

中化化肥控股有限公司 SINO FERT HOLDINGS LIMITED

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

NURTURING CHINA'S AGRICULTURE SECTOR



2023

Environmental, Social and
Governance Report

Contents

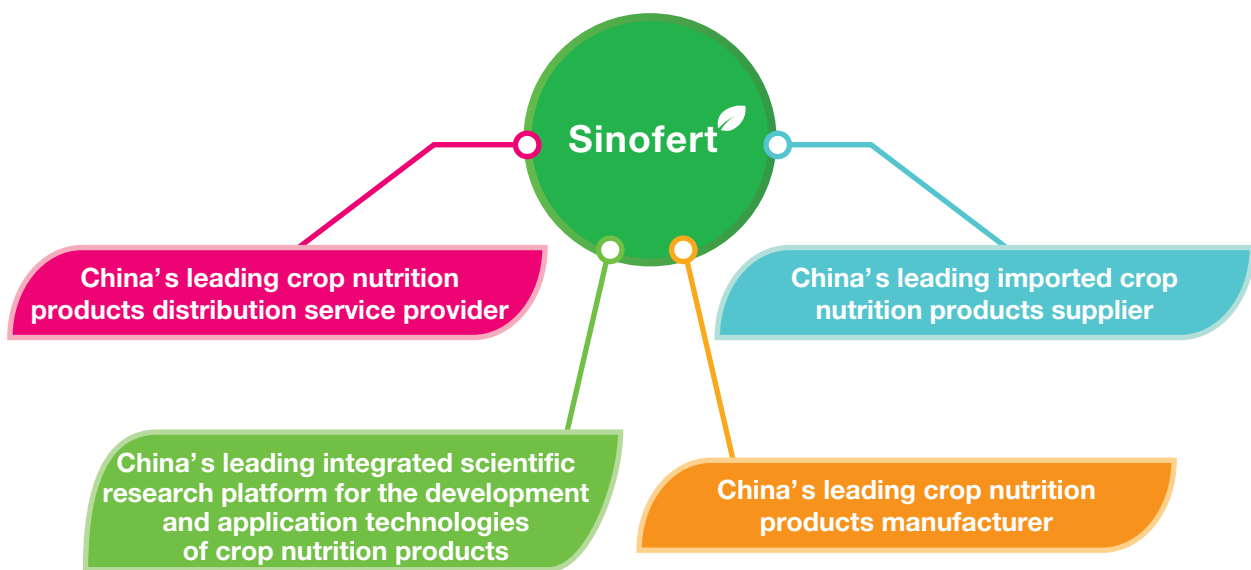
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COMPANY OVERVIEW

Sinofert Holdings Limited (the “**Company**”), together with its subsidiaries (collectively referred to as the “**Group**” or “**Sinofert**”) is the leading crop nutrition product manufacturer and distribution service provider, and also a major importer of crop nutrition products in the People’s Republic of China (“**China**”). The main businesses include the production, research and development, distribution, retail, and provision of agricultural chemical services of raw materials and finished products related to crop nutrition, vertically integrating production and network distribution. The Company was listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in July 2005 (stock code: 00297), making it the first enterprise in the Chinese crop nutrition product industry to be listed in Hong Kong.

Benchmarking of Sinofert in the crop nutrition product market in 2023



With over 60 years of international trade experience, Sinofert is a large supplier of crop nutrition products in China. The Group maintains strategic partnerships with multiple international suppliers, offering a diverse range of fertilizers such as nitrogen, phosphorus, potash, compound, and formula fertilizers, as well as micro-fertilizers, slow-release fertilizers, organic fertilizers, biological fertilizers, and other new fertilizers. This enables the Group meeting various crop nutrition needs, ensuring the supply of high-quality agricultural products and alleviating the scarcity of domestic fertilizer resources.

The Group is fully committed to providing comprehensive services to Chinese farmers and facilitating the development of every link in the agricultural industry value chain. The Group consistently strives for improvements in areas such as research and development (“**R&D**”), resource development, production, distribution, and services. Additionally, the Group endeavors to promote the application of new products, technologies, and equipment. At the same time, the Group actively leverages the industry’s influence and driving force to promote the development of Chinese agriculture and ensure food security in China.

In addition, the Group holds a leading position in the distribution of agricultural resources, providing agricultural inputs such as crop nutrition products and pesticides, as well as related agrochemical services to meet market demands. As a leading provider of crop nutrition technology marketing services in China, Sinofert’s mission is to deliver high-quality services to farmers, addressing the new requirements of modern agricultural development. The Group adheres to the principles of resource and environmental friendliness, advocating for green and sustainable development, and strive to be at the “leader in bio-fertilizer and soil health innovation”.



ABOUT THIS REPORT

This Environmental, Social and Governance (“**ESG**”) report of the Company (“**this Report**”) covers the period from 1 January 2023 to 31 December 2023 (the “**Reporting Period**” or the “**Year**”). The purpose of this Report is to provide stakeholders with information on the Group’s ESG strategies, policies, and achievements during the Year. Through disclosing key ESG-related issues of concern to the Group, the Company aim to enhance communication with stakeholders.

Reporting Standards

This Report is prepared in accordance with the Environmental, Social, and Governance Reporting Guide (the “**ESG Guide**”) as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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” section of this Report. |
| Quantitative | The Group comprehensively discloses ESG performance during the Reporting Period and provides details on 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. |



ABOUT THIS REPORT

Reporting Scope

During the Reporting Period, there were no significant changes in the main businesses of Sinofert. The scope of this Report are consistent with that of the annual report. Considering the revenue contribution and the environmental and social impacts of the businesses of Sinofert, 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 2023 Annual 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, multielement acidic specialized fertilizers, slow-release fertilizers, gypsum products, etc.

SINOCEM YUNLONG



- Sinochem Yunlong specializes in the mining and dressing of phosphate ore and the production and sales of phosphate. Its 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, and industrial sulfuric acid, etc.



SINOCHEM CHANGSHAN



- Sinochem Changshan is the largest fertilizer production enterprise in Jilin Province. It 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.



ABOUT THIS REPORT

Highlights of the Year

In the first half of 2023, as global supply chain tensions eased and fertilizer production capacity gradually increased, the fertilizer product market experienced an oversupply situation, with strong market cautiousness and continuous price declines. In the second half of 2023, structural contradictions in the global economy became increasingly apparent, and challenges such as continued tightening of monetary policies posed significant hurdles to economic recovery. The situation facing China's fertilizer industry remained severe, as domestic fertilizer market gradually opened up, regional characteristics gradually diminished, and market competition potentially intensified. Confronted with challenging market conditions, to solidify the Group's leading position in the industry, under the leadership of the Board of Directors, Sinofert continued to deepen the implementation of the "Bio+" strategic transformation. This involved vigorously promoting modern agricultural technology service platforms, enhancing product R&D efforts, and comprehensively improving agricultural productivity. This aimed at ensuring stable supply and prices of fertilizer products, advancing rural revitalization, and promoting the modernization of agriculture. Through efficient synergy between research, production, and sales, product iteration and upgrades were advanced to continuously enhance profitability, fully leveraging the advantages of the platform of Syngenta Group Co., Ltd. and further highlighting the value of channel synergy.

