio-stimulant and bio-bacterial agents and developing soil conditioners to improve fertilizer utilization rates and reduce environmental pollution, fostering our competitiveness in the face of climate change.

Emissions Management

Sinofert has always adhered to compliant and transparent emissions management. During the Reporting Period, we formulated an emission target to strengthen our agricultural pollution management, striving to achieve green development:

THE GROUP'S EMISSION TARGET

Reduce chemical oxygen demand (COD) and ammonia nitrogen (NH₃-N) by 8%, and reduce the emissions of sulfur dioxide (SO₂) and nitrogen oxides (NO_x) by 10% as compared to the 13th Five-Year-Plan.

Exhaust gas management

Air pollution is undoubtedly one of the key environmental issues in the manufacturing industry. The environmental pollutants generated in our production process arise primarily from the exhaust gas emitted by our boiler combustion processes, production workshops, and vehicles. The Group pays close attention to various environmental issues and conducts stringent environmental management. To this end, we strictly comply with the emission standards for air pollutants under the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and have formulated internal policies such as the "Regulations and Measures for Energy Conservation and Emission Reduction of Sinofert" to actively implement environmental-related management related to environmental protection, energy conservation, and emission reduction, etc. We also strictly monitor and comply with emission standards by engaging a third-party environmental monitoring company with professional qualifications to conduct independent inspections in our plants.

We have installed smoke detection equipment and automatic monitoring facilities in all of our plants to monitor the concentration of air pollutants such as sulfur oxides (SO_x), nitrogen oxides (NO_x), and particulate matter (PM) in real-time. We carry out regular inspection and maintenance to ensure the stable emissions from all of our production units, such as our sulfuric acid plants, nitrogen fertilizer plants, ammonium phosphate plants, and compound fertilizer plants, which are also equipped with real-time monitoring devices (such as environmental protection data collection instruments, etc.).

During the Reporting Period, the Group has implemented a series of management measures and action plans to reduce air emissions.

SUBSIDIARIES MANAGEMENT MEASURES AND ACTION PLAN

Sinochem Yunlong	<ul style="list-style-type: none"> Upgrading the acid exhaust gas treatment facilities to reduce SO₂ emissions by approximately 80 tonnes per year Dust control and monitoring
Sinochem Changshan	<ul style="list-style-type: none"> Mechanical conveyor belt dust prevention project
Shandong Fertilizer	<ul style="list-style-type: none"> Fueling hot blast furnaces with natural gas and semi-coke instead of bituminous coal Planting in both sides of roads and idle sites

During the Reporting Period, the Group's air pollutant emissions are shown in the following table⁵:

	2021	2020	Unit
Production			
Sulfur oxides (SO _x)	539	544	Tonnes
Nitrogen oxides (NO _x)	471	652	Tonnes
Particulate matter (PM)	131	149	Tonnes
Vehicle use			
Sulfur oxides (SO _x)	0.002	/	Tonnes
Nitrogen oxides (NO _x)	0.561	/	Tonnes
Particulate matter (PM)	0.03	/	Tonnes

Wastewater (sewage) management

The Group strictly abides by relevant laws and regulations related to wastewater discharge and strives to ensure compliant wastewater discharge and reduced environmental impacts.

All three subsidiaries of Sinofert are equipped with wastewater treatment facilities to reduce wastewater discharge. Wastewater from the production plants is collected in the wastewater collection tank and then purified through procedures such as sludge activation, sedimentation, and filtration. We also adopt other various wastewater treatment measures, such as biochemical reactions, aerobic and anaerobic treatments, when necessary, to address more complex pollutants. Wastewater treated at our on-site wastewater treatment facilities generally meets discharge standards and is discharged into nearby water bodies, otherwise, it will be transferred to qualified treatment institutions for secondary treatment. In addition, we have installed pollutant monitoring systems at each wastewater facility to monitor real-time chemical oxygen demand (COD), ammonia nitrogen (NH₃-N), acidity and alkalinity (pH), and wastewater flow of all discharged wastewater on a long-term basis, allowing us to address abnormalities in a timely manner and to ensure all facilities comply with national or regional laws, standards and requirements.

⁵ Air pollutant emissions include emissions from production processes and vehicle use. In 2021, Sinofert's air pollutant emissions from production processes were monitored by the Group. The calculation of the air pollutant emissions of vehicles owned and controlled by Sinofert is based on the "Technical Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation)" issued by the Ministry of Ecology and Environment of the People's Republic of China.

During the Reporting Period, the Group's water pollutant emissions are shown in the following table:

	2021	2020	Unit
Water pollutants			
Chemical oxygen demand (COD)	51.81	33.09	Tonnes
Ammonia nitrogen (NH ₃ -N)	6.51	5.67	Tonnes

Waste management

The Group strictly abides by 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, the Directory of National Hazardous Wastes (2021 Edition), and other waste management related laws and regulations, to ensure both hazardous and non-hazardous wastes are disposed in a compliant manner. During the Year, we continued to optimize our waste management system and have set waste reduction targets:

THE GROUP'S WASTE REDUCTION TARGET

Actively responding to the 14th FYP and the 2035 Vision Plan by continuously reducing the generation and disposal of hazardous and non-hazardous waste and developing circular solutions for waste management.

We have actively implemented internal management measures such as "Sinofert's Measures on Environmental Protection", "HSE Risk Management and Control Standards for Hazardous Chemicals" and waste classification guidelines to enhance the reduction and harmless disposal of waste. According to the Group's internal management measures for hazardous and non-hazardous wastes, each subsidiary is required to carry out waste classification procedures and take appropriate measures for the collection, storage, transportation, and reuse of different types of wastes, preventing the Scattering, Running-off, Leaking or Seeping of wastes and reducing environmental pollution. All hazardous wastes are reasonably used, disposed and managed by qualified units to avoid secondary pollution.

The Group strives to reduce the generation of hazardous and non-hazardous waste while actively improving recycling rates. For example, we continue to recycle steel tailings, sulfur slag and sell other recyclables, such as phosphorus slag powder for fertilizer production. In addition, Sinochem Yunlong has set a target to increase the comprehensive utilization of phosphogypsum to 1.3 million tonnes per year and to utilize the phosphogypsum produced in the process of phosphate fertilizer production to make cement retarders and gypsum powder. Furthermore, the fluorosilicic acid produced in the phosphoric acid plant is used for the Group's internal production of sodium fluosilicate, thereby reducing waste and disposing of it safely. Hazardous wastes are collected and stored in dedicated storage facilities by qualified contractors or used for internal purposes. As for non-hazardous wastes, the Group also centralizes and stores them in dedicated storage facilities while taking corresponding treatment measures.

PROTECTING OUR ENVIRONMENT

During the Reporting Period, the Group's generation and disposal of hazardous and non-hazardous wastes are shown in the following table:⁶

	2021	2020	Unit
Hazardous Waste			
Waste mineral oil	65.08	31.77	Tonnes
Waste catalyst	33.34	11.16	Tonnes
Battery	0.78	7.15	Tonnes
Waste chemical reagent	1.07	1.77	Tonnes
Heat insulation cotton	30.02	16.88	Tonnes
Paint Bucket	14	/	Tonnes
Chemical reagent packaging containers	3.90	/	Tonnes
Fiberglass reinforced plastic	0	11.44	Tonnes
Fluorosilicic acid	85,618.65	89,638.71	Tonnes
Total hazardous waste	85,767	89,719	Tonnes
Total hazardous waste intensity⁷	0.08	0.08	Tonnes/tonne of products
Non-hazardous Waste			
Phosphogypsum	872,802	907,781	Tonnes
Phosphorus slag powder	23,494	13,216	Tonnes
Coal ash	88,974	43,382	Tonnes
Waste steel	497	311	Tonnes
Slag	53,013	7,654	Tonnes
Sulfur slag	203	251	Tonnes
Plastic	1,290	1,210	Tonnes
Total non-hazardous waste	1,040,273	978,959	Tonnes
Total non-hazardous waste intensity	1.07	0.85	Tonnes/tonne of products

⁶ Sinofert's hazardous waste includes waste mineral oil, waste catalyst, battery, waste chemical reagent, thermal insulation cotton, paint bucket, chemical reagent packaging containers, fiberglass reinforced plastic and fluorosilicic acid. All hazardous wastes are disposed and treated by qualified units. Non-hazardous waste includes phosphogypsum, phosphorus slag powder, coal ash, waste steel, slag, sulfur slag and plastic. Phosphorus gypsum is disposed internally by suitable disposable methods or by qualified units. Other non-hazardous wastes are recycled and treated by qualified units.

