

中化化肥控股有限公司 SINO FERT HOLDINGS LIMITED

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

Environmental, Social and Governance Report 2022



NURTURING
CHINA'S
AGRICULTURE
SECTOR

Contents

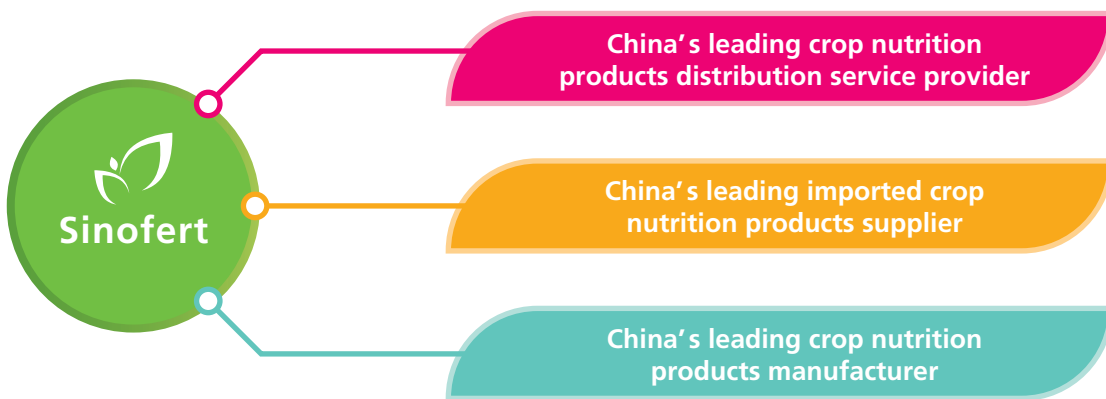
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COMPANY OVERVIEW

Sinofert Holdings Limited (the “**Company**”), together with its subsidiaries (collectively referred to as the “**Group**” or “**Sinofert**” or “**we**”) is the leading crop nutrition manufacturer and distribution service provider, and a large supplier of imported crop nutrition products in the People’s Republic of China (“**China**”), covering the businesses in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and development and services relating to crop nutrition business and products, exploration and exploitation of phosphate mine, and production of monocalcium/dicalcium phosphate (MCP/DCP).

Benchmarking of Sinofert in the crop nutrition product market in 2022



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

The Group is fully dedicated to serving Chinese farmers and strives to enhance every aspect of the agricultural industry value chain. This includes research and development (“**R&D**”), resource development, production, marketing, and services. We continue to promote the R&D of new products, technologies, and equipment, while actively leveraging our industry influence to drive innovation and promote agriculture. Our efforts are geared towards promoting agricultural sustainability and ensuring food security in China.

In addition, the Group has a leading sales and distribution network of agricultural resources in China, providing agricultural inputs such as fertilizers and pesticides, as well as agrochemical services to meet market demand. As a leading crop nutrition technology marketing service enterprise in China, the Group is dedicated to serving the needs of farmers, meeting the new requirements of modern agricultural development, focusing on relationship between resource and environment, pursuing on green sustainable development, and striving to be a leader in innovation of biological fertilizers and soil health.

ABOUT THIS REPORT

This Environmental, Social and Governance (“**ESG**”) report of the Company (“**this Report**”) covers the period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**” or the “**Year**”). This Report aims to report on the Group’s ESG strategies, policies, and performances during the Year. The Group strives to facilitate communication with stakeholders by disclosing ESG-related issues that are of key concern to the Group.

Reporting Standards

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

| | |
|---------------------|--|
| Materiality | The Group has identified and confirmed the material issues during the Reporting Period through materiality assessment, including inviting various stakeholders to assess and prioritize the ESG issues. Details of the materiality assessment process and results can be found in the “Materiality Assessment” in this Report. |
| Quantitative | The Group comprehensively discloses ESG performance during the Reporting Period, and discloses the standards, methods, assumptions and calculation reference basis for quantifying key performance indicators, including the source of major conversion factors. |
| Balance | This Report discloses ESG performance of the Group during the Reporting Period in an unbiased manner and objectively reflects the operations of the Group. |
| Consistency | Unless otherwise stated, this Report is prepared in a consistent manner with previous reports for readers to make meaningful comparisons of the Group’s ESG information during the Year. |

Reporting Scope

During the Reporting Period, there were no significant changes in the main businesses of Sinofer. This Report covers all businesses of Sinofer. In particular, the environmental relocation project of Sinochem Chongqing Fuling Chemicals Co., Ltd., a subsidiary of the Group, has entered the trial operation stage during the Reporting Period and is included in the scope of this Report. In consideration of the revenue contribution and the environmental and social impacts of our businesses, this Report focuses its key environmental performance indicators on the operations of four production facilities (the “**Subsidiaries**”), including:

- 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. (“**Shandong Fertilizer**”)

For details on corporate governance of the Company, please refer to the Corporate Governance Report in the Company’s 2022 Annual Report.





ABOUT THIS REPORT

SINOCEM FULING



- Sinochem Fuling specializes in the production of high-quality phosphate fertilizers and new specialized fertilizers, with a provincial-level enterprise technology center that leverages innovation to create core production capabilities.
- Major products are potassium dihydrogen phosphate, flame retardant materials, multi-element acidic specialized fertilizers, slow-release fertilizers, gypsum products, etc.

SINOCEM YUNLONG



- Sinochem Yunlong's phosphate-based animal feed is of excellent quality and has satisfied and obtained ISO 9001 and FAMI-QS certifications.
- Major products are calcium hydrogen phosphate-based animal feed, calcium dihydrogen phosphate-based animal feed, industrial sodium fluorosilicate, industrial sulfuric acid, etc.

SINOCEM CHANGSHAN



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

SHANDONG FERTILIZER



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

Notes to This Report

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

Report Assurance

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

Highlights of the Year

In the first half of 2022, the supply and demand of fertilizers continued to be in a tight balance due to the recurrent outbreak of the pandemic and international geopolitical conflicts, and the boom of the industry boosted prices to a historical high. However, with the successive sharp rate hikes of the Federal Reserve and domestic agricultural demand entering the off-season, fertilizer prices fell rapidly after surging high in the second half of 2022 and remained low with volatility. In the face of the complex and volatile external environment, the Group insisted on staying ahead by innovation, focused on the implementation of key strategies such as differentiation and industry quality improvement and efficiency enhancement, and achieved significant year-on-year growth in results. To consolidate our leading position in the industry against the backdrop of a complex and volatile global economy, the Group continued to deepen our strategic transformation and promote the technology service platform comprehensively in order to step up efforts in product R&D and fully enhance the comprehensive productivity of agriculture, ensuring stable supply and price of fertilizer products and contributing in the promotion of the development of rural revitalization and modernization of agriculture.



ABOUT THIS REPORT

The “No. 1 Central Document for 2023” anchors the goal of accelerating the construction of a strong agricultural country, focuses on the theme of rural revitalization, enforces the ideas of “guarding the bottom line, promotes revitalization and strengthening protection”, and accelerates the construction of agricultural and rural modernization through technological innovation and technical innovation. Being a leading technology-based marketing and service provider of crop nutrition in China, the Group will steadily promote the development of modern agriculture, strengthen the investment in high-tech agricultural products, optimize the service level to farmers, standardize product management, combine the innovative operation mode of the internet and agriculture, give full play to the advantages of integrated research, production and marketing, continue to improve technology, services and products, and implement marketing programs that are in line with agricultural development, enhance efficiency of agricultural production and ensure food safety.

To meet the rising expectations of the community and achieve the Group’s business standards and long-term goals, we have integrated sustainability principles into our corporate governance structure. Our Corporate Governance Committee is responsible for identifying key ESG issues, risks and opportunities, as well as monitoring progress toward sustainability goals. The Group also implements ESG governance policies, strictly follows the integrity mechanism, and continuously implements efficient quality management and supply chain management. In terms of environmental protection, Sinofert implements corporate responsibility and attaches great importance to the impact of the environment, including energy use, waste discharge, pollution management, natural resource exploitation, etc., and continues to enhance environmental protection and promote low-carbon, energy-saving, water-saving, technological upgrading and other measures. We are committed to green operations and require all subsidiaries to strictly follow the sustainability guidelines by regularly monitoring pollution emission indicators, inspecting and maintaining environmental equipment, and analyzing data to formulate environmental improvement proposals and upgrade plans. In addition, we also unswervingly promote technological innovation, industrial quality and efficiency, soil health and microbiological strategy, and green planting to practice the core concept of sustainability.

“People-orientation” is one of the core values of the Group. We strictly adhere to human resources and employment policies, respect and protect the rights and interests of employees. Employees are the most important asset of the Group. By actively investing in employee training, we strive to provide employees with long-term development opportunities and grow together with them. We also actively protect the health of employees and implement corresponding measures in terms of occupational health and safety, epidemic prevention and control, and employee mental health, such as developing training, providing a safe working environment, and providing various welfare and care to enhance employees’ sense of belonging and collective cohesion.

We proactively contribute to the communities in different ways and fulfill our corporate responsibilities. We are committed to creating value for the communities in which we operate, by carrying out various community service activities, such as donating protective equipment against the COVID-19 pandemic, agricultural field guidance and other activities to promote food security and the growth of a healthy agricultural industry, giving back to the society.

SUSTAINABILITY GOVERNANCE

Sinofert believes that sound ESG governance principles and routine risk management will increase investment value and bring long-term returns to stakeholders. The Board of Directors of the Company (the “**Board**”) continues to address ESG risks, formulate emergency plans for ESG risks, actively respond to ESG risks and opportunities, improve internal control and management, and promote the high-quality development of the Group’s business. The Group has also enhanced its information disclosure management to ensure the transparency and accountability of the Group’s operational activities.

ESG Governance

The Board is responsible for leading and monitoring the Group’s ESG performances. To ensure that appropriate and effective ESG management approaches and strategies are established, the Corporate Governance Committee (the “**Committee**”) has been assigned to oversee the Group’s ESG issues and matters. The Committee focuses on monitoring the progress and quality of ESG work within the Group to ensure that ESG-related policies and measures are implemented and completed. To enhance the Group’s ESG governance, the Committee regularly reviews the internal functions, conducts independent assessment and efficiency analysis on the adequacy and effectiveness of risk management measures and systems. The duties of the Committee include (but are not limited to):

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

The Group has set up an ESG Report Working Group, which consists of members from departments including Health, Safety and Environment (“**HSE**”) and Operational Management (“**HSE and Operational Management**”) Department, Human Resources Department, Supply Chain and Operational Management Department, Sales Department, Basic Fertilizer Department, Administration and Communications Department, Discipline Inspection Department (Department of Audit and Law), and other departments, to oversee the preparation of the ESG report. The HSE and Operational Management Department holds regular working meetings and is responsible for reviewing and approving the Group’s major environmental protection projects, proposing solutions to major environmental issues, and making decisions on the Group’s short-term environmental objectives and long-term planning. For details of the Board and the Committee of Sinofert, please refer to the Corporate Governance Report in the Company’s 2022 Annual Report.





ESG Risk Management

A robust and effective risk management system is an integral part of corporate governance. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Group adheres to the “Internal Control-Integrated Framework” published by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, the “Risk Management – Guidelines” published by the International and Organization for Standardization and the “Internal Control and Risk Management – A Basic Framework” issued by the Hong Kong Institute of Certified Public Accountants, and following the “Central Enterprises Comprehensive Risk Management Guidelines”, the “Basic Rules of Corporate Internal Control” and its reinforcing guidelines, and the “Central Enterprises Compliance Management Guidelines” of China, as well as in compliance with the national requirements on strengthening internal control system establishment and supervision in recent years. Under the principle of “high priority, frequent monitoring, and diversion as the main solution” and with risk management orientation, the Group paid attention to improving the risk and internal control management mechanism in line with business management. Through risk identification, assessment and responsive measures, the Group implemented a whole-process risk management, alert and response measures on materials risks to serve the value creation of business.

