



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

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

Stock Code: 1812



2020

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT

* For identification purposes only

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Introduction

Shandong Chenming Paper Holdings Limited (the "Company") is a leading enterprise in China's papermaking industry, a top 10 in the world paper industry, and a top 500 Chinese enterprise. The Company is a large conglomerate mainly engaged in pulping and papermaking over more than 60 years arduous development since its inception in 1958. The Company currently has production based in Shandong, Guangdong, Hubei, Jiangxi and Jilin.



Chairman's Statement



In the reporting period, a sudden outbreak of the COVID-19, and complex and dynamic international trade market make the Company devoted to implement national anti-virus measures, actively control pandemic, resume normal operation and production. Also, the Company supports infected areas to practice social responsibility. This fully demonstrates, as a national pulp and paper enterprise, our duties and accountability. Apart from Wuhan Chenming Hanyang and Huanggang Chenming Pulp & Paper are located in the infected areas, and had to closed in the 1st quarter of 2020, other operating sites were resumed normal production in full-load and gradually experienced the benefits of "forestry-pulp-paper" integration. In 2020, all operation indicators were better than last year. A total of 5.77 million tons of machine-made paper, increased by 15.17% compared to the same period of last year; total sales grew 6.86% to more than 5.6 million tons; sales revenue increased 1.12% to RMB 307.37 million. The realised profit and net profit to the mother company was RMB 21.72 million and RMB 17.12 million respectively, the growth was 6.04% and 3.35%.

With the newly completed operating site in Huanggang, the Company currently has a total of approximately 996 hectares of land and over 30 advanced pulp and paper production lines to produce paper products, which are mainly divided into five categories: printing paper, packaging paper, office paper, industrial paper and household paper. We are positioned to provide mid-range and high-end products, including high-end offset paper, white paper board, light-weight coated paper, household paper, electrostatic copy paper, thermal paper and glassine paper. Our major products stand at the forefront of the Chinese market in terms of market share. With total assets of over RMB 915.75 billion and an annual pulp and paper production capacity of over 11 million tonnes, the Company is a listed company with A shares, B shares, and H shares. The Company is a large chain corporation and its primary business was pulp and paper production, alongside with finance, forestry, logistics and building materials business development. It has been to the 1st place of “Fortune China 500” in the consecutive 11 years.. The Company has also been entitled in Top 300 on 2020 China’s Real Economy List, the 1st place of 2020 China’s pulp and paper company Top 20. Moreover, the Company has successively won over 200 accolades above the provincial level, for example, the first prize of 2019 excellent Corporate News in the National’s Pulp and Paper industry; and has been named as 2020 Environmental and Social responsibility Enterprises. Corporate’s key indicators of economic performance are topped the industry over 20 years.

Even though China is the world largest manufacturer of paper and pulp, it is also the largest consumer of paper and pulp. Referring to the industry development and current status of Europe and America, the industry in China also remains profitable benefits. However, in one hand, shortage of raw material supply is a big obstacle for the industry in China generally. The Company is devoted to balancing pulp and paper production, self-sustaining the raw material supply steadily, to wave the problem of raw material shortage. On the other hand, the Company actively invests more resources on environment, retires outdated technology and equipment and also utilizes the advantages of the integration of forestry, pulp and paper to enhance capacity in the wake of tightening national environmental legislations (e.g. “No trash from foreign nations” and “No plastics”), emission caps and waste management towards the industry. Ultimately, maintaining competitiveness of the Company.

The Company realises the importance of compliance, so that the Company arranged regular training to employees in production and environment department, requesting them strictly follow the law and regulations of emissions. Moreover, all operating sites are equipped with well-developed treatment facilities to handle emissions, also the emission are closely monitored by real-time monitoring system. Emissions data is cross-checked by the government as well. At the same time, the Company is commissioned with registered company to conduct inspections and publish all the data online.

The path is full of challenges and long, but we can reach the end if we keep walking along. 2021 is the first year of the strategic plans of National 14th Five-Year Plan, it is also a year with loads of challenges and opportunities. The Company endlessly considers provoking national pulp and paper industry as its responsibility, consistently develop the primary business by upholding green, low-carbon, circular and sustainable development principles. The Company regards environmental protection engineering as “life engineering” of corporate’s development, fully implement clean production, energy-saving, carbon reduction and resources circularity, and perform social responsibility to achieve win-win situation of the economy, society, and ecological benefits. Moreover, the Company adheres to the direction - scientific development to enhance efficiency and to improve corporate management level and operation quality. The strategic development, forestry-pulp-paper integration, facilitate establishment of Hubei Huanggang Chenming Pulp & Paper, alongside with Shouguang Main Site in the Northern China, and Zhanjiang Chenming Pulp & Paper in the Southern China, forming three pillars of principle production

sites. This can strengthen collaborations and introduce new era of high-quality development, and eventually consolidating position of the Company to be an industry leader.

About this Report

Scope of Reporting The pulp and paper manufacturing business is financially and environmentally significant to the Company, hence, this report merely covers the above-mentioned pulp and paper manufacturing business, and includes their environmental, social, and corporate governance performance of the Company and its six operating sites as set out below. Shanghai Chenming Industry Co., Ltd. is providing Real Estate Trust service, of which the impact to the Company is less significant. Therefore, the reporting scope excludes it from the report.

- Shandong Chenming Paper Holdings Limited Shouguang Main Site (Shouguang Main Site);
- Jiangxi Chenming Paper Co. Ltd. ("Jiangxi Chenming Paper");
- Zhanjiang Chenming Pulp & Paper Co., Ltd. ("Zhanjiang Chenming Pulp & Paper");
- Jilin Chenming Paper Co., Ltd. ("Jilin Chenming Paper") ;
- Wuhan Chenming Hanyang Paper Holdings Co., Ltd. ("Wuhan Chenming Hanyang"); and
- Huanggang Chenming Pulp & Paper Co., Ltd. ("Huanggang Chenming Pulp & Paper") .

Remark: Shouguang Main site includes Shouguang Meilun Paper Co., Ltd.

Reporting Standards and Reporting Period

Unless otherwise stated, this environmental, social and governance report covers the Company's commitments and practices in environmental, social and corporate governance during the 12-month period from 1 January 2020 to 31 December 2020(the reporting period) in a total of six pulp and paper operating sites.

Data Description

The Company has internal system to collect environmental and social KPIs of aforementioned reporting scope for statistics and analysis. The Board of Directors has overall responsibility for the data verification and disclosures review.

Reporting Principle

The Company follows the reporting principle below to prepare the report:

- **Materiality** : The Company regularly refers to and aligns with local and international's standard. Also, communicating with various stakeholders on a timely manner to identify the material and most concerned sustainability issues of the Company. The sustainability issues will be incorporated into the Company developmental strategy under the Company's operational framework.
- **Quantitative** : The Company refers to the latest Appendix 27 Environmental, Social and Governance Reporting Guide published in the year of 2020 to constantly quantify and disclose

environmental indicators and data over the time, and also explains the data collection methodology as well as review the performance, whenever possible.

