



**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**

# 2020

ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT

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## INTRODUCTION

The Group (as defined below) presents the Environmental, Social and Governance Report for the year ended 31 December 2020 in accordance with the Appendix 20 Environmental, Social and Governance Reporting Guide to the GEM Listing Rule. The Group is taking this opportunity to disclose to the investors and the other stakeholders the recent information of the sustainability of the Group.

This report has been presented into two subject areas, namely, Environmental and Social. It will explain the relevance to the Company's business in terms of management, strategies, relevant materiality and objectives, and will also discuss the management, measurement and monitoring system employed to implement the environmental, social and governance strategies.

The board of directors of the Group will objectively present the materiality impacts of the Group's business to the environment and society, evaluate the relevant environmental, social and governance risks and formulate the risk management and internal control systems effectively. The Group will also focus on the principle of materiality, quantitative, balance and consistency to present the policies of the environment, social and governance, the measures and result achieved so that the investors and other stakeholders will have further deeply understanding of the performance of the Group in the past years and the development in the future.

## ABOUT THE GROUP

Zhejiang Chang'an Renheng Technology Co., Ltd. (the "Company" or "Renheng Technology") is a limited liability company and was registered in China in December 2000. It was re-registered as a joint stock limited liability company in December 2008 in accordance with the Company Law of the People's Republic of China (the "PRC"). The Company's H Shares were listed on the GEM of the Stock Exchange on 16 January 2015.

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"), and the Shanghai branch of the Company (together, the "Group"), are principally engaged

in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture. The Group uses bentonite as its basic raw materials to manufacture papermaking chemicals, organic bentonite, inorganic gel, quality calcium-bentonite, bentonite for metallurgy pellet and other products.

During the year, the Group continued to increase the promotional efforts of bentonite for paints and coatings and the products were recognized by customers. Bentonite products for spray paint wastewater treatment have also been recognized by customers. The Group has upgraded the technology of water treatment products to make the products more suitable for market demand. Besides, in accordance with our business development plan, the Group explored the application of bentonite in new fields and undertook the development of two new products at provincial level, including “Research and Development of Bentonite Modified Nylon Material”(《膨潤土改性尼龍材料的研發》) and “Technical Knowhow and Equipment Development of Ultrapure Bentonite”(《超純膨潤土工藝和設備開發》), and applied for two invention patents. The products applied in the field of biological fermentation developed by the Group have been recognized by customers in the course of promotion. The Group has officially kick-started its work by the establishment of a doctoral workstation and the introduction of one doctor, and cooperated with Jiangnan University to study the development and utilization of bentonite products in depth.



The Group holds several national invention patents. Due to the outstanding achievements in scientific research, we were honoured and recognised by awarding the “Science and Technology Award of Zhejiang Province (Grade 3)” and the “Science and Technology Advancement Award of Huzhou City (Grade 2)”. Also, we were awarded the “Invisible Champion Enterprise in Zhejiang Province” 《浙江省隱形冠軍企業》 in 2020. The “dual microparticles retention and drainage aids” and the “environment friendly multi-purpose clay deinking agent RHD-18” were listed as the national new key products by the Ministry of Science and Technology in 2008 and 2011 respectively. During the reporting period, the Group explored two new products – waterborne coating stabilizer and paint mist wastewater treatment agent and have been applied for two invention patents.

The Group will continue to implement the development direction of the board of directors and increase the product marketing efforts in various fields such as organic bentonite for paints and coatings, papermaking chemicals, inorganic gel and water treatment. The Group develops new products through platforms such as doctoral workstation; and research and development center, with an aim to increase sources of revenue, enhance the core competitiveness of the Group in the market and maximize returns to the Shareholders. Besides, the Group has placed high value on the corporate responsibilities for the environment and society. We actively launched various relevant measures in the routine operations to protect and enhance the green measures and awareness, staff welfare and community investment. It is expected to create a win-win business environment for all parties and a solid foundation for the sustainable development.