In 2023, the "No. 1 Central Document" established the goal of accelerating the construction of a powerful agricultural nation, focusing on the theme of rural revitalization, with the principles of "guarding the bottom line, promoting revitalization, and strengthening protection". Through technological and technical innovations, it aims to speed up the modernization of agriculture and rural areas. As a leading enterprise in crop nutrition technology marketing services in China, the Group will continue to focus on strategic transformation and upgrades, resolutely advancing the "Bio+" strategy. By innovating in research and development, the Group will enhance the utilization efficiency of fertilizer nutrients, reduce carbon emissions, and promote healthy soil development. The Group will continue to consolidate the market share of potash and phosphate industries, further strengthen strategic procurement capabilities, delve into high-quality supply channel development, solidify the core customer system in agriculture and industry, and stabilize the support for the Group's strategic transformation. Production enterprises will fully leverage the advantages of mineral resources, extend and enhance the development of the entire industrial chain from resources, production to circulation; enhance the synergy of research, production, and marketing to add technological wings to rapid business development, transforming towards the "leader in bio-fertilizer and soil health innovation".



ABOUT THIS REPORT

To meet the Group's business standards and long-term goals, and in response to the increasingly high expectations from all sectors of society, the Group has integrated sustainability principles into its corporate governance framework. The Company have established a Corporate Governance Committee responsible for identifying key ESG issues, risks, and opportunities, and overseeing the progress of sustainability goals. At the same time, the Company is actively implementing ESG governance policies, strictly adhering to integrity mechanisms, and continuously and effectively implementing quality control and supply chain management. The Group places great importance on its impact on the environment and actively assumes corporate responsibility in environmental protection, including energy use, waste emissions, pollution management, and natural resource extraction. The Group continuously strengthen its environmental work, actively promoting measures such as low carbon, energy saving, water saving, and technological upgrades. The Company requires all subsidiaries to strictly follow sustainability policies, regularly monitor pollution emission indicators, conduct inspections and maintenance of environmental equipment, and develop environmental improvement suggestions and upgrade plans through data analysis. Moreover, the Group is unwavering in advancing technological innovation, improving industrial quality and efficiency, focusing on soil health and microbial strategies, and implementing measures such as green planting, to practice the core concept of sustainable development. The Group is also committed to practicing green operations, continuously improving production processes and technologies, reducing resource consumption and waste generation, and promoting sustainable economy and ecological protection. Through actively practicing corporate social responsibility, Sinofert is striving to become a trusted corporate citizen, promoting the sustainable development of society and the environment.

The Group adheres to the core value of "people-orientation", strictly complying with human resources and employment policies, respecting and safeguarding employee rights and interests. Employees, as the most important asset, grow together with the Group. The Group actively invests in employee training, assisting employees in seizing opportunities for long-term development. Furthermore, the Group is dedicated to providing a safe and comfortable work environment for employees, along with various welfare benefits. The Group also offer protections in the areas of occupational health and safety and employee mental health, actively focusing on employee health to enhance the happiness and collective cohesion of our Group's employees.

To fulfill the corporate responsibilities of the Company, the Group strives to give back to society in various ways. Sinofert is committed to creating value for the communities it serve and promote the healthy growth of the food security and agricultural industry through numerous community service activities, including field guidance, educational support, and disaster relief assistance for farmers, reaching out to communities in need and giving back to society. The Group actively fulfills its corporate citizen duties, contributing to society through practical actions.





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 (the “**Board**”) of the Company has always attached great importance to ESG risks and has formulated emergency plans for various ESG risks, actively addressing ESG risks and opportunities, continuously improving internal control and management, and driving the high-quality development of the Group’s business. The Company constantly enhance its information disclosure management work and strengthening the transparency and accountability of ESG disclosures, in order to provide stakeholders with accurate and comprehensive information that assist them in making informed investment decisions. The Group always strives to build a sustainable and robust corporate image, creating long-term value for stakeholders.

ESG Governance

To establish appropriate and effective ESG management and control systems, the Board is responsible for leading and overseeing the work of the Corporate Governance Committee (the “**Committee**”) and has appointed the Committee to supervise the Group’s ESG-related affairs and tasks. The primary responsibility of the Committee is to monitor the progress and quality of internal ESG work within the Group, ensuring the implementation and completion of ESG policies and measures formulated by the Group. To guarantee the effectiveness of the Group’s ESG governance, the Committee regularly reviews internal functions and independently evaluates and analyzes the efficiency of risk management measures and systems to ensure their full and effective implementation. The specific 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 functional departments

To enhance the compilation of ESG reports, the Group has established a dedicated ESG Reporting Team. This team is composed of personnel from the Health, Safety, and Environment (“**HSE**”) and Industrial Management Department (“**HSE and Industrial Management Department**”), Human Resources Department, Supply Chain Management Department, Financial Management Department, Board Office, Channel and Synergy Business Department, Potash Fertilizer Division, Phosphorus Chemical Division, Party Masses Work Department, and the Discipline Inspection Department (Department of Audit and Law) (“**Discipline Inspection Department**”), responsible for supervising the preparation of the ESG reports. Additionally, the HSE and Industrial Management Department regularly holds working meetings to review and approve the Group’s major environmental protection projects and propose solutions to significant environmental issues. They also decide on the Group’s short-term environmental objectives and long-term planning. For detailed information about the Board and the Committee of SinoFert, please refer to the “Corporate Governance Report” section of the Company’s 2023 Annual Report.



ESG Risk Management

A robust and effective risk management system is an integral part of corporate governance. To ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Group adheres to standards such as the Internal Control-Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, the Risk Management Guidelines by the International Organization for Standardization, and the Basic Framework of Internal Control and Risk Management by the Hong Kong Institute of Certified Public Accountants. Additionally, it integrates the Central Enterprises Comprehensive Risk Management Guidelines, the Basic Norms for Internal Control of Enterprises, and their supporting guidelines, as well as the Central Enterprises Compliance Management Guidelines from China. The Group also aligns with recent national efforts to strengthen the construction and supervision of internal control systems. Adopting an approach of “high priority, daily monitoring, and mainly diversion”, oriented towards risk management, the Company focuses on building an internal control system that matches strategic development and integrates with business management. Through risk identification, assessment, and response activities, the Group implements full-process management, early warning, and response to significant risks, supporting the value creation of the enterprise.

During the Reporting Period, the Group emphasized compliance control, continuously integrating risk management and compliance requirements into business processes, enhancing informatization, strengthening the accountability of business units for risk, implementing differentiated risk internal control mechanisms, focusing on hidden danger inspection and auditing work, and ensuring the “Bio+” strategic transformation of the Company. By promoting risk culture in various forms, the Group has heightened risk management awareness, encouraged all levels of management to firmly establish a scientific concept of operational safety, and actively fostered a positive risk internal control atmosphere of “steady operation and healthy development”. In 2023, the Group also undertook organizational restructuring to ensure the rationality and effectiveness of the internal control system’s design and operation. Continuing with risk identification and monitoring of significant risks, and comprehensively checking for operational risk events, the Company focused on establishing long-term mechanisms, and extensively carried out the revision and sorting of institutional norms and the responsibility system, to ensure smooth and orderly business management, and to enhance management standards and risk prevention capabilities.