⁷ The total volume of products produced by Sinofert this year was 974,168 tonnes.

Resources Management

Management on the consumption of water resources and packaging materials are essential to Sinofert's production and are of paramount importance in reducing the environmental impacts along the entire value chain. We are committed to promoting circular economy and "closed-loop management" by improving water efficiency and reducing our raw material inputs.

Water resources⁸

Water conservation is an important part of the Group's environmental policy. To manage water consumption wisely, the Group continued to strengthen water resources management and formulated relevant water efficiency targets during the Reporting Period:

THE GROUP'S WATER EFFICIENCY TARGET

Improve use efficiency of water resources and reduce freshwater consumption.

Water scarcity is a severe global challenge. Hence, the Group continuously strengthens the monitoring of water consumption by requiring all subsidiaries to install water consumption meters and monitor water consumption statistics regularly. Subsidiaries are required to set water consumption targets at the beginning of each year and formulate annual water conservation work plans. At the same time, data are regularly collected from water consumption indicators, summarized and analyzed in analysis reports and assessment evaluations, and to be submitted to the Group's headquarters annually. The Group has also formulated a reward and punishment mechanism for water use, whereby rewards and punishments are given to different units based on the subsidiary's assessment results or individual water use performances. At the same time, the Group actively advocates on the importance of protecting water facilities, raising employees' awareness on water conservation, and reducing the consumption of freshwater. In the future, the Group will actively explore and apply innovative technologies to further reduce the impact of production and operation on water resources, thereby alleviating the pressure of water shortage.

During the Reporting Period, the Group's use of water resources is shown in the following table:

	2021	2020	Unit
Newly produced water consumption	5,014,643	5,281,355	m ³
Newly produced water intensity	5.14	4.57	m ³ /tonne of product
Recycled water consumption	156,140,259	198,882,924	m ³

⁸ Sinofert's water consumption comes from the municipal water network and there are no difficulties in sourcing water.

Packaging materials

Strict control of packaging usage and strengthening the management of packaging materials are Sinofert's missions. The Group is mindful of the principle of minimizing environmental damage and makes every effort to avoid excessive production and procurement. Our packaging materials are mainly from plastic bags and carton boxes with specific capacities. We use packaging materials reasonably to avoid excessive packaging and waste. In the design process of our products and packaging, we will consider their impact on human health and the environment during their life cycle, and we prioritize the use of non-toxic, non-hazardous, easily degradable, or recyclable packaging. In the future, we will continue to optimize our management of packaging materials, disclose total packaging materials used in tonnes for more effective data analysis, and further enhance the recycling rates of packaging materials.

During the Reporting Period, the Group's use of packaging materials is shown in the following table:

	2021	2020	Unit
Total packaging materials used	1,901	2,114	Ten thousand-piece

Protecting Natural Resources

Improper or excessive use of fertilizers can lead to a series of environmental problems, such as soil degradation and ecological damage. Therefore, the Group has actively formulated the "Co-Creating the Sustainable and Healthy Soil Development Strategy" and proposed the vision of "making every inch of arable land fertile" to reduce soil erosion.

To avoid soil degradation, the Group has been researching green farming techniques and projects to maintain and improve soil quality, including the combination of agricultural techniques and agricultural machinery, and the promotion of deep side fertilization for rice and fertigation. During the Year, we have actively carried out soil self-monitoring and soil hazard investigation to protect natural resources and biodiversity, while ensuring our operations are not adversely affected in any way. In addition, we continued to educate our customers and farmers on how to use fertilizers correctly. We have approximately 400 technical service personnel who work all year-round at the grassroots level to help customers and farmers to select the most suitable fertilizer products and calculate the amount of fertilizer application. Through these efforts, not only can we improve the efficiency of fertilizer use and crop yields; help farmers to produce high-quality products; but also protect soil from potential degradation.

In particular, the Group is committed to developing high-quality fertilizers to provide a stable and reliable food supply chain and support agricultural development in China. We continue to promote the technological research and transformation of microbial agents and organic products to regulate soil activity. During the Reporting Period, we collaborated with Beijing Hangtian Hengfeng Technology Corp., Ltd. to promote R&D of the Group's biological fertilizer products, facilitating the modernization and transformation of agriculture in China.



CREATING QUALITY PRODUCTS

Product quality is fundamental to the development of fertilizer and agricultural enterprises. Sinofert aspires to provide better and safer fertilizer products for customers on the premise of complying with laws and regulations.

Product Responsibility

The Group strictly abides by the “Product Quality Law of the People’s Republic of China” and has the “Quality Management Measures” in place to ensure that the quality of all aspects of procurement, production, and marketing, meets the standards and ensure an effective operation of the quality management system, as well as defining product quality management responsibilities to improve product quality and corporate image. During the Reporting Period, the quality management systems of the Group’s subsidiaries met the relevant requirements of ISO 9001.

Sinofert has always prudently treated product quality by strengthening the Group’s quality management system and adopting advanced processes, technologies, and equipment to meet the requirements of national quality and safety regulations and all industry-related standards. The Group encourages all subsidiaries to set internal standards for product quality that are equivalent to or more stringent than the national standards for each product category. According to the “Quality Management Measures”, the quality management departments of the subsidiaries are required to formulate product quality and technical indicators, quality control indicators, and action plans. Unqualified products will not be allowed to enter the next process, and the responsible department or personnel will be required to identify the cause of non-conformity, devise corrective measures, and carry out reasonable disposal. The Group and all subsidiaries have set up professional laboratories to strictly monitor the quality of products leaving the factory, we have also inspected and analyzed each batch of products to ensure that the quality of products meets customers’ requirements and prevents defective products. In addition, the Group continues to promote and educate on quality management by providing operational training to quality control personnel, improving the overall management level of product quality.


For the control and management of defective products, Sinofert has formulated the “Management Approach for Non-conforming Products” policy, setting out the control and handling procedures for non-conforming products, including:

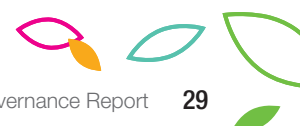
1. The laboratory of corresponding subsidiaries undertakes inspection procedures in accordance with the requirements of the inspection plan. If the finished products fail to pass the inspection (including the non-conformity of arsenic, chromium, lead, cadmium, and mercury in the finished product), the whole batch of products will be deemed as non-conforming, and the “Disposal of Non-conforming Products Form” must be filled out.
2. According to the “Disposal of Non-conforming Products Form”, non-conforming products will be disposed after evaluation, and relevant records will be documented.
3. Non-conforming products will be immediately separated and labeled.
4. The cause of non-conformity and corrective measures will be documented.

During the Reporting Period, there were no recall of sold or shipped products for safety and health reasons.