- **Balance** : The reporting objective of the Company is balance and equally disclose the progress of the most material sustainability issues as well as the challenges to enhance disclosure transparency. To avoid misleading, the Company uses photos, charts, and graphs to reflect the actual performance of the Company with appropriate displaying format.
- **Consistency** : The Company follows the Appendix 2: Reporting Guidance on Environmental KPIs and the Appendix 3: Reporting Guidance on Social KPIs to quantify KPIs in Part C “Subject Area A and “Subject Area B”, enabling us to a meaningful comparison over the years.

Valuable Feedback

In order to improve its environmental, social and governance performance on a continuous basis, the Company welcomes stakeholders to put forward their valuable opinions to the Company.

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Communication with Stakeholders

The Company is eager to meet the demands and expectations of shareholders while developing its business, with a view to achieving balanced and satisfactory results. Of course, the Company understands that different stakeholders have different expectations of and demands from the Company. As such, in order to fully understand the stakeholders' concerns about the Company's business, environmental, social and corporate governance practices, the Company has identified external and internal stakeholders and via open and effective communication channels, to help identify major issues, so as to develop long-term development objectives. During the reporting period, the Company collected opinions on employment, legal compliance, supply chain management and product responsibility from employees, customers, suppliers and investors. The following tables are their opinion summary. Customers' feedbacks are outlined in the session headed "Customers' needs and expectations".

Stakeholders	Communication channel	Stakeholders' opinions / concerned areas	The Company's responses
Employees	Monthly seminars, electronic news, meeting, survey, and instant communication platforms.	Improve the remuneration packages, working environment and offer more training to protect employees' physical and mental health.	1) a well-established training and learning program are set up to allow employees from different department to attend relevant training. Also, online learning is available to employees; 2) a talent selection scheme is established to objectively select outstanding employees in every three months, and to favour employees to work diligently and also retain outstanding performers with reward; 3) irregular consult employees their opinions on catering, and accommodations so to make improvement accordingly; 4) an all rounded environmental hygiene management and disinfection were arranged during the pandemic, for example, sanitizing agents and hand-rub were prepared in public areas; registration systems were strictly enforced to record every in and out vehicles and visitors; temperature checks, mask-on policy and separate dining were implemented to safeguard employees' health and safety; and 5) utilizing BPM, online working platform and WeChat to deliver national, provincial, and regional anti-virus arrangement to every employee. The Company also requires employees to pay extra attention on the measures and try utmost to prevent outbreak.
Investors	Official websites, hotlines, annual	More communication channels can be	1) The Company formed a taskforce to centrally deal with pandemic by formulating contingency plans, defining

	general meeting, online seminars	offered to investors to listen their voices	<p>duties and responsibilities of each operating sites as well as managing schedules and collaborating works in pandemic times. The Company will continuously invest enhance communication channels to connect with investors online;</p> <p>2) During the reporting period, the Company reached some of the Company's investors by telephone. Also, the Company utilize online visual platform to organise 2020 Listed Company in Shandong Reception Day, in which investors can understand the Company's operations, business performance and project executions; ; 3) The Company arranged designated personnel to review websites, online platform and hotlines to answer the enquires of investors. There were 140 responses received in the online platform;;</p> <p>4) Intended to increase product market price due to the increase in the cost of raw materials; and</p> <p>5) the Company eases the worries of the pandemic by communicating and updating investors on the anti-pandemic measures and operations of the Company through many different channels.</p>
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2020 New Product Press Conference



2020 International Paper and Equipment Exhibition

Environmental Protection

The Company upholds the belief of “clear waters and green mountains are as valuable as gold and silver mountains” by adopting advanced production techniques and equipment, extensive experiences of waste management, and different types of management systems to transition to a high-technology, low resource consumption, low pollution industrial development and also low-carbon strategies. This help the Company to build a complete production chain, enhance competitiveness, achieve win-win situation of economy, society and ecological benefits. Since its inception, the Company has always regarded environmentally friendly production as an important part of its business operations. In response to national environmental policies, the Company has invested substantial resources in environmental protection projects over the years to phase out low-efficiency, high-pollution equipment and enhance production processes. The Company has also introduced state-of-the-art papermaking equipment and technology to improve resource use and product quality, reduce pollution and protect the environment. During the year, the Company insists on managing production chain at source to minimise consumptions and emissions. Also, develop closed loop economy to fully implement clean production and adopt 6S management by achieving ultimate goals of “energy-saving, low consumptions, low pollution and high efficiency”. Thanks to the all rounded measures mentioned before, the Company has been an environmentally friendly and resources-saving company and named as 2020 environmentally socially responsible Enterprise. In addition, the Company achieved the goal of zero discharge of wastewater by introducing advanced sewage treatment equipment, and discharged pollutants in strict compliance with legal requirements and standards to ensure that the concentration and total amount of pollutants meet the relevant standards. In the future, the Company will keep a close eye on the national and global trends in sustainable development to keep up with the times, and invest in relevant environmental protection projects as needed to further improve environmental performance.

Low Carbon Production

The issues concerning carbon emissions and environmental pollution have received much attention in recent years. The Chinese government put into effect the Environmental Protection Law in 2015, which not only raises penalties and lowers emission caps, but also strengthens the supervision over carbon emissions of various industries and the control of pollutant emissions. The time-consuming pulping and papermaking processes involve the use of high-power production equipment, which consumes a lot of energy and emits large amounts of greenhouse gases. In view of this, the Company has built thermal power plants in the operating sites in Shandong, Jilin, Wuhan, Jiangxi and Zhanjiang. These plants not only supply power and heat to production factories to reduce the power load of these factories, but also make good use of energy by recycling the waste heat generated by the plants themselves. For the new operating site in Huanggang Chenming Pulp & Paper which just commenced operation in the 4th quarter in 2018, the thermal power plant construction has completed and self-provided the electricity generation. During the reporting period, the power provided by the Company's thermal power plants accounted for approximately 74% of the Company's total power consumption. Nevertheless, the power supply to the operating sites by the thermal power plants alone is not enough to meet the daily electricity demand, so the Company strives to explore more energy generation modes. For example, various renewable energy (e.g. adopting ethanol, and biomass biodiesel) as fuel sources have offered 0.63 million electricity, by lowering carbon emission.

Although the above approaches can supply power to the operating sites, the Company is well aware that it cannot ignore the air pollution problems caused by the treatment towers and incinerators of the thermal power plants. As such, the Company has invested resources to upgrade dust removal and desulphurisation systems in order to meet the national ultra-



low emission standards for sulphur dioxide and dust emissions. The fumes in boilers are sealed with hanging film and glass fibre reinforced plastics and collected in biological deodorisation devices for central treatment, and are never disposed of at will.

To deal with the odour released during operation, the Company employs the biofilter-based biological deodorisation process. It works by pumping the odour with a centrifugal fan through the collection pipe to an integrated biofilter deodorising device for deodorisation treatment. Moreover, the Company films the aeration tank in the sewage treatment process, introduces waste gas into the odour treatment system, and removes odour through alkali washing and biological deodorisation. In addition, in order to improve indoor air quality, the Company has installed ventilation systems to enhance air circulation and clean the production areas on a regular basis.