During the Reporting Period, the Group vigorously promoted risk culture through various means, such as risk talks by business leaders, professional department trainings, systematic monthly meetings of finance and risk responsible personnel, thematic meeting presentations, quarterly financial internal control self-inspection, half-yearly work report and daily WeChat promotion of risk management experience, and encouraged the management at all levels to build a safe operating environment in a scientific manner. The Group actively created a benign internal risk control atmosphere for “steady operation and healthy development”. In addition, the Group continued to identify risks, monitor major risks, comprehensively investigate operational risks and focus on the establishment of a long-term mechanism. We continued to revise and improve systems and regulations, and organize the system of authorities and responsibilities. The Group also focused on incorporating risk management and compliance management requirements into business process, strengthening informatization and enhancing accountability of each business unit, and actively explored differentiated mechanisms of internal risk control and management for different business units.

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

1. Inventory Risk

| Impacts of Risks | Management Measures |
|---|---|
| <p>The fertilizer market has experienced severe fluctuations this year, with a rise in the first half followed by a downturn in the second half. The macroeconomic environment has tightened, and the year-end trends for nitrogen, phosphorus, and potassium are all showing a downward trend. The market has low liquidity and weak demand, which strongly impacts the inventory market risk for the Group.</p> | <p>To effectively control inventory risk, Sinofert has implemented the following measures:</p> <ol style="list-style-type: none"> 1. Strictly controlling the scale of inventory and accounts receivable: We have conducted multiple inventory inspections, communicated with each business unit and production enterprise, and reduced inventory scale to avoid stockpiling. 2. Issuing a notice on “Controlling Year-End Inventory and Accounts Receivable and Preventing Operational Risks” in Q4: We urged business units to reasonably control the pace of procurement, tighten positions, increase collection efforts, enhance market analysis and strictly prevent operational risks. 3. Strengthening process monitoring: We track changes in inventory scale and domestic fertilizer inventory exposure on a weekly basis, provide monthly analysis of key indicators for inventory market risk, and follow up on the clearance of expired inventory. |





2. Environmental and Social Risks

| Impacts of Risks | Management Measures |
|---|--|
| <p>With the increasingly stringent requirements on environmental protection management and gradually intensive efforts in pollution control from the government, the environmental protection requirements for us have significantly increased. The Group must attach great importance to ecological civilization and environmental protection.</p> | <p>We strictly comply with the laws and regulations such as the Environmental Protection Law of the People’s Republic of China, the Air Pollution Prevention and Control Law of the People’s Republic of China, as well as the Water Pollution Prevention and Control Law of the People’s Republic of China. We also strictly implement the investigation and management of environmental risk sources of enterprises, implement measures to prevent and control pollution of air, surface water, underground water and soil. In addition, the Group formulated emergency plans for sudden environmental pollution incidents, equip necessary emergency response materials, carefully conduct emergency drills, and timely activate emergency plans to limit production in heavily polluted weather.</p> |

ESG Award

For Sinofert, it is crucial to bring a positive impact on society in terms of sustainable development through the fertilizer and agricultural industry. During the Reporting Period, our efforts in ESG have been well recognized.

SINOFERT RECEIVED TWO AWARDS FROM THE 4TH "ESG LEADING ENTERPRISE AWARD 2022"

- The Group promoted the characteristic soil health strategic project to solve the degradation problems of acidification, soil-borne disease, organic and microflora deficiencies, and heavy metal pollution in the cultivated land in China, so as to promote the sustainable use of cultivated land and ensure the food security of the whole society. We were awarded the "ESG Leading Enterprise Award 2022 – Leading Community Project Award". In the future, we will continue to pay attention to the challenges and opportunities brought by ESG, and actively contribute to the low-carbon transformation of society.



Leading Community Project Award

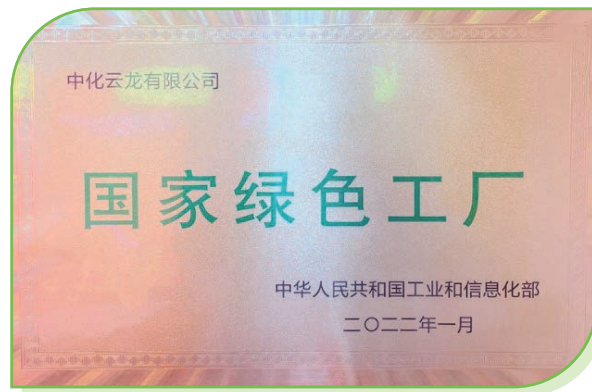
Award-winning Project: Soil Health Strategy – Protect the environment of farmland and guarantee food security

- In 2019, the Group built a one-stop fertilizer trading service platform – Fertex agricultural ecological platform. Through the use of digital technology, a platform was built to form an online and offline linkage model for the fertilizer market. The platform has four modules of information, trading, logistics and finance, serving agricultural users in a comprehensive way. During the Reporting Period, this agricultural ecological platform was awarded the "ESG Leading Enterprise Award 2022 – Theme Award (ESG Product Comprehensive Platform)".



SINOCHEM YUNLONG WAS AWARDED THE “NATIONAL GREEN FACTORY” RECOGNITION BY THE GENERAL OFFICE OF THE MINISTRY OF INDUSTRY AND INFORMATION TECHNOLOGY

In January 2022, Sinochem Yunlong was awarded the “National Green Factory” recognition by the Ministry of Industry and Information Technology of China. Starting from infrastructure, management system, energy-saving management and energy resources investment, etc., Sinochem Yunlong has successively achieved historical breakthroughs in energy conservation and carbon reduction and solid waste utilization in accordance with the principles of “intensive plant, harmless raw materials, clean production, waste recycling, low-carbon energy”, laying a solid foundation for the green, low-carbon and high-quality development of the company.



Stakeholder Engagement

Stakeholder engagement is a core part of the process for preparing this Report. The Group's major stakeholders include government and regulators, shareholders and investors, business partners, customers, employees, and the community. Each stakeholder has a close connection with the Group's business development. The Group has established appropriate communication channels for stakeholders to provide valuable opinions, which will help us identify the potential new risks in our business operations and ESG issues that stakeholders are concerned about, prompting us to continuously improve the ESG performance of the Group. We have summarized all stakeholders' expectations of the Group and the communication channels between the Group and stakeholders as follows:

| Stakeholders | Expectations | Management response/ communication methods |
|----------------------------|---|---|
| Government and Regulators | <ul style="list-style-type: none"> ● Compliance with national policies, laws, and regulations ● Tax payment in full and on time ● Safety production | <ul style="list-style-type: none"> ● Regular reporting |
| Shareholders and Investors | <ul style="list-style-type: none"> ● Return and earnings ● Compliant operations ● Enhancing corporate value and promoting industry development | <ul style="list-style-type: none"> ● Official website ● General meetings ● Company announcements ● Individual meetings |
| Business Partners | <ul style="list-style-type: none"> ● Operation with integrity ● Honor an agreement in accordance with the law | <ul style="list-style-type: none"> ● Business communication ● Engagement and cooperation |
| Customers | <ul style="list-style-type: none"> ● Quality products and services ● Health and safety ● Operation with integrity ● Honor an agreement in accordance with the law | <ul style="list-style-type: none"> ● Customer service centers and hotlines ● Customer meetings |
| Employees | <ul style="list-style-type: none"> ● Protection of rights and interests ● Occupational health ● Remuneration and benefits ● Career development | <ul style="list-style-type: none"> ● Company internal publications and intranet ● Employee mailbox ● Training and workshops ● Employee activities |
| Community | <ul style="list-style-type: none"> ● Improving community environment ● Participation in charity events | <ul style="list-style-type: none"> ● Company website ● Company announcements ● Media interviews ● Social media platforms |





Materiality Assessment

The Group has appointed an external consulting firm to assist in conducting a materiality assessment, as well as collecting and analyzing stakeholders' opinions on the Group's ESG issues. Through the questionnaire survey, the Group ranked the importance of stakeholders' concerns on ESG issues and identified the material issues for 2022, which is disclosed in this Report.

The Group identified the material ESG issues in 2022 through the following steps.



1. Identify potential material issues

During the Reporting Period, Sinofert established a database of ESG issues based on the disclosure requirements of the ESG Guide published by the Stock Exchange, the chemicals materiality map published by the Sustainability Accounting Standards Board (SASB), ESG issues concerned by industry peers, and the ESG issues disclosed in the 2021 ESG Report. The person in charge of ESG matters screened and confirmed 17 potential material issues related to the Group.

2. Conduct questionnaire survey

The Group invited stakeholders to assess the materiality of 17 potential material issues related to the Group, and collected questionnaires from 195 stakeholders. Among them, internal stakeholders (the Board and decision-making level) ranked ESG issues from the perspective of "Importance to Sinofert", and external stakeholders (employees, shareholders and investors, customers and partners) ranked ESG issues from the perspective of "Importance to Stakeholders".

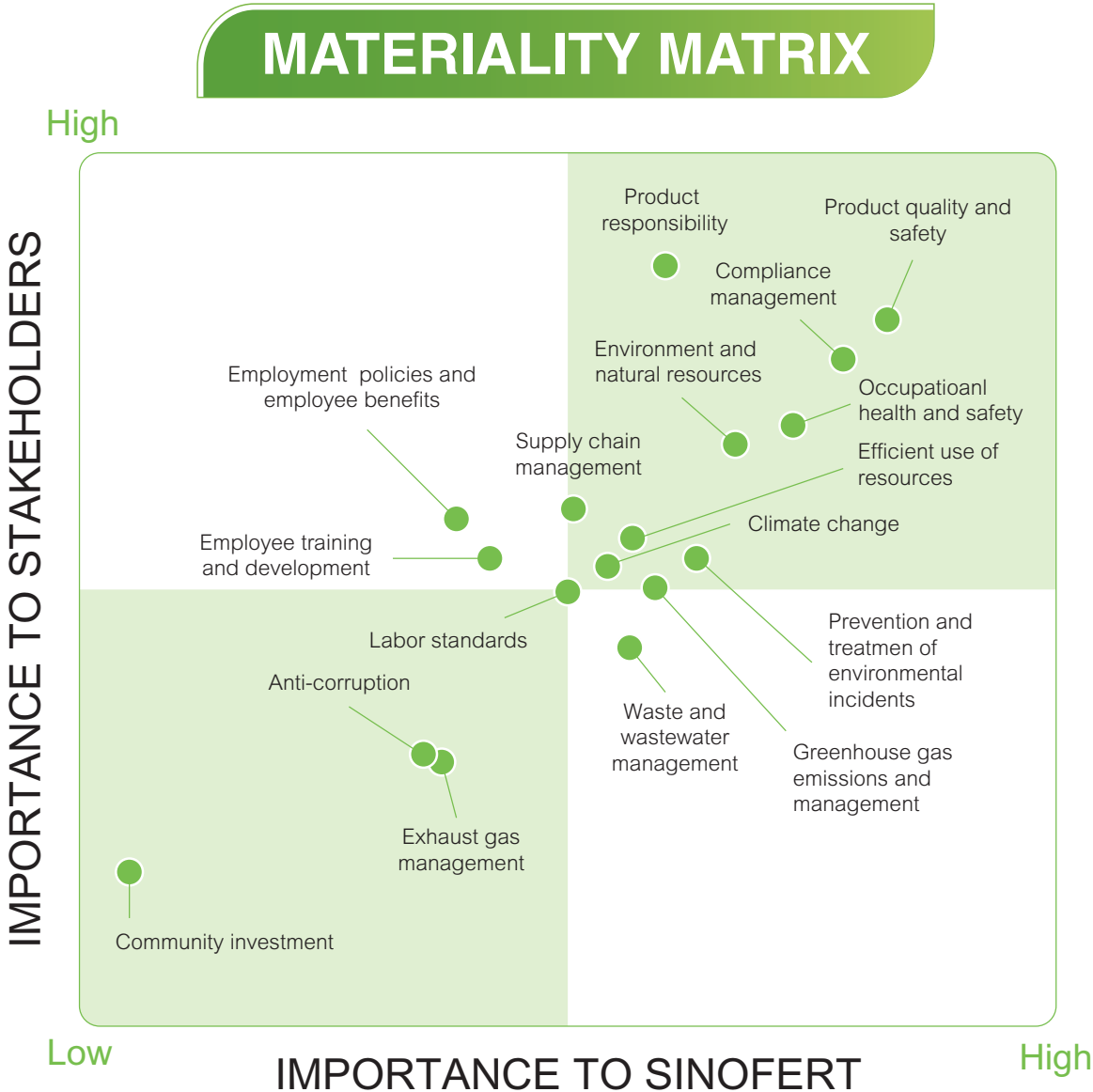
3. Analyze the results of materiality assessment

The Group analyzed the assessment ranking results of each stakeholder and constructed a materiality analysis matrix, aiming to identify issues that scored more than half of full scores (located at the top right corner of the materiality matrix) under both dimensions of "Importance to Sinofert" and "Importance to Stakeholders" as material issues. 10 material issues were identified in this materiality assessment.