## A. ENVIRONMENTAL PROTECTION

### A1. Emission Reduction

It is all the enterprises' responsibilities to protect environment. The Group not only highly emphasises on it, but also actively responses to the national environmental protection policies. The Group also formulated the "System of Chang'an Renheng's Environmental Protection Management" in accordance with the national laws and industrial standard. The objectives are to enhance the Group's environmental protection equipment, including reinforcing the installation of exhausted gas treatment equipment, construction of sewage stations, signing of waste disposal agreements, etc., in addition to the enhancement of the staff's environmental protection awareness. It is expected to implement the environmental protection policies in the daily working life.

The Group strictly follows the relevant regulations of the national environmental protection, including the "Environmental Protection Law of the PRC", "Prevention and Control of Water Pollution of the PRC", "Prevention and Control of Atmospheric Pollution of the PRC", "Prevention and Control of Environmental Pollution of Solid Waste of the PRC", "Prevention and Control of Environmental Pollution of Solid Waste of the PRC (revised in 2015)", "Prevention and Control of Environmental Pollution of Solid Waste 2018 of the PRC (New Version)", "Clean Production Promotion Law of the PRC" and "Regulations of Safety Management for Hazardous Chemicals", etc. During the reporting period, the Group has not violated any regulations. All the emission arrangements were completely in line with the national standards.

The lines of production of the Group are mainly concentrated on its subsidiaries, Yangyuan Renheng, as well as Renheng Technology taking part of the production processes. The Group has formulated the strictly rules of the environmental protection for these two production plants and kept an eye closely on the emissions of various gases, sewages, hazardous and non-hazardous wastes produced. It is to ensure the emissions do not exceed the reference indexes.

The production scale of Yangyuan Renheng is large so the emissions of it are serious relatively. The details of the relevant emissions and the corresponding measures are set out in the following table:

Category of pollutants	Name	Measures for emission	Reduction yield	Emission achievement
Greenhouse gas ("GHG")	CO <sub>2</sub>	The emission is lower than the standard so no measure is taken	See "Company Performance and Data"	N/A
Exhausted gas	Methane chloride	Absorbed by activated carbon	55 kg/year	remarkable
	Concentrated sulfuric acid mist	Alkali spray absorption	0.8 tonne/year	remarkable
	Industrial dust	Installed the bag-typed dust collectors and collected them as finished products for recycle and reuse	485 tonne/year	remarkable
Wasted water	General wasted water	Drained to sewage stations	260,000 tonne/year	remarkable
	Chemical oxygen demand		180 tonne/year	remarkable
	Ammonia nitrogen		9.5 tonne/year	remarkable
Hazardous solid wastes	Wasted activated carbon	Disposal	80 kg/year	remarkable
Non-hazardous solid wastes	Packaging of raw materials	Re-sale	6.1 tonne/year	remarkable
	Sludge from wasted water	Compost	300 tonne/year	remarkable
	Domestic rubbish	Disposed in the landfill	90 tonne/year	remarkable
	Sand stones	Recycled as low-end products for sales	18,500 tonne/year	remarkable



The production scale of Renheng Technology was comparatively small so the emission of GHG was minimal. Other air pollutant was industrial dust and the emissions was 2.9 tonne during the reporting period (2019: 3.0 tonne). The Group has installed the bag typed dust collectors in the plants for collection of the industrial dust. Then, it would be treated as the finished products for recycling and reusing in the other production. It could reduce emission, save costs and resources at the same time. Renheng Technology has been adopting this method for years and achieved significant results.

Furthermore, Renheng Technology does not produce wasted water and hazardous solid wastes. The non-hazardous solid wastes produced only involves a small amount of sand stones. In order to guarantee the purity of bentonite, the sandstone have to be cleaned up. Accordingly, the sandstone produced during the reporting period was 16,500 tonne per year (2019: 17,500 tonne), which was slightly decreased when comparing with last year and was recycled as low-end products for sales. In spite of the insignificant emissions in the production processes, Renheng Technology does not ignore it and keep on focusing on the relevant emissions reduction and implement the emission policies.

