



长安仁恒

**Zhejiang Chang'an Renheng Technology Co., Ltd.\***  
**浙江长安仁恒科技股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 8139)**

**2017**

**Environmental, Social and Governance Report**

\* For identification purpose only

## INTRODUCTION

This is the second Environmental, Social and Governance (the “**ESG**”) report prepared by the Group in accordance with the requirements of Appendix 20 Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (“**GEM Listing Rule**”). This ESG report covers the year ended 31 December 2017 intends to give insight into the approach adopted and actions taken by the Group regarding its operations and sustainability that have implication for the Group and the interest to stakeholders.

The ESG report of the Group has been presented into two subject areas, Environmental and Social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Guide.

The Group understands the importance of ESG report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society. This ESG report of the Group will present mainly the general disclosure of required aspects in policies, initiatives and performance. The Group will continue to optimise and improve the disclosure requirements.

## THE GROUP

Zhejiang Chang'an Renheng Technology Co., Ltd. (the “**Company**”) and its subsidiaries Yangyuan Renheng Fine Clay Co., Ltd. (陽原縣仁恒精細粘土有限責任公司) (“**Yangyuan Renheng**”) and Zhejiang Chang'an Renheng Chemicals Co., Ltd. (浙江長安仁恒化工有限公司) (“**Renheng Chemicals**”) (together, the “**Group**”) are principally engaged in the business of research and development, production and sale of bentonite fine chemicals and provision of relevant support technologies and equipment, and use bentonite as its basic raw materials to manufacture paper chemicals, bentonite for metallurgy pellet, quality calcium bentonite and other products. The Group has a number of national invention patents, and has obtained the Grade 3 Award of the Science and Technology Award of Zhejiang Province and Grade 2 Award of the Science and Technology Advancement Award of Huzhou City due to its outstanding scientific research achievements. The “dual microparticles retention and drainage aids” and “environment-friendly multipurpose clay deinking agent RHD-18” were listed as national new key products by the Ministry of Science and Technology in 2008 and 2011, respectively.

In addition to dedication to research and development of products, the Group endeavours to make breakthroughs in terms of technology and quality and proactively enlarges its scope of business, to strive for the most return to shareholders. Meanwhile, the Group stresses the responsibilities for environment and society and proactively implements relevant measures to guarantee and enhance efforts for environmental protection, employee benefits, community investment, etc. with a view to creating a win-win business environment for all parties and laying a solid foundation for sustainable development.

## **ENVIRONMENTAL PROTECTION**

### **Emission Reduction**

Each enterprise should be responsible for environmental protection. The Group attaches great importance to it, but also actively responds to the national environmental protection policies. The Group has developed relevant internal policies according to national legislation and regulations and industrial standards, such as, installation of exhaust gas treatment equipment, construction of sewage station, signing of waste disposal agreements, etc., and obtained encouraging emission reduction results.

During the report period, the Group strictly adhered to various legislation related to the national environmental protection, such as, the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Water Pollution, Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, 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 Environmental Pollution by Solid Waste (2015 Amendment), Cleaner Production Promotion Law of the People's Republic of China, Regulations for Safety Management of Hazardous Chemicals, etc. and committed no violation acts. All emissions were completely in line with the national provisions.

The Group's production is mainly conducted by Yangyuan Renheng, its subsidiary. Meanwhile, Renheng Technology is also responsible for a part of the production. We have developed strict environmental protection goals for two production bases and been closely monitoring the emission of various gases, sewage and solid wastes to make sure no excessive emissions.

The production scale of Renheng Technology was relatively small, without greenhouse gases emitted. The gas contaminants it emitted were only industrial dusts. Last year, it emitted 3.0 tons of industrial dusts. In addition, Renheng Technology neither emitted sewage nor harmful solid wastes. Its harmless solid wastes only included sand stones. Although these emissions were not significant, Renheng Technology still took measures to reduce its emissions. As to the industrial dusts, it installed within the factory bag precipitators to specially collect the industrial dusts as finished products for reuse. This was helpful for emission reduction but also for saving cost and resources. Similarly we also collected the sand stones for re-sale or reuse.

