



中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

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

2018 Environmental, Social and Governance Report





Table of Content



02

OVERVIEW

1. Company Profile
2. About this Report
3. Highlights of 2018
4. ESG Management Strategy

10

ENVIRONMENTAL

5. Environmental
 - 5.1 Environmental Management System
 - 5.2 Emissions Monitoring
 - 5.3 Resource Management
 - 5.4 Waste Management
 - 5.5 Legal Compliance

22

SOCIAL

6. Social
 - 6.1 Our Staff
 - 6.2 Staff Composition
 - 6.3 Employee Training and Development
 - 6.4 Caring for Employees
 - 6.5 Salary Policy
7. Our Community

30

GOVERNANCE

8. Governance
 - 8.1 Internal Control and Management
 - 8.2 Corruption Prevention System Establishment
 - 8.3 Supply Chain Management
 - 8.4 Product Quality Control

35

9. Honor and Award

10. Prospect

11. Your Feedback

38

Appendix 1 HKEEx ESG Reporting Guide

Appendix 2 Verification Statement



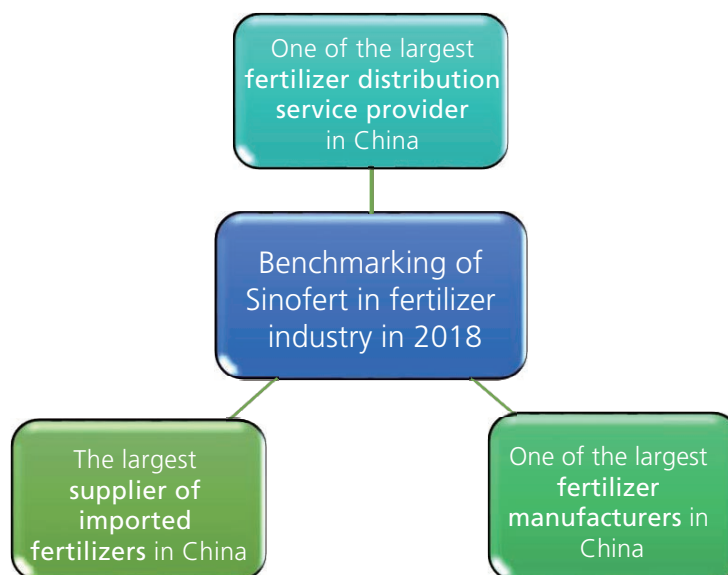
OVERVIEW

1. Company Profile

Sinofert Holdings Limited ("Sinofert", or the "Company") and its subsidiaries (the "Group") constitute China's largest fertilizer supplier and distributor, covering the whole industry chain of resources, research and development (R&D), production, distribution, and agrochemical services. The Company was listed on The Stock Exchange of Hong Kong Limited (Stock code: 00297) in July 2005 after its successful acquisition of China Fertilizer (Holdings) Company Limited and its subsidiaries. The Company was the first from China's fertilizer industry to be listed in Hong Kong.



Benchmarking of Sinofert in Fertilizer Industry in 2018



Currently the largest importer of chemical fertilizers in China, Sinofert has more than 60 years of international trade experience and maintains strong strategic cooperative relationships with major fertilizer suppliers around the world. Sinofert also plays a significant role in meeting domestic needs for quality fertilizer products which are otherwise in



short supply, and in regulating the supply and demand of those resources. The range of fertilizers produced in China by Sinofert is comprehensive, including various nitrogen, phosphate, potash, compound and formula fertilizers, as well as micro-fertilizers, slow-release fertilizers, organic fertilizers, biological fertilizers and other various fertilizers.

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

Sinofert has built China's most comprehensive national sales network for fertilizer. It provides agrochemical services as well as agricultural inputs such as fertilizers and pesticides. The Company has taken a lead on the development of upstream and downstream related industries with a focus on chemical fertilizers and serving farmers.



2. About this Report

The 2018 Environmental, Social and Governance Report of Sinoferf Holdings Limited (the "Report") is the third such report published by Sinoferf. The Report presents information about the Group's sustainable development, environmental, social and governance performance during the period from 1 January 2018 to 31 December 2018 (the "Reporting Period" or the "2018 Financial Year"). It is expected that the Report will establish a long term and close relationship with stakeholders and enhance stakeholders' understanding of the Group's direction of development.

2.1 Reporting Guidelines

This Report is based on the "Environmental, Social and Governance Reporting Guide" ("Guidelines") of Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). This Report is in line with the general disclosure requirements of the Guidelines and complies with its "comply or explain" provisions to disclose Sinoferf's performance in terms of environmental, social and governance.

This Report is compiled with the participation of key stakeholders. Details of stakeholder participation can be found in section 4.1 of the Report to assess relevant environmental, social and governance issues. The collection of data and processes during preparation were verified by interviews and onsite verification conducted by independent third-party consultants who assist in providing advice to stakeholders on environmental, social and governance performance and to set future goals and targets for the Company. The data used in this Report are derived from official Group documents and statistical reports, and as recorded by various monitoring devices. This Report is published in both Chinese and English. In cases of discrepancy, the Chinese version shall be regarded as definitive.



2.2 Reporting Scope

The scale and structure of Sinofert were stable during the course of this Report's reporting period. Data collection was coordinated and conducted by the Group's working team of environment, social and governance report.

Sinofert major business is the production, import, export and retail distribution of chemical fertilizer. Sinofert also conducts research and development on fertilizer-related technologies. Its major products include nitrogen, phosphate, phosphorus chemical, compound and potash fertilizers, with an annual production capacity exceeding 10 million tonnes, evenly distributed in resources consumption and consumer markets. Sinofert is also engaged in the mining and exploration of phosphate rock and the production of calcium.

In consideration of each business's revenue contribution, environmental performance and social impact, the main focus of "Environmental" section of this Report is on four major production facilities:

- 1) Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling")
- 2) Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")
- 3) Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan")
- 4) Sinochem Shandong Fertilizer Co., Ltd. ("Sinochem Shandong")



SINOCHEN CHONGQING FULING CHEMICALS CO., LTD.



- Province-level phosphate and compound fertilizer research center. Highly competitive with independent technological innovation.
- Major products include phosphate, nitrogen, compound fertilizers, gypsum products, potassium dihydrogen phosphate, fine phosphate, new fertilizer, etc.

SINOCHEN YUNLONG CO., LTD.



- Manufacturing of international quality phosphate which achieved ISO standard and FAMI-QS quality system certification.
- Major products include export grade feed calcium hydrogen phosphate (type III), feeding grade calcium dihydrogen phosphate, fertilizer grade calcium hydrogen phosphate, industrial grade sodium fluorosilicate, sulphuric acid, etc.





SINOCHEN JILIN CHANGSHAN CHEMICAL CO., LTD.



- Focusing on R&D innovation has led to new products such as “Changshan Brand” peptide urea, cinergic peptide urea and synergistic urea.
- “Changshan Brand” urea has been named a “Jilin Province Famous Brand” for 11 consecutive years, and has won honorary recognitions such as “Jilin Province Customer Satisfaction Products”.
- Major products are compound fertilizer and urea, etc.

SINOCHEN SHANDONG FERTILIZER CO., LTD.



- The company consists of both production and R&D facilities, with multiple production processes such as spray coating, melt, ammoniation, and controlled release manufacturing.
- Major products are general, chelated and slow-release fertilizers, and a nitrate-based series. Also provides farmers with fertilizer packages and professional agricultural technology services.