Quality control on fertilizers

The Group has consistently enhanced the quality inspection process of fertilizers and has established a full-process quality inspection procedure for all 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 to carry out the entire internal and external quality management process to ensure quality inspection process and results are controllable. We implement a quality control target system to define the key quality indicators of the Group and perform periodic tracking and assessment of the operation results of the quality indicators. For example, Sinochem Yunlong has set up a comprehensive quality management system to ensure devices and facilities within the production processes are “stable, long-lasting and excellent”, meeting international standards and acquiring the one-time inspection passing rate of approximately 100%. At the same time, Sinochem Yunlong has obtained the European Feed Additive and Premixture Feed Quality System (FAMI-QS (ver.6.0)) certification.

 Compound (Composite) Fertilizer Test	Urea Phosphate Fertilizer (Monoammonium Phosphate, Phosphoric Acid II) Test
<p>Implement “Sinofert Compound Fertilizer Enterprise Standard” (stricter than the GB15063 National Standard) and test specified products according to national standards and indicators such as nutrients, water, chloride, etc., as well as scrap rates, particle strength testing, and other corporate indicators (not specified in national standards but the Group). For national standard projects, Sinofert carries out continuous sampling and inspection in batches of no more than 300 tonnes, and for non-national standard projects, Sinofert carries out inspections once every three months (except special circumstances).</p>	<p>Implement national standards (e.g. GB/T 2440-2017) and test on various national standards indicators such as nutrients, water, chloride, etc., as well as scrap rates, particle strength testing, and other corporate standards indicators. For national standard projects, Sinofert carries out continuous sampling and inspection in batches of no more than 300 tonnes, and for non-national standard projects, Sinofert carries out inspections once every three months (except special circumstances).</p>



Research, development and innovation

In 2021, SinoFert continued to deepen innovation in R&D, integrating creative ideas into all of its business units, and actively focusing on fertilizer reduction, efficiency enhancement, and soil improvement. The Group has made breakthroughs in key underlying technologies such as biostimulants and biological fungicides, developing soil conditioning products, and strengthened the marketing of new products. We actively cooperated with social scientific research forces to develop and upgrade new products. We also worked with China Agricultural University to research sustainable soil improvement and rhizosphere conditioning mechanisms. As well, we cooperated with Syngenta Group China to strengthen and upgraded the “Lanlin-Guanwushuang” compound fertilizer. Simultaneously, we are also actively introducing advanced technologies from overseas to create products with higher value, providing our customers with high-quality, safe, and reliable products.

The Group attaches great importance to the protection of intellectual property rights for technological innovation and is committed to preventing and resolving intellectual property risks, so as to improve market competitiveness. The Group strictly abides by the Patent Law of the People’s Republic of China, the Copyright Law of the People’s Republic of China, and other relevant laws and regulations, and implemented the “Administrative Measure for Intellectual Property Rights of SinoFert and Administrative Procedures for Patent of SinoFert” to develop and protect the patents of high-value products. To strengthen SinoFert’s protection and standardized management on intellectual property rights, the Group has set up specialized positions at the group level and subordinate units respectively to be responsible for the protection and management of intellectual property rights of each subsidiary, as well as regular monitoring of whether intellectual property rights have been infringed.

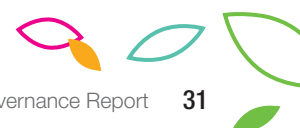
Customer rights and services

SinoFert continues to maintain fluid communication with its customers. We have established a sound customer service system to receive and take care of complaints and opinions regarding product quality, which aims to improve customers’ experience and satisfaction. In this respect, the Group continued to enhance the responsibilities of corresponding departments and set up a complete working mechanism to satisfy the needs of customers continuously. During the Reporting Period, the Group received 16 complaints regarding our products and services. We follow up and communicate with our customers promptly whenever customers provide us feedback on product issues or raise questions on our sales distribution website. The Group strives to maintain a good brand image, and if the complaints cannot be resolved through communication, the Group will organize relevant units to provide technical consultation for customers, conduct external investigations, offer technical on-site services if necessary, and provide essential explanations and reassurance to customers involved in the incident.

Sinofert understands that the accuracy and completeness of customer information are vital to maintaining service excellence. The Group strictly abides by the Law of the People's Republic of China on the Protection of Consumers' Rights and Interests and other relevant laws and regulations and has formulated "Customer Management Regulations of Sinochem Group". Customer information is a crucial asset of the Group and an integral part of our trade confidentiality. Without the approval of the Group, no one is allowed to publicly disclose customer information. Paper and electronic documents related to customer information management should be properly archived and stored in accordance with the "Administrative Measures of Documentation". The Group conducts an annual audit on customer information to verify the validity and completeness of customer information. Each business unit is responsible for devising customer spot checks and customer return visit plans, organizing regular and irregular checks and visits to verify customer information, understanding the needs and opinions of customers. The results of spot checks and return visits are then recorded by the Group.

Product labelling and advertising

To avoid false information and information leakages, the Group strictly abides by the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and other relevant laws and regulations. The Group complies with the "Administrative Measures for Product Packaging and Labelling" to control the labeling on product packaging and any other content involved in product promotion, to prevent any exaggerated or false information. The marketing department of the Group is responsible for coordinating and organizing online advertising strategies for the Group's brand and products. Designs and launches of advertising projects of each subsidiary are required to be submitted to the marketing department for review. The marketing department will inspect all kinds of advertisements posted by each subsidiary. If any discrepancies are found, the relevant department will be required to rectify the situation. The Group has also established the "Administrative Measures for Product Marking and Tracing" to regulate the labeling of finished products, so as to avoid ambiguity of brand marks or inconsistency with packaging. When discrepancies are found in the production process or after-sales, the quality and technology department and the sales management department have the right to find out the causes and shall explain to the customers to resolve discrepancies. In addition, the Group requires that the design of product packaging and promotional materials shall comply with relevant national standards and regulations, and relevant departments should complete the registration of fertilizers and product enterprise standards in advance. Before launching the product packaging and promotional programs, all subsidiaries are required to strictly implement preliminary work and perform fertilizer efficiency verification in accordance with the "Administrative Measures for the Entry and Exit of Products of Sinofert".





BUILDING A STRONGER WORKFORCE

Sinofert upholds the philosophy of “human resources are the most important resources of the Company, mutually enhancing enterprise and employee’s values”. We consider employees as the Group’s most valuable resources, supporters of business development, and promoters of tertiary business start-ups. We care for our employees from their first day of work to their retirement, striving to create a warm, reliable, and inclusive working atmosphere and achieving mutual growth of both the Group and our employees. In 2021, we and our employees have been working together through thick and thin, placing health and safety as our core mission. While overcoming the challenges of the COVID-19 pandemic, we have been actively elevating the management skills and professionalism of our employees, building a spirited workforce.

Protecting the rights of our employees



Sinofert gives prominence to the protection of employees' rights and interests, adheres to legal employment, equal opportunities and democratic rights. The Group promotes a diversified development of talents which in turn provides a strong support to the Group's sustainable development.

Achieving employee's values



Sinofert continues to increase training for employees to improve their business ability, broaden their career development and achieve their value to the Group.

Fostering employee's sense of belonging



Sinofert cultivates a "people-oriented" corporate culture in which the Group's caring environment reduces turnover rates and enhances employee's sense of belonging.