In addition, the Group turns the purified bentonite into bentonite products which are the environmentally-friendly products. Bentonite is a clay mineral with the highest application value among non-metallic minerals. As a kind of natural mineral, bentonite is widely used in industries such as petroleum, metallurgy, casting, machinery, ceramics, construction, light industry, paper-making, textile, food and others. Due to its unique mineral structure, chemical characteristics of crystals and excellent physical and chemical properties. It plays an important role as a binder, adsorbent, filler, thixotropic agent, flocculant, detergent, stabilizer and thickener. At present, the domestic and international application research of bentonite is developing towards a higher level with more functions and being environmental friendly. In addition, the functional and environmental-friendly concept of bentonite in the application of thickening and water-retaining materials and rheological additives for paints and coatings is in line with the development trend of the coating industry nowadays.

In recent years, the Group has launched two sizable construction projects for emission reduction. The first one is the project of the construction at Zhejiang Changxing with the water treatment agent with 10,000 tonne/year. The construction of the main plant was completed. Due to the reason of market demand, the stage of equipment installation is not yet to complete up to now. Taking into account of the effect of COVID-19, the equipment installation work might be postponed and the completion date could not be fixed. It is expected that it will further enhance the absorption function to suck the anionic trashes in the sewages. The other project is the construction at Hebei Yangyuan with the production of organic bentonite at 10,000 tonne/year. It has been in the production and recorded the sale of bentonite of \$45,930,000 during the reporting period. The Group used the natural gas boilers in place of the coal boilers and reduced the emission of pollutants substantially.

The information on emissions is set out in “Environmental Performance Data” on pages 27 to 28 of this report.

## A2. Use of Resources

The Group strictly complies with the “Notice of the State Council on Issuing the Comprehensive Working 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 the “Notice of the State Council on Issuing “The 13th Five-Year-Plan” for the Comprehensive Working Plan on Energy Conservation and Emission Reduction GF [2016] No. 74” (《國務院關於印發「十三五」節能減排綜合工作方案的通 知》國發[2016] 74號). The Group has formulated the relevant energy saved and water conservation policies, including the implementation of staggering peak production, and installation of industrial inverters in electrical equipment in order to save electricity. In addition, the Group has implemented the advanced technology to handle the sewage treatment and launched the reclaimed water reuse flow, which successfully achieved the zero emission of sewages and the recycling efficiency. The Group does not have any problems in sourcing water. During the reporting period, the total water consumption was 6,957 tonne (2019: 6,400 tonne). The total water consumption was caused by using high purity water to wash bentonite. As calculated by production volume, the average water consumption per tonne of finished products was 1.46 tonne (2019: 1.36 tonne).



In the process of production of pulping and paper-making applied in paper manufacturing industry, the Group used the series of retardant aid products and the main raw material of which are calcic soil and soda ash. During the reporting period, the Group's consumption of calcic soil was 40,101 tonne, representing a decrease as compared to last year, which was mainly due to the decrease in sale of low value-added papermaking chemicals and increase in sale of high value-added organic bentonite, and the Group's consumption of soda ash was 1,020 tonne. The main raw materials for production of organic bentonite (rheological additives) are high-quality calcic soil, soda ash, tertiary amine and chloromethane and the Group consumed 8,550 tonne, 220 tonne, 853 tonne and 143 tonne respectively during the reporting period. The reason for the use in high-quality calcic soil increase was due to the increase on the sales of organic bentonite. Besides, the Group used various large-scaled mechanical equipment in the production processes, including digging machine, loader, pulverizer, classifier, dispersion machine, mixer, filter press. They mainly consumed the energies of diesel oil and electricity.

During the reporting period, the total consumption of the main resources of Yangyuan Renheng and Renheng Technology are set out in the table below:

Resources	2020	2019	2020	2019
	Total consumption of Yangyuan Renheng		Total consumption of Renheng Technology	
Electricity	4,170,000 kWh	3,440,000 kWh	325,000 kWh	350,000 kWh
Diesel oil	190,000 litres	190,000 litres	4,000 litres	8,000 litres
Packing materials	420,000 pcs	390,000 pcs	33,000 pcs	32,000 pcs

Note: Compared with last year, it is mainly due to the increase in production quantity and number of mines mined causing the increase in the electricity consumption of Yangyuan Renheng.