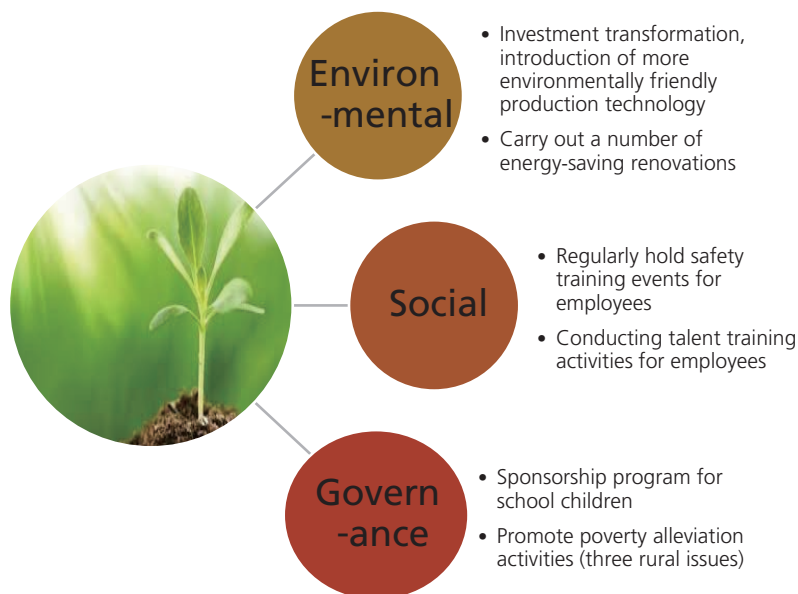


3. Highlights of 2018

Sinofert appreciates all stakeholders' legitimate concerns about environmental protection and social welfare, and we actively communicate with the stakeholders to understand them. Sinofert endeavors to fulfill our corporate social responsibility, balancing business development, social development and environmental protection. We are keenly aware that chemical fertilizer production has an impact on the environment, including consuming energy, discharging waste, extracting natural resources, etc. Therefore, we are committed to improving the performance of environmental protection through measures regarding low carbon usage, energy saving, water conservation and technological upgrading. In 2018, we also upgraded and replaced equipment worth approximately RMB86 million at various sites to implement stringent control. For example, automatic monitoring equipment is installed in all vehicles to immediately monitor exhaust gas emissions. At the same time, the production plants also have sewage treatment facilities to reduce pollutants and control sewage discharge through such methods as water storage and recycling. We also carry out inspection and repair the facilities above on a regular basis to ensure that all systems operate properly and accurately record the data. Through the analysis of the data and quantitative comparison with the data in previous years, we can make recommendations and formulate measures to achieve sustainable development.

Apart from environmental protection, we also take every opportunity to pay back to the society. In the course of its business development, Sinofert has actively launched different kinds of community activities to maintain a harmonious relationship with the surrounding community. For example, it provided subsidies to village students who were admitted to university in 2018. Also in 2018, the Group continued to develop and improve its operating model to further incorporate the environmental protection and social responsibility concepts into its core operation. We taught farmers to use fertilizers in a scientific way and provided them trainings on plant raising and protection. At the same time, we are responsible to allow our shareholders to have reasonable returns on their investment. By balancing its financial and social responsibilities, Sinofert is not just creating good returns for its shareholders, but providing sustainable products to customers, balancing the needs of different stakeholders.

The following is an overview of Sinofert's environmental, social and governance activities during 2018.





4. ESG Management Strategy

4.1 Stakeholder Engagement

Stakeholder engagement is integral to Sinofer's ESG reporting process. The Group's stakeholders include government departments, shareholders, managers, contractors, suppliers, customers and HSE employees. We seek advice from all of them for our decision-making, which allows us to continuously improve our ESG performance.

During the preparation of our ESG Report for the third year in 2018, Sinofer maintained close communication with key investors and business partners. We engaged independent consultant to conduct in-depth interviews with relevant parties about the Group's ESG performance during the Reporting Period. We are keen on expanding stakeholder participation in the near future to increase feedback and further improve our ESG performance.

4.2 Materiality Assessment

In compliance with ESG Guidelines, an independent consultant was employed to review the feedback of different stakeholders and develop a framework for the ESG Report. By drawing on the observations from on-site visits, reviews of documentation, press releases and industries analysis, and taking into account the importance, balance and consistency on reporting, the consultant has identified 10 ESG topics of particular relevance for Sinofer. The below 10 topics will be discussed in this Report:





ENVIRONMENTAL

5. Environmental

Sinofert adheres to all national laws and regulations regarding environmental protection, clean production and the conservation of water and soil resources. The Company has furthermore established its own environmental protection plan and regulations which promote clean production through the development of comprehensive management and a people-oriented culture which prioritize environmentally friendly practices, and by adopting a preventative approach to potential sources of environmental damage. As well as minimizing new sources of pollution, we have adopted the latest technology and equipment to continually reduce the amount of pollutants generated by our existing operations. Our intention is to maintain an effective environmental protection mechanism in the long term.

The Company carries out promotional and educational activities to provide employees with environmental protection knowledge and skill-based training. We have also implemented an environmental protection target responsibility system, and are considering environmental management as a factor in HSE risk assessment. At the start of each year, we produce a HSE responsibility statement which allocates environmental protection goals for every job position and employee. By strictly implementing our “three simultaneous” environmentally friendly management protocols for construction projects, we ensure compliance with national environmental laws. The Company has also formulated contingency plans and carried out practice drills for sudden environmental events, established regular management and monitoring mechanisms for emissions targets, and carried out rigorous evaluations of operational efficiency, maintenance effectiveness and compliance with pollutant discharge targets. These measures and controls have proved effective over the years. Our subsidiaries have strictly implemented management policies such as “Sinofert Administration Measures of Environmental Protection” and “Sinofert Measures for the Administration of Energy Saving and Emission Reduction”, resulting in stable production and tightly controlled pollution emissions.

Sinofert’s environmental policy aims to achieve carbon emissions reductions and energy conservation. Our environmental protection concept is “to protect both our manufacturing system and natural resources, to prevent pollution and ecological damage and to enhance our sustainable development” through the promotion of clean production, advanced technology and upgrade of equipment to continuously reduce emissions for building a long term mechanism for environmental protection.

5.1 Environmental Management System

Sinofert’s comprehensive environmental management system is led by its HSE Committee, which oversees the Company’s environmental protection work and manages and supervises the related facilities. The Committee regularly meets to review environmental protection performance and propose solutions to issues affecting the Company’s short-and long-term environmental goals.

Data collection devices set up at major emissions discharge points record the concentration of pollutants and the operational status of Sinofert’s facilities. Their readings are recorded and subsequently analyzed and reviewed on a regular basis to ensure that our facilities generate the minimum possible level of pollution.



5.2 Emissions Monitoring

5.2.1 Controlling Exhaust Emissions

All gas monitoring equipment used by Sinofert is subject to local government requirements as well as the internal policies such as “Sinofert Environmental Protection Management” and “Sinofert Energy Conservation and Emission Reduction Management Measures”.



Industrial emissions which mainly come from boiler gas and industrial emissions are one of the largest contributors of air pollution in China. As we need to meet the air pollutant standards governed by the Law of the People’s Republic of China on the “Prevention and Control of Atmospheric Pollution”, on pollutants including sulfur dioxide and nitrogen oxide, Sinofert has implemented stringent emissions controls, including automatic real-time monitoring of sulphur dioxide (SO₂) and nitrogen oxide (NO_x) emissions at its workshops. The acid plants, nitrogen fertilizer production plants, ammonium phosphate plants and compound

fertilizer plants at all workshops are also equipped with monitoring devices (instruments for measuring flue gas and collecting environmental data) to monitor particulate matter, sulphur dioxides and nitrogen oxides in real time, and through daily management to ensure that the emissions comply with standard and regulations during operation.