Staff Management

Sinofert strictly complies with relevant employment laws and regulations that have a significant impact on the Group. We believe that a strong and united team is integral to Sinofert’s sustainable development. Therefore, we are committed to adopting proactive human resources policies and creating stable career development platforms for our employees, in turn building a workforce with high cohesiveness and competitiveness. Our employment management system is as follows:

Recruitment, dismissal, and promotion

Recruitment and dismissal

The Group strictly abides by the Labor Contract Law of the People's Republic of China, the Labor Law of the People's Republic of China, the Implementation Regulations of the Labor Contract Law of the People's Republic of China, and other relevant laws, regulations, and policies that have significant impacts on the Group. We have formulated internal policies such as "Sinofert's Regulations on Human Resources Management" and "Sinofert's Regulations on Employee Relations" to protect the rights and interests of employees, including equal opportunities, health, environment and safety, competition, and employee rights and interests, and to eliminate any form of child labor and forced labor.

The Group manages labor relations with employees in accordance with the law and eliminates any form of forced labor. During the recruitment process, employees can sign the labor contract according to their will and have the freedom of resignation. The Group strictly complies with "Prohibition of Child Labor Policy". During the recruitment process, the Human Resources Department will check the applicants' identity cards strictly to ensure applicants are of legal working age. If child labor is discovered, we will immediately terminate the employment and conduct an investigation subsequently to identify breaches and implement corrective measures to prevent the recurrence of the incident.

Promotion

The Group promotes an open, equal, competitive, and merit-based promotion process. We shortlist, select and promote employees based on their performances and abilities, and adjust their positions accordingly. Meanwhile, the Groups' Human Resources Department also regularly adjusts and revises the overall position and tier system of the Company according to market trends and the outlook of the Company.



Equal opportunity, diversity, and anti-discrimination

The Group strictly abides by the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Law of the People's Republic of China on the Protection of Disabled Persons, and other relevant laws and regulations, and is committed to building a diversified team. Employees are treated equally regardless of their age, gender, religious belief, skin color, physical disability, and cultural background. We have established a sound democratic management system to protect employees' right to know, express, and supervise relevant information and processes, while actively responding to employees' demands. At the same time, we pay attention to protecting the rights and interests of female employees, implementing equal pay for equal work between men and women, and prohibiting the employment of female employees for mining site work.

Remuneration, benefits, and other welfare

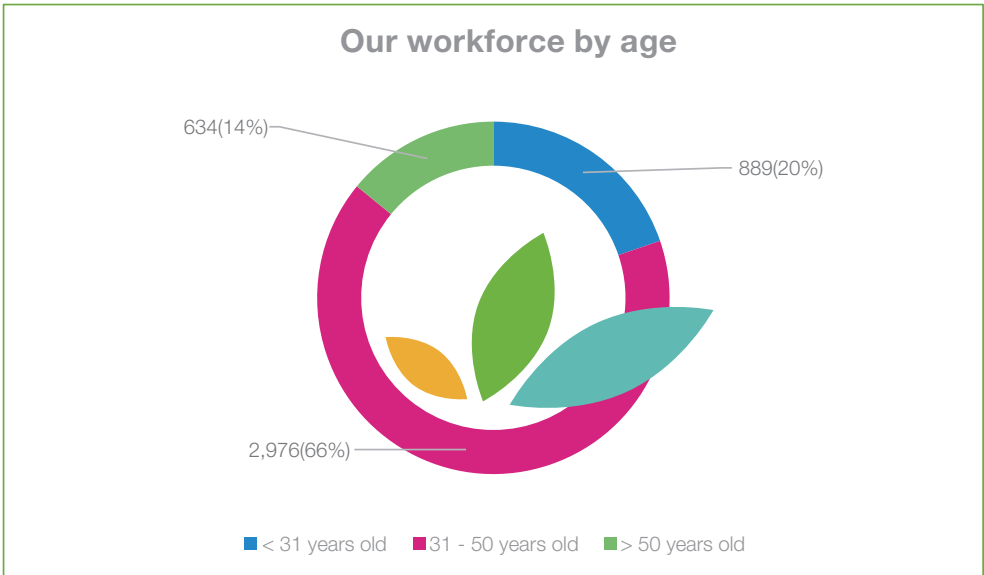
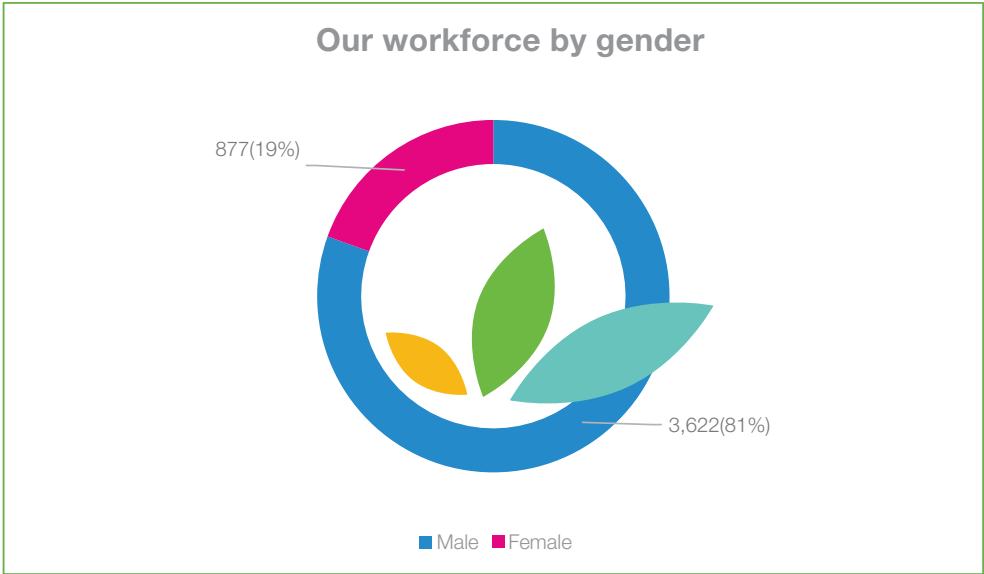
The Human Resources Department of the Group has formulated "Sinofert's Regulations on Remuneration and Benefits" to continuously optimize the management of employees' remunerations and benefits. The main elements include basic salary, and where applicable, other allowances, annual bonuses, mandatory provident funds, and state-managed retirement benefit schemes. We have formulated a reasonable remuneration structure to align the interests of our employees with Sinofert's performances and the value of our shareholders, and to balance short-term and long-term interests to maintain the competitiveness of the overall remuneration. Pays are determined based on the importance of the employee's position. The more important the position is, the higher the ratio of performance-based bonuses are given to employees, ensuring our ability to attract, retain and motivate employees, which is crucial to the development of Sinofert. Sinofert holds meetings every year to review its remuneration policy and, if necessary, seek advice from professional consultants to ensure that our remuneration policy is internally fair and externally competitive, and to continuously enhance the sense of belonging of our employees to support the Group's long-term development.

Working hours and rest periods

The Human Resources Department of the Group has specified the standard working hours, rest days, and holidays in "Sinofert's Regulations on Remuneration and Benefits" to protect the right of employees to enjoy sufficient rest.

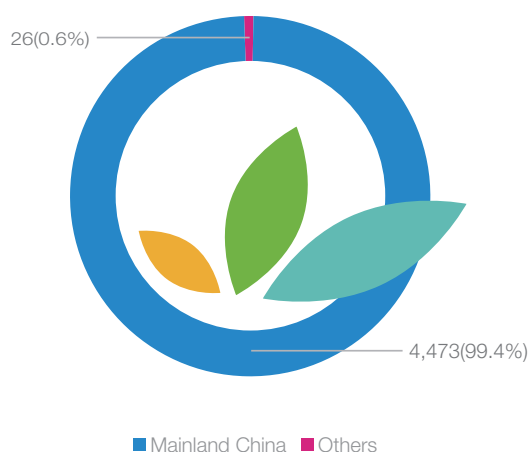
BUILDING A STRONGER WORKFORCE

During the Reporting Period, Sinofert has a total of 4,499 employees, all of whom were full-time employees. The number of employees and turnover rate by gender, age group, and region are shown in the following charts:





Our workforce by geographic location



Employee turnover rate⁹

Indicators		2021	
Gender		Number	Ratio
Male		245	7%
Female		73	8%
Age Group		Number	Ratio
< 31 years old		96	11%
31 – 50 years old		171	6%
> 50 years old		51	8%
Geographic Location		Number	Ratio
Mainland China		318	7%
Other regions		0	0%

⁹ Employee turnover rate: number of employees in the specified category leaving employment / total number of employees in the specified category x 100%.