The main energy conservation measures of the Group are to strengthen the on-site technical guidance and supervision as well as strictly control the consumption situation. The Group has to ensure all the operations are optimised effectively and the energy consumption are minimised. The Group has implemented the regular assessments of energy conservation to all the relevant departments and work-places. The Group carries out the follow-up measures and makes improvement timely in order to avoid the resource wastage. The Group also educates the staff to have a strong sense of energy-save and to advocate all walks of life to care about the energy-conservation. The Group achieved the result remarkably.

The Group is committed to supporting the environmental sustainability. Our commitment to protect the environment is well-reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. The Group encourages environmental protection and advocates awareness towards environmental protection to the employees. The Group adheres to the principles of recycling and reducing. We implement green office practices such as paperless office, double-sided printing, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. The Group saved about RMB20,000 per year and the result achieved was satisfactory.

The Group evaluates the environmental protection work from time to time and considers implementing more environmental protection measures and practices. It is to aim at the rule of 3R to reduce use, recycle and reuse and to strengthen the sustainability of the environmental protection.

The Group has consumed 453,000 (2019: 420,000) packing bags during the reporting period, of which 270,000 (2019: 260,000) can be recycled and reused. The increase in consumption of packing bags in 2020 over 2019 was mainly due to the increase in the quantity of the production of new products.

The information on use of resources is set out in “Environmental Performance Data” on pages 27 to 28 of this report.

### A3. Environment and Natural Resources

The Group has been complying the “Environmental Protection Law of the PRC” and “Mineral Resources Law of the PRC” so as to protect and use the environmental and natural resources appropriately.

The Group believes that resources are precious. Yangyuan Renheng and Renheng Chemicals actively launched various environmental protection measures in accordance with their actual situations respectively. The Group has formulated the “Three Wastes” measure for Yangyuan Renheng in respect of the equipment maintenance measure for handling the sewages, exhausted gases and solid wastes problems. It is to ensure the environmental protection equipment can be used efficiently and can be operated soundly. The Group has also engaged professional expertise to formulate the “Water and Soil Conservation Plan” and the “Plan on Environmental Protection, Restoration and Recovery of Mining”, copies of which were filed with the governmental authorities for inspection from time to time. Renheng Technology also launched the “Three Wastes” measure for insisting on the sense of environmental protection.

In relating to the noise control, the Group has installed the basic vibration attenuation facilities, acoustic insulation equipment and sound-proved walls in the plants so as to avoid the influence of the daily life of the residents nearby and protect the staff's hearing. It aims at keeping the noise pollution at the lowest level and the result achieved is satisfactory. During the reporting period, Yangyuan Renheng has complied with the regulations of “Type 2 Standard of Environmental Quality Standard for Noise” (《聲環境質量標準》) (GB3096-200). Renheng Chemical has also complied with the “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).

Although the business of the Group has caused no significant effect to the environment and natural resources, as a preventive measure, the Group actively co-operates with the relevant governmental authorities taking regular monitoring and assessment of daily waste discharged and the influence of the surrounded environment. The Group has formulated the “Emergency Response Plan for Mines” and co-operates with an institution of the cooperation manufacturer currently. During the reporting period, the Group has completed the preparation of the environmental emergency response plan.

## B. SOCIAL

### Employment and Labour Measures

#### B1. *Employees' Benefit*

The staff is the foundation of the Group's business sustainable development. We are committed to protecting the employees' benefits, actively attracting talents and providing a good working environment with all strength. We have been strictly following the “Labour Law of the PRC” and developing the improved employees' policies to protect staff's rights and interests according to the national relevant laws and regulations together with our actual conditions.