However, these measures may become futile and ineffective if the hardware is left without an appropriate monitoring system. Accordingly, in terms of controlling emissions, the Company conducts regular spot checks on the emission concentration of exhaust pipes and appoints external agencies to conduct annual inspections of the treatment towers and incinerators of thermal power plants, so as to ensure that exhaust emissions meet national standards. The Company has also installed a real-time monitoring system at each production base. The system, which is connected with the environmental protection bureau, is designed to closely monitor pollutant emissions to ensure that the emission limits required by local laws and regulations are not breached. Government departments can directly access relevant emission data through the system. During the reporting period, the Company did not commit any other acts of excessive exhaust emissions or violation of environmental laws and regulations.

In addition to the use of high-performance, low-pollution equipment in the production process, the Company also implements energy conservation and emission reduction measures in day-to-day operations to enhance its energy conservation performance and improve environmental quality. For example, the Company has put up energy-saving reminders at the operating sites to remind employees to turn off the lights and air conditioning before leaving and maintain the indoor air conditioning temperature between 24 and 26 °C. The Company also encourages employees to use public transport as much as possible and to give preference to video or teleconferencing over business trips, so as to reduce greenhouse gas and air pollutant emissions. In addition, the Company's production facilities have gradually been replaced, electric vehicles and Euro-5 vehicles are used to reduce fuel consumption, and traditional lighting systems have been phased out and replaced with energy-efficient T5 tubes or LED lights.



(As at 31 December 2020)

Emissions		Unit	2020
Greenhouse emissions (Scope 1 and 2)	gas in total	tonnes of carbon dioxide equivalent	7,630,810,171

Direct emissions (Scope 1)¹	tonnes of carbon dioxide equivalent	244,151,824
Indirect emissions (Scope 2) ²	tonnes of carbon dioxide equivalent	7,386,658,347
Total greenhouse gas emissions (Scope 1 & 2) intensity	tonnes of carbon dioxide equivalent / production volume (tonne)	1,013
Nitrogen oxides (NOx) ³	kg	29,552
Sulphur oxides (SOx) ⁴	kg	34
Particulate matter ⁵	kg	2,125
Use of Resources		
Purchased electricity	kWh	632,849,884,734
Per capita purchased electricity	kWh	59,624,071
Diesel (mobile source) ⁶	litre	2,036,150
	kWh	20,022,812
Diesel (stationary source) ⁷	litre	3,616,814
	kWh	35,566,528
Steam	tonnes	15,103,020
Gasoline (mobile) ⁸	litre	87,809
	kWh	766,891

¹ Including the greenhouse gases emission and renewable energy emissions from vehicles burning gasoline and diesel, stationary natural gas, stationary diesel oil, coals, and acetylene,

² Only including power purchased from power companies and excluding power generated by the Company's operating sites (e.g. thermal power plant, renewable energy).

³ Calculated based on the total mileage of company gasoline and diesel vehicles in Wuhan, Jiangxi, Zhanjiang and Huanggang.

⁴ Calculated based on the total gasoline consumption of company gasoline and diesel vehicles in Wuhan, Jiangxi, Zhanjiang, and Huanggang.

⁵ Calculated based on the total mileage of company gasoline and diesel vehicles in Wuhan, Jiangxi, Zhanjiang and Huanggang.

⁶ Calculated based on the total gasoline consumption of company diesel vehicles in Wuhan, Jiangxi, Zhanjiang, and Huanggang.

⁷ Calculated based on the total diesel consumption of diesel boilers in Wuhan, Jiangxi, Zhanjiang, Huanggang and Shandong,.

⁸ Calculated based on the total gasoline consumption of company vehicles in Wuhan, Zhanjiang and Huanggang.

Natural gas	m ³	88,050,705.00
	kWh	1,204,785,509,710
Acetylene	kWh	50,246
Total amount of coals used in thermal power plant	Tonnes	3,586,145
	kWh	20,827,547
Renewable Energy⁹		
Ethanol fuel consumption	kWh	276,624
Biomass fuel consumption	kWh	109,880
Biodiesel consumption	kWh	246,851
Hydrogen energy	kWh	0
Total energy consumption Intensity	kWh/production volume (tonne)	243,949

Waste Management

The Company is well aware that proper waste management measures can help reduce the load on landfills and incinerators while promoting the use of resources. The Company requires the wastes be stored in two categories, recyclable and non-recyclable, and actively searches for upgrading and recycling methods according to different fibre components in hope of recycling and reusing wastes as much as possible. For example, the waste paper collected, after being crushed, decoloured and pulped, is converted into recycled paper to reduce the felling of trees; sludge collected in the papermaking process, after removal of harmful substances and high-temperature treatment, is converted into organic fertiliser for use in farmland to provide nutrients for crops; grey powdered coal ash and cinder generated from high-temperature combustion at thermal power plants are processed and remade into building material such as cement, gypsum board and bricks. These measures not only make the best use of resources, but also bring economic benefits to the Company. The Company will continue to develop more recycling methods for waste paper to enable it to be widely recycled.



⁹ Renewable energy includes Huanggang Chenming Pulp & Paper, Wuhan Chenming Hanyang, Zhanjiang Chenming Pulp & Paper and Jilin Chenming Paper.

As there is recovery value in wastepaper pulp and waste wood chips, Jiangxi Chenming Paper has always recycled such items as valuable by-products and thus registered them with the solid waste platform

As for hazardous waste, the Company classifies the waste according to the National Catalogue of Hazardous Waste and has the waste collected and managed by different departments. The disposal procedures are carried out according to the Catalogue. There are a series of management procedures from storage, transfer, warehousing and selection of contractors. Hazardous waste will be temporarily stored in covered containers in suitable sites at the operating sites and ultimately be transported and disposed of by qualified contractors, so as to ensure effective disposal of hazardous waste and avoid secondary environmental pollution. Meanwhile, the Company also attaches great importance to the qualifications of contractors and requires that to become a qualified contractor of the Company, a contractor handling hazardous waste must have a Hazardous Waste Disposal Permit and a Road Transport Permit issued by the competent government agencies and have experience in handling hazardous waste. During the reporting period, the Company did not record any other incidents related to waste disposal in violation of environmental laws and regulations.

Nevertheless, the Company still needs to reduce waste at source to reduce waste generation. The Company advocates electronic archiving and making good use of electronic communications such as email, WeChat and QQ to send documents, with a view to reducing paper consumption and the use of ink cartridges. Over the years, the Company has implemented many waste reduction measures to raise the awareness of waste reduction among employees and encourage them to reduce waste at source and live a green life. For example, we set up waste paper collection bins in the office; advocate double-sided printing and reuse of used paper for printing; reuse old file folders; and engage professional agencies to recycle printer ink cartridges. In addition, in order to avoid damage to the finished products in the transportation process, paper packaging materials are inevitably used to wrap the finished products in advance, thus generating packaging waste. Each year, large amounts of packaging materials are consumed, which increases the load on landfills and incinerators. As such, the Company strives to reuse packaging materials and reduce disposal. The Company reuses the collected wastepaper for paper production to reduce the input of raw materials. Set out below are the amount of waste disposed of and the amount of packaging materials consumed by the Company.