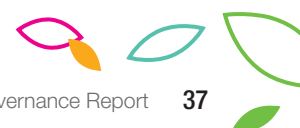
Occupational Health and Safety

Sinofert cares about the occupational safety and health of all employees. Most of our employees have frequent exposures to machinery operations and are exposed to certain risks. In this regard, the Group strictly abides by the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Provisions on the Supervision and Administration of Occupational Health at Work Sites, the Measures for the Supervision and Administration of Employers' Occupational Health Surveillance and other laws and regulations, protecting the health and safety of employees through practical risk prevention and safety measures. Sinofert adheres to the principle of "prevention-oriented, integrated prevention and control, and comprehensive management" on occupational health management, and implements the management system of "corporate responsibility, hierarchical management, and periodic assessment" while striving to achieve the aim of "no production accidents of a high level or above, no environmental accidents of level IV and above, and no occupational diseases hazard accidents", so as to create a healthy, safe and environmentally friendly working environment and promoting the sustainable and stable development of the Group.

We have incorporated occupational health and safety of employees as one of our main responsibilities and have set up an occupational health management system. The Group has assigned the HSE and Operational Management Department to be in charge of the prevention and control of occupational hazards in the Group's workplaces. At the same time, the Group has assigned the Human Resources Department and persons in charge from HSE and Operational Management Department to assist in the supervision and management of related works, as well as to secure the health and safety of employees through practical safety management and risk prevention actions. To strengthen the health and safety awareness of employees, the Group has formulated a series of policies such as "Sinofert's Occupational Health Management Measures", "HSE Education and Training Management Rules of Sinofert", "Sinofert's Chemical Process Safety Management Measures" and "Sinofert's Emergency Management Measures", which set out strict guidelines and requirements on warnings, announcements, project reporting, monitoring and evaluation, accident handling and reporting, and emergency rescue and management, to minimize the occupational health and safety risks on employees and protecting their safety in work.

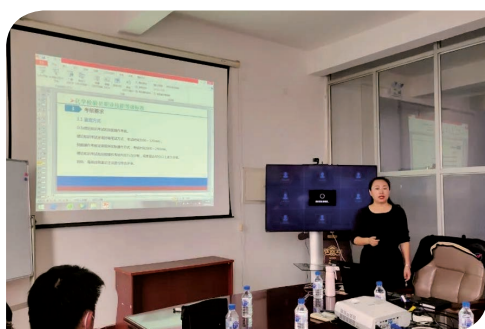
Culture of safety

The Group values the cultivation of a safety culture, constantly enhancing employees' safety awareness. Through reasonable work-life management, training, information communication, drills, and other measures, employees are familiarized with the occupational hazards they are exposed to, and their awareness of safe operation is further enhanced to avoid potential work risks. We also conduct pre-employment occupational health training and regular occupational health training for all of our employees every year. At the same time, we prepare training courses and materials, conduct strict assessments, establish standardized training procedures according to the actual conditions while also keeping training records in place. Training courses cover various matters related to occupational health and safety, including instructions on the use of personal protective equipment, interpretation of occupational health laws and regulations, emergency rescue procedures for acute occupational injuries, etc. This aims to elevate the awareness and understanding of occupational health and safety among the Group's employees in all aspects, thereby reducing safety incidents and ensuring the safety and health of employees.



CASE STUDY: CARRYING OUT PROFESSIONAL TRAINING TO ENHANCE EMPLOYEES' PROFESSIONALISM

Sinochem Changshan has organized the “Contributing to the Community” professional training program to enhance the knowledge and skills of employees, improving and advancing employees’ expertise and ensuring safe production and operation of the Group. For employees to better absorb theoretical knowledge, instructors will also visit inspection centers in operation sites and guide employees, helping employees to apply theoretical knowledge into practice.



During the Reporting Period, the Group was not involved in any work-related fatalities. The number and rate of work-related fatalities and lost work days due to work injury of the Group in the past three years (including the reporting year) are as follows:

Indicators	2021	2020	2019	Unit
Number of work-related fatalities	0	0	0	Person
Rate of work-related fatalities	0	0	0	Percentage
Lost work days due to work injury ¹⁰	55	39	/	Day

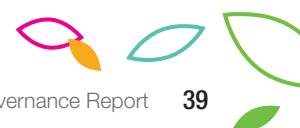
In addition, the Group participates in work-related injury insurance in accordance with the law and pays for work-related injury insurance for all employees. The Group also appointed qualified technical service providers to conduct occupational hazard tests at least once every three years. For subsidiaries or departments with serious occupational hazards, the Group requires the subsidiaries to evaluate the current status of occupational hazards at least once every three years and rectify the problems identified. Moreover, to strengthen a safe production system, the Group has formulated “Sinochem’s Measures on Hidden Health, Safety, and Environmental Hazards” and has actively carried out a range of hidden hazards investigations, including fire safety and handling of hazardous chemicals. Once relevant hidden hazards are identified, relevant departments will immediately carry out inspections and verifications to eliminate hidden dangers promptly, ensuring safe production across our operations.

¹⁰ The number of lost work days is defined as the number of days (other than serious injury) that actually caused the person to be absent from work due to the injury or disease, and it is at least one day from the day following the date of the injury or disease.

Pandemic response and control

In the face of the COVID-19 pandemic, the Group continued to implement stringent pandemic prevention measures at all operations and is committed to protecting the lives and health of our employees. The HSE and Operational Management Department is responsible for the overall coordination of the Group's pandemic prevention and control work, and the persons in charge of every functional department are appointed as the first persons in charge of all pandemic control work. All departments perform their respective duties and work together collaboratively, further strengthening pandemic controls. Specific measures are as follows:

- Requiring all employees to wear face masks
- Supervising canteen hygiene and disinfection
- Adjusting meal time, prohibiting centralized dining, and implementing separate meal arrangements
- Strengthening the disinfection and cleaning work of vehicles, assigning drivers to disinfect their vehicles before and immediately after work
- Posting numerous warning signs on vehicles to remind passengers to comply with relevant regulations during the pandemic
- Checking health and tripcodes of all employees before conducting any safety training and education programs
- In terms of safety training programs, we updated the latest pandemic situation and preventive measures through channels such as LED screens and Sinofer's official website
- Advocating the message of "not going out of town unless unnecessary" for the Group's employees and contractors, encouraging employees to not commute to different places if unnecessary
- Register visits from foreign visitors and implements face recognition and temperature detection facilities for internal employees through a smart gate system
- Establishing a vaccination database to remind and encourage unvaccinated employees to get vaccinated
- Introducing a pandemic contingency plan



Staff Training and Development

Sinoferf is committed to building a team with outstanding capabilities. By closely integrating our business strategy and core organizational capabilities, we have established a talent development system based on the principle of “guiding with leadership, nurturing our teams and driving development together”. We respect the opinions of our employees and advocate equal opportunities for all of them, providing them with diversified paths for advancement while pursuing business development.