Sinofert’s records for 2018 show that both treatment and emissions of exhaust gas met “People’s Republic of China Air Pollution Prevention and Control Law” requirements. Regular independent monitoring by third-party companies further ensures that Sinofert’s emissions all comply with national emission standards, that all flue gas emission control facilities are regularly calibrated and verified, and that the relevant data is recorded and available for review on the Group’s intranet. The plants also have standard mechanism that reduces production or maintains the discharge concentration to the standard level when the emissions exceed the standard.

In 2018, Sinofert’s total emissions were reduced by 1.35% compared to the previous year. During the year, Sinochem Yunlong’s heat source transformation project alone achieved reductions of 35.70 tonnes of sulphur dioxide and 49.63 tonnes of nitrogen oxide. Recorded annual actual emissions from the past three years were as follows:

| ANNUAL ACTUAL EMISSIONS (TONNES) | 2016 | 2017 | 2018 |
|------------------------------------|----------|-------|-------|
| Sulphur dioxide (SO ₂) | 2,254.34 | 1,509 | 1,461 |
| Nitrogen oxides (NO _x) | 479.35 | 562 | 598 |



The production department is responsible for the regular maintenance and repair of the exhaust monitoring system and the online control system to ensure the normal operation of the system and that records are properly maintained. According to surveillance by independent third parties, Sinoferf was not in violation of any regulations regarding exhaust gas discharge.

5.2.2 Sewage Control and Management

All Sinoferf production plants include sewage treatment facilities to reduce pollutants and control sewage discharge through such methods as water storage and recycling. Sinochem Yunlong, Sinochem Shandong and Sinochem Changshan use water recycling and treatment plants to process wastewater created by the manufacturing process. These greatly reduce the plants' fresh water consumption and result in near-zero discharge. At Sinochem Fuling, all production wastewater and domestic sewage is neutralized in a treatment tank before being properly discharged.

Monitoring devices at each discharge port observe their performance in real time. Sinochem Yunlong also features an upgraded rainwater and sewage diversion scheme to enhance its sewage control. With this system, the chemical oxygen demand (COD), ammonia nitrogen ($\text{NH}_3\text{-N}$), pH and flow of all discharged sewage meet national and local government standards. All those facilities also meet the standards and requirements of the nations and local government.



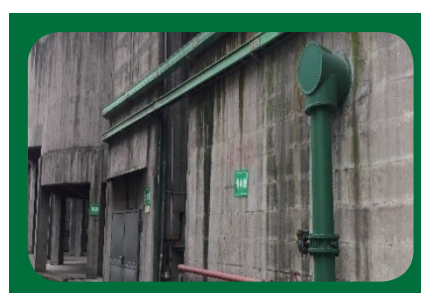
Sinochem Yunlong



Sinochem Shandong



Sinochem Changshan



Sinochem Fuling

| ANNUAL ACTUAL EMISSION (TONNES) | 2016 | 2017 | 2018 |
|---|-------|-------|-------|
| Chemical oxygen demand (COD) | 50.43 | 49.96 | 35.19 |
| Ammonia nitrogen $\text{NH}_3\text{-N}$ | 10.94 | 9.37 | 7.34 |



5.3 Resource Management

5.3.1 Resource Consumption

To enhance its energy management, Sinofer set up the Energy Management System in accordance with the requirements of the State and the Group on energy saving and emission reduction, and the review of its system was completed in 2018. The Company also reviewed the composition of its energy management lead group, with the Deputy General Manager of HSE assigned as its leader, other members include key personnel from the HSE and Business Management Department, Office Department, Human Resources Department and Finance Department. The HSE and Business Management Department are responsible for the Company's day-to-day energy management. Each member of the lead group has clear duties and responsibilities to ensure that the Company's energy reduction management work remains effective.

| RESOURCE CONSUMPTION | 2016 | 2017 | 2018 |
|--|-------------|-------------|-------------|
| Total energy consumption (tonnes of standard coal) | 480,946 | 843,310 | 818,577 |
| Coal (tonnes) | 225,646 | 553,005 | 953,351 |
| Electricity (kWh) | 554,451,290 | 756,697,813 | 688,636,800 |
| Natural gas (1,000m ³) | 139,585 | 185,575 | 179,376 |
| Steam (tonnes) | 290.09 | 1,555.65 | 45,637 |

Sinofer and its subsidiary companies signed a letter of HSE commitment which clearly outlines their responsibility to meet clear emissions and energy reduction targets. Among the practical measures taken to achieve these targets are the inclusion of the completion status of energy reduction targets in each subsidiary's performance assessment, strengthened monitoring, examinations for each grade level, and implementation of a system of reward and punishment. As well as promoting employee education, the Company advocates a general raising of environmental awareness among employees that has contributed to more efficient energy usage.

As part of its energy management system, the Company has developed policy documents such as "Sinofer Measures for Assessment of Energy Conservation and Emission Reduction", "Sinofer Group Measures for Energy and Water Savings", "Instructions on Reporting Energy Savings and Environmental Protection Information Statistics", and "Instructions on Energy Resource Management" to provide practical guidance on reducing energy and resource consumption.

The measuring devices used by the Company's energy-consuming units have allowed for the creation of an energy auditor. The auditor summarizes energy usage records and maintains accounts in accordance with the "Sinofer Group HSE Information Management System". Regular analyses of usage data are also performed. The Company frequently organizes training sessions for energy management employees to enhance their abilities.



Key energy-saving programs of Sinofer's production companies

Sinofer has always stressed on the importance of sustainable development. During the Reporting Period, it has reduced the consumption of natural resources and applied more advanced technology to achieve effective saving of energy.

Sinofer's actual investment in environmental protection during 2018 was RMB86.05 million. Comprising that total were Sinochem Yunlong's RMB40.73 million investment in 17 energy-saving projects; Sinochem Shandong's RMB5.1 million investment in 4 energy-saving projects; Sinochem Fuling's RMB26.02 million investment in 4 energy-saving projects; and Sinochem Changshan's RMB14.2 million investment in 7 energy-saving projects.

| | ENERGY-SAVING PROGRAMS | EFFECTS |
|---------------------|---|---|
| SINOCHEN YUNLONG | 1) Construction of 20m ³ rainwater collection pool | 1) Achieve zero discharge of rainwater, reduce pollution |
| | 2) Enhance phosphoric acidic wastewater recycling | 2) Enhance purification and recycling of wastewater |
| | 3) Environmental protection and seepage control of phosphoric acidic wastewater | 3) Avoid soil and underground water contamination due to seepage of wastewater |
| | 4) Enhance dust control in DCP production | 4) Reduce dust level at DCP production line for improvement of site working condition and elimination of occupational hazards |
| | 5) Windproof nets at phosphogypsum transfer facility | 5) Reduce dust particles |
| | 6) Replacement of MDCP dust filters | 6) Ensure dust level at DCP product line tail gas is within limit to enhance safety, protect the environment and eliminate occupational hazards |
| | 7) Pollutant extraction from tail gas | 7) Ensure fluoride level in the tail gas is within limit |