(As at 31 December 2020)

Waste	Unit	2020
Hazardous waste	tonnes	420
Intensity	Tonnes / production volume (tonne)	0.000056
Non-hazardous waste	tonnes	1,510,213
Intensity	Tonnes / production volume (tonne)	0.20
Packaging materials		
Plastic	tonnes	667
Paper	tonnes	121,073
Timber	tonnes	1,953,096

Total amount of packaging material used	Tonnes	2,046,497
Intensity	Tonnes / production volume (tonne)	0.27

Use of Water Resources



It is undeniable that the papermaking process consumes a large amount of water from the early pulping and papermaking processes to the later bleaching and dyeing processes. Water resources, on which everyone lives, are extremely precious and limited. In recent years, water shortage becomes increasingly severe. The United Nations' World Water Development Report published in 2018 pointed out that the world is threatened by water shortage in varying degrees and the situation will get worse in the next 20 to 30 years. This has driven the Company to make good use of water resources and make every effort to come up with good ideas to save water.

In terms of sewage treatment, each production base of the Company has a sewage recycling system where all sewage must be treated and purified by processes including inclined sifting, primary sedimentation tank, oxygen aeration tank, secondary sedimentation tank and Fenton method before being discharged. Some purified water will even be reused for production. The sediments and sludge produced by the sedimentation tank will be drained and put back into the thermal power plant for burning treatment. This move can reduce approximately 93% of suspended solids (SS) and 80% of ammonia and nitrogen. In this way, more than 95.45 million m³ of sewage can be treated in a year. The Company also conducts regular testing of sewage to check the chemical oxygen demand (COD), biochemical oxygen demand (BOD), ammonia, nitrogen, SS, pH and other sewage indicators, in order to ensure that the sewage meets and is better than the discharge standards specified in the Discharge Standards for Water Pollutants in Pulping and Papermaking Industry (GB3544-2008) before being discharged. In order to monitor the Company's water consumption in real time, the relevant government department has installed an online monitoring system in each production base of the Company, so that the discharge data will be uploaded directly to the monitoring department. In addition, the operating sites have set up systems for diversion of rain and sewage and reuse of rainwater to collect rainwater for use in greening, landscaping and waterscape fountain systems, thus making good use of resources.

Greywater recycling system can lower the water consumption further. As a result, Shouguang Main Site spent four hundred million in Shandong to build a system to handle greywater. The system currently is using osmosis and filtration technology to recycle greywater. The conversion rate can up to 75% or above. The standard of treated greywater is up to drinking water standard. The system is expected to provide additional 1,904 thousand of industrial water every year to Shouguang Main Site. The system has in operation since May 2019.



During the reporting period, the total water consumption of the Company's operating sites amounted to 77,024,300m³, representing a water consumption density of 7,257m³ per capita. The water consumption intensity was 10.22m³/production volume (tonne). As of the end of 2019, the suspended solids discharged from the wastewater discharge port of Jiangxi Chenming Paper exceeded the discharge concentration limit of 30 mg/L. In 2020, Nanchang Ecological and Environmental Protection Bureau issued administrative penalties to the non-compliance. As such, the operating sites had adopted the following measures: 1) adjusted water treatment techniques, detailed chemicals usages, set higher quality control limits, established BTMP raw material ratios; 2) implemented additional ten aeration facilities given the existing of 50 aeration facilities, so to dissolve oxygen and drop the COD

concentration; 3) strengthening online monitoring and alarming systems; and 4) arrange more training to environmental manager, asking to equip themselves with stronger understanding and awareness of environmental laws. Regular assessment are scheduled. Eventually, the Environmental Protection Bureau considered the Company has resolved the non-compliance

Other than that, the Company had recorded two non-compliances relating to sludge and wastewater mistreatment in Jiangxi Chenming Paper and Zhanjiang Chenming Pulp & Paper respectively. For sludge mistreatment, the Company has settled the RMB three million fine and completed sludge removal and ecology restoration works as scheduled, as well as passed relevant authority and environmental expertise assessment. For wastewater mistreatment, the remediation includes: 1) using sand bags to block wastewater discharge outside control areas and direct the water to wastewater treatment facility for proper treatment. The involved stormwater sewer was cleaned thoroughly; 2) immediately ceased the clean water tank cleaning works and re-connect discharge tanks to wastewater treatment plant. Terminated the stormwater sewer for wastewater recycling; 3) Causticizing was reactivated when installing cofferdam, sewage return pump and valves in the sewer; 4) repairing sewer and return pumps, adding one return pump and placed with sandbags for protection; 5) conducting review assessment; 6) revise rainwater and sewage separation document and arrange more training; 7) assign one environmental manager to manage environmental compliances of each site; and 8) commissioned with environmental law consultant to identify potential environmental non-compliance and formulate solutions. Other than that, the Company did not commit any other acts of excessive sewage discharge or violation of environmental laws and regulations.

Odour Management

The production of pulp inevitably entails chemicals, resulting in odour emissions. As a result, the Company installs odour treatment plants in each site. The odour will be collected centrally and pumped to the treatment plant so to remove the odour, and eventually discharged legally. The emission is, therefore, far behind the emission cap. The treatment technology is a bit different among operating sites, for example, biological de-odourisation is adopted in Wuhan Chenming Hanyang; anaerobic and aerobic or even closed management to dissolve odour in Jiangxi Chenming Paper; deodorizers are adopted in emission sources in Huanggang Chenming Pulp & Paper.



For the odour emitted from the wastewater treatment plant of Shouguang Main Site, given that the aeration and sludge tank have already proceeded a closed management, the Company further invests 1,200 thousand to upgrade three sedimentation tanks as well as catchment wells of treatment plants as closed management. The project has completed and commenced into operation since March 2018. This new treatment plant is expected to treat 110,000 cubic meters of odour per hour. The emission is better than emission standards specified in the Smelly Odour Pollutants Emission Standard (GB14554-93)

and Air Pollutants Emission Standard (GB16297-1996).

Huanggang Chenming Pulp & Paper adopts different approaches to remove odour. 1) change scrubbers' position of pulp workshops from release to the air to absorb by alkali bath; 2) connect the exhaust of the workshops to DNCG washing tower and then pump to furnaces to burn; 3) adjust the pH values of the furnaces automatically and controlled by computer to keep the values above 8, so to avoid odour release; 4) place deodorant directly into the odour source; 5) adopt closed management to control odour; and 6) utilise technology to monitor odour release.

In addition, there are task forces formed in each operating site to patrol every odour source under supervision of senior management. Any abnormality will be investigated the causes and correct it accordingly. Meanwhile, each operating site will inspect more frequently and install an alarming system to ensure the release complies with regulations. Other than that, the Company did not commit any other acts of excessive odour emissions or violation of environmental laws and regulations.

Green Supply Chain



Pandemic fosters sustainability businesses related to the environment. Green procurement is one of the thousands of business that the Company is steadily developing over the years. As one of the key papermaking enterprises in China, the Company is actively developing the concept of circular development with "forestry-pulp-paper" integration, shouldering the responsibility of afforestation and solving the problem of raw material wood supply. The Company is also committed to developing ecological papermaking and promoting the sustainable development of papermaking enterprises and the papermaking industry.

In an effort to honour its responsibility of forestation, the Company has built its own artificial forests with an area of 46,700 hectares in Guangdong, Hubei, Guangxi and other places, thereby providing the Company with a legal and sustainable source of timber. In addition, the Company established a forestry company in as early as 2005 to mainly undertake the construction of raw material forest bases for the Company's pulp and paper projects and to integrate seedling cultivation, forest production and timber development. Having built a number of large raw material forest bases in Zhanjiang, Yangjiang and Ganzhou, the forestry company serves as an important arm to achieve the Company's strategic vision of "developing a green papermaking conglomerate featuring forestry-pulp-paper integration and meeting international standards". Looking ahead, the Company will continue to increase the proportion of timber supplied from its own forests to its operating sites on top of imported timber. It is hoped that in the near future, the Company can fully achieve the integration of forestry, pulp and paper.