The production scale of Yangyuan Renheng was relatively large, so it involved more emissions. The below table sets out the details of its related emissions and its corresponding measures for emission reduction:

Category of pollutants	Name	Measures for Emission Reduction	Yield	Emission achievement
Greenhouse gas	CO <sub>2</sub>	Its emission was below standard, so no measures were taken for emission reduction	9×10 <sup>-3</sup> tonne/year	N/A
Exhaust gas	Methane chloride	Absorbed by activated carbon	80 kg/year	35 kg/year
	Concentrated sulfuric acid mist	Alkali spray absorption	1.5 tonne/year	0.11 tonne/year
	Industrial dust	Collected by bag-type dust collector installed as finished products for reuse	480 tonne/year	3.50 tonnes
Waste water	General waste water	Disposed by sewage station	250,000 tonne/year	0
	COD		170 tonne/year	0
	Ammonia nitrogen		9 tonne/year	0
Harmful solid wastes	Waste activated carbon	Outgoing disposal	80 kg/year	0
Harmless solid wastes	Packaging of raw materials	Deposed via re-sale	5.5 tonne/year	0
	Sludge from waste disposal	Compost	300 tonne/year	0
	Domestic garbage	Collected for use for refuse landfill	90 tonne/year	0
	Sand stones	Collected for pavement	16,500 tonne/year	0

In addition, the purified bentonite products are environment-friendly materials, which can be used for underground works to provide waterproof. Bentonite can also be used for disposal of waste water. Thus, our business contributes to the environmental protection too.

Recently, the Group has also planned two large-scaled construction projects for emission reduction. As to its water treatment agent project with 10,000 tons of annual water production established in Zhejiang Changxing, the construction work of the main body of plants has been completed. At present, it is in equipment installation phase. It is expected to further improve the efficiency for absorption of anionic trashes in the sewage. The new project with 10,000 tons of annual organic bentonite production established in Hebei Yangyuan has been put into production. In 2017, the Group recorded a sales income of RMB17.84 million from organic bentonite.

## **USE OF RESOURCES**

The Group strictly complies with the Notice of the State Council on Issuing the Comprehensive Work Plan on Energy Conservation and Emission Reduction (GF [2007] No. 15) (《國務院關於印發節能減排綜合性工作方案的通知》，國發[2007]15號) and has developed policies on energy and water conservation, such as, the implementation of staggering peak production, and installation of industrial inverter in electrical equipment to save electricity. In addition, we also dispose sewage via advanced technology and implement reclaimed water reuse process, successfully achieving zero emission of production sewage and efficient recycling.

The Group uses calcic soil and soda ash as the main raw materials for production of pulping and paper-making retardant aid. Last year, their usage by the Group were respectively 26,000 tons and 1,000 tons. The main raw materials for production of organic bentonite are high-quality calcic soil, soda ash, tertiary amine and chloromethane. Last year, their usage by the Group were respectively 6,000 tons, 120 tons, 650 tons and 150 tons. The main raw material of the calcium based soil is high-quality calcic soil. Last year, its usage by the Group was 2,750 tons in total. The production process involved various large-scale mechanical equipment, including digging machine, loader, pulverizer, classifier, dispersion machine, mixer, filter press. These heavy machines mainly consume diesel oil, electricity energy, etc.

The below table sets out 2017 consumption of main resources of Renheng Technology and Yangyuan Renheng:

<b>Resources</b>	<b>Renheng Technology</b>	<b>Yangyuan Renheng</b>
Electricity	400,000 kwh	3,450,000 kwh
Diesel oil	6 tons	126 tons
Packing materials	30,000 pcs	380,000 pcs

The Company's main energy conservation measures are to enhance on-site technology guidance and supervision, and strictly control the usage of energy so as to make sure various operation can help realize the maximum efficiency, thus, lowering the resource consumption. We assess the efficiency of use of resources by all relevant department and posts. Then, we make timely progress and improvement to eliminate waste of resources. We set up a solid sense of energy saving for our employees, so that we can save our resources with all our heart and soul.

## **ENVIRONMENT AND NATURAL RESOURCES**

The Group understand the resources are precious. Thus, Chang'an Renheng Technology and Yangyuan Renheng respectively actively promote various corresponding environmental protection programs according to their own actual conditions. For example, we have developed a "Three Wastes" disposal equipment maintenance program for Chang'an Renheng to make sure the environmental protection equipment can continue run efficiently and smoothly. As to Yangyuan Renheng, except "Three Wastes", we have also engaged a third party agency to prepare the Water and Soil Conservation Plan and the Plan on Protection, Restoration and Treatment of Ecological Environment of Mine, and have submitted the plans to the administrative governments for filing to facilitate the supervision by government department at any time.

For noise control, in order to avoid affecting the lives of nearby residents and to protect the hearing of employees, basic vibration attenuation facilities and acoustic insulation equipment have been set within the range of plant, and sound proof walls are used in workshops to minimize noise. The achievements in this regard are remarkable, and Chang'an Renheng's noise control is compliant with Type 2 standard of Emission Standard for the Noise at the Boundaries of Industrial Enterprises (《工業企業廠界噪聲標準》) (GB12348-90) and Yangyuan Renheng's noise control is compliant with the regulations of Type 2 standard of Environmental Quality Standard for Noise (《聲環境質量標準》) (GB3096-200).