4. Verify the materiality assessment

The Board reviewed the results of the materiality analysis and confirmed the material issues for 2022.

The following is the materiality matrix of the Group in 2022:





The Group identified 10 material issues (located at the top right corner of the materiality matrix) in this materiality assessment, and the table below shows the material ESG issues prioritized with their materiality:



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

ENVIRONMENTAL PROTECTION

Sinofert adheres to the national policy of environmental protection, implements national laws and regulations on environmental protection, formulates policies related to environmental protection, and actively builds a climate-resilient value chain based on the key objective of “People-oriented, prioritized environmental protection, prevention first, integrated governance”. The Group adopts advanced technologies and equipment to continuously reduce emissions and prevent the generation of new pollutants, establish a long-term and efficient mechanism for environmental protection, balance energy use and environmental protection, and continuously improve the environmental performance of the enterprise.

Environmental Compliance

Sinofert has established a comprehensive environmental management system. During its operation, Sinofert earnestly implements its environmental management systems related to environmental protection, energy conservation and emission reduction, including the regulation of emission management, use of resources, and the mitigation of significant impacts on the environment and natural resources, which helps to prevent the occurrence of environmental related incidents. The Group has established the HSE Committee to lead the Group in supervising and managing environmental protection work and environmental facilities, and to ensure compliance with the Group’s operations. The duties of the HSE Committee include but are not limited to:

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

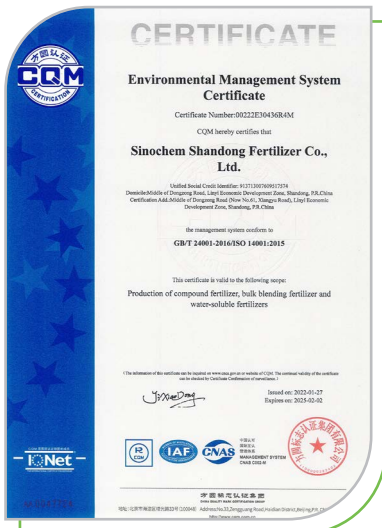
Sinofert has implemented a responsibility system for environmental protection and signed HSE responsibility agreements with each post and employee at the beginning of each year, decomposing and implementing environmental protection goals. The Group actively carries out environmental protection publicity and education and provides employees with training on environmental protection knowledge and skills to ensure that employees understand and perform their safety responsibilities and prevent environmental-related accidents. The Group has complied with relevant environmental protection laws and regulations, as well as the internal environmental management manual to ensure the environmental compliance of the Group’s business and has obtained ISO 14001 Environmental Management System Certification.





ENVIRONMENTAL PROTECTION LAWS AND REGULATIONS COMPLIED WITH BY SINFERT (INCLUDING BUT NOT LIMITED TO)

- Environmental Protection Law of the People’s Republic of China
- Energy Conservation Law of the People’s Republic of China
- Law of the People’s Republic of China on the Promotion of Clean Production
- Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste
- Directory of National Hazardous Wastes
- Standard for Pollution Control on Hazardous Waste Storage
- Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution
- Law of the People’s Republic of China on the Prevention and Control of Pollution from Environmental Noise
- Law of the People’s Republic of China on Appraising of Environmental Impacts
- Law of the People’s Republic of China on the Prevention and Control of Soil Pollution
- Water and Soil Conservation Law of the People’s Republic of China
- Water Pollution Prevention and Control Law of the People’s Republic of China
- Regulations on the Administration of Construction Project Environmental Protection
- Environmental Protection Tax Law of the People’s Republic of China
- Regulation on the Implementation of the Environmental Protection Tax Law of the People’s Republic of China
- Renewable Energy Law of the People’s Republic of China
- Circular Economy Promotion Law of the People’s Republic of China
- Convention on Biological Diversity
- Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy
- Action Plan for Carbon Dioxide Peaking Before 2030 by the State Council



Shandong Fertilizer
ISO 14001 Certification



Sinochem Changshan
ISO 14001 certification



Sinochem Yunlong
ISO 14001 certification

With the increasing requirements of the government on environmental protection management and the strengthening of pollution control, enterprises must attach great importance to ecological civilization and environmental protection. While complying with relevant laws and regulations on environmental protection, the Group has formulated internal management policies such as “Sinofert’s Measures on Environmental Protection”, the “Three-simultaneity” management of environmental protection for construction projects, and “Sinofert’s Measures on HSE Incident Reporting”. The Group strictly implements the investigation and management of environmental risk sources of enterprises, implements measures to prevent and control pollution of air, surface water, groundwater, soil, etc., formulates emergency plans for sudden environmental pollution incidents, equips with necessary emergency disposal materials, conducts emergency response drills, and timely initiates emergency plans to limit production in heavily polluted weather to reduce the impact of business operations on the environment and natural resources. In the event of an environmental accident, we will actively assist the government departments to conduct investigations, find out the causes and processes of the accident, disclose the results of the accident handling, implement preventive and corrective measures, and submit an accident investigation report to prevent the recurrence of the environmental accident.

The Group has actively provided training on production safety knowledge and management skills that are suitable for production and operation activities, and implemented the “Sinofert HSE Performance Evaluation Management Standards”, and incorporates the enterprise’s ability to respond to environmental accidents and perform safety work into the person-in-charge promotion and reward assessment system, so as to encourage Sinofert to implement environmental responsibilities at all levels. The major person in charge of the enterprise with five-star ratings would be prioritized in their promotion, and enterprises that cause accidents because they fail to perform their duties on safety production and environmental protection will be demoted.

While carrying out any new construction, reconstruction, and expansion projects, we will strictly enforce the “three-simultaneity” management approach and initiate environmental impact assessments to ensure that the safety, occupational health and environmental protection facilities in the construction projects comply with national standards and must be designed, constructed, and used simultaneously with the main part of the construction. We continuously analyze the use of raw materials, resource consumption, resource efficiency, and the generation and disposal of pollutants in the project, and select clean production technologies, processes, and facilities with high resource efficiencies and low polluting impacts to prevent environmental pollution incidents. Based on complying with national laws, regulations and standards, we further reduce the environmental impact of projects.





Climate Change

Climate change and global warming are major environmental issues in the world. Sinofert actively responds to the call of the international “Paris Agreement” and the national “carbon peak” and “carbon neutrality” goals, identifies and prevents potential risks and impacts of climate change, and formulates climate change strategies and carbon reduction plans related to the Group’s business. We take measures to address climate change, such as strengthening energy management, promoting technological upgrading and adopting carbon capture technologies, to reduce the impact of climate change on business operations and accelerate the Group’s low-carbon transition.

Climate Strategy

Sinofert has reviewed the climate change report and reviewed the energy conservation and environmental protection indicators during the 13th Five-Year Plan (“**13th FYP**”). The energy consumption of Sinofert has reached its peak from 2017 to 2018, and the comprehensive energy consumption per RMB ten thousand of output value has also decreased year by year, and the energy conservation indicators for the 13th FYP have been completed. With reference to the timeline of the 14th FYP, we have planned our own carbon roadmap, formulating climate change targets and corresponding action plans from 2021 to 2025 in terms of energy-saving and carbon reduction.

THE GROUP’S CLIMATE CHANGE TARGETS

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

TARGET PROGRESS

- With 2020 as the baseline, total energy consumption for the year decreased by 64,100 tonnes of standard coal; energy consumption density decreased by 28.8%.
- With 2019 as the baseline, the greenhouse gas emissions for the year decreased by 198,900 tonnes; GHG emissions density increased by 16%.

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

| SINOCHEM CHANGSHAN | SINOCHEM YUNLONG |
|--|--|
| <p>Carbon Capture</p> <ul style="list-style-type: none"> The carbon capture, utilization and storage (CCUS) was carried out to start the carbon dioxide liquefaction plant, recovering a total of 8,748 tonnes of carbon dioxide.  | <p>Energy-saving Transformation</p> <ul style="list-style-type: none"> Enhancing the sulfuric acid plants' heat utilization rate and reducing energy consumption by the establishment of a low-level heat recovery project with an annual production capacity of 330,000 tonnes of sulfuric acid at the end of 2022. It is expected that carbon dioxide emissions will be reduced by 38,000 tonnes per year.  |





SINOCHEM FULING

Environmental Relocation

Implementing the Yangtze River protection and taking the initiative to relocate in an environmentally friendly manner.

- We invested approximately RMB 3.3 billion in the new production plant of Sinochem Fuling, and actively built facilities and supporting projects to improve production efficiency. The design of the new plant incorporates 42 technical improvement plans to improve environmental performance in various aspects, including sewage treatment, production environment, energy conservation and consumption reduction, exhaust gas treatment and waste residue treatment. It is expected that the results of emission reduction will be:
 - Chemical Oxygen Demand (COD): 31.53 tonnes/year
 - Ammonia nitrogen (NH₃-N): 4.94 tonnes/year
 - Sulfur dioxide (SO₂): 38.94 tonnes/year
 - Nitrogen oxides (NO_x): 18.77 tonnes/year
 - Carbon dioxide (CO₂): 19,000 tonnes/year



SHANDONG FERTILIZER

Pollution and Carbon Reduction

- Since its commissioning in April 2022, the first phase of the photovoltaic project has generated a total of 2,165,100 kWh of electricity, reducing carbon emissions by 1,258 tonnes in total.
- Using biomass pellets to replace fuel coal, and after a period of trial combustion, we have developed an ideal unit consumption value to achieve the goal of energy saving and carbon reduction.



Energy Management

To comply with national laws, regulations, and policies on energy conservation and emission reduction, and the Group's management requirements on energy conservation and emission reduction, Sinofert has formulated many internal energy conservation policies based on the Energy Conservation Law of the People's Republic of China, Regulations on Energy Saving Management of Key Energy-using Units and other relevant laws and regulations to strengthen energy management, regulate energy use and strive to build a resource-saving and environment-friendly enterprise.

In particular, Sinofert has implemented the "Regulations and Measures for Energy Conservation and Emission Reduction of Sinofert" to carry out energy conservation and emission reduction in accordance with the principle of "Unified leadership, confirmed responsibilities, hierarchical management, classified guidance, and full participation". We have established an energy management system and an energy management leadership committee, with managers from different departments as members of the committee. The Energy Management Leadership Committee is responsible for the daily duties of energy management. Each member has clear responsibilities to ensure energy conservation management has been fully implemented. Each year, the Group signs the HSE and energy-saving responsibility agreement to implement the energy-saving and emission-reduction targets at all levels. We also incorporated the completion of energy-saving targets into the corporate's performance appraisals to monitor, guide, and evaluate through level-by-level supervision, as well as implement a reward and punishment system.