In order to further develop ecological papermaking, the Company's operating sites in Shandong, Jilin, Wuhan and Jiangxi have obtained the Forest Stewardship Council (FSC) Chain of Custody (CoC) certification, an international recognition. The FSC CoC certification is to supervise and certify the chain of custody from raw material procurement and storage to production and sales in the papermaking industry, and to certify whether raw material wood in the Company's operating sites come from forests that have obtained FSC forest management certification. The certification is conducted annually by a third-party certification agency.

Environmental Protection Example of Huanggang Chenming Pulp & Paper

In response to the tightening environmental policies, the Company strives to update and introduce new technologies to reduce the impact of its business on the environment. Therefore, the newly completed pulping production line in Huanggang has introduced the environmentally friendly ozone-based and chlorine-free bleaching process with low-solids continuous cooking from Valmet and Andritz which possess internationally advanced technologies. This is a highly automated process with low energy consumption and low water consumption. The biogas, wood chips and bark produced in the process will be sent into the alkali furnace for combustion and into the biomass gasifier for generation of methane to replace heavy oil as fuel for combustion in lime kilns. The white mud produced by alkali recovery causticisation is fully recycled and reused after calcination in a lime kiln. All solid wastes are comprehensively used without any discharge of solid wastes, thus achieving efficient use and recycling of resources.

Caring for Employees

Employees are the assets of the Company and serve as the driving force to create value for the Company. The Company not only strictly abides by the national regulations and requirements on employment, but also strives to build a harmonious, safe and healthy work environment for employees. During the reporting period, no major violations of laws relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare occurred or were found in the Company.

Employment Policy

The Company adheres to the philosophy of discovering able people and putting them at suitable posts and strives to build professional and efficient teams for the Company according to its long-term development objectives. The Company hires and promotes employees in strict compliance with national laws, and set qualifications and requirements for different posts according to business needs. We also have standard recruitment procedures, and the personnel department takes charge of all recruitment work to achieve the principle of fair and open recruitment. All job applicants and employees enjoy equal opportunities for employment and promotion. Employment will only be based on the education background, experience and capabilities of job applicants and the job requirements, regardless of nationality, ethnicity, race, gender, religious belief and cultural background. All employees are subject to annual appraisal for the assessment of their performance, whereby the high-performing, high-potential employees will be promoted. Promotion will be based on the results of the annual appraisal and conditional on the performance and capabilities of employees. The Company also conducts annual reviews of the compensation system and employee benefits in a drive to provide competitive compensation packages and retain talents. As at 31 December 2020, the reporting scope of the Company had a total of 10,614 employees. Detailed breakdown of the team structure is shown below:

(As at 31 December 2020)			Turnover rate per total workforce	Trained employees		Training hours (hours)	
Total number of Employees		Population	Percentage (total number of leavers/total number of employees* 100%)	Total number	Total employee trained (total number of trained employees /total number of employees *100%)	Total	Average training hours (total number of training hours in specified category/ total number of trained employees in specified category)
By gender	Male	8,035	22.43%	7,960	75.00%	116,503	15
	Female	2,579	7.38%	2,579	25.00	67,223	25
By employee category	Senior management	135	NA	135	1.27%	2,162	16

	Middle management	697	NA	697	6.57%	15,129	22
	Supervisor	203	NA	203	1.91%	812	4
	General staff	9,579	NA	9,579	90.25%	165,623	17

(As at 31 December 2020)			Turnover rate per total workforce (total number of leavers/total number of employees*100%)
Total number of Employees		Total number of employees	Percentage
By employment category	Full-time	10,395	NA
	contract	0	NA
	Casual	73	NA
	Apprentice and trainee	146	NA
By geographical region	Shouguang Main Site	5,337	9.35%
	Jilin Chenming Paper	648	0.68%
	Jiangxi Chenming Paper	968	9.12%
	Wuhan Chenming Hanyang	432	0.75%
	Zhanjiang Chenming Pulp & Paper	2,652	7.29%
	Huanggang Chenming Pulp & Paper	577	2.62%
By age group	18-24 years old	809	6.73%
	25-34 years old	3,656	11.12%
	35-44 years old	3,916	7.21%
	45-54 years old	1,775	3.93%
	55-64 years old	458	0.83%

The Company makes contributions to the five major social insurance schemes and housing provident fund for its employees in accordance with national regulations. These schemes refer to pension insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance. Employees are also entitled to statutory holidays and personal and family-related holidays such as marriage leave, honeymoon leave, maternity leave and breastfeeding leave. The bonuses, allowances, subsidies and benefits of employees are distributed in accordance with relevant requirements of the state and the Company. The Company values the opinions of employees and has set up communication channels including bulletin boards, monthly meetings and emails to collect employees' opinions on the environmental, social and governance affairs, in an effort to promote communication with employees, follow up their concerns and make improvements. The Company has also established trade unions in the hope of better understanding employees' demands and opinions. In addition, in order to promote work-life balance, we often hold various social activities and sports events within the Company, such as Spring Festival Gala, Public Speaking Contest, choir competition,

tug-of-war competition, basketball competitions, cross trail runs, and fun sports and etc., to enrich the life of employees. Furthermore, the Company distributes festive food to employees in traditional festivals to celebrate the festivals together.



Public Speaking Contest



Employees participated in various sports events

Occupational Health and Safety

Putting safety first is the operating principle of the Company. It is our responsibility to ensure that employees work in a safe environment. As such, the Company has set up a safety committee to be responsible for coordinating, directing and supervising the implementation of safety, fire protection and labour protection work. The Company requires its operating sites to implement the 5S methodology and clearly divide the areas for placement of hazardous chemicals and raw materials for production with clear and lucid signs and labels, so as to prevent the leakage and reaction of chemicals due to misuse or human errors. In the bleaching process, the Company has installed level gauges and an alarm system to prevent the escape of acidic corrosive chemicals. The Company has also installed a ventilation system and regularly cleans the production areas to maintain good air quality.

Each production base of the Company has a safety department to implement occupational safety measures in accordance with the guidelines of the safety committee. The safety department also has close communication with the safety committee, regularly inspects the work environment and supervises the implementation of safety work to ensure the safe operation of the Company. Moreover, the safety department will identify risky work procedures, develop safety guidelines and provide employees with appropriate personal protective equipment (PPE) and tools. For example, for employees



working at sewage treatment ponds, the Company not only sets up fences around sewage treatment ponds, but also have them equipped with lifebuoys and life jackets. Emergency relief supplies are also available in the sewage treatment workshops. All employees are provided with gloves, safety helmets, protective goggles, dust masks and protective gowns, with a view to protecting their occupational safety and health. The Company provides physical examination for each employee. In case of abnormal health status, the Company will make appropriate work arrangements as needed. Employees are also protected by the insurance purchased by the Company for them.