The Group has developed a series of relevant systems, including the “Company Holiday Management System”, the “Company Personnel Management System”, the “Remuneration Management System” and other policies for protecting the rights and interests of the employees. They are to provide clear guidances for recruitment, remuneration and benefit, promotion, and dismissal of employees, so as to ensure the employees are in impartial treatment without any bias or discrimination and accept multi-culture. In the process of recruitment, the candidates have to attain the jobs’ requirements and the Group will arrange interviews for them. After interviews, the Group will conduct the individual background check. When all the requirements are fulfilled, the Group will negotiate the salary and job’s description with the candidates. The Group will fix the salary level of the employees by reference to the salary review mechanism of the same industry. The Group also formulated the staff holiday arrangement in accordance with the national regulations. At present, the staff work 5 days a week and 8 hours a day with statutory holiday. In the case of serious violation of the corporate rules, the company will dismiss the employees according to the relevant laws and regulations. In the case of the resignation of employee, the human resources department will seek the opinion from the supervisors of the resigning employee and the approval from the general manager of the human resources department. After that, the human resources department and the finance department will confirm the information, register the handover of the returned property and proceed resignation procedures. The company will also carry out the annual appraisal. The employees have obvious contribution to the Group will be promoted and have salary increase. Meanwhile, the Group has maintained related labour insurances for all employees providing full protection for them.

The Group pays attention on the benefits of the female employees in order to ensure they are in equal pay for equal work as well as equal benefits with the male employees. The employees can receive full basic salaries for their marital leave, funeral leave and maternity leave. Furthermore, the Group will grant 30-day extra holiday to the female employees who are aged 24 giving birth to the first child in addition to the statutory maternity leave and benefits.

The information on employees' benefit is set out in "Social Performance Data" on pages 29 to 32 of this report.

## **B2. Occupational Safety**

The safety of the employees is always one of the Group's focal points. The Group keeps on monitoring all kinds of existing occupational safety measures so as to ensure these measures are still effective. The Group also carries out the quarterly assessments to find out and prevent the hidden safety risks timely. The Group strictly follows the "Safety Production Law of the PRC" and the "Labour Law of the PRC" and the relevant rules and regulations. Based on these, the Group formulated the "Rules of Safety Production System" stipulating all the safety specifications and the production and operation risks in details and corresponding prevention and emergency measures as well. All the employees are required to follow the rules seriously.

The frontline staff are important for implementing the occupational safety measures. Accordingly, the Group holds the safety production education seminars regularly to enhance the staff's skill and knowledge and the alertness in mechanical operations. The Group launched the reward and punishment system for the safety production responsibility. The Group also formulated the "Rules for the Safety Production System" including "Safety Production Education Training System", "Safety Production Responsibility and Reward and Punishment System", "Safety Production Accident Management System" to work in parallel to advocate the staff to pay attention on the safety of themselves and their colleagues.

Although the production process of the bentonite related products is relatively safe, which does not cause any serious harmful effects to the employees, the Group has launched various measures to avoid any accident occurred. The Group distributed the protection stuffs to the staff monthly according to their job duties and nature, remind them to put on the safety helmets, safety belts and masks. In addition to the noise proof facilities, hazardous gas checking equipment and safety warning label posting, the company also arranged the annual body check-up for the frontline staff. The company arranged the safety training for all the staff twice a year and the fire drill once a year. The production management staff of the company will check and monitor the execution of the safety protection measures throughout the year.

The Group implemented the monthly safety check-up and hidden incident investigation work in order to ensure all the measures are still effective and the preventive measures are still efficiency. In relation to the high-risked work, the Group strictly executes the on-site special work and dangerous work management system as well as the reinforcement of supervision and assessment. In addition, the Group convenes the monthly safety production meeting to collect the staff's opinion for assessment and discussion the improvement. The Group organises the monthly integrated check-up, adopt the model of “regular check-up, random check-up, professional checking and random checking” to inspect the execution situation of the safety measures so as to ensure the absolutely safe.

The information on occupational safety is set out in “Social Performance Data” on pages 29 to 32 of this report.

**B3. *Development and Training***

Talents are an important asset of the Group. The Group has been actively encouraging the staff to study further and self-value added. The Group has launched a set of complete policy in respect of the staff development and training. It bases on the Group's future development and the talents' needs to develop the routes of staff trainings and implement the development directions. The Group adopted the management concept of "people-oriented" to build up the development platform actively and to provide technical trainings to the staff.