| | ENERGY-SAVING PROGRAMS | EFFECTS |
|----------------------|---|---|
| SINOCHEM YUNLONG | 8) Installation of desulphurization devices at the 75 tonne boiler | 8) Ensure NOx level in the tail gas is within limit |
| | 9) Tail gas technical transformation at sulphuric acid section | 9) Avoid uncontrolled release of exhaust gas and acidic effluents |
| | 10) Digitized real-time monitoring of tail gas at sulphuric acid section | 10) More effective control and monitoring of pollutants in tail gas |
| | 11) Replacement of MCP tail gas blower impeller | 11) Ensure blower efficiency |
| | 12) Windproof nets at phosphorus, calcium and lignite storage facilities | 12) Reduce dust at storage facilities |
| | 13) Enhance protection of phosphogypsum storage facilities in Yize Village | 13) Reduction of dust level at phosphogypsum storage facilities to enhance safety |
| | 14) Application of phosphogypsum transferring fee | 14) Ensure safe handling of phosphogypsum waste |
| | 15) Ground hardening of waste materials yard and addition of cofferdams | 15) Avoid the leaching water contaminating the soil |
| | 16) Phosphogypsum slag reservoir in Yize Village | 16) Ensure that phosphogypsum is stored safely to avoid contaminated soil from leachate |
| | 17) Factory ground environmental protection | 17) Improve production environment and reduce dust |
| SINOCHEM SHANDONG | 1) Dust removal at sulphuric acid section | 1) Reduce on-site dust level |
| | 2) Installation of dust collector in ammoniation workshop and modification of hot blast stove | 2) Reduce the discharge of dust and pollutants on site |
| | 3) Reconstruction of road | 3) Resolve environmental pollution caused by bumps and spills during transportation of material |
| | 4) Renovation and replacement of warehouse roof | 4) Eliminate the environmental pollution level caused by leaks in the warehouse |



| | ENERGY-SAVING PROGRAMS | EFFECTS |
|-----------------------|--|---|
| SINOCHEN FULING | 1) Construction of phosphogypsum sewage treatment station | 1) Ensure all the equipment areas of the company are shut down, the leachate of the phosphogypsum yard meets the standard discharge level |
| | 2) Soil greening project covering phosphogypsum reservoir | 2) Ensure operation being safe and environmentally friendly after closing the phosphogypsum yard |
| | 3) Real-time installation of COD and total phosphorus | 3) Ensure emissions level compliance |
| | 4) Clean production audit | 4) Enhance environmental performance |
| SINOCHEN CHANGSHAN | 1) Wastewater treatment integration | 1) Reduce sewage discharge |
| | 2) Reconstruction of wind and dust suppression network in coal storage yard | 2) Reduce dust |
| | 3) On-site environmental management of gas plant | 3) Enhance environmental performance |
| | 4) Acid gas blending modification | 4) Reduce exhaust gas emissions |
| | 5) Wind and dust proofing' of the coal storage yard on the south side of the synthesizer | 5) Reduce dust |
| | 6) Construction of environmental protection facilities for monitoring, operation and maintenance | 6) Ensure effectiveness of environmental protection facilities/devices |
| | 7) Leakage prevention project for gray water sedimentation tank | 7) Prevent wastewater from penetrating and reducing risk of environmental pollution |

The projects shown above resulted in energy equivalent savings of about 8,000 tonnes of standard coal at Sinochem Yunlong; raw coal consumption reduced from 70kg to 20kg and electricity consumption per product tonne reduced from 70kWh to 40kWh at Sinochem Shandong; savings of approximately 3,420 tonnes of standard coal at Sinochem Fuling; and 20-30 tonnes of steam saved per hour of production at Sinochem Changshan.

Carbon Emissions

As no regulations for carbon emissions disclosure exist in China, Sinofert does not provide data on carbon emissions per consumed fuel type in this Report. However, on the recommendation of our consultant, Sinofert will begin to integrate fuel use data for future disclosure.



5.3.2 Water Consumption

Sinofert consumed a total 63,678,438 cubic metres of water in 2018, among which, Sinochem Yunlong saved about 200,000 metres of water.

Taking their cue from Sinofert's energy-saving leading group, Sinochem Yunlong, Sinochem Changshan, Sinochem Shandong and Sinochem Fuling all implemented water recycling technologies to save waste resources. In 2018, Sinochem Yunlong used a 700m³ pool to collect rainwater and reduce both fresh water consumption and sewage discharge.

| Water Consumption | 2016 | 2017 | 2018 |
|-------------------------------|------------|------------|------------|
| Fresh water (cubic metres) | 8,367,267 | 8,137,069 | 9,121,156 |
| Recycled water (cubic metres) | 48,094,749 | 36,261,080 | 54,557,282 |



Sinochem Yunlong
Rainwater Collection System



5.3.3 Packaging materials

Sinofert adheres to reduction of pollution to the environment, it avoids over-production and procurement of packaging materials such as plastic bags and cartons. All production packaging used by the Company is standardized with specific capacities, and all packaging materials are properly stored.

| Total amount of materials purchased in 2018 for packaging (approximate amount) | Sinochem Shandong (tonnes) | Sinochem Fuling (units) | Sinochem Yunlong (units) | Sinochem Changshan (units) |
|--|----------------------------|-------------------------|--------------------------|----------------------------|
| | 490.56 | 12.6 million | 6.1 million | 1.38 million |



Sinochem Shandong
Packaging Materials



Sinochem Shandong
Packaging Materials Warehouse

5.3.4 Soil protection

Sinofert aims to manufacture high quality fertilizers to boost China's agricultural development and maintain a stable food supply. Nevertheless, inappropriate or overuse of fertilizers may lead to environmental problems such as water pollution, soil destruction and soil depletion. To educate farmers on the proper use of fertilizers, Sinofert offers soil testing formulae and scientific advice on which products will best meet their needs. These efforts can both enhance fertilizer efficiency and reduce agriculture's impact on the ecology.

Soil testing formulae prescribe the most suitable amount of fertilizer according to crop fertilization patterns, soil fertility and fertilizer response. Fertilizers are applied scientifically under the guidance of agricultural science experts, and by such means can resolve the conflict between soil fertility and crop nutrition. As a result, soil testing formulae enhance the efficiency of fertilizers and reduce the amount of fertilizer used. In addition, they improve the quality and quantity of crops produced, reduce costs and labour for the farmers, and ultimately increase their revenue.



5.4 Waste Management

Sinofert has comprehensive guidelines for handling general industrial and hazardous waste. All waste is sorted by category, with steel and cables allotted for recycling and reuse by the relevant companies, and other recyclable materials such as cinders being sold as building material. A portion of the phosphogypsum solid waste generated by production of phosphate fertilizer is retained for use in the production of gypsum powder, cement retarder and other products. The remaining waste is stored in a dedicated phosphogypsum storage yard.

Sinofert devotes much attention and effort to the efficient use of resources. The by-product phosphogypsum is properly stored, about 10% of phosphogypsum will be reused as building materials. In response to the State Council's 13th Five Year Plan for the Development of National Strategic Emerging Industries, which pointed out that the comprehensive utilization of solid waste should be greatly promoted and exploitation of natural resources should be reduced. Taking Sinochem Yunlong as an example, in order to achieve the 2020 carbon emission target of Yunnan, the phosphogypsum yard has set good targets for construction project acceptance and production operation, which meets the relevant management standards, therefore it is listed as the demonstration slag yard for tailings storage by the Yunnan Provincial Environmental Protection Department.