In addition, each production base conducts routine safety inspections and detection of occupational hazards (if applicable) on a regular basis, and the inspection and detection results will be submitted to the safety committee. Where safety hazards are found, the safety committee and the production base will take immediate rectification actions, and work out feasible preventive measures together to prevent possible accidents. In the event of a fire, the heads of production departments must report it to the Company according to the established management mechanism, and thoroughly investigate the cause of the incident to prevent similar incidents from happening again.

In addition to having clear policies and a good work environment, appropriate occupational health and safety training also plays an important role in raising employees' safety awareness. Accordingly, the Company requires that all new employees must receive safety training and pass the safety examination. The safety departments often conduct occupational safety training on different topics to help employees safeguard the safety of themselves and others. Every day before work, each department will hold a briefing to remind employees of the work instructions.

During the reporting period, there were no other violation of any laws and regulations related to occupational health and safety. A sudden outbreak of disease requires the Company to formulate preventive measures. In addition to the statutory requirements such as temperature checks of every entry, mask-on policy, 14 days of self-quarantine after visiting high risks regions/close contact with the confirmed case; the Company also requires all employees to report their health status regularly and stay home if feeling unwell. At the same time, the Company works hard to source sufficient face masks and other personal protective equipment. The Company only resumes to work when the working permit

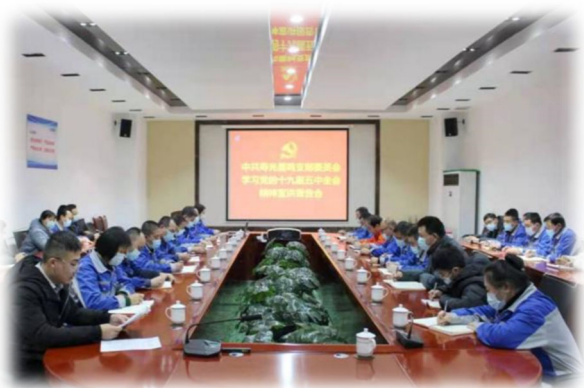
was received. Routine cleaning and disinfection works are arranged more frequently in addressing the pandemic and try utmost to minimise infections. Detailed measures as follow:

- 1) All-rounded plan: formulating taskforce to oversee pandemic at the very first time by formulating contingency plan, calling for meeting, investigating anti-pandemic measures and implementing measures to safeguard health and safety. Also, specifying duties and responsibilities of the Company and operating sites to collaborate to fight for pandemic.
- 2) Working hard to protect: all employees who visiting high risk regions are closely monitored and gathered to check their health status twice a day. Self-quarantine is arranged to prevent outbreak.
- 3) Strong Intention to block procuring emergency materials such as face masks, sanitizing products by all means to safeguard employees' health. Also, the Company set up temperature check stations in operating sites to check temperature and control personnel movement. All employees must wear face masks at all time. Alcohol hand-rub and alcohols must be provided to employees and dedicated a bin for face masks disposal. Disinfections are scheduled to office, operation rooms, meeting rooms and with records. Separate dining prohibit group gathering and no shared utensils policies are also adopted in the sites to minimise cross-infection. Working schedule and rosters are adjusted according to the pandemic situations and making every productions resume to normal.
- 4) more education: more training is arranged to disseminate latest anti-virus measures and policies. Authorised and reliable health tips are forwarded to all employees through WeChat in order to achieving full coverage, and maintaining the overall stability of the society, and fighting for the virus.

Development and Training

The Company upholds the personnel management policy of "cultivating, introducing, deploying and retaining talents" and puts into practice the corporate spirit of "learning, transcending and leading". We regularly provide various types of training sessions for employees to enhance their personal capabilities and professional know-how. The Company prepares annual training plans for employees according to their needs, covering training in professional skills and management capabilities. The Company is keenly aware that learning new knowledge and skills will help employees enhance their competitiveness to cope with the fast-changing market environment. As such, the Company is willing to sponsor employees to take courses, acquire new knowledge, and master new technologies in the market. Employees who have completed their studies can share what they have learned with their colleagues during in-house training sessions of the Company, which will benefit both teaching and learning. After each training session, a questionnaire survey will be conducted to refine future training content and plans. Likewise, the Company also attaches great importance to the training of new employees in order to help them integrate into and adapt to the Company's culture. New employees are required to sign up for a mentoring scheme where senior employees will guide them as to the operations and responsibilities of their positions and the Company's culture. Employees can also review their own performance and express their career expectations in the annual appraisal, which serves as a good platform for employees and their superiors to discuss their future development directions and training needs and for superiors to promote capable personnel and assign them suitable positions. A detailed number of trained employees, training hours and corresponding percentage were recorded in the session headed "Employment Policy".

Looking forward, the Company strives to cooperate with professional training institutions to arrange high-quality training, also advocating innovative learning, utilizing online learning platform to deliver well-developed training by employee categories. There was also tailor-made training to specific teams, for example, technical know-how and business information training offered to frontline employees; team management and execution training offered to middle management; leadership training offered to top management. By doing so, talented teams of the Company can be built.



Employees attended training activities

In order to facilitate the long-term development of the Company and cultivate talents for the development of the industry, the Company carries out campus recruitment each year to provide internships and employment opportunities for the younger generation and offer appropriate training to outstanding students. During the training, experienced staff will help students accumulate work experience and select high-potential talents among them to provide career development opportunities, in the hope that they can showcase their strengths and lead the Company to open a new chapter someday.



Labour Standards

The Company strictly abides by national and local labour laws to ensure that all employees are treated fairly. The Company strictly prohibits the employment of child labour and opposes all forms of forced and compulsory labour. Once such case is found, the Company will issue warnings or even dismiss the personnel involved. In order to avoid the above situations, job applicants are required to bring their identity documents including identity card, graduation certificate, employment reference, military service certificate and medical examination report, or even a Certificate of No Criminal Record for the verification of their age, nationality and identity, so as to comply with the laws and regulations on recruitment. Where a child labour case is found, the Company will invite relevant agencies to assist in following up the case, in an effort to support physical and mental development of children. If necessary, the Company will also provide tuition and living assistance for the children involved so that they can enjoy their childhood and grow up without worries.

In addition, the Company is fully aware of the importance of work-life balance. Long working hours will reduce productivity and increase the risk of accidents. However, due to the business nature, some work processes require long operating time, and so it is inevitable that some employees need to work on shift or overtime. In view of this, all employees are entitled to have rest days and compensatory leave in accordance with national regulations, and the Company will not force employees to work overtime and will arrange sufficient time for rest for employees and lunch during working hours. Employees will also receive overtime allowances according to statutory requirements, and their overtime hours will not exceed the statutory limit. If needed, employees can file complaints with the Company through different channels. During the reporting period, the Company did not identify any cases of child labour and forced labour, nor did it receive any major complaints about labour practices.