To promote energy conservation and emission reduction technology transformation projects, Sinofert actively seeks financial tax and financial support from the state for energy conservation and emission reduction projects. In addition, the Group makes procurement based on the principles of energy conservation, emission reduction and enhancement of comprehensive efficiency, and gives priority to high-efficiency and energy-saving equipment and products certified with energy conservation, emission reduction and environmental protection, so as to improve energy efficiency and avoid waste of resources. Moreover, the Group has also established a comprehensive education and training system on energy saving and emission reduction, and carried out training activities for each position and each employee in our subsidiaries to publicize the concept of energy conservation and environmental protection and strengthen employees' awareness of energy conservation.



Sinochem Changshan and Sinochem Yunlong obtained the energy management system certifications in 2021; Shandong Fertilizer obtained the energy management system certification in 2022.



ENVIRONMENTAL PROTECTION

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

| | 2022 | 2021 | Unit |
|--|-----------|------------------------|----------------------|
| Fuel consumption from stationary sources | 2,180,634 | 1,963,716 ² | MWh |
| Vehicle fuel consumption | 923 | 1,859 ³ | MWh |
| Purchased electricity | 393,876 | 264,599 | MWh |
| Purchased steam | 5,892 | 2,599 | MWh |
| Total energy consumption | 2,585,488 | 2,232,734 | MWh |
| Intensity of energy consumption ⁴ | 1.92 | 2.29 | MWh/tonne of product |

| | 2022 | 2021 | Unit |
|------------------------------|-----------|-----------|-------------------------------------|
| Scope 1 ⁵ | 1,484,747 | 1,390,803 | tCO ₂ e |
| Scope 2 ⁶ | 241,609 | 196,698 | tCO ₂ e |
| Scope 3 ⁷ | 1,072 | 835 | tCO ₂ e |
| Total GHG emissions | 1,727,428 | 1,588,336 | tCO ₂ e |
| Total GHG emission intensity | 1.28 | 1.63 | tCO ₂ e/tonne of product |

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

² The fixed source fuel consumption in 2021 was revised after adjusting the calculation method, which is consistent with that in 2022.

³ The vehicle fuel consumption in 2021 was revised after adjusting the calculation method, which is consistent with that in 2022.

⁴ During the Year, the total volume of products produced by Sinofer was 1,348,025 tonnes.

⁵ Scope 1 is disclosed based on the Group's monitoring data, which includes the Group's fuel consumption, greenhouse gas emissions from our production processes and the recycling of carbon dioxide.

⁶ Scope 2 is disclosed based on the Group's monitoring data, which includes the Group's purchased electricity and purchased steam.

⁷ Scope 3 includes emissions from business air travel, paper waste disposal and energy consumption for processing water and sewage. The data is calculated based on the Carbon Emissions Calculator of the International Civil Aviation Organization, and the Hong Kong Stock Exchange's Reporting Guidance on Environmental KPIs.

Climate Risks

The Group understands that its operations are subject to climate risks, including transition risks and physical risks. Transition risks include the improvement of quality of the Group's production and products, the change of customer preferences, and the cost of adopting low-carbon technologies, etc.; physical risks include damage to operations or supply chain disruptions caused by extreme weather events, for example, strong typhoons and floods. In order to strictly control the relevant risks caused by climate change, the Group implements risk identification work every year and reduces the environmental impact by formulating response and preventive measures. In addition, due to the increase in the frequency, scope and extent of damage from natural disasters around the world, we will continue to improve the management system to deal with climate change risks, implement measures of climate change-related works, review work progresses and performance regularly, as well as improve our explicit and efficient climate risk management system. At the same time, we actively explore the improvement of the energy structure and implement a number of energy conservation and emission reduction projects to reduce our impact on climate change.

Sinofert has set up effective prevention and emergency mechanisms and environmental emergency contingency plans, as well as organized training, education and emergency drills to actively respond to the risks brought by climate disasters to its operations and reduce the impact of environmental incidents. To prevent leakage, explosion, fire and other accidents, the Group has included the monitoring of hazards in its daily work, and formulated prevention and control measures and treatment methods for risks. When an emergency occurs, each department will immediately activate an emergency response mechanism and strictly follow information reporting procedures. The emergency team will implement various targeted rescue measures, minimizing the impact of the environmental accident. All subsidiaries have formulated emergency response plans in accordance with the requirements of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution to deal with various severely polluted weather, and adopted emergency emission reduction measures, when necessary, to reduce the impact of emissions on the environment deriving from our operations.

CASE STUDY: EMERGENCY DRILL



Sinochem Changshan Launches Emergency Drill for Liquid Ammonia Tank Leakage



CASE STUDY: EMERGENCY DRILL



Sinochem Yunlong Launched Toxic Gas Leakage Drill of Key Devices



Shandong Fertilizer launched special emergency drill for major hazardous source accidents. This drill is a three-level joint exercise of Syngenta Group China, Sinofert and Sinochem Shandong Fertilizer. The on-site drill set up five scenarios including accident alarm, personnel evacuation, spraying and decontamination, emergency plugging, and medical rescue, and conducted a desktop drill on media response and aftercare. Through the effective linkage of the five scenarios, employees can further clarify the emergency rescue and evacuation procedures, and enhance the organization and coordination among emergency departments.

Sinofert will continue to identify and seize opportunities brought by climate change, and promote the application of new technologies and equipment, such as increasing our investments in bio-stimulant and bio-bacterial agents and developing soil conditioners to maximize the utilization efficiency of fertilizers and comprehensively enhancing the core competitiveness of the enterprise.

Emissions and Pollutants

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

THE GROUP'S EMISSION TARGET

Reduce COD and ammonia nitrogen by 8%, and reduce the emissions of sulfur dioxide and nitrogen oxides by 10% as compared to the 13th FYP.

TARGET PROGRESS

- The main pollutants of wastewater in 2022 decreased by 1.7% on the same basis.
- The main pollutants of exhaust gas decreased by 2% on the same basis.

Exhaust Gas Management

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

The Group adopts smoke detection equipment and automatic monitoring facilities in compliance with regulatory requirements to monitor the emission of air pollutants such as sulfur dioxide (SO₂), nitrogen oxides (NO_x) and particulate matter (PM) in real-time in all production workshops, including real-time monitoring of sulfuric acid plants, nitrogen fertilizer plants, ammonium phosphate plants, and compound fertilizer plants and all other plants through flue gas and environmental protection data collection instruments, and conducts regular inspection and maintenance of testing plant and testing facilities to ensure the stable operation of the drainage system.



During the Reporting Period, the Group's air pollutant emissions⁸ are shown in the following table:

| | 2022 | 2021 | Unit |
|------------------------------------|-------|-------|--------|
| Production | | | |
| Sulfur oxides (SO _x) | 224 | 539 | Tonnes |
| Nitrogen oxides (NO _x) | 360 | 471 | Tonnes |
| Particulate matter (PM) | 77 | 131 | Tonnes |
| Vehicle use⁹ | | | |
| Sulfur oxides (SO _x) | 0.001 | 0.002 | Tonnes |
| Nitrogen oxides (NO _x) | 0.366 | 0.561 | Tonnes |
| Particulate matter (PM) | 0.01 | 0.03 | Tonnes |

Wastewater (sewage) Management

The Group strictly abides by relevant laws and regulations related to wastewater discharge management and complies with the applicable discharge standards into the water according to the business nature to ensure compliant wastewater discharge and lower environmental impacts.

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

⁸ Air pollutant emissions include emissions from production processes and vehicle use. In 2022, Sinofert's air pollutant emissions from production processes were monitored by the Group. The calculation of the air pollutant emissions of vehicles owned and controlled by Sinofert is based on the "Technical Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation)" issued by the Ministry of Ecology and Environment of the People's Republic of China.

⁹ The year-on-year change in air pollutant emissions from vehicle use is mainly due to the reduction in the number and use of vehicles at Sinochem Changshan.

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

| | 2022 | 2021 | Unit |
|---------------------------------------|-------|-------|--------|
| Water pollutants | | | |
| Chemical oxygen demand (COD) | 64.63 | 51.81 | Tonnes |
| Ammonia nitrogen (NH ₃ -N) | 10.30 | 6.51 | Tonnes |

Waste Management

The Group strictly abides by the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Environmental Protection Law of the People's Republic of China, the Directory of National Hazardous Wastes (2021 Edition), Law of the People's Republic of China on Promoting Clean Production, Emission Permit Management Regulations and other waste management related laws and regulations, to ensure both hazardous and non-hazardous wastes are disposed of in a compliant manner. We will continue to optimize our waste management system and work towards the established waste reduction targets:

THE GROUP'S WASTE REDUCTION TARGET

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

TARGET PROGRESS

- The total amount of hazardous waste is 94,917 tonnes, the recycling amount is 94,993 tonnes¹⁰, and the recycling rate is up to 100%.
- The total amount of non-hazardous waste was 1,340,625 tonnes, the recycling amount was 1,024,143 tonnes, and the recycling rate was up to 76.4%.

¹⁰ In 2022, the amount of hazardous waste recycled was higher than the total amount of hazardous waste generated in 2021, as some of the hazardous waste generated in 2021 was recycled.



ENVIRONMENTAL PROTECTION

In order to reduce the total amount of waste and enhance harmless disposal of waste, Sinofert has actively implemented internal management measures such as “Sinofert’s Measures on Environmental Protection”, “HSE Risk Management and Control Standards for Hazardous Chemicals” and each subsidiary is required to carry out waste classification procedures based on the internal management measures and take appropriate measures for the collection, storage, transportation, and reuse of different types of wastes, preventing the Scattering, Running-off, Leaking or Seeping of wastes and reducing the environmental pollution. All hazardous wastes are reasonably used, disposed and managed by qualified units to avoid secondary pollution. In addition, each subsidiary is required to properly fill in the annual hazardous solid waste disposal in the internal HSE information system.

The Group collects and stores hazardous wastes in dedicated storage facilities by qualified contractors. The Group also centralizes and stores non-hazardous waste in dedicated storage facilities while taking corresponding treatment measures. In addition to handling hazardous and non-hazardous wastes in a compliant manner, we also actively improve the recycling rate. For example, we continue to recycle steel tailings, sulfur slag and sell other recyclables, such as phosphorus slag powder for fertilizer production.

During the Year, the Group's generation and disposal of hazardous and non-hazardous wastes are shown in the following table¹¹:

| | 2022 | 2021 | Unit |
|--|------------------|--------------------------|---------------------------------|
| Hazardous Waste | | | |
| Waste mineral oil | 28.15 | 65.08 | Tonnes |
| Waste catalyst | 367.32 | 33.34 | Tonnes |
| Battery | 17.33 | 0.78 | Tonnes |
| Waste chemical reagent | 2.80 | 1.07 | Tonnes |
| Heat insulation cotton | 2.52 | 30.02 | Tonnes |
| Paint bucket | 17.65 | 14.00 | Tonnes |
| Chemical reagent packaging containers | 1.85 | 3.90 | Tonnes |
| Fiberglass reinforced plastic | 5.10 | 0 | Tonnes |
| Fluorosilicic acid | 94,474.01 | 85,618.65 | Tonnes |
| Activated carbon | 0.18 | / | Tonnes |
| Total hazardous waste | 94,917 | 85,767 | Tonnes |
| Total hazardous waste intensity | 0.07 | 0.09¹² | Tonnes/tonne of products |
| Non-hazardous Waste | | | |
| Phosphogypsum | 1,194,536 | 872,802 | Tonnes |
| Phosphorus slag powder | 34,147 | 23,494 | Tonnes |
| Coal ash | 73,499 | 88,974 | Tonnes |
| Waste steel | 1,887 | 497 | Tonnes |
| Slag | 35,863 | 53,013 | Tonnes |
| Sulfur slag | 173 | 203 | Tonnes |
| Plastic | 520 | 1,290 | Tonnes |
| Total non-hazardous waste | 1,340,625 | 1,040,273 | Tonnes |
| Total non-hazardous waste intensity | 0.99 | 1.07 | Tonnes/tonne of products |

¹¹ Sinofert's hazardous waste includes waste mineral oil, waste catalyst, battery, waste chemical reagent, thermal insulation cotton, paint bucket, chemical reagent packaging containers, fiberglass reinforced plastic, fluorosilicic acid and activated carbon. All hazardous wastes are disposed and treated by qualified units. Non-hazardous waste includes phosphogypsum, phosphorus slag powder, coal ash, waste steel, slag, sulfur slag and plastic. Phosphorus gypsum is disposed internally by suitable disposable methods or by qualified units. Other non-hazardous wastes are recycled and treated by qualified units.