As a leading enterprise in the industry, Sinoferf strives to improve the overall quality and professional skills of all employees, improving the competitiveness of the Group’s employees and also fostering the personal development of employees. We have implemented “Sinoferf’s Employee Training Management Measures” to encourage continuous learning among our employees and keep up with the latest industry trends. The Group provides training courses based on different situations in our operating regions, covering industry development, strategy implementation, organizational capacity building, corporate culture, leadership enhancement, marketing management, innovative methods and tools, policy interpretation, new media operations, technical communication, compliance risks, pandemic prevention, and control, finance, human resources management, safety production, and other general skills. In addition, focusing on the improvement of talents’ ability and development demands, the Group has established a pioneering online learning platform to continuously stimulate the learning motivation of employees through the diverse functional design, diversified and integrated learning projects, and other rich contents and activities. In the future, we will continue to increase the investment in employee training and development, to improve the professional skills and standards of all employees, so as to optimize the efficiency of business operations.

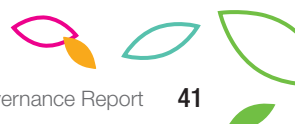
BUILDING A STRONGER WORKFORCE

The percentage of employees trained and average training hours by gender and employee category during the Reporting Period are as follows^{11 12}:



¹¹ Percentage of employees trained: number of employees trained in the category / total number of employees trained x 100%.

¹² Average training hours of employees: total training hours of employees in the category / total number of employees in the category.



CASE STUDY: THE “PILOT PROGRAM”

The “Pilot Program” is a talent development project jointly developed by Syngenta Group China and the Group for frontline leaders in the business team. The training included 12 thematic activities which focused on leadership, strategy, branding, marketing, innovation, and digitalization and strives to foster core competencies of the business teams.



CASE STUDY: “XINYU PROGRAM”

During the Reporting Period, the Group launched the “Xinyu Program”, which aims to boost strategic insights and professionalism of new-joined management trainees, allowing them to acquire in-depth technical knowledge and hands-on experiences, thereby helping them grow into innovative leaders in the crop nutrition industry with a “deep-rooted culture of impetus, deep-rooted professional capabilities, and deep-rooted management potential”.



Caring for our employees

On top of training programs and advancement paths for our employees, the Group also attaches great importance to the physical and mental health of our employees. We offer various kinds of activities for our employees, including core concept knowledge competitions, thematic learning months, training on defensive driving, and other activities in different areas to efficiently manage human resources and enhance employees' satisfaction, as well as their professionalism and capabilities.

CASE STUDY: SINOCHEM CHANGSHAN'S BASKETBALL TOURNAMENT

The Group emphasizes providing work-life balance for employees. During the Reporting Period, the Group held a basketball tournament for employees, aiming to relieve their physical and mental stress and enrich their after-work life.



Integrity and Anti-Corruption

Sinofert adheres to the principles of "do not dare to corrupt", "unable to corrupt" and "no desire to commit corruption", and resolutely fight against any form of corruption, bribery, extortion, fraud, and money laundering. The Group strictly abides by the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Company Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and other relevant laws and regulations. During the Reporting Period, the Group had concluded 1 legal case regarding illegal and non-compliance practice. The persons involved had been sentenced by the court and dismissed from the Group. In the future, the Group will continue to improve its corporate governance system to build a corporate atmosphere of integrity, honesty, and stability.

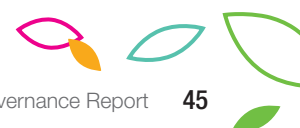
To improve the governance level of SinoFert, the Group strictly implements internal policies such as the “Work Management Regulations”, and enforces the discipline inspection and supervision and anti-corruption construction work of SinoFert, and deploys guides, and inspects the discipline inspection and supervision work of all entities in the system of SinoFert. The Group’s discipline inspection and supervision work are mainly carried out by the Discipline Inspection and Compliance Department, whose responsibilities include (but are not limited to):

- Promote the construction of corruption punishment and prevention system, organize and coordinate the identification, evaluation, prevention, and control of integrity-related risks
- Organize and carry out publicity and education on compliance with laws and regulations, integrity, and self-discipline
- Examine and evaluate the discipline inspection and supervision performance of subsidiaries
- Handle reports, complaints, and other correspondence involving party members, cadres, and employees in violation of disciplines and regulations, and carry out inspections and trials according to relevant regulations and procedures
- Formulate and improve the anti-corruption system and discipline inspection and supervision, and oversee the implementation of the inspection system

The Group also strictly follows the Code of Conduct Manual, which sets out the operational standards of SinoFert, regulates the compliance behavior of employees, and the standards that we expect our business partners to follow. Managers are required to ensure that employees have received, read, and understood the standards, and to ensure that these standards are implemented in their daily work. Managers can regularly share the cases related to the code of conduct and compliance, organize training, and provide support and guidance at any time to encourage and lead employees’ compliance behaviors. All employees must read and understand the code of conduct and sign a letter of commitment to the code of conduct every year. All employees are obliged to immediately report to the Discipline Inspection and Audit and Compliance Department when aware of or suspecting any violation of the code of conduct. Involved issues will then be handled by the Discipline and Compliance Department. In addition, we have also established various reporting channels, and conduct regular updates and maintenance on reporting platforms such as letters, reporting hotlines, emails, and QR codes, to encourage employees and other stakeholders to report any misconduct, dishonest behavior, and corruption. Whistleblowing can be conducted in real name or anonymously to prevent any retaliation against the whistleblower and create a corporate atmosphere where anyone can voice out and speak up.

After receiving reported materials, the Discipline and Compliance Department will register and code the case. After collective analysis and judgment, they will put forward suggestions to the responsible head of each business unit. Any reported cases involved in the scope under the Discipline and Compliance Department would be handled by the Discipline and Compliance Department. Reported cases that are not responsible by the Discipline and Compliance Department will be transferred to the other relevant departments and entities according to procedures. Once reported cases are received, the Discipline and Compliance Department will deal with the reported cases by taking into account the overall situation of the department and the person involved in four ways: conversation and consultation, preliminary verification, temporary storage for investigation, and closure.

During the Reporting Period, the Group actively carried out anti-corruption education for our directors and employees, focusing on the four themes of “learning and publicizing the spirit of the important conference”, “promoting and interpreting the Party’s rules and regulations”, “nurturing the Group’s core values and code of conduct” and “strengthening the construction of an ethical workplace and promoting integrity”. We have carried out 9 on-site education and training programs, covering the Board, the management level, and non-management employees as many as 432 people participating. In addition, we also uploaded video courses for new employees on ethical practices and work integrity to the Pioneer Camp App. Through the exposure and analysis of external cases of violations of laws and disciplines, and organizing the warning education documentaries watching such as “Integrity and Anti-corruption Around You” and “National Supervision”, we focus on the introduction of laws and regulations such as the Regulations on the Implementation of Supervision Law, and the Opinions on Further Promoting the Investigation of Bribery, which hopefully helps all party members and employees to firmly establish the value of integrity and compliance of “adhering to the bottom line of discipline, being loyal and ethical, and encouraging outspokenness”.



Sinofert is committed to becoming the most trusted and respected leader in the industry. We are committed to building long-term mutually beneficial relationships with our partners and the communities where we operate. While we encourage our suppliers to perform their environmental and social responsibilities, we contribute to the communities where we operate and encourage our employees to participate in volunteering and philanthropy to contribute to the development of society.

Supply Chain Management

Sinofert actively acts as an exemplar in the industry to continuously expand and solidify channels for procurement of goods, enhancing the ability to obtain resources, and ensuring a stable supply of fertilizers. We are a member of the International Fertilizer Industry Association (IFA) and one of the 17 council members of the International Plant Nutrition Institute (IPNI). With more than 60 years of experience in the international trade of fertilizers and an extensive international trade network, we are also the main source for fertilizer imports in China. In terms of potash fertilizer imports, the Group continued to establish close strategic cooperation with major international potash fertilizer suppliers such as Canadian potash fertilizer companies (Canpotex), the Arab Potash Company (APC), and the Belarusian Potash Company (BPC), on the basis of cooperation while also keeping in mind of serving Chinese farmers wholeheartedly.