SUSTAINABILITY GOVERNANCE

During the Reporting Period, Sinofert identified ESG-related risks that significantly impact its operations and businesses, and reviewed the corresponding management measures to ensure such risks are effectively controlled and meet the requirements of external regulatory authorities from other countries. Details are as follows:

Risks	Impacts of Risks	Management Measures
HSE Risk	Risks in the HSE (Health, Safety, and Environment) area may arise due to “national, local government, and industry policy adjustments”, “failure to effectively implement risk control measures”, and “personnel misoperation”. These risks can pose safety hazards in production, potential threats to employee health, and possibly negative impacts on the environment and energy conservation and emission reduction.	<ol style="list-style-type: none"> 1. Monitor policy adjustments closely, organize timely comparative analysis and rectification of new policies to ensure compliance; 2. Implement HSE responsibilities for all positions, strengthen the control and monitoring of risk control measures to ensure effective implementation; 3. Combine grassroots work to advance practical training assessments, improve employee technical capabilities and standards; standardize the management of operations, sites, and activities; 4. Intensively carry out pollution prevention campaigns, and enhance energy-saving and low-carbon management.
Macroeconomic and Policy Risk	Changes in macroeconomic policies, industry trends, and national policies may bring opportunities and risks to the enterprise’s operations.	<ol style="list-style-type: none"> 1. Closely follow the policy orientation of the Chinese government, insight into industry development dynamics, focus on in-depth research on opportunities for arable land quality improvement and bio-industry development, and analyze the challenges of strategic transformation.

Risks	Impacts of Risks	Management Measures
Procurement and Supply Chain Management Risk	Factors such as “changes in international market conditions”, “rising labor costs”, “shortages of raw materials or insufficient capacity”, “resource tension”, “policy impact or adjustment, environmental requirements”, “pandemics”, “major holidays such as the Spring Festival”, and “macro emergency factors” may lead to logistics abnormalities, thereby posing risks of product supply interruption and rising product costs.	<ol style="list-style-type: none"> 1. Maintain safety stocks, find alternative raw materials or internal corporate supplies, switch to self-production, establish strategic cooperation with suppliers, secure strategic cooperative supplier supplies, strategic procurement hoarding, implement payment upon delivery to avoid supplier default risk.
Ethics and Integrity Risk	Due to some employees’ wishful thinking or deliberate subjectivity, there may be risks of illegal, disciplinary, and regulatory violations, fraud, or corruption for the enterprise.	<ol style="list-style-type: none"> 1. Increase supervision, discipline, and accountability efforts, and promote the “do not dare to be corrupt, cannot be corrupt, do not want to be corrupt” mechanism construction; 2. Consolidate and deepen the construction of the “Clean Agriculture” brand, and create a clean and upright business management atmosphere.



SUSTAINABILITY GOVERNANCE

ESG Awards and Honors

For Sinofert, making a positive impact on society through sustainable development in the fertilizer agriculture business is extremely important. During the Reporting Period, the Company's efforts in ESG have been recognized by various parties.

In terms of ESG indices, on 29 January 2024, Hang Seng Indexes Company Limited launched the "Hang Seng SCHK China Central SOEs ESG 40 Index" and the "Hang Seng SCHK SOEs High Dividend Yield ESG Index". The Company is honored to be included in these two indices due to the past investments and efforts in ESG.

Hang Seng SCHK China Central SOEs ESG 40 Index	Hang Seng SCHK SOEs High Dividend Yield ESG Index
This index aims to reflect the overall performance of the top forty companies listed in Hong Kong, whose largest shareholder is the Chinese central state-owned enterprise and which are eligible for trading under the Stock Connect Scheme, based on ESG performance (according to the ESG ratings compiled by the Hong Kong Quality Assurance Agency).	This index aims to reflect the overall performance of high yield securities listed in Hong Kong with Chinese government entities as the largest shareholder, while integrating ESG elements in the constituent selection process.

Additionally, Sinofert's production company, Sinochem Yunlong, is committed to implementing the "Sinochem Yunlong Co., Ltd. Green Factory Construction Medium and Long-Term Planning", making the "Green Manufacturing Project" one of its key projects. It has comprehensively deployed green manufacturing, building an efficient, clean, low-carbon, and circular green manufacturing system, striving to create a green factory with intensive land use, harmless raw materials, clean production, resource-efficient waste, and low-carbon energy. Through these initiatives by Sinochem Yunlong, the Group have achieved the following main results:

- (1) Promote the innovation of the phosphogypsum granular cement retarder process, solve industry development bottlenecks, and enhance the company's independent innovation capability;
- (2) Respond to high-end customer demands with green manufacturing;
- (3) Lead in green enterprise practices, forming excellent examples;
- (4) Create green products, including high-quality mineral resources "high-phosphorus feed calcium experts" from green mines, establishing a leading brand in animal nutrition; practice green procurement to reduce pollutant emissions at the source; innovate the production process for feed-grade MCP and develop energy-saving and emission-reducing products;

- (5) Improve green management capabilities;
- (6) Build a MAP soil testing laboratory to support high-quality agricultural development.

Through the above efforts, the Group was awarded the “2023 ESG Leading Enterprise Award – Leading Environmental Initiative Award” by Bloomberg Businessweek. In the future, the Group will continue to focus on the challenges and opportunities presented by ESG and actively contribute to society’s low-carbon transformation.

**2023 ESG Leading Enterprise Award
– Leading Environmental Initiative Award
Award-winning Project:
Sinochem Yunlong Green Factory Project**



SUSTAINABILITY GOVERNANCE

Stakeholder Engagement

This Report is compiled with stakeholder engagement as its core. The Group's main stakeholders include government and regulatory bodies, shareholders and investors, business partners, customers, employees, and the public community. Each stakeholder is closely connected to the business development of the Group. To facilitate stakeholders in providing valuable feedback and assist the Group in identifying potential new risks in its business operations and recognizing ESG issues of concern to stakeholders, thus continually enhancing the Group's ESG performance, the Group has established suitable communication channels. The expectations of each stakeholder towards the Group and the communication channels between the Group and each of them are as follows:

Stakeholders	Expectations	Management response/ communication methods
Government and Regulatory Bodies	<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"> ● Company 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
Public 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 2023, which is specifically disclosed in this Report.

The Group identified the material ESG issues in 2023 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, together with the chemicals materiality map published by the Sustainability Accounting Standards Board (SASB), ESG issues concerned by the chemical industry, and the review of the ESG issues disclosed in the Group's 2022 ESG Report. The person in charge of ESG matters screened and confirmed 13 potential material issues related to the Group.

2. Conduct questionnaire survey

The Group invited stakeholders to assess the materiality of 13 potential material issues related to the Group. Among them, internal stakeholders (the Board and decision-making personnel) ranked ESG issues from the perspective of "Importance to Sinofert", and external stakeholders (employees, shareholders and investors, customers and business partners) ranked ESG issues from the perspective of "Importance to Stakeholders".

3. Analyze the results of the materiality assessment

The Group analyzed the assessment ranking results of each stakeholder and constructed a materiality 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. 7 material issues were identified in this materiality assessment.