During the reporting period, the Group had a total of 152 employees, of which 67 worked at the Group's headquarters in Changxing, 68 stationed in Yangyuan and various regions, and 17 worked at the Company's Shanghai branch, which are responsible for production, sales and marketing. At the beginning of each year, the Group releases an annual sales guideline, formulates the sales strategies and sets out the sales targets to the sales representatives of each sales area. At the end of each year, the Group concludes the sales results, compares the sales targets achieved, and assesses the sales staff's achievement.

The human resources department of the Group analyses the training demands so as to fix the training directions and arrangements. With the general manager's approval, the relevant trainings will be arranged and held. The training courses holds at least twice annually and paid by the Group. After completion of the trainings, the Group will arrange assessments for the staff to appraise the result of the trainings for follow-up actions and improvement. The Group formulated the "Staff Appraisal System" to assess the staff performance annually. In addition, the Group also formulated the scope of staff's workflow and technical services areas. The Group carries out the staff appraisal regularly for determination of the salary raised and bonus.

In the processes of the application of pulping and paper-making retardant aid, the production of bentonite or calcium based soil, etc., require the technical experts, including quality inspectors, mechanical operators, equipment operators, professional technicians. Accordingly, all of them have to attend the relevant technical and equipment trainings before they report duties to the Group. It is to ensure they are familiar with the workflows, machinery operations and the relevant technical skill and knowledge.

During the reporting period, the internal trainings of the Group are mainly relating to the organic bentonite and efficient sludge improver. All the staff of technical department and business department have attended the trainings and passed the assessments. The result achieved was satisfactory. As to the external trainings, the Group has arranged some managerial staff to join the internet and innovative development of enterprises courses. They are the 12-month school system courses. The courses were held in two days monthly. All the participants of the courses must complete 12 subjects of the master of business and administration essence course for graduation.

During the reporting period, the Group has held the trainings for the organic bentonite and efficient sludge improver. All the staff of the technical department and business department had to join the trainings and pass the assessments. In addition, the Group has assigned two senior management to Shanghai Jiao Tong University and one mid-level managerial staff to Jiangnan University to study corporate management and technology research and development. The full-term courses are 20 lessons or 240 hours.

During the reporting period, the Group engaged Zhengda Management Consulting Company to provide comprehensive training to all staff of the Company. The average training hours completed per employee was about 29 days or 173 hours.

The information on development and training is set out in “Social Performance Data” on pages 29 to 32 of this report.

#### **B4. *Labour Standard***

The Group strictly complies with the “Labour Law of the PRC”. It is severely forbidden to employ children and forced labour. In this regard, the Group has formulated a complete set of rules for “Prohibition of Children Employment and Remedial Measures for Misuse of Children Employment” providing the detailed guidance.

In respect of the prevention of children employment, the Group has to focus on the recruitment process to identify the children labour in the early stage. The job candidates must provide the valid identification documents. The recruitment officers will focus on checking the identification documents, the photos of the identification documents, the valid dates etc, so as to ensure the ages of the job candidates reached the statutory requirements of employment. If the responsible officers suspect the validity of the identification documents, they may ask the job candidates to provide the academical certification in order to verify their ages. They may check with the local police offices for the job candidates’ identification, if necessary. In addition, in order to avoid the job candidates using the other staff’s identification documents to work in the plant, all the staff must show their identification documents for re-confirmation when they collect their salary at the first time.

## Operating Practices

### B5. *Supply Chain Management*

The Group's suppliers are divided into three major categories – namely, equipment manufacturers, raw materials production suppliers, and packing suppliers. The Group has formulated the “Internal Procedures for the Material Purchasing of the Company” and the “Measures of Material Purchasing Management of Chang'an Renheng” setting out the clear rules for hiring and monitoring the suppliers. Before confirmation to co-operate with the suppliers, the Group will request them to provide the relevant legal operation certifications. The Group will arrange the technical staff and legal staff to have a on-site inspection to make sure the suppliers' operations are in line with the relevant rules and regulations of the safety production and environmental protection. Furthermore, the Group will carry out the irregular on-site inspections to the existing suppliers to ensure they are fulfilled the Group's requirements. Also, the Group will carry out the regular inspections and irregular random inspections to monitor the suppliers' operations closely to ensure they do not cause any risks to the environment and society.