The Group strictly implements internal management policies such as the “Administrative Measures for Qualified Suppliers of the Agricultural Business Department of Sinochem Group”. The Supply Chain Management Department comprehensively manages and monitors our supply chain, including access approval, inspection, supervision, and evaluation, to promote the sustainable development of the Group and our partners, and is committed to building a responsible and transparent supply chain with low environmental and social risks. The Supply Chain Management Department is responsible for:

- Conducting background research on suppliers by public consultation, site visits, etc.
- Establishing a sound supplier database by classification and grading.
- Establishing a supplier evaluation system, organizing static and dynamic evaluations and assessments on suppliers, and continuously optimizing the supplier structure.

We pay special attention to the management of environmental and social risks in every part of our supply chain. Therefore, we select suppliers with the best performances in environmental and social aspects as our partners. In terms of environmental protection, suppliers with sound environmental management systems, especially those who have passed the ISO14000 or relevant certifications, will be given priority in the access review process. In terms of social aspects, we have established a supply chain assessment and evaluation system with methods and evaluation indicators to evaluate suppliers’ social performances. The scoring indicators include the supplier’s business nature, size, operational status, supply capability, quality standards, after-sales services, and other performances. The evaluation system is categorized into annual static and dynamic assessments:

Static

We will carry out a joint annual review organized by the Supply Chain Management Department and other relevant departments to evaluate, assess and grade shortlisted suppliers. Meanwhile, corresponding incentives and penalties will be implemented according to the assessment.

Dynamic

Supply Chain Management Department conducts random sampling assessments on the credibility and contract performances of shortlisted suppliers throughout the year, and carries out corresponding penalties for unqualified suppliers according to the assessment.

Through evaluation and assessment, suppliers are classified as class A (80 points and above), class B (60 points to 79 points), and class C (below 60 points). For class C suppliers, the Group will suspend the partnerships with them and will require them to provide explanatory reports and corrective measures for their deficiencies, and then report to the Supply Chain Management Department and other relevant departments for review and filing. We will then decide whether to continue working with them based on their corrective measures and results, so as to ensure that the Group's supply chain is not affected by any potential environmental and social risks.

In addition, to promote the usage of environmentally friendly products and services, the Group prioritizes the procurement and usage of high-efficiency energy-saving and emission-reduction products and equipment with environmental protection certification when selecting equipment, while reducing or eliminating the use of energy-intensive equipment and equipment that wastes energy and water resources, thereby effectively improving the overall efficiency and energy-saving development of the Group.

The Group conducts comprehensive and effective management of suppliers by gathering and consolidating information on suppliers' regional distribution, nature, and networks. During the Reporting Period, the Group has reviewed and assessed 2,253 suppliers, including 1,071 trading and 1,182 production suppliers. All suppliers have been reviewed and assessed according to the above policies.

The number of suppliers by geographical region during the Reporting Year is as follows:

Total number of suppliers (by geographical region)	2021	Unit
Mainland China	2,199	Units
Overseas	54	Units

Community Investment

As a corporate citizen, Sinofert is determined to fulfill its corporate social responsibilities. While developing our business, we actively contribute to education and poverty alleviation. During the Reporting Period, we continuously participated in various types of community investment activities. We took the initiative to understand the demands of the communities where we operate and established a close relationship between the Group and the community through diversified approaches such as supporting local education to promote the mutual development of the Group and the society.

CASE STUDY: FIELD GUIDANCE ACTIVITY

Our team in the Hebei Region carried out a province-wide autumn field guidance activity named “demonstrate and observe first, serving people with care”. We organized five large promotion events for differentiated products, popularized fertilization knowledge among farmers in the Yanzhao region, demonstrated the application of the product, and answered questions on plating issues, which were highly recognized by retailers and farmers.

CASE STUDY: “CONTRIBUTING TO THE COMMUNITY”

Our team in the South China Region joined hands with the local village in Shen’an Village, Luwu Town, Lingshan County, Qinzhou City to launch a training named “Contributing to Community – The Efficient Cultivation of Cane”. This activity has involved approximately 100 participants and combined both theoretical knowledge and practical skills in use, aiming to teach local farmers, households, and social workers the knowledge and management of sugarcane planting.



CASE STUDY: EDUCATIONAL SPONSORSHIP ACTIVITIES

In August 2021, Sinochem Yunlong, together with the local government launched an educational sponsorship activity. We have donated approximately RMB 210,000 to 77 university students from Pulu and Fulu Village in Xianfeng Town and Yizhe Village in Gongshan Town, and have visited five families who needed targeted assistance.





APPENDIX 1: INDEX OF THE STOCK EXCHANGE'S ESG GUIDE



Aspect	Description	Relevant Sections in this Report/ Explanation
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Our ESG Management Strategy
Reporting principles	A description of, or an explanation on, the application of the Reporting Principles in the preparation of the ESG report.	About this Report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About this Report

APPENDIX 1: INDEX OF THE STOCK EXCHANGE'S ESG GUIDE

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Explanation
"Comply or Explain" Provisions			
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) 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.	Protecting our Environment
	A1.1	The types of emissions and respective emissions data.	Emissions Management
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Tackling Climate Change
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions Management



APPENDIX 1: INDEX OF THE STOCK EXCHANGE'S ESG GUIDE

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Explanation
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Tackling Climate Change / Resources Management
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Tackling Climate Change
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resources Management
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Tackling Climate Change
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Resources Management
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Resources Management
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Protecting Natural Resources
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protecting Natural Resources
A4: Climate Change	General Disclosure	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Tackling Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Tackling Climate Change

APPENDIX 1: INDEX OF THE STOCK EXCHANGE'S ESG GUIDE

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Explanation
B. Social			
B1: Employment	General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Staff Management
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Staff Management
	B1.2	Employee turnover rate by gender, age group and geographical region.	Staff Management
B2: Health and Safety	General Disclosure	Information on: (a) 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
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
	B2.2	Lost days due to work injury.	Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety



APPENDIX 1: INDEX OF THE STOCK EXCHANGE'S ESG GUIDE

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Explanation
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Staff Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Staff Training and Development
	B3.2	The average training hours completed per employee by gender and employee category.	Staff Training and Development
B4: Labour Standards	General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Staff Management
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Staff Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	Staff Management
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

APPENDIX 1: INDEX OF THE STOCK EXCHANGE'S ESG GUIDE

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Explanation
B6: Product Responsibility	General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
	B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
	B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility



APPENDIX 1: INDEX OF THE STOCK EXCHANGE'S ESG GUIDE

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Explanation
B7: Anti-Corruption	General Disclosure	Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and Anti-Corruption
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees During the Reporting Period and the outcomes of the cases.	Integrity and Anti-Corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Integrity and Anti-Corruption
	B7.3	Description of anti-corruption training provided to directors and staff	Integrity and Anti-Corruption
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

APPENDIX 2: INDEPENDENT ASSURANCE STATEMENT

To the Board of Directors of Sinofert Holdings Limited,

CECEP (HK) Advisory Company Limited (“**CECEPAC (HK)**” or “**We**”) has been engaged by Sinofert Holdings Limited (“**Sinofert**”) to conduct an independent limited assurance engagement (“**Assurance Engagement**”) on the information and data related to sustainability development in Sinofert’s 2021 Environmental, Social and Governance Report (“**ESG Report**”).