Sinochem Shandong
Dangerous Material Storage



Sinochem Yunlong
Phosphogypsum Yard



5.4.1 Hazardous Waste

Hazardous waste produced by Sinoferf is composed mainly of mineral oil, spent vanadium catalyst, packaging utensils and engine oil generated by the production process. All hazardous waste is collected in a dedicated storage location for subsequent recycling and disposal by qualified contractors.



| Hazardous Waste | Category | Storage Method | Quantity (tonnes) |
|----------------------------------|-----------------------|----------------------------------|-------------------|
| Mineral oil | Hazardous solid waste | Handled by qualified contractors | 7.9 |
| Spent catalyst vanadium catalyst | | | 14.82 |
| Packaging utensils | | | 1.28 |
| Engine oil | | | 39.88 |



5.4.2 Non-Hazardous Waste

Non-hazardous waste produced by Sinofer is comprised mainly of phosphogypsum, phosphorus slag powder, coal ash and domestic waste. All non-hazardous waste is handled by qualified units.

| Non-Hazardous Waste | Category | Storage Method | Quantity (tonnes) |
|------------------------|---------------------------|---|-------------------|
| Phosphogypsum | Comprehensive utilization | Partly stockpiled, partly sold to third parties | 2.237 million |
| Phosphorus slag powder | Comprehensive utilization | Handled by qualified units | 19,964.3 |
| Coal ash | Comprehensive utilization | Handled by qualified units | 34,904.9 |
| Remaining steel | Recyclable | Recycled internally | Not Available |
| Remaining cable | Recyclable | Recycled internally | Not Available |
| Domestic waste | Unrecyclable solid waste | Handled by qualified units | Not Available |

As all non-hazardous and domestic waste is collected and disposed of by qualified units, its total quantity is not available at this time. Sinofer will request the qualified contractors to provide relevant data after renewal of their contracts.

5.5 Legal Compliance

During the Reporting Period, no environmental violations were recorded, and no environmental accidents or violations involving waste disposal occurred. The waste routinely generated by each plant is generally unsuitable for recycling, and the Group therefore assigns its collection and transportation to qualified contractors.



SOCIAL

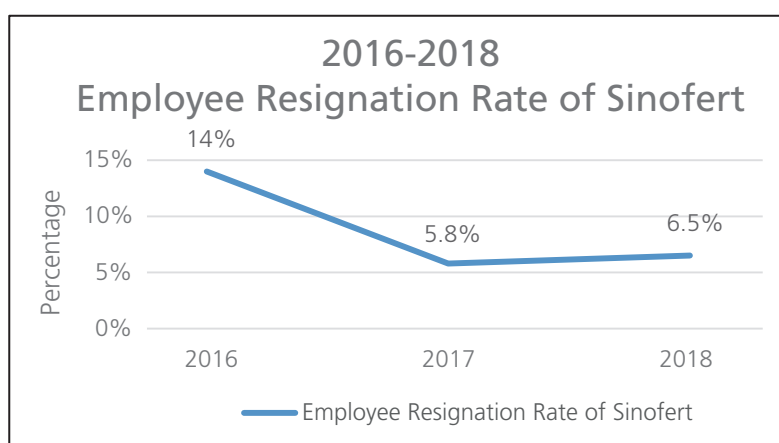
6. Social

6.1 Our Staff

Sinofert believes that “people are the Company’s most important resource, and the enterprise value and employee value shall be promoted mutually”. As people are the Company’s most important resource and most valuable asset, Sinofert accordingly cares for the well-being of its employees from the first day of work to retirement. To this end, the Company has the following three objectives:

1. Fully protects the rights of employees. Sinofert insists on legal employment of labor and equal rights. It supports democratic management and promotes the diversity of talent in accordance with its sustainable development model.
2. Achieve employee’s value. Sinofert continuously improves staff training and employees’ professional abilities. By broadening their career development, employees maximize their value to the Company.
3. Fosters employee’s sense of belonging. Sinofert cultivates a “people-oriented” corporate culture and the caring atmosphere within the Group leads to a reduced staff turnover rate and improves employee’s sense of belonging.

Sinofert believes that employee unity is an important factor in maintaining a stable rate of business development. It therefore ensures that every employee can develop their careers in a variety of ways. In 2018, the staff resignation rate was approximately 6.5%, showing that the vast majority of employees regard the Company as a long-term career development platform. Our ability to attract and retain talent contributes to our consistent competitiveness.



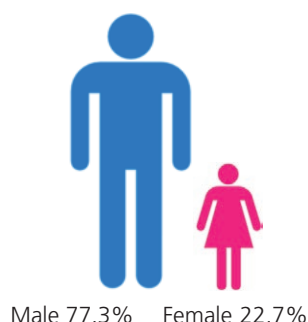


Sinofert strictly complies with the Labor Contract Law of the People's Republic of China and other employment regulations and policies. The Company is committed to employment equality and to providing a fair, democratic, competitive and merit-based staff selection and employment mechanism. Discriminatory behavior in any form is strictly prohibited, and child labor, forced labor are not allowed. The Company protects the rights and interests of female employees by implementing equal pay for the same work, and by prohibiting the employment of female workers in mines or as mine laborers. Also, actual amount of salary and overtime compensation as well as working hours and holidays shall all be provided to all employees with regard to national laws and regulations.

6.2 Staff Composition

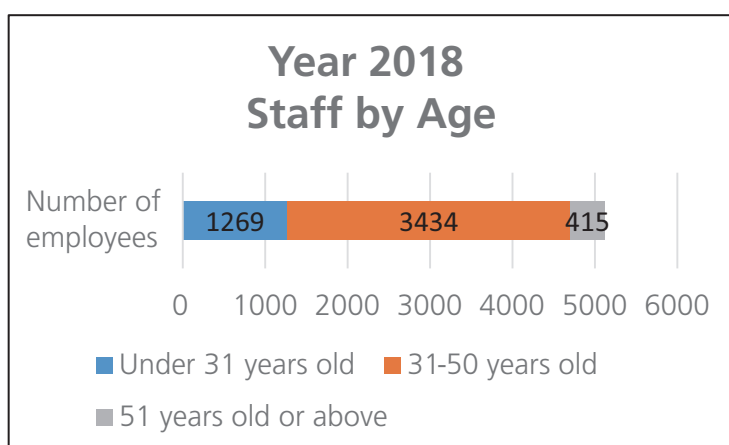
During the Reporting Period, Sinofert was not aware of any material violation of law and regulations relating to its employees. As at 31 December 2018, the Company had a total of 5,605 employees, among which, 77.3% were male and 22.7% were female.

**Year 2018
Staff by Gender**



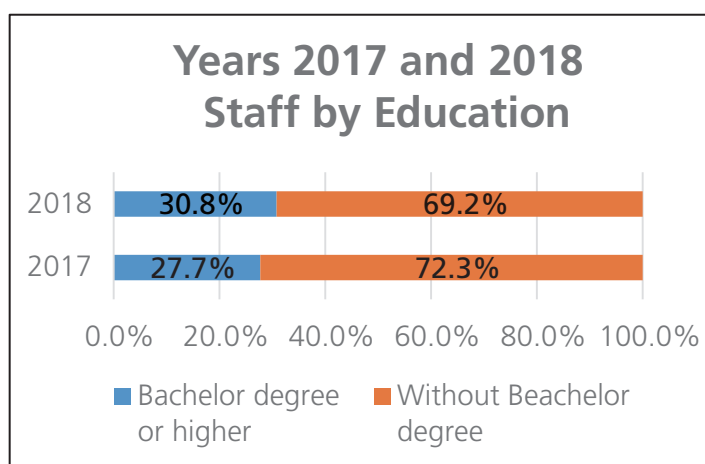
The minimum legal working age is 16 years old in China. Sinofert ensures all employees are in possession of valid identification documents and are in compliance with Chinese labor law. In 2018, 24.8% of the Group's employees were under 31 years old, 67.1% were 31-50 years old, and 8.1% were 51 years old or above.