If the suppliers trigger any risks or violation, the Group will suspend the relevant purchase contracts with the advice of our legal department and will send opinion letters to them. The Group will execute the relevant purchase contracts again until our legal department and technical department satisfy the suppliers' re-correction actions and the fulfillment of the relevant rules.

The information on supply chain management is set out in “Social Performance Data” on pages 29 to 32 of this report.

**B6. Product Responsibility**

The Group has set out complete responsibility policies for all kinds of products. Under the “Rules for the Safety Production System”, the business department is responsible for the matters of advertisements and labels. Under the “Company Personnel Management System”, the administrative department is responsible for the matters of health and safety, and privacy.

The Group is committed to guaranteeing the quality and safety of the products. The Group strictly complies with the PRC’s relevant laws of “GBT 20973-2007 Bentonite” and “GBT 27798-2011 Organic Bentonite”. The Group will choose and use the environmentally-friendly and non-hazardous materials, technologies and workflows for production to make sure our products are safe and healthy.

The company has set out the procedures for quality assurance and recall process. The company have to check the capability and the indication of all the raw material before production and organized the production according to the specified production procedures. After production, the quality control department of the company will carry out the checking for the finished products. When all the indicators reached the standard, the finished products will be put in the warehouse. In the case of the deterioration of product quality when delivering and transportation, the business department will recall the products and change them immediately.





If the Group receives any complaints to the products or need to collect the inferior-quality products, the sales director will make a decision for the emergency collection. The business department will inform the customers, handle the relevant matters and to take up the product collection matters. The quality control department will carry out the checking and testing for the products involved. Then, they will analysis the incident and provide solutions so as to avoid the occurrence of the similar incidents again. The Group will collect and destroy all the inferior-quality products with the general manager's approval. During the reporting period, the percentage of total products sold or shipped subject to recalls for safety and health reasons was about 0%. The number of products and service related complaints received was 1, which was damp in delivery in a rainy day and have been recalled for change immediately.

The Group emphasises on monitoring and protection of the intellectual property rights. The company have to pay the annual fee to the authority of the national intellectual property in relation to the company's invention patents of the existing intellectual property. It can protect the interests effectively.

The Group strictly focus on the protection of personal privacy of consumers. The Group has stipulated the strict confidentiality policy in the employees' handbook. All the customers' archives are managed by the assigned staff for the purpose of prevention of the leakage of the customers' information.

The information on product responsibility is set out in "Environmental Performance Data" on pages 27 to 28 of this report.

**B7. Anti-corruption**

The Group has actively responded to the anti-corruption campaigns in the PRC in recent year and strictly complied the “Criminal Law of the PRC”, the “Anti-unfair Competition Law of the PRC”, and the “Interim Provisions on Banning Commercial Bribery”. The Group has formulated a complete set of the internal prevention and monitoring system in accordance with the “Basic Guidance of the Internal Control of the Enterprise”. The Group also explained the policies and principles of anti-corruption to the staff, suppliers, contractors and business partners. Furthermore, the Group also formulated the “Prevention, Checking, Reporting of Bribery System” to set out the definition of anti-bribery behaviour, the meaning of prevention, checking and reporting of bribery, extortion, fraud and money laundering and the declaration of anti-corruption from the management. In addition, the Group has set up a reporting hotline publicly and is responsible by a secretary of the party group and deputy general manager of administration. All the information collected will be handled seriously and kept absolutely confidential.

The information on anti-corruption is set out in “Social Performance Data” on pages 29 to 32 of this report.



### **B8. Community Investment**

The Group stresses on the corporate social responsibility and gives back to the society actively. The Group has formulated many giving back to the society policies, including communication with the local governmental authorities regularly to ensure the business operation and the investment of the Group are cope with the government policies and the social needs. The Group has also co-operated with the surrounding management units of the community to maintain and enhance the facilities of road, electricity, communication and the infrastructure. Furthermore, in the process of recruitment, the Group will give the first priorities to the surrounding residents for the purposes of enhancing their income and improving their living standards. The Group also recruit the disabled and the socially vulnerable groups depending on the jobs' requirements. The Group also participated in the social welfare and charity activities to give a hand to the poor and work with the community. During the reporting period, Yangyuan Renheng donated RMB50,000 to the county Red Cross.