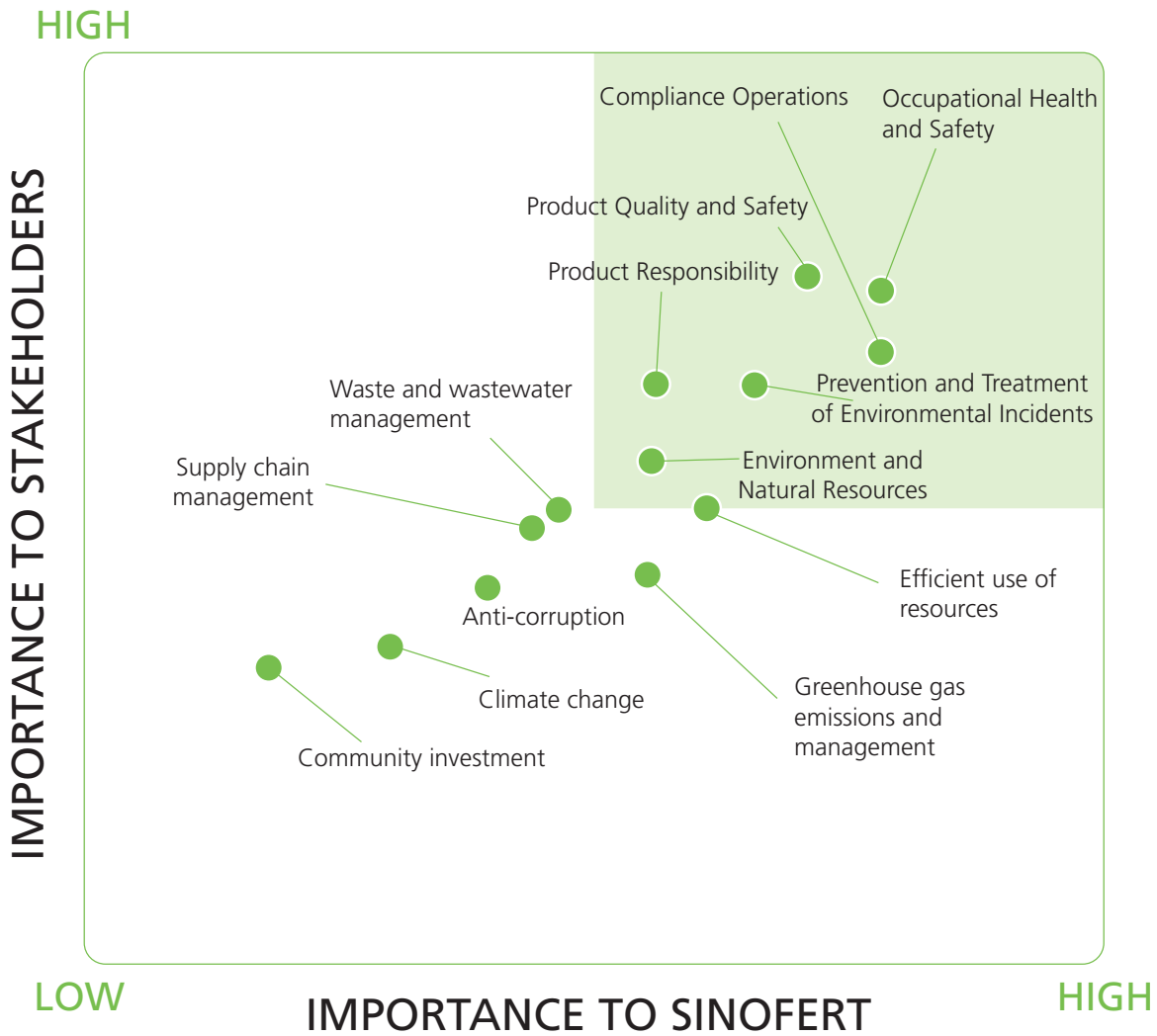
4. Verify the results of the materiality assessment

The Board of the Company reviewed the results of the materiality analysis and confirmed the material issues for 2023.

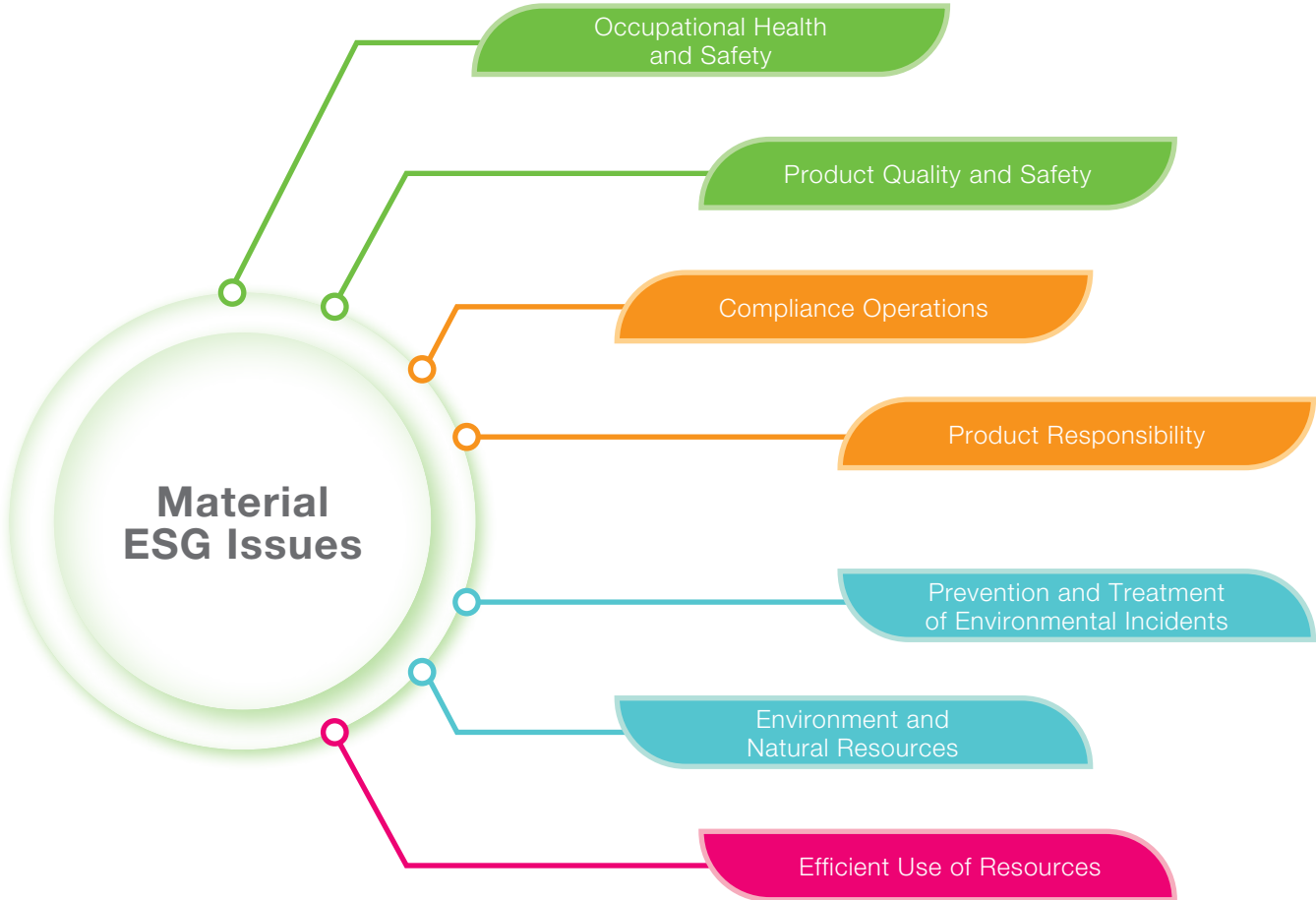


The following is the materiality matrix of the Group in 2023:

Sinofert 2023 ESG Issues Materiality Matrix



The Group identified 7 material issues (located at the top right corner of the materiality matrix) in this materiality assessment, and below shows the material ESG issues prioritized with their materiality:



This Report focuses on the above material ESG 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 has formulated its environmental protection policy to ensure compliance with the fundamental national policy of environmental protection and the implementation of national environmental protection laws and regulations. The Group, with the core philosophy of “People-oriented, prioritized environmental protection, prevention first, integrated governance”, actively builds a climate-resilient industrial value chain. To this end, the Group actively develops advanced processes, technologies, and equipment for continuous emission reduction, while also preventing the generation of new pollutants. The Group is also committed to establishing a long-term mechanism for environmental protection, balancing energy use with environmental protection, and continuously improving the environmental performance of the enterprise.

Environmental Compliance

The Group has a comprehensive environmental management system. In the operation process, in order to prevent the occurrence of environmental-related incidents, Sinofert strictly implements its environmental management systems related to environmental protection, energy conservation and emission reduction. These systems cover the regulations on emission management, resource utilization, and the reduction of significant impacts on the environment and natural resources. The Group has established the HSE Committee, responsible for leading the company’s environmental protection work and the supervision and management of environmental facilities, to ensure that the Group’s operations comply with regulatory requirements. The duties of the HSE Committee include but are not limited to:

- Formulating the Group’s energy-saving and low-carbon management systems and standards, ensuring that the Group has clear regulations and guidance in terms of energy saving and low carbon.
- Implementing national and local policies and regulations on energy saving and low carbon, ensuring that the Group complies with regulatory requirements in terms of energy saving and low carbon.
- Leading, supervising, and evaluating the energy-saving and low-carbon work of the Group’s subsidiaries, ensuring that each subsidiary fulfills its energy-saving and low-carbon responsibilities according to the Group’s regulations, and achieving the expected energy-saving and low-carbon goals.

Based on the responsibility system for environmental protection objectives, the Group requests each position and employee sign HSE responsibility agreements at the beginning of each year, delegating the responsibility to working levels to achieve environmental protection goals. The Group actively carry out environmental protection publicity and education, training employees on the corresponding environmental protection knowledge and skills for their positions, to ensure that employees understand and perform their safety responsibilities, and prevent environmental-related incidents. Meanwhile, the Group has an internal environmental management manual and has obtained ISO 14001 Environmental Management System Certification, ensuring that the Group strictly implement relevant environmental protection regulations at the operational and business levels and comply with environmental regulatory requirements.

ENVIRONMENTAL PROTECTION LAWS AND REGULATIONS COMPLIED WITH BY SINOVERT (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
- Regulations on Environmental Protection Management of Construction Projects
- Measures for Energy Conservation Management of Key Energy-Using Units
- 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
- Regulations on the Management of Pollutant Discharge Permits
- 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
- 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



ENVIRONMENTAL PROTECTION



With the increasing demands from the government on environmental protection management and the enhancement of pollution control efforts, enterprises must pay close attention to ecological civilization and environmental protection work. The Group strictly adheres to environmental regulations and has established internal management policies including “Sinofert Environmental Protection Management Methods”, “Sinofert Engineering Construction Project HSE ‘Three Simultaneities’ Management Standard”, and “Sinofert HSE Incident Reporting and Investigation Management Method”. The Group rigorously inspect environmental risk sources within the enterprise and implement management measures to prevent and control pollution of air, surface water, groundwater, and soil, etc. For sudden environmental pollution incidents, emergency plans are formulated. Meanwhile, to reduce the impact on the environment and natural resources, the Group is equipped with necessary emergency disposal materials, conduct emergency response drills in advance, and timely activate emergency plans to implement production restrictions during heavily polluted weather. In the event of an environmental accident, Sinofert will actively cooperate with government departments to conduct investigations, identify the causes and processes of the accident, and promptly disclose the results of accident handling, actively implement preventive and corrective measures, and compile an accident investigation report to prevent the recurrence of similar environmental accidents.

The Group places great emphasis on training related to safety production knowledge and management skills for production and operational activities. To motivate all members of Sinofert to fulfill their environmental protection and compliance responsibilities, the Company has integrated the ability to respond to environmental accidents and execute safety work into the person-in-charge promotion and reward assessment system based on the “Sinofert HSE Performance Evaluation Management Standards”, evaluating the contribution of staff to the prevention of environmental accidents and safety rectification work. The promotion priority of employees will be affected by the assessment rating they receive. For senior leaders and responsible persons of various positions who fail to diligently fulfill their safety production and environmental protection duties, leading to accidents, the Group will impose corresponding penalties or demotion.

In undertaking any new construction, reconstruction, and expansion projects, the Group strictly implements the “Sinofert Engineering Construction Project HSE ‘Three Simultaneities’ Management Standard” management method and environmental impact assessments to ensure that construction projects meet the national standard requirements for safety, occupational health, and environmental protection. For these projects, the Group requires simultaneous design, construction, production, and use with the main project, and conduct investigations and analyses on the use of raw materials, resource consumption, comprehensive resource utilization, and the generation and disposal of pollutants. Based on the results of these investigations and analyses, the Group selects clean production technologies, processes, and facilities that comply with national laws, regulations, and standards, have high resource utilization rates, and produce low amounts of pollution, to prevent the occurrence of environmental pollution incidents and further reduce the impact of projects on the environment.

Climate Change

One of the major environmental issues facing the world is climate change and global warming. Sinofert actively responds to the international call of the “Paris Agreement” and the national goals for “carbon peak” and “carbon neutrality”, identifying and preventing potential risks and impacts of climate change, and has developed strategies and carbon reduction plans related to the Group’s operations. To reduce the impact of climate change on business operations, the Group has implemented various measures, including enhancing energy management, promoting technological upgrades, and adopting carbon capture technologies, to accelerate the Group’s low-carbon transition and mitigate the impact of climate change on business operations.



ENVIRONMENTAL PROTECTION

Climate Strategy

THE GROUP'S CLIMATE CHANGE TARGETS

- With 2020 as the baseline, it is anticipated to achieve an energy saving of 84,200 tonnes of standard coal per year and reduce energy consumption per unit of output by approximately 18% by 2025.
- With 2019 as the baseline, it is expected that the annual CO₂ emissions will decrease by 636,200 tonnes, with a reduction of about 25% in CO₂ emissions per unit of output by 2025.