¹² The amount of waste in 2021 was revised after adjusting the calculation method, which is consistent with that in 2022.



Resources and Recycling

According to the strategic development plan of the Group, we will fully implement the five major development concepts of innovation, coordination, green, openness and sharing, construct a green ecological industrial system, develop a circular economy. For example, we focus on solving the difficult problems of comprehensive utilization of phosphogypsum, flotation tailings, extracted acid and residual acid, realize efficient recovery of fluorine and graded utilization of phosphorus.

In terms of resource management, the utilization of water resources and packaging material management are the major focus of Sinofert, and the key to reducing the environmental impact of activities in the entire industry chain. We are committed to improving water efficiency and reducing the use of raw materials, vigorously promoting circular economy and promoting “closed-loop management” of enterprises.

Water Resources¹³

The Group continued to strengthen water resource management and formulated relevant water efficiency targets during the Reporting Period:

THE GROUP'S WATER EFFICIENCY TARGET

Improve use efficiency of water resources and reduce freshwater consumption.

TARGET PROGRESS

- Due to the addition of environmental data from Sinochem Fuling during the Year, new water consumption increased from 5,014,643 m³ to 6,962,042 m³; recycled water consumption increased from 156,140,259 m³ to 212,051,389 m³.

To reduce the intensity of water consumption and strengthen the monitoring of water consumption, Sinofert requires its subsidiaries to set water consumption targets at the beginning of each year, formulate annual water conservation work plans, establish water consumption meters, regularly collected, summarized and analyzed data from water consumption indicators, regularly monitor water consumption statistics, and submit the annual analysis reports and assessment evaluations to the Group's headquarters. The Group has also formulated a reward and punishment mechanism for water use, whereby rewards and punishments are given to different units based on the subsidiary's assessment results or individual water use performances. At the same time, the Group actively carries out water conservation publicity and education to raise employees' awareness of water conservation. The Group will continue to apply innovative technologies to further improve the recycling rate of water resources, reduce the impact of production and operation on water resources, and alleviate the pressure of water shortage.

¹³ Sinofert's water consumption comes from the municipal water network and there are no difficulties in sourcing water.

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

| | 2022 | 2021 | Unit |
|----------------------------------|-------------|-------------|-----------------------------------|
| Newly produced water consumption | 6,962,042 | 5,014,643 | m ³ |
| Newly produced water intensity | 5.16 | 5.14 | m ³ /tonne of products |
| Recycled water consumption | 212,051,389 | 156,140,259 | m ³ |

Packaging Materials

The Group adheres to the principle of reducing environmental damage and makes every effort to avoid excessive production and procurement. Considering the impact of packaging materials on human health and the environment during the life cycle, we prioritize the use of non-toxic, non-hazardous, easily degradable, or recyclable packaging materials. We use reasonable packaging materials for our products to avoid excessive packaging and material waste. In order to improve the recycling rate of packaging materials, we continue to improve our management methods of packaging materials, and disclose the total consumption of packaging materials in ten thousand-piece.

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

| | 2022 | 2021 | Unit |
|--|-------|-------|----------------------|
| Total packaging materials used ¹⁴ | 2,479 | 1,901 | Ten thousand-pieces |
| Packaging material intensity ¹⁵ | 18.39 | 19.52 | piece/tonne products |

¹⁴ Packaging materials are disclosed on "ten thousand pieces" basis because a huge variety of packaging materials with different specifications are used, which makes it difficult to disclose the data in terms of weight.

¹⁵ In order to better compare the annual performance, we disclose the intensity of packaging materials this year.



Natural Resources Protection

Improper or excessive use of chemical fertilizers can lead to a series of environmental problems, such as soil degradation and ecological damage. During the Year, the Group clearly put forward the core development direction of “reducing fertilizer application, protecting soil health and promoting green and sustainable development of agriculture”, released the third generation of microbial technology and product upgrade strategy, and strived to reduce soil erosion and ecological and environmental damage, which was highly recognized by the Quality Inspection Center for Microbial Fertilizers and Edible Fungi, Ministry of Agriculture and Rural Affairs, and the National Biopesticide Engineering Research Center.

In order to ensure the stability of food supply chain, the Group continues to research and develop high-quality fertilizers, and continued to promote the technological research and transformation of microbial agents and organic products that can regulate soil activity to promote agricultural development in China. During the Year, the Group convened the “Microbiology Strategy and New Product Launch” to comprehensively lay out its biological strategy and promote the launch of the new water-soluble fertilizer product “Yaxin Rui Keming”.

During the Reporting Period, the Group has actively carried out soil self-monitoring and soil hazard investigation to protect natural resources and biodiversity, and ensure our operations are not adversely affected in any way. The Group is committed to researching green farming techniques and popularizing technologies including the combination of agricultural techniques and agricultural machinery, and the promotion of deep-side fertilization for rice and fertigation to improve soil quality and avoid harming the soil environment. We have approximately 400 technical service personnel who work all year-round at the grassroots level to guide customers and farmers to correctly use fertilizers, help them to select suitable fertilizer products and calculate the amount of fertilizer application, so as to improve fertilizer utilization efficiency and crop yield.

QUALITY PRODUCTS

Under the premise of ensuring safety and quality and complying with laws and regulations, Sinofert continuously develops and innovates to provide better and safer fertilizer products for customers.

Product Responsibility

The Group strictly abides by the Product Quality Law of the People's Republic of China and other relevant laws and regulations, has formulated internal systems such as "Quality Management Measures" in place and established a quality management system with centralized management and hierarchical control, to ensure that the quality of all aspects of procurement, production, and marketing, meets the standards and ensure an effective operation of the quality management system, as well as defining product quality management responsibilities to improve product quality and corporate image. In addition, we also strengthen quality management through a combination of system certification and product certification. During the Reporting Period, the quality management systems of the Group's subsidiaries (including Shandong Fertilizer, Sinochem Changshan and Sinochem Yunlong) have obtained ISO 9001 certification.

Sinofert continuously improves the Group's quality management system, combines new technologies, processes and equipment, and is committed to meeting the requirements of national quality and safety regulations and all industry-related standards, prudently treating product quality, and ensuring the health and safety of product use. For each product category, all subsidiaries set internal standards for product quality that are equivalent to or more stringent than the national standards. The Group's "Quality Management System" stipulates that the quality management departments of the subsidiaries are required to formulate product quality and technical indicators, quality control indicators, and action plans. Unqualified products will not be allowed to enter the next process, and the responsible department or personnel will be required to identify the cause of non-conformity, devise corrective measures, and carry out reasonable disposal. The Group and all subsidiaries have set up professional laboratories to inspect and analyze each batch of products, and strictly monitor the quality of products leaving the factory, ensuring that the quality of products meets the factory requirements. If unqualified products are found to leave the factory, the Group will immediately initiate recall procedures to recall the products. We will also continue to carry out quality management publicity and education, and conduct operational training on quality control management systems for relevant responsible personnel to further optimize the overall quality management system.

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

1. The laboratory of corresponding subsidiaries undertakes inspection procedures in accordance with the requirements of the inspection plan. If the finished products fail to pass the inspection (including the non-conformity of arsenic, chromium, lead, cadmium, and mercury in the finished product), the whole batch of products will be deemed as non-conforming, and the "Disposal of Non-conforming Products Form" must be filled out.



2. According to the “Disposal of Non-conforming Products Form”, non-conforming products will be disposed after evaluation, and relevant records will be documented.
3. Non-conforming products will be immediately separated and labeled.
4. The cause of non-conformity and corrective measures will be documented.

During the Reporting Period, there had no incident of sold or shipped products recalled for safety and health Reasons.

Quality Control on Fertilizers

The Group strengthens the quality inspection process of fertilizers and establishes a full-process quality inspection procedure for all products, including raw material procurement, production, and processing, process inspection, logistics and warehousing, sales tracking to product accident handling. Each subsidiary has a quality management department to carry out the entire internal and external quality management process to ensure the quality inspection process and results are controllable. We implement a quality control target system to define the key quality indicators of the Group and perform periodic tracking and assessment of the operation results of the quality indicators.

During the Reporting Period, the Group had no product quality violations related to production and processing.



Shandong Fertilizer, Sinochem Changshan and Sinochem Yunlong have obtained quality management system certification.

| <p>Compound (Composite) Fertilizer Test</p> | <p>Urea Phosphate Fertilizer (Monoammonium Phosphate, Phosphoric Acid II) Test</p> |
|---|--|
| <p>Implement “Sinofert Compound Fertilizer Enterprise Standard” (stricter than the GB 15063-2009 National Standard) and test specified products according to national standards and indicators such as nutrients, water, chloride, etc., as well as scrap rates, particle strength testing, and other corporate indicators (not specified in national standards but the Group). For national standard projects, Sinofert carries out continuous sampling and inspection in batches of no more than 300 tonnes, and for non-national standard projects, Sinofert carries out inspections once every three months (except special circumstances).</p> | <p>Implement national standards (e.g. GB/T 2440-2017) and test on various national standards indicators such as nutrients, water, chloride, etc., as well as scrap rates, particle strength testing, and other corporate standards indicators. For national standard projects, Sinofert carries out continuous sampling and inspection in batches of no more than 300 tonnes, and for non-national standard projects, Sinofert carries out inspections once every three months (except special circumstances).</p> |

Research and Innovation

In 2022, Sinofert continued to deepen research and development, and actively focus on key fertilizer technologies such as biostimulants and biobacteriotics. The Group has made breakthroughs in key underlying technologies such as biostimulants and biological fungicides, developing soil conditioning products, and strengthened the marketing of new products. The Group cooperates with the Chinese Academy of Agricultural Sciences and other research institutions to establish an R&D system that integrates nutrient efficiency, soil health and biological agents, focusing on plant physiology and molecular biology research. The first self-researched and selfproduced bio-stimulant, “Youcuilu”, has been officially launched and rapidly promoted, the bio-stimulant AHP has been researched and tested, and “biologics + organic carrier ” and other soil health products have achieved commercialization.

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





Customer Rights and Services

To improve customer experience and satisfaction, Sinofert has established a sound customer service system to receive and take care of complaints and opinions regarding product quality. We have established a complete working mechanism to continuously strengthen the responsibilities of corresponding departments, fully communicate with customers, and satisfy the needs of customers, such as customer feedback on product issues or raising questions on the sales distribution website. For complaints that cannot be resolved through communication, the Group will organize relevant units to provide technical consultation to customers, or even go to the site to conduct external investigations or provide technical services, and provide essential explanations and reassurance to involved customers. During the Reporting Period, the Group did not receive any complaints regarding our products and services.

Customer information is a crucial asset of the Group and an integral part of our trade secrets. The Group strictly enforces the Law of the People's Republic of China on the Protection of Consumers' Rights and Interests and other relevant laws and regulations and follows the "Customer Management Regulations of Sinochem Group", committing to protecting the accuracy and completeness of customer information. Without the approval of the Group, no one is allowed to publicly disclose customer information. Paper and electronic documents related to customer information management should be properly archived and stored in accordance with the "Administrative Measures of Documentation". The leakage of customer information may cause adverse effects and losses to the enterprise itself, customers, and other stakeholders. In order to ensure the accuracy and completeness of customer information, we carry out annual customer information combing and verification, and each business department is responsible for organizing regular and irregular checks and visits to verify customer information and timely obtain the needs and opinions of customers. The results of spot checks and return visits are then recorded by the Group.