**Year 2018
Staff by Age**

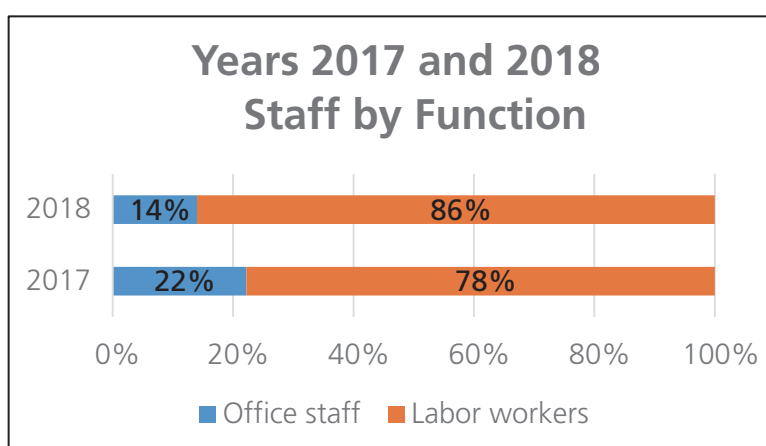




Approximately 30% of the Company's employees were holders of a Bachelor degree or above in 2018, showing an increase over the previous year.



In 2018, about 14% of employees were office staff, and the rest were labor workers. The number of labor worker employees in 2018 was higher than in the previous year.



6.3 Employee Training and Development

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



6.3.1 Occupational Health and Safety Training

The Company considers its chief executives is fully responsible for the prevention and control of occupational hazards. It has thus established occupational health management units for Health, Safety and Environmental Management (HSE) under the supervision of human resources and the employees' union. Furthermore, it has instituted a responsibility system for occupational disease prevention and control, a hazard warning and informing system, a declaration mechanism for occupational disease hazards, a system of promotion, education and training, management and maintenance systems for occupational disease prevention equipment, and a monitoring and recommendation management system for occupational disease hazards. The Company has adopted a "three simultaneous" management policy for occupational hygiene, health monitoring and file management for construction projects. This includes the enforcement of systems for occupational hazard disposal and reporting, emergency rescue and management, and regulations for occupational health operations.

Case Study

1. Traffic safety training for part-time driver



Workshop to promote the concept of "civilized driving, safe driving" and strengthen the traffic safety management of official vehicles, educational activities related to traffic regulations and traffic safety.

On 11 December 2018, Sinochem Shandong, comprehensively enhanced the safety awareness of part-time drivers, ensured safe use of cars, and civilized travel for strengthening vehicle management. The company organized part-time drivers to carry out special training on traffic safety, and part-time driving in various departments and workshops. More than 40 people attended the training session.



6.3.2 Employee Safety and Health Protection

The Company's occupational health enforcement policy is based on the principle of "prevention, integrating prevention and control with comprehensive control" and complies with relevant regulations and standards such as the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", "Provisions on the Supervision and Administration of Occupational Health at Work Sites" and "Measures for the Supervision and Administration of Employers' Occupational Health Surveillance". The Company has also enacted a management system of "corporate responsibility, classified management and regular assessment".

In 2018, there were no major safety related incidents, no Class IV and above environmental incidents, and no occupational hazards reported. The overall health, safety and environmental protection situation was satisfactory.

In accordance with current requirements, Sinoferf provides work-related injury insurance for all employees. The Company also employs a qualified technical service institution at least annually to identify and evaluate occupational hazards in its operations. Branch offices and departments conduct evaluations of occupational hazards and take rectification measures at least once every three years. The Company ensures that its employees are equipped with appropriate personal protective gear, and are trained for the proper use of such gear.



6.3.3 Continuous Employee Training

Sinoferf regards the development of professional skills as important for all its employees, as improving their capabilities also improves the Company's overall competitiveness. In 2018, the Company provided a total of 11,678 training hours to 777 people (training sessions organized by subsidiaries were not included). Training courses cover industry development, strategy, leadership, marketing and business management, laws and regulations, finance, human resources management, safety production and general skills. The courses help to continuously improve the skills, professionalism and overall quality of employees to facilitate rapid growth and enhance the core competitiveness of the Group.

Sinoferf also offers updated company news on the Company's website and WeChat blogs to enhance communication between employees and the public.



Case Study

1. Professional training carried out by Sinochem Fuling on planting technology for micro-enterprise students



Sinochem Fuling improved the planting base and quality, and increased production and income through the implementation of the "Agrochemical 123 Model".

Sinochem Fuling was invited by the Pengshui County Micro Enterprise Association to provide training workshop for more than 50 planting micro-enterprise students in the county on 12 September 2018.

2. Dialogue with the President



Sinofert regards every employee as an important asset for the Company's development. We emphasise on the vocational knowledge training. On 12 September 2018, Sinochem Yunlong held a symposium of 'Dialogue with the President' for "new employees" who had been employed in the past three years.

Vocational and technical training was provided by Sinofert for employees' career development, in which not only enhance employee' self-development, but also the level of technical skills.



6.4 Caring for Employees

Sinofert treats its staff as members of the family to create cohesiveness within the enterprise so that its staff will enjoy working for the Company. As part of the “Sinochem Shandong Fertilizer Workers’ Children’s Education and Scholarship Awards”, Sinochem Shandong distributed its first educational grants to employees’ children on 12 November 2018. In total, seven students received the scholarship award as an encouragement for continuous efforts in education.

6.5 Salary Policy

Sinofert’s remuneration packages include a base salary and, if applicable, other allowances and an annual bonus, mandatory provident fund, and state-managed retirement benefit plans. Our salary structure enables us to balance the interests of key employees with the performance of Sinofert, shareholder value, and short-and long-term considerations to offer a consistently competitive salary. Cash pay is apportioned according to the importance of the position; the higher its importance, the higher the ratio of bonus to performance-related bonus. This ensures that the Group can attract, retain and motivate the talent needed for its development. While avoiding excessive incentives. Sinofert reviews its remuneration policy annually and invites professional advice if necessary to ensure that its remuneration policy remains competitive so as to foster the Company’s business development.

7. Our Community

As a corporate citizen, Sinofert is actively involved in community welfare, and strives to understand the needs of the communities in which it operates. We ensure that our business makes a positive contribution to communities and their surrounding areas through our support of local education and by other means.

In 2018, Sinochem Yunlong launched a series of educational support activities, including granting scholarships to students of Yize Village, Pulu Village and Fulu Village who got into universities in 2018.





In the first half of 2018, Sinofert launched a “Spring Breeze Action” poverty alleviation project, with more than 60 activities carried out in Anhui Lujiang County, Yunnan Xundian County, Shandong Liaocheng City, Hebei Weixian County, and Anhui Changfeng County. These focused on establishing the self-development capabilities of the poor, combining poverty alleviation with intellectual development and specialized agricultural technology services. The program also included a donation of more than RMB500,000 worth of fertilizer, fertilizing equipment and educational materials.

Sinofert also exerts influence in the industry through an agricultural service network that covers more than 95% of China’s arable land. Through this network, farmers enjoy direct access to resources as well as professional guidance and training that can lead to improved agricultural stability, better crop quality, and a greater income. In 2018, our major community activities included free soil testing, field guidance, technical seminars, anti-counterfeiting activities, demonstration field projects and professional farmer training in conjunction with the National Agricultural Technology Extension Service Center.

In all, more than 20,000 comprehensive technical service activities were carried out in the year 2018, including over 3,500 sessions for field guidance, over 4,500 soil testing and fertilizer activities; more than 2,300 training sessions for farmers, and more than 1,300 demonstration seminars. Over 1,000 fields were cultivated for pilot test and demonstration purpose benefiting a thousand villages and towns.