TARGET PROGRESS

- With 2020 as the baseline, total energy consumption for the year decreased by 112,000 tonnes of standard coal; energy consumption density decreased by 74.36%.
- With 2019 as the baseline, greenhouse gas emissions for the year increased by 139,313,000 tonnes; greenhouse gas emissions density decreased by 46%.

Through the review of Sinofert's Climate Change Response Report, as well as looking back at the energy conservation and environmental protection indicators during the period of the 13th Five-Year Plan ("13th FYP"), the Group reached its peak energy consumption between 2017 and 2018, and the comprehensive energy consumption per ten thousand RMB of output value has also decreased year by year, successfully completing the energy conservation indicators for the 13th FYP period. Following the timeline of the 14th Five-Year Plan ("14th FYP") and the vision for 2035, the Company has outlined the Group's carbon reduction roadmap, setting climate change targets and corresponding action plans for 2021 to 2025, focusing on energy conservation and carbon reduction.

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 18,658.42 tonnes of carbon dioxide. <p>Low-temperature Heat Recovery</p> <ul style="list-style-type: none"> Sinochem Changshan actively organized the optimization of the process flow, recovering the heat energy carried away by the circulating cooling water in the production process. By improving the heat exchange process technology of the synthetic ammonia unit and optimizing the overall desalination water network balance, desalination water is used instead of circulating cooling water to cool the process gas. The recovery device recycles low-grade heat energy, increases the temperature of desalinated water, and reduces the heating steam for the boiler deaerator; The low-temperature heat recovery device was put into operation in February 2023, saving 10 tons/hour of steam and achieving an annual benefit of approximately RMB8 million. 	<p>Energy-saving Transformation</p> <ul style="list-style-type: none"> Sinochem Yunlong implemented the Low-temperature Residual Heat Recovery (HRS) project for sulfuric acid production, enhancing the heat utilization efficiency of the heat recovery system and reducing energy consumption. It is anticipated to achieve a CO₂ emission reduction of 38,000 tonnes per year; Sinochem Yunlong has made concerted efforts to promote the comprehensive utilization of phosphogypsum. Employing proprietary technology in phosphogypsum high-speed coupling disk granulation and double crystallization, following the successful construction and operation of a 50,000 tonnes per year pilot plant, optimization and integration have been undertaken for a 300,000 tonnes per year granular cementitious material plant. Concurrently, initiatives have been launched to utilize phosphogypsum in ecological restoration of abandoned mines. As of the end of 2023, the comprehensive utilization rate of phosphogypsum for the year reached 100%. 



SINOCHEM FULING

Environmental Relocation

- Sinochem Fuling’s environmental relocation project, involving a 200,000 tonnes per year synthetic ammonia facility, successfully passed a one-time 72-hour performance assessment. Production output, quality, and energy consumption all met contractual requirements, demonstrating a commitment to the protection of the Yangtze River through proactive environmental relocation.
- Through continuous optimization of safe production facilities, Sinochem Fuling has achieved the target output. Throughout this process, Sinochem Fuling continuously optimizes the production process, enhances safety measures, improves employee training, and ensures safety and efficiency throughout the production process.



SHANDONG FERTILIZER

Pollution and Carbon Reduction

- Since May 2023, the installed capacity of the Phase II photovoltaic project has increased from 400 kW to 2,779 kW, with an expected annual power generation of 3.5 million kWh.
- By substituting biomass pellets for coal as fuel and conducting trial combustion, an ideal unit consumption value has been determined to achieve the goal of energy saving and carbon reduction. It is anticipated that the substitution of biomass for coal will result in a CO₂ emission reduction of 12,000 tonnes per year.
- Shandong Fertilizer completed the retrofit of three hot air furnaces for low-nitrogen combustion at the beginning of 2023. After the retrofit, there has been a noticeable improvement in nitrogen oxide emissions from the hot air furnaces compared to before the modification. As of 2023, nitrogen oxide emissions have decreased by 8.12% compared to the emissions for the entire year of 2022.



Climate Risks

The Group recognizes that its operations are susceptible to climate-related risks, encompassing both transition risks and physical risks. Transition risks involve aspects such as enhancing the Group's production and product quality, shifts in customer preferences, and the costs associated with adopting low-carbon technologies. On the other hand, physical risks entail damage to operations or disruptions in the supply chain due to extreme weather events such as strong typhoons and floods. To effectively mitigate these climate change-related risks, the Group conducts annual risk identification exercises and formulates response and preventive measures to minimize environmental impacts. Furthermore, given the heightened frequency, scope, and severity of natural disasters globally, the Group continuously enhances its management systems to address climate change risks. The Group implements climate change-related measures, regularly reviews progress and performance, and enhances its explicit and efficient climate risk management system. Concurrently, Sinofert actively explores opportunities for improving its energy structure and implements various energy conservation and emission reduction projects to lessen its impact on climate change.

Sinofert has established effective mechanisms for prevention and emergency response, along with environmental emergency contingency plans. These include organizing training, education, and emergency drills to actively address risks posed by climate disasters to its operations and mitigate the impact of environmental incidents. Measures are also in place to prevent accidents such as leakage, explosions, and fires, including the monitoring of hazards as part of daily operations, and the formulation of prevention and control measures. In the event of an emergency, each department promptly activates emergency response mechanisms and strictly follows information reporting procedures. The emergency response team implements targeted rescue measures to minimize the environmental impact of any accidents. All subsidiaries have developed emergency response plans in accordance with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution to address various severely polluted weather conditions. When necessary, emergency emission reduction measures are adopted to mitigate the environmental impact of emissions resulting from our operations.



案例分享：事故應急演練



Sinochem Changshan launched emergency drill for liquid ammonia tank leakage.



Sinochem Yunlong conducted key equipment toxic and hazardous gas leak drills during the Reporting Period.



Shandong Fertilizer conducted a special emergency drill for major hazardous source accidents during the Reporting Period. The on-site drill included setting up five scenarios: accident alarm, personnel evacuation, spraying and decontamination, emergency plugging, and medical rescue. Additionally, a desktop drill was conducted for media response

and aftercare. Through the effective coordination of these five scenarios, employees gained further clarity on emergency rescue and evacuation procedures, thereby enhancing organizational coordination among emergency departments.

CASE STUDY: EMERGENCY DRILL



Sinochem Fuling conducted a comprehensive emergency rescue drill for sulfur dioxide exceeding emissions during the Reporting Period. The scenarios of the drill included the tripping of the tail gas circulation pump in the sulfuric acid production unit, resulting in the excessive emission of sulfur dioxide. This led to the diffusion of sulfur dioxide into surrounding areas such as the phosphate plant, new materials plant, and compound phosphate fertilizer plant. The drill involved the safe evacuation of personnel from the affected areas and the restoration of tail gas washing circulation pumps and production. Following the drill, the HSE department, in collaboration with the sulfuric acid plant, analyzed the issues identified during the drill and developed detailed corrective action plans. Additionally, systematic training was conducted on the correct usage procedures and maintenance of respiratory protection equipment.

Sinofert will continue to identify and seize opportunities brought by climate change, and actively explore the application of new environmental protection technologies and equipment, such as investing in bio-stimulants and bio-bacterial agents, and focusing on the research and development of soil conditioning products to maximize fertilizer utilization efficiency and enhance the core competitiveness of the enterprise.