CECEPAC (HK) has been engaged to assure Sinofert’s adherence to the four AA1000 Accountability Principles (Inclusivity, Materiality, Responsiveness and Impact) set out in the AA1000 Assurance Standard v3 (“**AA1000AS v3**”). Meanwhile, CECEPAC (HK) has also been engaged to provide limited assurance on the reliability and quality of specified performance information disclosed in the ESG Report that have been selected in accordance with the Environmental, Social and Governance Reporting Guide (“**ESG Reporting Guide**”) published by the Stock Exchange of Hong Kong Limited (“**SEHK**”).

If there is any inconsistency or ambiguity between the English version and the Chinese version of this assurance statement, the Chinese version shall prevail.

I. Independence and Competence

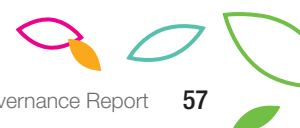
CECEPAC (HK) was not involved in collecting and calculating data, or in the development of the ESG Report. CECEPAC (HK)’s activities of Assurance Engagement are independent from Sinofert. There is no relationship between Sinofert and CECEPAC (HK) beyond the contractual agreement for providing proper assurance service.

The assurance team of CECEPAC (HK) is composed of experienced personnel in the industry who have received professional training in sustainability-related standards such as GRI Sustainability Reporting Standards issued by Global Reporting Initiative, AA1000AS v3, the ESG Reporting Guide of the SEHK, ISO 14001, and ISO 9001, etc.

The assurance team of CECEPAC (HK) has rich experience in conducting Assurance Engagement and has a full understanding and practical ability of AA1000AS v3. Meanwhile, the assurance team of CECEPAC (HK) carries out Assurance Engagement on sustainable development issues in accordance with the internal assurance protocol of CECEPAC (HK).

II. Sinofert’s Responsibilities

Sinofert is responsible for the preparation and presentation of the ESG Report in accordance with the SEHK’s ESG Reporting Guide. Sinofert is also responsible for implementing internal audit procedures and ensuring that contents of the ESG Report are free from material misstatement, whether due to fraud or error.





APPENDIX 2: INDEPENDENT ASSURANCE STATEMENT

III. Assurance Provider's Responsibilities

CECEPAC (HK) is responsible for issuing an independent assurance statement according to AA1000AS v3 and the SEHK's ESG Reporting Guide to the Board of Directors of Sinofer. This independent assurance statement applies solely to the ESG Report in the specified scope, expresses a conclusion on the assurance work, and does not serve any other intents or purposes.

CECEPAC (HK) ensures that all personnel involved in Assurance Engagement meet professional qualification, training and experience requirements, and are proficient in conducting assurance engagements. The results of all assurance and certification audit are internally reviewed by senior staff to ensure that methodologies used in the process are sufficiently stringent and transparent.

IV. Scope of the Assurance Engagement

- The scope of the Assurance Engagement is limited to the ESG Report only, and the contents only involve Sinofer and its subsidiaries. The scope of the Assurance Engagement does not include Sinofer's suppliers, contractors, and data or information provided by other third parties;
- AA1000AS' Type 2 Moderate Level of Assurance was adopted to evaluate the nature and extent of Sinofer's adherence to the four AA1000 Accountability Principles set out in the AA1000AS v3;
- Sinofer and CECEPAC (HK) reached an agreement to select the specified performance information in the ESG Report as part of the content for Assurance Engagement. The selected specified performance information is as follows:
 - Total number of suppliers (by geographical region)
 - Number of products and service related to complaints received
 - Lost days due to work injury
 - Newly produced water consumption and intensity
 - Purchased electricity
 - Purchased steam
- Assuring the conformity of disclosures for general disclosure and key performance indicators of environmental and social subject areas in Sinofer's ESG Report with the "Comply or Explain" provision in the ESG Reporting Guide of the SEHK;
- CECEPAC (HK)'s assurance work was with respect to information disclosed from January 1, 2021 to December 31, 2021 only. Any information that falls outside this period that is disclosed in the ESG Report is not included within the scope of the Assurance Engagement. Therefore, we do not express any conclusions on this information; and
- The scope of the assurance is confined to the information and data provided by Sinofer. Any queries regarding the content or related matters within this Independent Assurance Statement should be addressed to Sinofer only.

V. Methodology of the Assurance Engagement

CECEPAC (HK)'s Assurance Engagement was conducted at Sinoferf and its subsidiaries and the assurance work included:

- Evaluating the appropriateness of Sinoferf's stakeholder engagement participation process;
- Conducting online interviews¹ with Sinoferf's sustainability management and other personnel involved in the preparation and provision of the content and information in the ESG Report;
- Assessing whether the reporting and management approach disclosed in the ESG Report responded to the principles of Inclusivity, Materiality, Responsiveness, and Impact as defined in the AA1000AS v3;
- Conducting random sampling of evidence pertaining to data reliability and quality for selected specified performance information;
- Recalculating and verifying selected specified performance information;
- Evaluating the conformity of the ESG Report in accordance with the ESG Reporting Guide; and
- Performing other procedures we deemed necessary.

Assurance Engagement was performed and the conclusions within were based upon information and data provided by Sinoferf to CECEPAC (HK), and on assumptions that the information provided was complete and accurate.

VI. Inherent Limitations

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities.

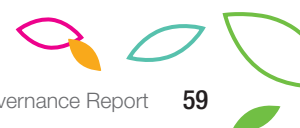
VII. Conclusions

In accordance with the principles of Inclusivity, Materiality, Responsiveness and Impact in the AA1000AS v3, our conclusions are detailed as follows:

Inclusivity

Sinoferf has identified key stakeholders and continuously communicated with key stakeholders through various channels to understand their expectations and concerns. On this basis, Sinoferf has fully considered the expectations of, and the impacts on, key stakeholders in formulating its policies. In our professional opinion, Sinoferf adheres to the Principle of Inclusivity.

¹ Due to the Covid-19 pandemic, we conducted interviews online.





APPENDIX 2: INDEPENDENT ASSURANCE STATEMENT

Materiality

Sinofert has identified its material issues through appropriate methods based on the expectations and concerns of the key stakeholders, its own industry characteristics, legal and regulatory requirements, and outward economic and social impacts. Sinofert has disclosed the methodology, process and results of materiality assessment in the ESG Report. In our professional opinion, Sinofert adheres to the Principle of Materiality.

Responsiveness

Sinofert has established channels for its stakeholders to understand their concerns and expectations. Meanwhile, through the ESG Report, Sinofert has disclosed corporate sustainability strategies, management systems, management key points, key stakeholder participation activities as well as major sustainability development related issues to respond to key stakeholders. In our professional opinion, Sinofert adheres to the Principle of Responsiveness.

Impact

Sinofert has considered and evaluate its impacts and realised its impacts on stakeholders, so as to make a more effective decision-making and result-based management within the organisation. In our professional opinion, Sinofert adheres to the Principle of Impact.

Specified Performance Information

Based on the procedures that CECEPAC (HK) has performed and the evidence we have obtained, no specific issue has come to our attention that causes us to believe that the disclosure of the six selected specified performance information in the ESG Report is unreliable and unqualified or not been prepared in all material respects in accordance with the basis of reporting.

SEHK's ESG Reporting Guide

Disclosure for general disclosures and key performance indicators of environmental and social subject areas in the ESG Report have been provided in accordance with the "Comply or Explain" provision, in all material aspects, in alignment with the ESG Reporting Guide of the SEHK. Sinofert has disclosed the process of the materiality assessment. Impacts caused by its business are objectively disclosed; relevant environmental and social data are calculated and disclosed. Our assurance findings and comments for the ESG Report have been either adopted or responded by Sinofert before the issuance of this independent assurance statement.



22 March 2022
Hong Kong SAR, China