## COMPANY PERFORMANCE AND DATA

The environmental performance data and social indicators of the Group are as follows:

### Environmental Performance Data

Item	Stock Exchange KPI	Unit	2020
<b>Greenhouse gas</b>	<b>A1.2</b>		
Direct emissions (Scope 1) (Note 1)		tCO <sub>2</sub> e	–
Greenhouse gas reduction (Scope 1)		tCO <sub>2</sub> e	–
Indirect emissions (Scope 2)		tCO <sub>2</sub> e	3,617
Other indirect greenhouse gas emissions (Scope 3) (Note 2)			–
Direct and indirect emissions (Scope 1, 2 and 3)		tCO <sub>2</sub> e	3,617
– in total (Scope 1, 2 and 3)		tCO <sub>2</sub> e	3,617
– in intensity (Scope 1, 2 and 3)		tCO <sub>2</sub> e/ton of finished products	0.76
<b>Hazardous wastes</b>	<b>A1.3</b>		
– in total		tonnes	80
– in density		tonnes/ton of finished products	0.02
<b>Non-hazardous wastes</b>	<b>A1.4</b>		
– in total		tonnes	18,896
– in density		tonnes/ton of finished products	3.95

Item	Stock Exchange KPI	Unit	2020
<b>Energy consumption</b>	<b>A2.1</b>		
Purchased electricity		kWh	4,495,000
Fuel consumption		kWh	2,076,000
– in total		kWh	6,571,000
– in density		kWh/ton of finished products	1,374.49
<b>Water consumption</b>	<b>A2.2</b>		
– in total		tonnes	6,957
– in density		tonnes/ton of finished products	1.46
<b>Packing materials</b>	<b>A2.5</b>		
– in total		pcs	453,000
– in density		pcs/ton of finished products	94.75

Notes:

1. Given that the Group's operation does not involve any combustion of fuels, the Group did not generate significant amount of Scope 1 GHG emission.
2. Given the small number of business travel of the Group's employees, the Group did not generate significant amount of Scope 3 GHG emission.
3. Calculated based on the number of finished products of the Group for the year ended 31 December 2020 amounting to 4,781 tonnes.

## Social Performance Data

Item	Stock Exchange KPI	2020
<b>Employees</b>	<b>B1.1</b>	
Total employees		152
By gender		
Male		127
Female		25
By employment type		
Full-time		147
Part-time		5
By employee category		
Senior management		13
Middle management		13
General and technical staff		126
By age group		
30 and below		13
31-40		28
41-50		32
51 and above		79
By geographical region		
Mainland China		150
Other region		2

Item	Stock Exchange KPI	2020
<b>Number and rate of employee turnover</b>	B1.2	
By gender		
Male		7 (5.5%)
Female		3 (12.0%)
By age group		
30 and below		2
31-40		2
41-50		0
51 and above		6
By geographical region		
Mainland China		10
Other region		0
<b>Health and Safety</b>		
Number and rate of work-related fatalities	B2.1	0 (0%)
Lost days due to work injury	B2.2	11

Item	Stock Exchange KPI	2020
<b>Development and Training</b>		
Percentage of employees trained	B3.1	
By gender		
Male		127 (83.6%)
Female		25 (16.4%)
By employee category		
Senior management		13 (8.6%)
Middle management		13 (8.6%)
General and technical staff		126 (82.9%)
Average training hours completed per employee	B3.2	
By gender		
Male		173
Female		170
By employee category		
Senior management		165
Middle management		173
General and technical staff		174



Item	Stock Exchange KPI	2020
<b>Number of suppliers by geographical region</b>	B5.1	
Mainland China		37
Other region		0
<b>Number of suppliers to which the practices relating to engaging suppliers are implemented</b>	B5.2	1
<b>Product responsibility</b>		
Of the total number of products sold or shipped		
– Percentage to be recycled for safety and health reasons	B6.1	0 (0%)
– Number of complaints received about products and services	B6.2	1
<b>Anti-corruption</b>		
Corruption lawsuits filed/finished	B7.1	0