ENVIRONMENTAL PROTECTION

Energy Management

To strictly comply with national laws, regulations, and policies on energy conservation and emissions reduction, as well as the Group's management requirements for energy conservation and emissions reduction, Sinofert has referenced to the Energy Conservation Law of the People's Republic of China, Regulations on Energy Saving Management of Key Energy-using Units, and other relevant legislation to develop a number of internal energy conservation and emissions reduction policies. These policies are aimed at further strengthening energy management, regulating energy use, and actively creating a resource-saving and environmentally friendly enterprise.

In November 2023, Sinofert revised its "Regulations and Measures for Energy Conservation and Emission Reduction of Sinofert", renaming it to "Regulations and Measures for Energy Conservation and Low Carbon Management of Sinofert". In the work of low carbon and emissions reduction, it follows the principles of "unified leadership, confirmed responsibilities, hierarchical management, classified guidance, and full participation." The Group has established an energy management system and an energy management leadership committee, with key personnel from various departments serving as members. These members are responsible for daily energy management tasks, with clear responsibilities to ensure the effective implementation of energy conservation management. Annually, the Group signs the HSE and energy-saving responsibility agreement, implementing energy conservation and emissions reduction targets at all levels, and incorporates the completion of energy-saving targets into the corporate performance evaluations. This includes level-by-level supervision, guidance, and evaluation, and the establishment of a reward and punishment system.

To promote low carbon technology transformation projects, Sinofert actively seeks state tax and financial support, and adheres to a procurement policy based on the principles of energy conservation, emissions reduction, and improving overall efficiency. It prioritizes purchasing high-efficiency energy-saving equipment and environmentally certified products to enhance energy efficiency and avoid resource waste. Moreover, the Group has a comprehensive energy conservation and emissions reduction statistical monitoring system in place to monitor energy consumption during product production in real time and advance the informatization of energy conservation and emissions reduction. Additionally, the Group has a sound energy conservation and emissions reduction education and training system. Based on this system, training is provided to every position and employee in subsidiary companies to strengthen energy conservation awareness and advocate for energy conservation and environmental protection concepts.





Sinochem Changshan and Sinochem Yunlong obtained ISO 50001 energy management system certifications in 2021; Shandong Fertilizer obtained ISO 50001 energy management system certification in 2022.

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

	2023	2022	Unit
Fuel consumption from stationary sources	1,722,660	2,180,634	MWh
Vehicle fuel consumption	1,049	923	MWh
Purchased electricity	463,498	393,876	MWh
Purchased steam	6,501	5,892	MWh
Total energy consumption	2,193,708	2,585,488	MWh
Intensity of energy consumption ²	0.69	1.92	MWh/tonne of product

¹ 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.

² The total product output of Sinofert is 3,178,966.98 metric tons for the Year.



ENVIRONMENTAL PROTECTION

	2023	2022	Unit
Scope 1 ³	1,671,996	1,484,747	tCO ₂ e
Scope 2 ⁴	267,231	241,609	tCO ₂ e
Scope 3 ⁵	1,075	1,072	tCO ₂ e
Total GHG emissions	1,940,302	1,727,428	tCO ₂ e
Total GHG emission intensity	0.61	1.28	tCO ₂ e/tonne of product

Emissions and Pollutants

Sinofert has always upheld compliant and transparent emissions management practices. During the Reporting Period, the Group focused on improving agricultural pollution control efforts, striving to achieve green development. To this end, the Group has formulated the following emission targets:

THE GROUP'S EMISSION TARGET

Compared to the 13th Five-Year Plan period, reduce chemical oxygen demand (COD) and ammonia nitrogen by 8%, and decrease sulfur dioxide and nitrogen oxide emissions by 10%.

TARGET PROGRESS

- In 2023, the main pollutants in wastewater decreased by 25% compared to the same baseline.
- The main pollutants in exhaust gas increased by 9.52% compared to the same baseline.

³ 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.

⁴ Scope 2 is disclosed based on the Group's monitoring data, which includes the Group's purchased electricity and purchased steam.

⁵ 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.

Exhaust Gas Management

Due to production, the Group acutely aware of the severe impact that air pollution has on the environment. The environmental pollutants primarily emanate from boiler combustion, production workshops, and vehicle exhaust emissions. In response, the Group implements stringent environmental management measures to control these pollutants, adheres strictly to the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution” and have established internal regulations such as the “Regulations and Measures for Energy Conservation and Emission Reduction of Sinofert”, tailored to the air pollutant emission standards for different industries such as industrial furnaces, thermal power plants, odor pollutants, and the petrochemical industry. These regulations assist the Group in actively pursuing environmental protection, energy conservation, and emission reduction measures. Additionally, the Group regularly engage a third-party environmental monitoring company with professional qualifications to conduct independent inspections of its plant sites. This ensures an objective and practical approach to supervising the pollutant emissions in the production workshops, thereby ensuring the Group meets relevant environmental management requirements.

Sinofert has equipped all production workshops with standard-compliant smoke detection equipment and automatic monitoring facilities to collect real-time information on the emission levels of air pollutants such as sulfur dioxide (SO₂), nitrogen oxides (NO_x), and particulate matter (PM). This includes the real-time monitoring of emissions from sulfuric acid equipment, nitrogen fertilizer equipment, ammonium phosphate equipment, and compound fertilizer equipment using flue gas and environmental data collection instruments. Additionally, the Group routinely inspects and maintains our monitoring equipment and facilities to ensure the smooth operation of our emission systems.

During the Reporting Period, the air pollutant emissions situation for the Group is presented in the following tables⁶:

	2023	2022	Unit
Production⁷			
Sulfur oxides (SO _x)	311	224	Tonnes
Nitrogen oxides (NO _x)	257	360	Tonnes
Particulate matter (PM)	128	77	Tonnes
Vehicle use⁸			
Sulfur oxides (SO _x)	0.002	0.001	Tonnes
Nitrogen oxides (NO _x)	0.180	0.366	Tonnes
Particulate matter (PM)	0.01	0.01	Tonnes

⁶ Air pollutant emissions include emissions from production processes and vehicle use. In 2023, 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.

⁷ The year-on-year change in air pollutant emissions from production is mainly due to the increased production output of Sinochem Fuling.

⁸ The year-on-year change in air pollutant emissions from vehicle use is mainly due to the overall increase in the overall vehicle usage.



ENVIRONMENTAL PROTECTION

Wastewater (sewage) Management

To minimize the impact on the aquatic environment and ecosystems, the Group strictly adheres to the laws and regulations related to wastewater discharge. The Group also complies with the applicable standards for discharging pollutants into water based on industry characteristics, including but not limited to the “Synthetic Ammonia Industry Water Pollutant Emission Standards”, “Comprehensive Wastewater Discharge Standards”, and “Phosphate Fertilizer Industry Water Pollutant Emission Standards”, ensuring wastewater discharge of the Group meets regulatory requirements.