Supplier Management

In the course of operations, the Company needs to cooperate with different suppliers and establish long-term and solid partnerships with them, which is beneficial for the Company to provide stable, long-term and reliable services. To this end, the procurement department is responsible for making all purchases of the Company through a standard tendering process. All procurement projects are subject to open tendering where suppliers are required to provide detailed quotations for comparison among more than two suppliers, with a view to preventing transfer of benefits and corruption. In addition, the Company has established supplier management and evaluation systems, which require that to become qualified suppliers of the Company, suppliers must meet the requirements and standards of the Company in terms of quality management, business philosophy, environmental management, occupational health and safety and service performance. The Company always prefer to select suppliers who share the same commitment we have with safety, responsibility and sustainability. During evaluation, the Company will randomly inspect the samples of suppliers' products and present them to the Company's pulp & paper testing centre approved by the state for inspection. If necessary, the Company will also require suppliers to produce relevant permits, certificates and test reports. Only after passing the inspection will a supplier be included in the list of qualified suppliers of the Company. The Company also conducts annual supplier evaluation exercises in accordance with its management measures. If needed, the Company will require the problematic suppliers to make corrections and perform relevant obligations based on the evaluation results. If the case is serious, the Company will consider terminating the cooperation with the supplier concerned and remove it from the supplier list. The number of active suppliers of the reporting scope of the Company by geographical region was as follows:

(As at 31 December 2020)	Number of suppliers
Mainland China	1,669
Hong Kong	60
Others	111

In addition to strict supplier quality management, the quality of suppliers' products is also closely related to the Company's service quality. The Company will carry out stringent quality control and conduct acceptance inspection of products in accordance with the laws, regulations and industry standards applicable to the procurement projects. Only up-to-standard products will be accepted and used by the Company. Our laboratories will also inspect the raw materials on a batch-by-batch basis and conduct statistical analysis on the inspection results to ensure that the products are qualified to be put on the market. All approval documents and acceptance inspection reports are properly kept in the internal system for future inspection and follow-up.

In addition, the Company is encouraging suppliers to adopt environmentally preferable products and services along the supply chain, for instance, giving priority to the products and services of local suppliers/contractors (such as property management companies and rental agencies). In the tendering process, suppliers/contracts with excellent environmental performance or products with environmental management system certification (e.g. ISO 14001 Environmental Management System and ISO 9001 Quality Management System) and/or environmental labels will be given extra credit/preference. The Company also specifies in tendering document, encouraging suppliers adopt products with ecolabels or environmentally friendly products. These help reduce the Company's carbon footprint and promote local economic activities.

Product Responsibility

The Company believes that superior raw materials, coupled with the Company's advanced production technology, can produce premium and environmentally friendly paper products for customers and maintain competitiveness. As of the end of 2020, the Company's operating sites in Shandong, Jiangxi and Zhanjiang had obtained ISO 9001 quality management system certification and ISO 14001 environmental management system certification. operating sites that have not yet obtained such certification will also operate in accordance with the ISO requirements. The Company has also established a state-level corporate technology centre, a post-doctoral scientific research station, and a pulp & paper testing centre accredited by the China National Accreditation Service for Conformity Assessment (CNAS) to carry out new product research, development and testing. As of the end of 2020, among the Company's large product portfolio, a total of seven products had been rated as "National New Products" and more than 303 national patents, of which 25 were invention patents; 15 science and technology progress awards at or above the provincial level for filling domestic product gaps; and the Company had undertaken five state-level science and technology projects and 63 provincial-level technological innovation projects; In 2020, the Company has been actively participated in invested product development, for example, "Development of high-efficiency sizing technology for electrostatic paper", "Promotion of the development of special coated paper technology", "Cultural paper technology development: and other two projects were considered as 2020 the outstanding innovative technology products and won the first prize of outstanding achievement in Shandong. Over the years, the Company has won numerous awards in the field of product research and development, in recognition of the Company's achievements in its unremitting efforts to provide quality and diversified products and services for customers.

Meanwhile, the Company also established a "sales information management SOP" and set up an information department, specified duties to handle, predict and analysis of product quality, customers satisfaction, competitors' information and etc., with the aim of updating departments about the latest market news by weekly and monthly.

Quality Control

Due to the complex production process of pulp and paper, the quality of finished products is susceptible to unstable factors. As such, each production base and its quality assurance department are jointly responsible for testing and monitoring product quality from product design to production process, so as to ensure that the quality of finished products can meet the relevant standards. The quality assurance department will develop testing methods and determine sampling quantities according to the contract signed with each customer and international standards. The production base will conduct spot checks of finished products in the production process using the testing methods determined by the quality assurance department to ensure product quality.

	Quality control method	Principle
1	Acceptance of raw materials	Acceptance criteria are set based on the characteristics of different raw materials. Raw materials that do not meet the quality requirements will be replaced.
2	Quality monitoring in the production process	Inspections are carried out in accordance with the Company's standards for various production steps to detect potential problems as early as possible. Random samples are taken from various production lines to the technical quality assurance department for testing of physical indicators, appearance quality, etc. on a weekly basis.
3	Quality analysis meeting	At the monthly meeting, the sales department will prepare a summary and report customers' feedback on product quality, and the quality and technology departments will make suggestions on product quality improvement, present quality

		analysis results, and put forward methods to improve product quality.
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Where there are any problems with the Company's products, quality control and product recall procedures will be initiated. The relevant salesperson will arrive at the site to inspect the defective products and mail a sample of the products with the relevant certificate of quality and a quality problem feedback card to the quality inspection department of the Company. The quality inspection department will complete the testing of the sample within two days and present the testing results to the after-sales management department of the marketing division of the Company. If necessary, the Company will proceed in accordance with established procedures to recall the substandard products. The Company regularly conducts customer satisfaction surveys through the product information platform on the Company's official website to learn about the service quality of the Company, so as to seek improvements on a continuous basis. In doing so, we hope to attain a customer satisfaction rate of 90% or above. In addition, we also set up a customer service hotline and email for customers to express their opinions. During the reporting period, there were no major incidents in which the Company was fined or punished by government departments or subject to product recalls due to major quality problems or health and safety reasons.

Customers' needs and expectations

The Company realises customers' feedback can help us improve service quality, therefore, a "comprehensive, face-to-face, peer to peer , professionalism" strategy has been adopted in full to understand customers' needs and expectations. The strategy includes a customer visit standard operating procedure (SOP). Employees are divided by four categories and each category has their own visit combination and frequency. A visit report will be submitted for top management and quality department to follow up.

Primary Visit	Secondary Visit	Tertiary Visit	Senior Visit
Leading by the Company's leader of sale manager, employees of quality, technical supports and production department will visit Type A customers annually.	Leading by the Company's leader of sale manager or deputy sales managers, each sales and marketing department will visit key customers quarterly with the aim of exchanging the latest market news and also get to know their opinions.	Leading by the Company's product director, managers of each operating site will visit general customer monthly, to understand their opinions of product.	Leading by the Company's regional or site directors, the business manager will participate in visits every month to visit regional customers once to two times. In order to understand their opinions of product.

After-sales Services

The Company is committed to providing reliable and prompt after-sales services for customers. To this end, the Company has not only set up an after-sale department, but also established customer complaint handling procedures to handle every complaint in good faith without delay. The Company currently has 56 offices and nine service regions in China and has 43 employees are based overseas and to offer an after-sales service all over the world, The services reach out to Asia, Middle-East, America, Europe and etc. The Company's service personnel continuously communicate with customers and offer supports if applicable to gain trust of customers and build a long-term relationship.