Product Labelling and Advertising

To avoid dissemination of false information, the Group strictly enforces the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) and other relevant laws and regulations, and formulates the "Administrative Measures for Product Packaging and Labelling" to control the labels and information contained in product packaging, as well as the content of any product promotion, to standardize marketing management such as advertisements and labels. The Group requires that the design of product packaging and promotional materials shall comply with relevant national standards and regulations, and the product effect and usage method are clearly indicated on the packaging label, so that users can feel more at ease and resolutely avoid exaggerated publicity. All subsidiaries are required to strictly implement preliminary work and perform fertilizer efficiency verification in accordance with the "Administrative Measures for the Entry and Exit of Products of Sinofert", before formulating product packaging and promotion plans. The marketing department of the Group is responsible for coordinating and organizing online advertising strategies for the Group's brand and products. In order to ensure the compliance of product packaging and publicity, designs and launches of advertising projects issued by each subsidiary are required to be submitted to the marketing department for review. If the marketing department finds any discrepancies, it will immediately order rectification. In addition, the Group also strictly abides by the "Administrative Measures for Product Marking and Tracing" to regulate the labeling of product packaging, and avoid ambiguity of brand marks or inconsistency with packaging. When discrepancies are found in the production process or after-sales, the quality and technology department and the sales management department have the right to find out the causes and shall explain to the customers to resolve discrepancies.





PEOPLE-ORIENTATION

Sinofert upholds the philosophy of “human resources are the most important resources of the Company, mutually enhancing enterprise and employee’s values”. We consider employees as the Group’s most valuable resources, supporters of business development, and promoters of tertiary business start-ups. We care for our employees throughout the whole process from their first day of work to retirement, striving to create a working environment that enables employees to work healthily and happily and demonstrate higher efficiency. We also actively improve the management skills and professional level of employees to build an excellent team, so as to achieve mutual growth of both the Group and our employees. In 2022, under the challenges brought by the normalization of the COVID-19, we and our employees have been working together through thick and thin to overcome difficulties. In the future, we will continue to build a highly competitive and cohesive team to retain and attract more key talents.



Protecting the rights of our employees

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



Achieving employee's values

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



Fostering employee's sense of belonging

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

Talent Management

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

| | |
|---|---|
| <p>Recruitment, dismissal, and promotion</p> | <p>Recruitment and dismissal</p> <p>The Group strictly abides by the Labor Contract Law of the People’s Republic of China, the Labor Law of the People’s Republic of China, the Implementation Regulations of the Labor Contract Law of the People’s Republic of China, and other relevant laws, regulations, and policies that have significant impacts on the Group. We have formulated internal policies such as “Sinofert’s Regulations on Human Resources Management” and “Sinofert’s Regulations on Employee Relations” to protect the rights and interests of employees, including equal opportunities, health, environment and safety, competition, selection and employment mechanism for the best, and employee rights and interests, and to eliminate any form of child labor and forced labor. We prohibit employees from performing any work that is involuntary or with potential safety hazards. All subsidiaries pay employees’ salaries and overtime compensation in accordance with legal requirements, and work hours and holidays are in accordance with national laws.</p> <p>The Group manages labor relations with employees in accordance with the law and eliminates any form of forced labor. During the recruitment process, employees can sign the labor contract according to their will and have the freedom of resignation. The Group strictly complies with the “Prohibition of Child Labor Policy”. During the recruitment process, the Human Resources Department will check the applicants’ identity cards strictly to ensure applicants are of legal working age. If child labor is discovered, we will immediately terminate the employment and then set up a special team to conduct an investigation subsequently to identify breaches and implement the corrective measure, improve relevant policies and regulations, and conduct preventive and investigation work in advance to prevent the recurrence of the incident.</p> <p>Promotion</p> <p>The Group promotes an open, equal, competitive, and merit-based promotion process. We promote employees based on their performances and abilities, and adjust their positions accordingly. Meanwhile, the Group’s Human Resources Department also regularly adjusts and revises the overall position and tier system of the Company according to market trends and the outlook of the Company.</p> |
|---|---|





Equal opportunity, diversity, and anti-discrimination

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

Remuneration, benefits, and other welfare

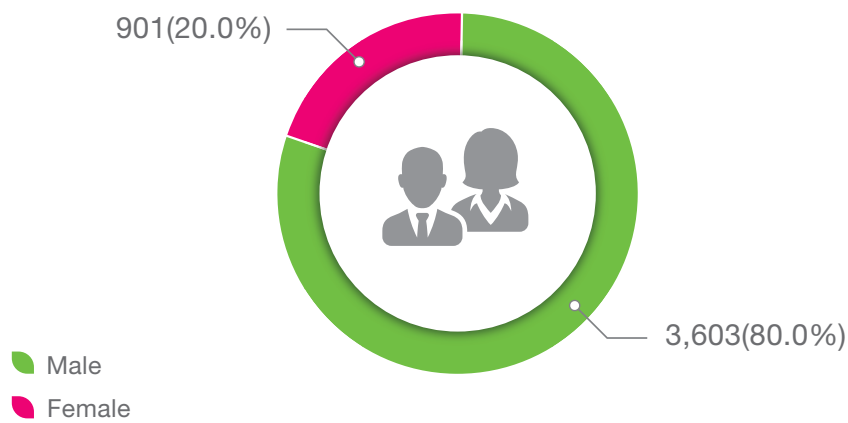
The Human Resources Department of the Group has formulated “Sinofert’s Regulations on Remuneration and Benefits” policy to continuously optimize the management of employees’ remunerations and benefits. The main elements include basic salary, and where applicable, other allowances, annual bonuses, mandatory provident funds, and state-managed retirement benefit schemes. We have formulated a reasonable remuneration structure to align the interests of our employees with Sinofert’s performances and the value of our shareholders, and to balance short-term and long-term interests to maintain the competitiveness of the overall remuneration. Pays are determined based on the importance of the employee’s position. The more important the position is, the higher the ratio of performance-based bonuses given to employees, ensuring our ability to attract, retain and motivate employees, which is crucial to the development of Sinofert without excessive incentives. Sinofert holds meetings every year to review its remuneration policy and, if necessary, seek advice from professional consultants to ensure that our remuneration policy is internally fair and externally competitive, and to continuously enhance the sense of belonging of our employees to support the Group’s long-term development.

Working hours and rest periods

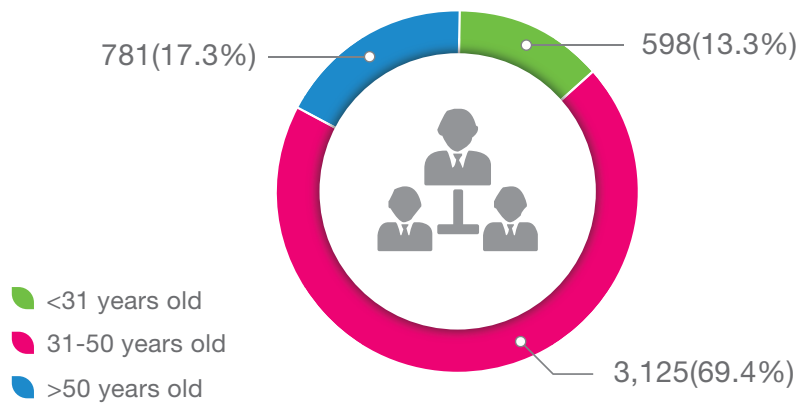
The Human Resources Department of the Group has specified the standard working hours, rest days, and holidays in “Sinofert’s Regulations on Remuneration and Benefits” policy to protect the right of employees to enjoy sufficient rest.

During the Reporting Period, Sinofert has a total of 4,504 employees, all of whom were full-time employees. The number of employees and turnover rate by gender, age group, and region are shown in the following charts:

Our workforce by gender

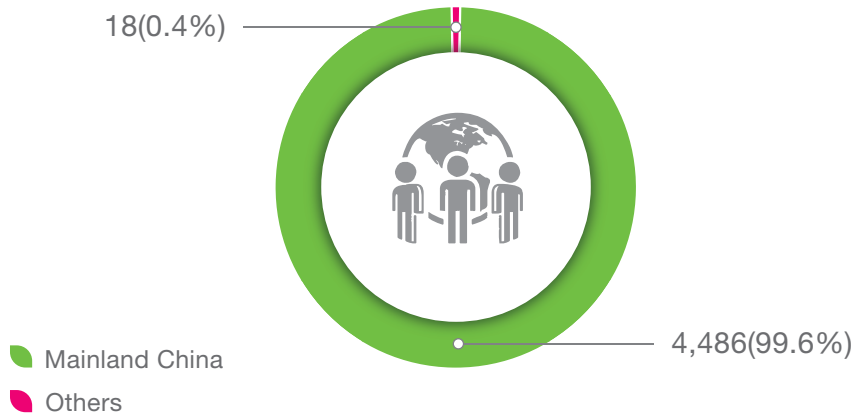


Our workforce by age





Our workforce by geographic location



| Employee turnover rate ¹⁶ | | |
|--------------------------------------|---------------|--------------|
| Indicators | 2022 | |
| Gender | Number | Ratio |
| Male | 256 | 7.1% |
| Female | 59 | 6.5% |
| Age Group | Number | Ratio |
| < 31 years old | 65 | 10.9% |
| 31 – 50 years old | 204 | 6.5% |
| > 50 years old | 46 | 5.9% |
| Geographic Location | Number | Ratio |
| Mainland China | 315 | 7.0% |
| Other regions | 0 | 0.0% |

¹⁶ Employee turnover rate: number of employees in the specified category leaving employment / total number of employees in the specified category x 100%.

Safety and Health

Sinofert adheres to the principle of “prevention first, integrated prevention and control, and comprehensive management” in occupational health management, strictly abides by the Law of the People’s Republic of China on Work Safety, Fire Control Law of the People’s Republic of China, the Emergency Response Law of the People’s Republic of China, the Regulation on the Safety Management of Hazardous Chemicals, the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases, the Provisions on the Supervision and Administration of Occupational Health at Work Sites promulgated by the National Health Commission, the Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance promulgated by the Ministry of Emergency Management of the People’s Republic of China and other laws and regulations, and implements the management system of “corporate responsibility, hierarchical management, and periodic assessment”. During the Year, we continue to achieve the aim of “no production accidents of a high level or above, no environmental accidents of level IV and above, and no occupational diseases hazard accidents”, so as to achieve a healthy, safe and environmentally friendly working environment and maintain the stable development of the Group.

Sinofert takes responsibility for occupational health and safety, and the main person in charge is fully responsible for the occupational health and safety work in the Group’s workplaces. At the same time, the Group has set up an occupational health management system, assigned the HSE and Operational Management Department to be in charge of the prevention and control of occupational hazards in the Group’s workplaces, assigned the Human Resources Department and persons in charge from HSE and Operational Management Department to assist in the supervision and management of related works, so as to protect the safety of employees. To ensure the implementation of warnings, announcements, project reporting, monitoring and evaluation, accident handling and reporting, as well as emergency rescue and management, the Group strictly complies with internal policies such as “Sinofert’s Occupational Health Management Measures”, “HSE Education and Training Management Rules of Sinofert”, “Sinofert’s Chemical Process Safety Management Measures” and “Sinofert’s Emergency Management Measures”, to minimize the occupational safety and health risks.





Shandong Fertilizer and Sinochem Changshan have obtained the Occupational Health and Safety Management System Certification.

Culture of Safety

Sinofert conducts preparational occupational health training and regular occupational health training for all employees every year, formulates training content based on the actual conditions, prepares training materials, conducts regular assessments, and establishes a complete and standardized training system. Training courses cover various matters related to occupational health and safety, including instructions on the use of personal protective equipment, interpretation of occupational health laws and regulations, emergency rescue procedures for acute occupational injuries, etc. We also organize reasonable work-life management, training, information communication, drills, and other measures to elevate the understanding of occupational health and safety among the employees, enhance employees' safety awareness, avoid occupational safety incidents and ensure the occupational health and safety of employees.