GOVERNANCE

8. Governance

Sinofert has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by the directors of the Company. Based on the recognition of listed companies in terms of transparency and accountability, Sinofert is committed to maintaining high standards of corporate governance to meet the interests of shareholders. The Company is committed to the best corporate governance practices and compliance with the relevant code provisions set out in the Listing Rules. The Company complies with the applicable code provisions in the 'Corporate Governance Code' and the 'Corporate Governance Report' as set out in Appendix 14 of the Listing Rules.

8.1 Internal Control and Management

Sinofert's internal control and risk management system was built according to the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the United States and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and in reference to the "Basic Rules of the Enterprise Internal Control" and its referencing guidelines issued by five ministries and commissions of China's central government. Under the principle of "high priority, daily monitoring and mainly diverting", the Group paid attention to improving the risk and internal control management mechanism in line with the strategic development, conducted risk identification, assessment and response, implemented a whole-process risk alarming management mechanism and adopted corresponding measures for material risks.

In 2018, in the context of deleveraging and debt reduction in China, along with corporate management and business innovation, the Group implemented hierarchical authorization management and reinforced entity responsibility among all levels, strengthened the standardization of basic work, and gave timely warning of credit and market risks. The Basic Fertilizers and Distribution divisions provided risk control training to all personnel, streamlined and improved management systems, optimized business processes, and ensured that business operations were carried out in an orderly manner. The headquarters revised performance assessment indicators for internal control and management, and guided business departments to enhance awareness of internal control and risk responsibility. Both the headquarters and the business departments strengthened daily inspections, further consolidated the fundamental work of internal control, and met the compliance requirements from domestic and overseas regulatory organizations.



8.2 Corruption Prevention System Establishment

The Company has emplaced a “no corruption” system built upon the principles of “dare not corrupt” and “unwilling to corrupt” to safeguard our strategy of development and innovation.

(1) Establishing a “No Corruption” mechanism

After a thorough study of the exercise of power and accountability and sources of corruption risk within the Company, measures were formulated to limit power and curb corruption. All operating units are closely monitored for their implementation of corruption risk management. Meanwhile, management systems in high risk and key areas have been strengthened to encourage engagement with the anti-corruption mechanism.

(2) Assigning senior executives to safeguard discipline, making the best use of internal and external supervision

Strong anti-corruption policies are integral to the selection of senior executives and new key personnel. The Company has also made internal reporting email and hotlines available to all employees and posted ‘service supervision’ signs at base units to establish an intracompany supervision system. In 2018, no violations of discipline were found.

8.3 Supply Chain Management

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

8.3.1 Employment, Management and Supervision of Suppliers

The Company categorizes its material procurement and has adopted an integrated system of supplier management for bulk commodities. To become an accredited raw material bulk supplier, companies must first pass assessment criteria which include the nature of business, scale, business terms, site inspection, and other factors. For other types of materials, the suppliers are managed by the respective operating entities with their own management systems. The Company also regularly conducts reviews to eliminate suppliers with unsatisfactory performance and to recruit new suppliers to maintain the stability of our supply chain.



8.3.2 Categorization of Suppliers

In 2018, Sinofer implemented further integration for and compiled statistics of national suppliers. As of 31 December 2018, a total of 1,372 suppliers have been qualified through the admission approval process of the Company, including 625 trading companies and 747 production companies. Through the integration of information of suppliers including their regional distribution, business nature, supply chain network, etc., Sinofer will be more effective in selecting, managing and monitoring suppliers, and will improve the cost-effectiveness of the supply chain.

| | Number of Suppliers in 2018 (Unit) | | |
|-----------------|------------------------------------|------------|-------|
| | Trading | Production | Total |
| Domestic | 615 | 739 | 1,354 |
| Overseas | 10 | 8 | 18 |
| Total | 625 | 747 | 1,372 |

8.4 Product Quality Control

8.4.1 Product Responsibility



Sinofer complies with the provisions of the “Management Measures for Quality of Domestic Compound Fertilizers”. Subsidiaries having compound fertilizer products are inspected, evaluated and issued with product quality certification according to national standards and internal control quality standards. As an example, Sinochem Yunlong adheres to management measures such as “stable production, sales promotion, procurement control and cost reduction”, insists on safe production, reduces costs and increases efficiency, is market-oriented, and promotes quality improvement and differentiation for product development to expand market share. Through

process management, process quality control, equipment technology transformation and other means, we can ensure the safety, stability, maintenance, full loading and comprehensive optimization of our devices and the one-time test pass rate of products is close to 100%, and product quality has reached an advanced international level.

The Company also supports an organization for customer service which accepts quality complaints, clarifies responsibilities, and establishes a working mechanism to serve our customers. If the customer returns the product with questions to the distribution network, the Company will communicate with the customer and find solutions to its satisfaction. For complaints that cannot be resolved through communication, the compound fertilizer subsidiaries and branch offices will organize relevant units to provide technical consultations to users, conduct external investigations on the spot, and provide necessary explanations and appeasements to the consumers affected.



8.4.2 Product Quality Control

Sinofert strictly upholds all national provisions on product quality, and all state laws and regulations regarding quality management. By strengthening the Company's process management and adopting advanced technologies and equipment, we ensure our products to conform to all mandatory safety standards.

The "Measures of National Manufactured Compound Fertilizer Quality Management" stipulate quality and technical parameters for intermediate products and manufacturing equipment. Under these regulations, unqualified intermediate products (semi-finished products with mutually supplied materials) are prohibited from processing to the next stage of manufacturing, and product defect identification and corrective actions are to be established to handle defective products. Additionally, every production batch is inspected at our professional laboratory, and faulty products are not allowed to leave the factory.

In accordance with the regulation for the Administration of Product Quality Certification of the People's Republic of China, Sinofert conducts annual ISO 9001 product quality system assessments, and all our products meet the relevant requirements of the certification scheme. The Company strictly enforces international regulatory measures on the use of chemicals such as chloride, biuret and heavy metals, closely monitors the quality of raw materials and manufacturing, and ensures all relevant parameters are followed.

8.4.3 Total Quality Management

In accordance with national product quality laws and regulations and the "Sinofert Group Product Quality Management Approaches", the Company has developed new "Sinofert Quality Management Approaches". These are intended to ensure standardization of all the Company's quality management requirements and process management procedures, from raw material procurement, production and manufacturing, to process inspection, logistics inventory, sales tracking and product accident handling. The Company's subsidiaries have established specialized and collaborative quality management departments to ensure controllable processes and results. The Company also promotes the establishment of quality standards for product management within its subsidiaries, where corporate standards should be equivalent to or stricter than national standards. The Company carries out publicity and education on quality management and provides quality management and operational skills training for quality management personnel as well as other staff, as well as implementing quality management systems and operational requirements. The Company implements a target system for quality management, defines essential quality indicators for the corporation, and periodically tracks and assesses the operational results of corporate quality indicators.



Compound (composite) fertilizer test

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

Urea, phosphate fertilizer (monoammonium phosphate, phosphoric acid II) test

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



HONOR AND AWARD

9. Honor and Award

In 2018, Sinofert was awarded as “Most Socially Responsible Listed Company” and “Industry Contribution Brand”, as briefly described below:

1) Sinofert was awarded as “Most Socially Responsible Listed Company”



Sinofert won the “Most Socially Responsible Listed Company” in the “2018 Golden Lion Award for the Listed Value of Hong Kong Stock Listed Companies” sponsored by Sina Finance, showing that Sinofert actively fulfills its corporate citizenship efforts and has gained extensive recognition from capital market participants. Sinofert actively contributes to the society, and fulfills the responsibility of corporate citizenship, positively contributes in poverty alleviation, development and education, and ecological protection, serving as a role model in social responsibility.