The Company stipulates that once a customer complaint is received, the customer service team should investigate the complaint and reply to the customer on the same day, and the complaint handling cycle must not exceed seven days. Moreover, the Company has formulated after-sales service policies, covering return and exchange of goods and compensation, to protect the interests of the parties concerned, in the hope that good after-sales services can win the trust and support of customers for the Company. Moreover, services personnel always visit customers to get to know their needs and feedback. During the reporting period, the Company did not receive any complaints or compensation claims that seriously affected the operations of the Company.

Protection of Intellectual Property

The Company has great respect for intellectual property rights, and is keenly aware that the development of products and advancement of new production technologies are resource and time intensive, which have far-reaching implications for the uniqueness, competitiveness and profitability of the Company. As such, the Company proactively carries out technical cooperation with academic institutions, research institutes and international advanced enterprises, and applies for patents on proprietary products and technologies with commercial value. As of the end of 2020, the Company cumulatively 76 applications were approved., of which 1 invention patent in the field of paper-making modified starch; as well as actively participated in invested product development, for example, "Development of high-efficiency sizing technology for electrostatic paper", "Promotion of the development of special coated paper technology", "Cultural paper technology development: and other two projects were considered as 2020 the outstanding innovative technology products and won the first prize of outstanding achievement in Shandong

Information Protection

Automated production is a major trend in the manufacturing industry. In recent years, there has been a digital revolution, under which the public is increasingly concerned about the protection of confidentiality and privacy of personal data. Although automated production and data management can help the Company improve its management standards, accelerate the upgrading and transformation of the Company, and improve efficiency and quality, any inadvertent data leakage will damage the Company's reputation and ruin the trust of customers. As computer systems are required for automated production and data management, the Company has formulated a system maintenance policy and strict rules governing the use of computers by employees to educate and regulate them in this regard. The rules stipulate that all confidential information and documents with personal data must be destroyed before being discarded. The Company also installs anti-virus software on all computers and online platforms and regularly updates the software to prevent virus infection. Moreover, the Company backs up and encrypts internal documents on a regular basis to prevent data leakage. In addition, the Company restricts employees' access to the personal data of customers and gives access rights to designated employees only. On the date of assumption of duty, each employee is required to sign and strictly abide by a confidentiality undertaking, pursuant to which they must not disclose any confidential and personal data of a customer to any external parties without the consent of the customer. Once such case is found, the employee concerned will be impartially handed over to the police for investigation without tolerance.

In the reporting period, there were no non-compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruption

The integrity and good corporate governance of the Company are embodied in its brand image and performance. The Company always strictly complies with relevant laws and regulations and prohibits any acts of bribery, extortion, fraud and money laundering within the Company. An audit committee has been established in the governance structure to formulate, review and supervise business management policies and practices. An effective internal monitoring system has also been set up to constantly enhance internal management. In addition, the Company has formulated anti-corruption policies and rules for departments with a higher risk of conflict of interest, including sales, finance, procurement and audit departments, with an aim to deter corruption. The audit department of the Company conducts annual audits and visits each subsidiary for audit purposes. In addition, as some tendering projects involve huge financial benefits, all tendering documents are published on the Company's website while the identity of bidders is kept confidential, so as to enhance the transparency and fairness of the tendering process.

The Company operates with high ethical standards and professional integrity, and constantly reminds employees of relevant regulations to avoid conflict of interest. We also set out our code of conduct in the labour contract and the staff handbook, and formulate binding measures against illegal or unethical acts. Employees can also report suspected illegal or fraudulent activities. The legal department regularly offers law courses on anti-corruption for employees involved in corruption-prone work areas to raise their integrity awareness and reduce the occurrence of illegal activities. During the reporting period, there were 20,971 and 6 training hours offered respectively to employees and directors, so to refresh their memory on anti-corruption. Our measures for corporate governance and anti-corruption management are detailed on page 124 of the Company's 2020 Annual Report. During the reporting period, no cases of bribery, extortion, fraud or money laundering were found within the Company.

Community Engagement

While operating business, the Company does not forget to shoulder its corporate social responsibility. To this end, it strives to leverage its own advantages and resources to participate in community investment activities such as poverty alleviation, elderly care, education assistance and promotion of cultural education, in an effort to support the community and promote its healthy and sustainable development. Each subsidiary of the Company has set up a mutual aid foundation to support the employees and their families in need, in a drive to put into practice the spirit of solidarity and mutual assistance. The funds of the foundations are also used to host cultural activities after work and to provide financial relief for those affected by natural disasters.

Scope of community investment	
Shouguang Main Site	Hosting donation activities to support post-disaster reconstruction and helping disaster victims get their lives back on track
Jiangxi Chenming Paper	Setting up a staff mutual aid association and actively participating in local cultural and sports activities
Zhanjiang Chenming Pulp & Paper	Engaging in poverty alleviation and helping solve local employment problems by providing job opportunities
Jilin Chenming Paper	Engaging in poverty alleviation and giving priority to employing poor residents in surrounding villages and towns according to their actual needs
Wuhan Chenming Hanyang	Participating in local cultural and sports activities
Shanghai Chenming Industry	Participating in volunteer work on elderly care, promoting respect for the elderly and celebrating festivals with them
Huanggang Chenming Pulp & Paper	Engaging in poverty alleviation and cooperating with local government, enterprises to offer help to help the poor by providing job opportunities.

During the year, the Company hosted a fundraising event with People's Education Press(PEP), JiangXi Xinhua Printing development Corporate Limited to donate books, sports, stationaries and clothing to JiangXi Mount Sanqing School. In pandemic, the Company also actively engaged in anti-virus event. Huanggang Chenming Pulp & Paper donated RMB five millions to Hubei Charity General Association; Zhanjiang Chenming Pulp & Paper donated more than 0.1 million face masks, RMB 0.2 million equivalent, to primary and secondary schools in Mazhang District. Moreover, 2.2 million of sanitizing agents was also distributed and donated RMB 0.3 million to governmental department.



Frontline employees and the management showed strong support for the Charity Relief Activities

Content Index of the Environmental, Social and Governance Reporting Guide

KPI	Content	Index
Environmental		
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.	Low Carbon Production
KPI A1.1	The types of emissions and respective emissions data.	Low Carbon Production
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Low Carbon Production
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) .	Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Partially disclosed in session headed “Low Carbon Production”
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Partially disclosed in session headed “Waste Management”
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Low Carbon Production Use of Water Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility).	Low Carbon Production
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)..	Use of Water Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Partially disclosed in session headed “Low Carbon Production”
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Water Resources
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Waste Management
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	Odour Management

KPI	Content	Index
		Green Supply Chain
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Odour Management Green Supply Chain
A4 Climate Change		
General Disclose	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Low carbon Production Environmental Protection Example
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Low carbon Production Environmental Protection Example

KPI	Content	Index
Social		
Employment and Labour Practices		
B1 Employment		
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Policy
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Policy
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Policy
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting period.	Not disclosed yet.
KPI B2.2	Lost days due to work injury.	Not disclosed yet.
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employment Policy
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employment Policy
B4 Labour 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 labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supplier Management
KPI B5.1	Number of suppliers by geographical region.	Supplier Management
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.	Supplier Management

KPI	Content	Index
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supplier Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supplier Management
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.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No recall
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	After-sales Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	Quality Control
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Protection
B7 Anti-corruption		
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 bribery, extortion, fraud and money laundering.	Anti-corruption
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.	None
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Engagement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Engagement