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

| Indicators | 2022 | 2021 | 2020 | Unit |
|--|------|------|------|------------|
| Number of work-related fatalities | 0 | 0 | 0 | Person |
| Rate of work-related fatalities | 0 | 0 | 0 | Percentage |
| Lost days due to work injury ¹⁷ | 10 | 55 | 39 | Day |

The Group attaches great importance to the safety and health of employees, participates in work-related injury insurance in accordance with the law and pays for work-related injury insurance for all employees. In addition, the Group strengthens a safe production system, formulates “Sinofert’s Measures on Hidden Health, Safety, and Environmental Hazards” and actively carries out a range of hidden hazards investigations, including fire safety and handling of hazardous chemicals. Once suspicious hazards are identified, relevant departments will immediately carry out inspections and verifications to eliminate hidden dangers promptly, ensuring safe production across our operations. At the same time, the Group appointed qualified technical service providers to conduct occupational hazard tests at least once a year. For subsidiaries or departments with serious occupational hazards, an occupational hazard status assessment should be conducted at least once every three years and rectify the problems identified.

Caring For Our Employees

In addition to training programs and advancement paths for our employees, the Group also attaches great importance to the physical and mental health of our employees. We offer various kinds of activities for our employees to enhance employees’ satisfaction.

¹⁷ The number of lost days is defined as the number of days (other than serious injury) that actually caused the person to be absent from work due to the injury or disease, and it is at least one day from the day following the date of the injury or disease.



CASE STUDY: SINOCHEM CHANGSHAN'S BASKETBALL TOURNAMENT

The Group attaches great importance to providing employees with work-life balance. During the Reporting Period, the Group organized the 2022 Employee Basketball Tournament of "Welcoming the 20th National Congress", aiming to relieve their physical and mental stress and enrich their after-work life.



Pandemic Response and Control

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

- Requiring all employees to wear face masks
- Supervising canteen hygiene and disinfection
- Adjusting meal time, prohibiting crowded dining, and implementing individual serving meal arrangements
- Strengthening the disinfection and cleaning work of vehicles, assigning drivers to disinfect their vehicles before and immediately after work
- Posting numerous warning signs on vehicles to remind passengers to comply with relevant regulations during the pandemic
- Checking health and tripcodes of all employees before conducting any safety training and education programs

- In terms of safety training programs, we updated the latest pandemic situation and preventive measures through channels such as LED screens and Sinofert's official website
- Advocating the message of "not going out of town unless unnecessary" for the Group's employees and contractors, encouraging employees to not commute to different places if unnecessary
- Register visits from foreign visitors and implements face recognition and temperature detection facilities for internal employees through a smart gate system
- Establishing a vaccination database to remind and encourage unvaccinated employees to get vaccinated
- Introducing a pandemic contingency plan

Staff Training and Development

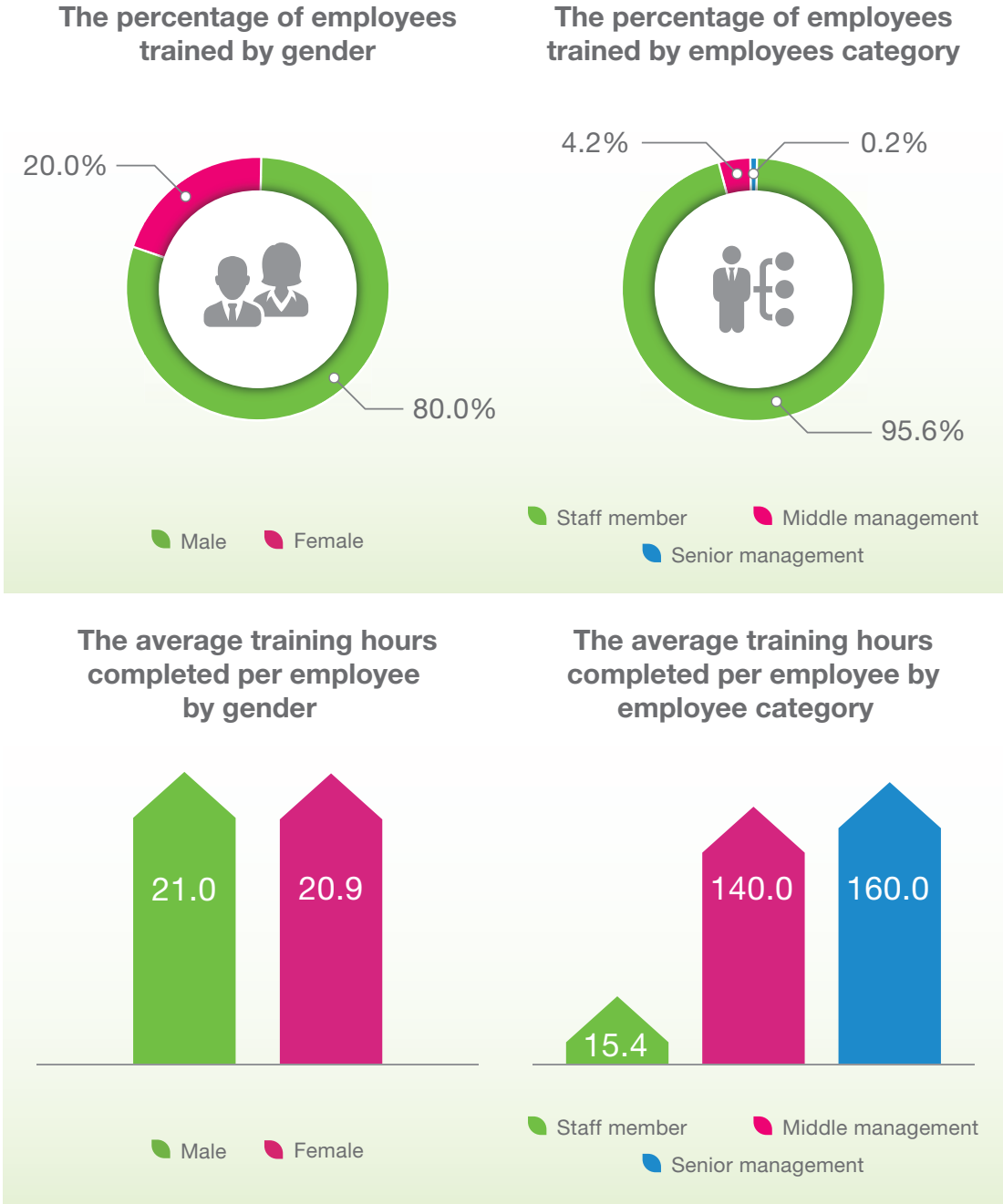
Sinofert firmly believes that the personal development of employees is closely related to the development of the enterprise, values and respects the personality and willingness of employees, advocates the equality of everyone in the face of development opportunities, and gives full trust and authorization to employees. By closely integrating our business strategy and core organizational capabilities, we continue to optimize a talent development system based on the principle of "guiding with leadership, nurturing our teams and driving development together", providing employees with diversified career development paths.

To promote the development of the entire industry chain, Sinofert strives to improve the comprehensive capabilities and professional skills of all employees, and realizes the personal development of employees and the talent competitiveness of the Group. We implement "Sinofert's Employee Training Management Measures", establish a scientific and systematic talent training system, ensure the effective implementation of talent strategy, focus on the core issues of leadership development, strategic promotion, and employee growth and development guided by strategy, business, and culture, form a key development project system, and are committed to cultivating and improving employees and organizational capabilities. We provide customized training courses pertaining to specific operating regions, covering industry development, strategy implementation, organizational capacity building, corporate culture, leadership enhancement, marketing management, innovative methods and tools, policy interpretation, new media operations, technical communication, compliance risks, pandemic prevention, and control, finance, human resources management, safety production, and other general skills. We have also established a pioneering online learning platform to encourage employees to continuously learn industry development-related knowledge through diverse functional design, diversified and integrated learning projects, and other rich content and activities. In the future, the Group will continue to attach importance to employee training and development, improve the professional skills and standards of employees, and improve the comprehensive competitiveness of the enterprise.





The percentage of employees trained and average training hours by gender and employee category during the Reporting Period are as follows^{18 19}:



¹⁸ Percentage of employees trained: number of employees trained in the category / total number of employees trained x 100%.

¹⁹ Average training hours of employees: total training hours of employees in the category / total number of employees in the category.

CASE STUDY: “EMERGING PROJECT” TALENT DEVELOPMENT SYSTEM

The Group integrated its business strategies and core organizational capabilities to build a talent development system of “Emerging Project” to fully empower the CN team. We focus on cultivating six entrepreneurial talents, focusing on six categories of “industry, marketing, internationalization, youth, technology, and agricultural technology”.

For six talent categories of talents, we have implemented a number of specialized training, such as the “Zhanyi Program”, the “Xinyu Program”, “English is Easy to show” and the “Craftsmanship program”, and implemented the “Water for Life ” rotation practice program to improve the strategic understanding and professional quality of new management trainees, so that they can learn professional knowledge and practical experience in depth.



Integrity and Anti-Corruption

The Group strictly abides by the Criminal Law of the People’s Republic of China, the Anti-Money Laundering Law of the People’s Republic of China, the Company Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China, and other relevant laws and regulations, strictly implements to the principles of “do not dare to corrupt”, “unable to corrupt” and “no desire to commit corruption”, and strictly fight against any form of corruption, bribery, extortion, fraud, and money laundering. During the Year, the Group did not have any corruption litigation cases. We continue to optimize the corporate governance system to cultivate a corporate culture of integrity, honesty, and stability.



PEOPLE-ORIENTATION

The Group implements internal work systems such as the “Work Management Regulations”, the “Guidelines on Anti-bribery, Anti-fraud and Conflict of Interest Management of Syngenta Group in China” to standardize discipline inspection and anti-corruption work, and deploys, guides and inspects the discipline inspection and supervision work of each unit in the system of Sinofert to further improve the governance system. The Group has assigned the Department of Discipline Inspection (Department of Audit and Law) to promote the construction of the system of punishment and prevention of corruption, and organize and coordinate the identification, evaluation and prevention and control of integrity risks:

- Organize awareness and education events on compliance with laws and regulations, integrity, and self-discipline
- Examine and evaluate the discipline inspection and supervision performance of subsidiaries
- Handle reports, complaints, and other correspondence involving party members, cadres, and employees in violation of disciplines and regulations, and carry out inspections and trials according to relevant regulations and procedures
- Maintain, oversee, and improve the anti-corruption system, discipline inspection and supervision and the implementation

Once the fraudulent behavior of the employee is verified, it will be regarded as a serious violation of the rules and regulations, and the company can take disciplinary actions against the employee, including terminating the labor contract; if it is suspected of committing a crime, it should be transferred to the judicial authority for handling.

The Group formulates the Code of Conduct Manual, which stipulates the operational standards of the enterprise, regulates the compliance behavior of employees, and selects the cooperation conditions of business partners, ensuring that employees have received, read, understood and implemented the standards in their daily work. We also arrange for managers to regularly share cases related to the code of conduct and compliance, organize training, and provide support and guidance at any time. All employees must read and understand the code of conduct and sign a letter of commitment to the code of conduct every year. In case of any violation of the code of conduct, all employees are obliged to immediately report to the Department of Discipline Inspection (Department of Audit and Law). Involved issues will then be handled by the Department of Discipline Inspection (Department of Audit and Law). In addition, we have also established various reporting channels, including regularly updating and maintaining relevant letters, 24-hour reporting hotline, email, and QR code, etc., encouraging all stakeholders, such as employees, suppliers, contractors, customers, etc., to report any misconduct, dishonest behavior, and corruption, so as to create a corporate atmosphere where anyone can speak up.