Although the business of the Group has no significant effect on environment and natural resources, as a preventive measure, we proactively cooperates with the relevant governmental departments in regular monitoring and assessment of wastes discharged in daily operation and the effects thereof on the surrounding environment. We have also prepared the Emergency Response Plan for Mines. At present, we are in close cooperation with a third party institution in preparing the environmental emergency response plan.

## **SOCIETY**

### **Employment and Labour Practice**

#### ***Employees' Interests***

The Group sees its employees as the foundation for the sustainable development of its business. Thus, it is committed to protecting the employees' benefits, actively attracting talents and creating with all its strength an ideal working environment. We have been strictly following the Labor Law of the People's Republic of China and developing improved policies to protect the employees' rights and interests as per China's related laws and regulations and by combining our actual conditions.

We have developed a series of relevant systems, including the Company's Holidays Management System, the Company's Personnel Management System, Remuneration Management System and many other policies for protecting the rights and interests of the employees, to provide a clear guidance for recruitment, remuneration and benefit, promotion, and dismissal of employees, so as to ensure employees to receive fair and impartial treatment, without any bias or discrimination. Meanwhile, we have maintained related insurance for all employees, which provides a full guarantee for them.

The Company attaches great importance to female workers and their benefits. Generally, they can receive in full basic salaries for their marital leave, funeral leave and maternity leave, in addition to their guaranteed equal treatment to the male workers. Furthermore, in addition to the legal maternity leave and benefits as provided by the state for female workers, the Company especially allows those female workers at or above age of 24 to have additional 30 days for maternity leave when they give birth to their first child.

## *Occupational Safety*

The safety of the employees has been always one of the Group's top priorities. We keep monitoring all kinds of existing occupational safety measures so as to ensure these measures are effective. We also regularly assess such measures so as to find out and prevent any hidden danger in a timely manner. We strictly follow related legislation and regulations (such as Safety Production Law of the People's Republic of China, Labor Law of the People's Republic of China), based on which, we have developed Rules and Regulations for Safety Production and listed in detail all safety specifications, the production and operation risks we need to pay an attention to, and corresponding prevention and emergency measures.

Although the production process of the related bentonite products is relatively safe, which will not pose a major danger to the employees, we have also taken different measures. We adopt a zero-tolerance policy on any accidents. For example, we regularly provide labor protective supplies to employees according to their jobs and the nature of their jobs. We also regularly carry out safety inspection and investigation of accidents and hidden dangers, so as to ensure all measures are effective and take preventive measures in a timely manner. As to the posts exposed to higher risks, we also strictly execute on-site management system for special operation and dangerous work for enhancing the work of monitoring and assessment. Meanwhile, we convene a safety production meeting each month to collect the opinions of employees, assess such measures and discuss how to improve such measures. Each month, we organize a comprehensive inspection of the implementation of the safety measures via the mode of "periodical inspection, round check, professional inspection and random check", so as to make extra certain.

The frontline employees are important for implement the occupational safety measures. Thus, the Group regularly carries out safety production educations to improve their skills and knowledge of mechanical operation and their vigilance. At the same time, we also implement responsibility system for safety production and system for reward and punishment, in order to drive the employees to pay attention to the safety of themselves and their colleagues.



## ***Development and Training***

Talents are the foundation for the success of the Group. Therefore, we have always been actively promoting our employees to keep improving themselves and their self-values. We have developed a set of improved development and training policies for directed training according to the needs of the posts, while developing the development direction of the employees according to the Company's future planning.

Under this system, Human Resources Department is responsible for analysis of training demands and determination of training direction and arrangement. Upon approval of the General Manager, related trainings will be formally prepared and implemented. Such kind of training will be provided twice each year at least. Upon training, assessment will be done. Then, follow-up work and improvement will be done according to the assessment result. We also have developed Employee Performance Assessment System for regularly assessing the employee performance.

As in the processes of the application of pulping and paper-making retardant aid, the production of bentonite or calcium based soil, etc., high-tech personnel are required, including quality inspector, mechanic, equipment operator, technical staff, etc., the employees of such posts are required to accept pre-job training on related technology and equipment so as to ensure they are familiar with the workflow, mechanical operation and relevant technology and knowledge.