2) The 4th China Good Fertilizer Large-scale Public Welfare Award as “Industry Contribution Brand”

On 15 January 2018, Sinofert was awarded by the 4th China Good Fertilizer Large-scale Public Welfare Award as an “Industry Contribution Brand”. This award is specially presented to large-scale agricultural enterprises with strength and upholds responsibility. Most importantly, it represents the concept and mission of Sinofert which has made huge contributions to the improvement of the industry.



PROSPECT

10. Prospect

The mission of Sinofert is to orient the modernization of agriculture and serve the majority of Chinese farmers. The Company is focusing on the development of fertilizers, reducing the utilization of pesticides, cooperating with government and research institutes, and leading major projects for scientific fertilization, water and fertilizer integration, agricultural training, and socialized comprehensive agricultural services to provide high quality professional and effective aid to Chinese farmers.

Our environmental protection rationale is to protect and improve the production and operation of the Company and national resources, prevent pollution and ecological damage, and enhance sustainable development. Sinofert promotes clean production through the use of advanced technologies, techniques and equipment in order to prevent the creation of new sources of pollutants, reduce emissions, and create a long-term mechanism for environmental protection.





YOUR FEEDBACK

11. Your Feedback

We welcome your feedback on our sustainability performance. If you have any comments or suggestions regarding this Report or our performance in other aspects of economic environment and community, please contact us by the following means:

1) Hong Kong office

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

Tel: (852) 3656 1588

Fax: (852) 2850 7229

2) Investor Relations Department, Sinofer Holdings Limited

Address: Level 10, Central Tower, Chemsunny World Trade Centre, 28 Fuxingmennei Street, Beijing 100031, China

Tel: 010-5956 7902

Fax: 010-5956 9095



Appendix 1 HKEx ESG Reporting Guide

| KPI | HKEX ESG REPORTING GUIDE | PAGES | REMARK |
|-------------------------|---|---------|--|
| A. ENVIRONMENTAL | | | |
| ASPECT A1: EMISSIONS | | | |
| GENERAL DISCLOSURE | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | P.10 | |
| KPI A1.1 | The types of emissions and respective emissions data. | P.11-12 | According to the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the air pollutants mainly controlled by Chinese policies including particulate matter, sulphur dioxide, nitrogen oxides, volatile organic compounds, as well as atmospheric pollutants such as ammonia. |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | P.11-12 | |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | P.19-20 | |



| KPI | HKEX ESG REPORTING GUIDE | PAGES | REMARK |
|--|--|---------|--------|
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | P.21 | |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | P.14-16 | |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | P.19-21 | |
| ASPECT A2: USE OF RESOURCES | | | |
| GENERAL DISCLOSURE | Policies on the efficient use of resources, including energy, water and other raw materials. | P.10-17 | |
| KPI 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). | P.13 | |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | P.17 | |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | P.13-16 | |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | P.17 | |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | P.18 | |
| ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES | | | |
| GENERAL DISCLOSURE | Policies on minimizing the issuer's significant impact on the environment and natural resources. | P.18 | |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | P.18 | |



| KPI | HKEX ESG REPORTING GUIDE | PAGES | REMARK |
|---------------------------------------|---|---------|--------|
| B. SOCIAL | | | |
| Employment and Labor Practices | | | |
| ASPECT B1: EMPLOYMENT | | | |
| GENERAL DISCLOSURE | Information on: (a) the policies; and (b) compliance with relevant laws and regulations with that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. | P.22-23 | |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | P.23-24 | |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | P.22 | |
| ASPECT B2: HEALTH AND SAFETY | | | |
| GENERAL DISCLOSURE | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | P.25-27 | |
| KPI B2.1 | Number and rate of work-related fatalities. | P.26 | |
| KPI B2.2 | Lost days due to work injury. | P.26 | |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | P.25-27 | |
| ASPECT B3: DEVELOPMENT AND TRAINING | | | |
| GENERAL DISCLOSURE | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | P.26-27 | |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | P.26 | |
| KPI B3.2 | The average training hours completed per employee, by gender and employee category. | P.26 | |



| KPI | HKEX ESG REPORTING GUIDE | PAGES | REMARK |
|------------------------------------|---|---------|--------|
| ASPECT B4: LABOR STANDARDS | | | |
| GENERAL DISCLOSURE | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | P.22-23 | |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labor. | P.23 | |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | P.22-23 | |
| Operating Practices | | | |
| ASPECT B5: SUPPLY CHAIN MANAGEMENT | | | |
| GENERAL DISCLOSURE | Policies on managing environmental and social risks of the supply chain. | P.31-34 | |
| KPI B5.1 | Number of suppliers by geographical region. | P.32 | |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | P.31-32 | |
| ASPECT B6: PRODUCT RESPONSIBILITY | | | |
| GENERAL DISCLOSURE | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | P.32-34 | |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | P.33 | |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | P.32 | |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | — | |
| KPI B6.4 | Description of quality assurance process and recall procedures. | P.32-34 | |



| KPI | HKEX ESG REPORTING GUIDE | PAGES | REMARK |
|---------------------------------|--|-------------|--------|
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | – | |
| ASPECT B7: ANTI-CORRUPTION | | | |
| GENERAL DISCLOSURE | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | P.31 | |
| KPI 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. | P.31 | |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | P.31 | |
| Community | | | |
| ASPECT 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. | P.28-29, 35 | |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport). | P.28-29, 35 | |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | P.28-29, 35 | |



Appendix 2 Verification Statement



Verification Statement

Scope and Purpose

Fugro Technical Services Ltd. has independently verified the contents of the 2018 Environmental, Social and Governance Report (the “Report”) of Sinofert Holdings Limited (“Sinofert”). The report detailed the performance of Sinofert in environmental, social and governance in 2018 and the related concerns of stakeholders.

The purpose of this verification statement is to provide reasonable assurance regarding the data recorded in this Report. The Report was prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) in Appendix 27 of the Rules Governing the Listing of Securities published by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). It describes the measures, objectives, progress and performance related to the effectiveness of sustainable development at Sinofert.

Verification Method

The verification method is referred to in Appendix 27 – ESG Reporting Guide of the Rules Governing the Listing of Securities of the Stock Exchange.

Verification procedures included sampling relevant documents provided on site, interviewing stakeholder representatives who prepared the information, selection of representative data for analysis, and reviewing data collection and calculation methodology to ensure an acceptable risk of errors and provide an advisory for future improvement. Site audit locations include:

- 1) Sinochem Jilin Changshan Chemical Co., Ltd.
- 2) Sinochem Yunlong Co., Ltd.
- 3) Sinochem Chongqing Fuling Chemicals Co., Ltd.
- 4) Sinochem Shandong Fertilizer Co., Ltd.

Independence

Fugro Technical Services Ltd. was not involved in data calculations for this Report. The Report’s data recording, collection and calculation processes were all independent of Sinofert.



Conclusion

This Report consistently reflects the performance of Sinoferf in sustainable development. Fugro Technical Services Co., Ltd. has been verified by its personnel that the compilation of this Report was based on factual records. The process of recording, collecting and calculating relevant data was reasonable and credible. The Report was prepared in accordance with the requirements of the Stock Exchange's ESG Reporting Guide and meets the necessary standard disclosures under the core options.

Mr Joseph Poon
Fugro Technical Services Ltd.
June 2019