If the reporting materials from stakeholders are received, the Department of Discipline Inspection (Department of Audit and Law) will register and code the case, carry out collective analysis, judgment and discussion, and propose a disposal plan to the leaders in charge. Any reported cases involved in the scope under the Department of Discipline Inspection (Department of Audit and Law) would be handled by the Department of Discipline Inspection (Department of Audit and Law). Reported cases that are not responsible by the Department of Discipline Inspection (Department of Audit and Law) will be transferred to the other relevant departments and entities according to procedures. After receiving the clues to the problem, the Department of Discipline Inspection (Department of Audit and Law) should take into account the overall situation of the department or unit involved in the problem, and deal with it in four ways: inquiry letter, preliminary verification, temporary storage for investigation, and closure to solve the problem in a timely manner.

During the Reporting Period, the Group provided anti-corruption education for our board members and employees, conducting a total of 91 training sessions on various levels of integrity and compliance, covering 7,906 people, including 14 directors. We help all party members and employees to establish the value of integrity and compliance of “adhering to the bottom line of discipline, being loyal and ethical, and encouraging outspokenness”. In addition, we set up a dashboard of integrity and compliance, and awarded the second SGC “Model of Integrity and Compliance in Clean Agriculture” to 5 outstanding cadres. We also organized all employees to undertake to practice “the Code of Conduct of Syngenta Group in China”, opened up the channels for petition and report, and encouraged them to speak up and cultivate a culture of continuous assault.





PARTNERSHIP

As a practitioner of corporate social responsibility, Sinofert maintains a long-term win-win relationship with its partners and the communities in which it operates, actively encourages suppliers to fulfill environmental and social responsibilities, and supports employees to actively participate in community public welfare undertakings and give back to society.

Value Chain Management

Sinofert actively acts as an exemplar in the industry to continuously expand and solidify channels for the procurement of goods, enhancing the ability to obtain resources, and ensuring a stable supply of fertilizers. We are a member of the International Fertilizer Industry Association (IFA) with more than 60 years of experience in the international trade of fertilizers and an extensive international trade network, and we are also the main source for fertilizer imports in China. In terms of potash fertilizer imports, the Group continued to establish close strategic cooperation with major international potash fertilizer suppliers such as Canadian potash fertilizer companies (Canpotex), the Arab Potash Company (APC), and the Belarusian Potash Company (BPC), on the basis of cooperation while also keeping in mind of serving Chinese farmers wholeheartedly. At the beginning of the year, we and Canpotex reached an agreement on the potash import contract for 2022 and continued to maintain the position of “low-priced” potash in the world, which effectively guaranteed the supply and price stability of the domestic potash market.

In order to promote the win-win sustainable development of enterprises and partners, and to improve low environmental and social risks, and responsible and transparent supply chain management, the Group strictly implements the working systems such as “Administrative Measures for Qualified Suppliers of the Agricultural Business Department of Sinochem Group”, and designates The Supply Chain Management Department to comprehensively manage and monitor our supply chain, including access approval, inspection, supervision, and evaluation. The Supply Chain Management Department is responsible for (but is not limited to):

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

Sinofert focuses on the management of environmental and social risks in every part of our supply chain. We always insist on selecting suppliers with good performance in environmental and social aspects. In terms of environmental protection, we will give priority to suppliers with sound environmental management systems, especially those who have passed ISO 14001 or relevant certifications. In terms of social aspects, we have established a supply chain assessment and evaluation system with methods and evaluation indicators including the supplier’s business nature, size, operational status, supply capability, quality standards, after-sales services, and other performances. The evaluation system is categorized into annual static and dynamic assessments:

Static

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

Dynamic

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

The evaluation results are classified as class A (80 points and above), class B (60 points to 79 points), and class C (below 60 points). For class C suppliers, we will suspend the partnerships with them and will require them to provide explanatory reports and formulate rectification plans, and then report to the Supply Chain Management Department and other relevant departments for review and filing. We will then decide whether to continue working with them based on their rectification measures and results, which will help the Group avoid the potential impact of the supply chain on the environmental and social aspects.

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

The Group conducts comprehensive and effective management of suppliers by gathering and consolidating information on suppliers' regional distribution, nature, and networks. During the Reporting Period, the Group reviewed and assessed 1,906 suppliers, including production materials, packaging, logistics, and other indirect procurement suppliers. All suppliers have been reviewed and assessed according to the above policies.

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

| Total number of suppliers (by geographical region) | 2022 | Unit |
|--|-------|-------|
| Mainland China | 1,883 | Units |
| Overseas | 23 | Units |



As a responsible manufacturer, in addition to strictly monitoring the performance of suppliers, the Group also closely liaises and cooperates with downstream distributors. In order to ensure the quality of our product, the Group has listed guidelines on product packaging, such as the storage in the dry and shaded areas, and the separation distance between seeds and fertilizers, etc., to ensure proper storage and use by distributors and final customers. We also remind our distributors of the warehouse environment from time to time to ensure that the quality of the fertilizer will not be affected.

During the Year, the Group had one case that the quality of fertilizers sold was not up to standard due to improper storage by the distributor. The product involved was 3 tonnes of compound fertilizer. Due to the improper management of the fertilizer storage environment of the distributors, the products were exposed to moisture, resulting in the loss of nutrition. Upon inspection, the government authority found that the quality of the compound fertilizer did not meet the GB 15063-2009 "Compound Fertilizer" standard, which violated the "Implementation Rules for National Supervision and Inspection of the Quality of Compound Fertilizer Products (2021 Edition)", and imposed a fine of RMB14,007 and confiscated the amount of illegal income. After being informed, the Group paid the fine and strengthened communication with the distributor. The Group visited some distributors with weak storage conditions before the rainy season and reminded them to pay more attention to the storage conditions.

Community Welfare

While developing our business, we actively participate in various types of community investment activities, take the initiative to understand the demands of the communities where we operate, and carry out social assistance services by supporting local agricultural development, poverty alleviation, educational sponsorship, and other diversified approaches, such as purchasing agricultural products for targeted assistance and supporting local agricultural products, in order to establish a close relationship between the Group and the community, and promote the common sustainable development of the enterprise and the society.

During the Reporting Period, we supported a total of RMB620,200 through procurement of agricultural products for targeted assistance and agricultural products for targeted support; we donated a total of RMB235,000 in educational sponsorship activities; the accumulated volunteer hours of our employees exceeded 1,500 hours.

CASE STUDY: “FOOD SECURITY AND NATIONAL PROSPERITY • HAPPY HARVEST JOURNEY” ACTIVITIES

During this year’s Farmers’ Harvest Festival, Sinofert launched the “Food Security and National Prosperity • Happy Harvest Journey” activities in Anhui, Hebei, Jiangsu, Shandong and other places, using high-quality products, efficient solutions and comprehensive services to make farmers happy with a good harvest. Taking the planting of rice in Yancheng, Jiangsu as an example, the output of rice using the Sinofert’s solution increased by 8% compared with the regular level of farmers.



CASE STUDY: SINOCHEM YUNLONG EDUCATIONAL SPONSORSHIP ACTIVITIES

Sinochem Yunlong organized a team to go to Yize Village in Gongshan Town, Pulu and Fulu Village in Xianfeng Town to launch educational sponsorship activities in 2022, which has been the seventh year of the activities. A total of 67 students have been sponsored.





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

| Mandatory Disclosure Requirements | | Relevant Sections in this Report/ Explanation |
|-----------------------------------|---|---|
| Governance Structure | <p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. | Sustainability Governance |
| Reporting principles | A description of, or an explanation on, the application of the Reporting Principles in the preparation of the ESG report. | About this Report |
| Reporting Boundary | A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change. | About this Report |

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

| Aspect | Key Performance Indicators | Description | Relevant Sections in this Report/ Explanation |
|--------------------------------|----------------------------|--|---|
| "Comply or Explain" Provisions | | | |
| A. Environmental | | | |
| A1: Emissions | General Disclosure | Information on: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste. | Environmental Protection |
| | A1.1 | The types of emissions and respective emissions data. | Emissions and Pollutants |
| | 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). | Climate Change |
| | A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Emissions and Pollutants |
| | A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Emissions and Pollutants |
| | A1.5 | Description of emissions target(s) set and steps taken to achieve them. | Emissions and Pollutants |
| | A1.6 | Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Emissions and Pollutants |





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

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





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

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





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

APPENDIX 2: INDEPENDENT ASSURANCE STATEMENT

To the Board of Directors of Sinofert Holdings Limited,

CECEP (HK) Advisory Company Limited (“**CECEPAC (HK)**” or “**We**”) has been engaged by Sinofert Holdings Limited (“**Sinofert**”) to conduct an independent limited assurance engagement (“**Assurance Engagement**”) on the information and data related to sustainability development in *Sinofert’s 2022 Environmental, Social and Governance Report* (“**ESG Report**”).

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

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

I. Independence and Competence

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

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

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

II. Sinofert’s Responsibilities

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





APPENDIX 2: INDEPENDENT ASSURANCE STATEMENT

III. Assurance Provider's Responsibilities

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

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

IV. Scope of the Assurance Engagement

- The scope of the Assurance Engagement is limited to the *ESG Report* only, and the contents only involve Sinofert and its subsidiaries. The scope of the Assurance Engagement does not include Sinofert's suppliers, contractors, and data or information provided by other third parties;
- AA1000AS' Type 2 Moderate Level of Assurance was adopted to evaluate the nature and extent of Sinofert's adherence to the four AA1000 Accountability Principles set out in the AA1000AS v3;
- Sinofert and CECEPAC (HK) reached an agreement to select the specified performance information in the *ESG Report* as part of the content for Assurance Engagement. The selected specified performance information is as follows:
 - Products sold or shipped subject to recalls for safety and health reasons
 - Number of work-related fatalities occurred in 2022
 - Vehicle fuel consumption
 - Fuel consumption from stationary sources
 - Total packaging materials used
 - Total number of suppliers in Mainland China
- Assuring the conformity of disclosures for general disclosure and key performance indicators of environmental and social subject areas in Sinofert's *ESG Report* with the mandatory disclosure requirements and the "**comply or explain**" provision in the *ESG Reporting Guide* of the SEHK;

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- CECEPAC (HK)'s assurance work was with respect to information disclosed from January 1, 2022 to December 31, 2022 only. Any information that falls outside this period that is disclosed in the *ESG Report* is not included within the scope of the Assurance Engagement. Therefore, we do not express any conclusions on this information; and
- The scope of the assurance is confined to the information and data provided by Sinofert. Any queries regarding the content or related matters within this Independent Assurance Statement should be addressed to Sinofert only.

V. Methodology of the Assurance Engagement

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

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

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

VI. Inherent Limitations

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

¹ CECEPAC(HK) and Sinofert has agreed on the format of interview, and the interviews were conducted online.





APPENDIX 2: INDEPENDENT ASSURANCE STATEMENT

VII. Conclusions

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

Inclusivity

Sinofert has identified key stakeholders and continuously communicated with key stakeholders through various channels to understand their expectations and concerns. On this basis, Sinofert has fully considered the expectations of and the impacts on key stakeholders, and combined the key stakeholders' expectations with the actual situation of Sinofert to formulate policies and action plans. In our professional opinion, Sinofert adheres to the Principle of Inclusivity.

Materiality

Based on its own industry characteristics, legal and regulatory requirements, Sinofert has established a database of ESG issues and carried out the materiality assessment. Sinofert invited key stakeholders to participate in the assessment to collect their opinions, and has identified its material ESG issues through appropriate methods. Sinofert has also disclosed the methodology, process and results of materiality assessment in the *ESG Report*. In our professional opinion, Sinofert adheres to the Principle of Materiality.

Responsiveness

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

Impact

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

Specified Performance Information

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

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SEHK's ESG Reporting Guide

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



22 March 2023
Hong Kong SAR, China