Last year, the Group arranged a related internal training on organic bentonite and efficient sludge improver. All employees of the Technology Department and Business Department attended such training and passed the assessment. Their performances were satisfactory. As to external training, we arranged a part of management to participate in 12-month academic courses on internet and innovative development of enterprises. Such courses were taught in 2 days each month. Now all trainees have completed their 12 essence courses for the master of business and administration.

## ***Labor Standard***

By strictly complying with the Labour Law of the People's Republic of China, the Group strictly prohibits child or forced labour and has prepared a complete set of comprehensive Policy on Prohibition of Child Labour and Remedial Measures for Employment of Child Labour by Mistake to give detailed guidance on these aspects.

We mainly prevent child labor when recruiting. The applicants must produce their valid identity certificates. Prior to employment of any applicant, the head of Recruitment Department will validate his or her identity certificate, confirm the photo thereon, and the valid dates thereof, and make sure that her or his age meets the legal requirement. If suspicious of the authenticity of any applicant's identity certificate, such responsible head may request he or she to produce his or her academic credentials so as to confirm his or her real age, and, if necessary, also may request the local police office to validate it. In order to prevent any new employee working in the factory via using any other person's identify certificate, he or she must produce his or her identity certificate for re-confirmation by relevant personnel when he or she applies for the "first time" for receiving payroll.

## **BUSINESS MODEL**

### **Supply Chain Management**

The Group's suppliers are divided into three major categories – equipment manufacturers, suppliers of raw materials for production, and suppliers of packing consumables. We have developed related policies for suppliers to provide clear rules for hiring and supervising suppliers. Prior to determination of cooperation with any supplier, we will require it to provide relevant certificates for legal operation and organize our technicians and law business personnel to inspect its production site in order to confirm whether its operation is in line with relevant safety production regulations and environmental protection laws. In addition, for any hired supplier, we will inspect its production site irregularly during our purchase period so as to ensure it meets our requirements. Meanwhile, we monitor closely the operation conditions of any supplier via regular inspection and irregular random inspection to make sure that it causes no risk to the environment or the society.

If we find out any risk or irregularity of any supplier, we will suspend the execution of related purchase contracts with the help of the Law Business Department of the Company, and issue a rectification opinion to it. We will re-execute related purchase contracts until the Company's Law Business Department and the Technology Department confirm that such supplier have completed its rectification and met relevant rules.

## **Product Responsibility**

We have developed improved policies for responsibility for all kinds of products, such as, Rules and Regulations for Safety Production and the Company's Personnel Management System, which stipulate the Administrative Department should be responsible for the employees' health and safety as well as the privacy and the Business Department should be responsible for the ads and labels.

Meanwhile, the Group is committed to guaranteeing the quality and safety of the product. The Group strictly adheres to relevant legislation of China's GBT 20973-2007 Bentonite and GBT 27798-2011 Organic Bentonite. We select environment-friendly and harmless materials, technologies and flows for production to make sure our products are safe and healthy.

If we receive any complaint as to any product or we need to recall any product due to its quality problem, our Sales Director will make decisions for emergent recall. The Business Department will notify the clients, deal with related affairs related to clients, and carry out all matters as to product recall; while the Quality Control Department will check the product as to which the complaint is received, analyze the reasons, put forward a program to dispose of it and make sure no re-occurrence of any similar situations. All products which are recalled due to quality problem will be destroyed upon approval of the General Manager.

Similarly, we also attach great importance to the supervision and protection of intellectual property rights and protection of personal privacy. We have developed in the Manual for Employees strict confidentiality policy. The archives of clients are also kept strictly by special person so as to make sure no leakage of any client's materials.

## **Anti-corruption**

The Group proactively responds to the anti-corruption campaign in the PRC in recent years and has internally established a complete prevention, supervision and reporting system in accordance with the Basic Norms of Enterprise Internal Control, and discloses our anti-corruption policy and treatment principles in details to all our staff, suppliers, engineering contractors and business partners. The Group and its employees have no non-compliance cases regarding anti-corruption during the reporting period.

## **Giving back to the Society**

The Group puts a high value on enterprise' responsibility for the society and proactively gives back to the community. We have developed several policies for feedback to the community, for example, the Group gives priority to residents in surrounding communities in recruitment to enhance local residents' income and improve their living conditions. We regularly communicate with relevant local government departments to ensure that the operation and investment are in line with policy requirements and community demands. We also cooperate with the management organisations of surrounding communities in maintenance and upgrading of roads, power, communication and other infrastructures. In addition, in recruitment, we relax recruitment conditions to include the disabled or social vulnerable groups in the scope of recruitment depending on position requirements. The Group also participates in social welfare activities and makes contributions to charitable community events including making donations to victims of natural disasters.