All Sinofert’s plants are equipped with wastewater treatment facilities aimed at reducing wastewater discharge. The Group employs various wastewater treatment technologies, such as biochemical reactions, aerobic and anaerobic processes, to purify the workshop wastewater through adjustment, sedimentation, and filtration. After onsite treatment, the wastewater generally meets the discharge standards and is eventually discharged into nearby water bodies. If necessary, the Group collaborates with qualified treatment institutions for secondary wastewater treatment. Furthermore, the Group has installed pollutant monitoring systems at each wastewater discharge point to continuously and real-time monitor the chemical oxygen demand (COD), ammonia nitrogen (NH₃-N), pH levels, and the flow of wastewater. Should any abnormalities arise, the Group will address them promptly to ensure all facilities comply with national or regional laws, standards, and requirements.

During the Reporting Period, the wastewater discharge situation for the Group is shown in the following table:

	2023	2022	Unit
Water pollutants			
Chemical oxygen demand (COD)	48.72	64.63	Tonnes
Ammonia nitrogen (NH ₃ -N)	6.02	10.30	Tonnes

Waste Management

The Group strictly adheres to the relevant waste management laws and regulations of the People’s Republic of China, including the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”, “Environmental Protection Law of the People’s Republic of China”, “National Hazardous Waste List”, “Standards for Pollution Control of Hazardous Waste Storage”, “Law of the People’s Republic of China on Promoting Cleaner Production”, and “Regulations on the Management of Pollutant Discharge Permits”, to ensure compliant disposal of all hazardous and non-hazardous waste. The Group will continue to optimize the waste management system and strive to achieve its established waste reduction targets.

THE GROUP'S WASTE REDUCTION TARGET

Actively responding to the 14th Five-Year Plan and the 2035 Vision Plan, the Group is continuously reducing the generation and disposal of hazardous and non-hazardous waste, and accelerating the establishment of a recycling system for waste materials.

TARGET PROGRESS

- The total amount of hazardous waste generated was 92,196.15 tonnes, with a recycling amount of 92,206.03 tonnes⁹, achieving a recycling rate of 100%.
- The total amount of non-hazardous waste generated was 2,509,650 tonnes, with a recycling amount of 1,556,858 tonnes, achieving a recycling rate of 62%.

To enhance waste reduction and the harmless disposal of waste, the Group rigorously enforces internal management measures, including "Sinofert's Environmental Protection Management Measures" and "Sinofert's HSE Risk Management and Control Standards for Hazardous Chemicals". Each subsidiary, in line with the internal management classification system, carries out targeted waste classification management and handles the collection, storage, transportation, and recycling of various types of waste. The Group also implements measures to prevent diffusion, runoff, and leakage, thereby averting environmental pollution. For hazardous waste, the Group relies on units with the requisite qualifications for its sensible utilization, disposal, and management to prevent secondary pollution. The Group places a high priority on controlling environmental risks during waste treatment. Moreover, each subsidiary is required to accurately report the annual hazardous solid waste disposal status in the internal HSE information system to ensure complete and accurate record-keeping. This aids in monitoring and evaluating the effectiveness of waste management and promptly implementing necessary improvements.

The Group is committed to the proper handling of waste to reduce its environmental impact. Hazardous waste is stored at designated sites and collected and processed by qualified contractors. Similarly, non-hazardous waste is also centrally stored and treated according to relevant methods. Beyond complying with regulatory requirements for hazardous and non-hazardous waste disposal, the Group is dedicated to enhancing the rate of recycling. For instance, the Group recycles residual materials such as steel and sulfur slag, and sell other recyclable items like phosphorus slag powder for use in fertilizer manufacturing.

⁹ Some hazardous waste generated in 2022 was recycled in 2023, resulting in a higher amount of hazardous waste being recycled than the total amount in 2023.



ENVIRONMENTAL PROTECTION

During the Year, the generation and disposal of hazardous and non-hazardous waste by the Group are presented in the following table¹⁰:

	2023	2022	Unit
Hazardous Waste			
Mineral Oil	25.24	28.15	Tonnes
Catalyst	202.02	367.32	Tonnes
Battery	1.71	17.33	Tonnes
Chemical Reagent	1.57	2.80	Tonnes
Heat Insulation Cotton ¹¹	26.90	2.52	Tonnes
Paint Bucket	7.96	17.65	Tonnes
Chemical Reagent Packaging Containers	2.55	1.85	Tonnes
Fiberglass Reinforced Plastic	0.00	5.10	Tonnes
Fluorosilicic Acid	91,873.87	94,474.01	Tonnes
Activated Carbon ¹²	49.32	0.18	Tonnes
Waste Resin	2.01	/	Tonnes
Waste Paint	3.00	/	Tonnes
Total hazardous waste	92,196.15	94,917	Tonnes
Total hazardous waste intensity	0.03	0.07	Tonnes/tonne of products
Non-hazardous Waste			
Phosphogypsum	2,384,801	1,194,536	Tonnes
Phosphorus Slag Powder	14,710	34,147	Tonnes
Coal Ash	72,689	73,499	Tonnes
Waste Steel	492	1,887	Tonnes
Slag	35,488	35,863	Tonnes
Sulfur Slag	319	173	Tonnes
Plastic	1,151	520	Tonnes
Total non-hazardous waste	2,509,650	1,340,625	Tonnes
Total non-hazardous waste intensity	0.79	0.99	Tonnes/tonne of products

¹⁰ Sinofert's hazardous waste includes waste mineral oil, waste catalyst, batteries, waste chemical reagents, thermal insulation cotton, paint buckets, chemical reagent packaging containers, fiberglass reinforced plastic, fluorosilicic acid, activated carbon, waste resin, and waste paint. All hazardous wastes are disposed of and treated by qualified units. Non-hazardous waste includes phosphogypsum, phosphorus slag powder, coal ash, waste steel slag, sulfur slag, and plastic. Phosphogypsum is disposed of internally by suitable disposal methods or by qualified units. Other non-hazardous wastes are recycled and treated by qualified units or used in fertilizer production.

¹¹ The increase in the usage of heat insulation cotton is mainly due to the addition of anticorrosion and insulation projects and process improvements at Sinochem Yunlong.

¹² The increase in the usage of activated carbon is mainly due to the phosphoric acid equipment at Sinochem Fuling.

Resources and Recycling

Following Sinofert's strategic development plan, the Group actively embodies the five major development concepts of innovation, coordination, green, openness, and sharing, dedicating to building a green ecological industrial system and promoting the development of a circular economy. For instance, the Group have initiated comprehensive solutions for the utilization of phosphogypsum, achieving efficient recovery of fluorine and graded utilization of phosphorus. The Group has also upgraded technologies in sulfuric acid production through sulfur burning and in flotation devices, continually enhancing the level of automation.

In terms of resource management, the Group pays special attention to the utilization of water resources and packaging material management, which are crucial for minimizing the environmental impact of our entire industry chain activities. The Group strictly adheres to the "Sinochem Fertilizer Energy Conservation and Emission Reduction Management Measures" regarding the use of water resources. The Group actively implements comprehensive water resource utilization projects, reduce or cease the use of products that waste water resources, strengthen the monitoring of water resource utilization in the production process, increase the reuse rate of water resources, and reduce the consumption of fresh water. Furthermore, based on the "Sinochem Fertilizer Environmental Protection Management Measures" concerning raw materials, the Group continuously urges production enterprises to improve their designs, use clean raw materials, reduce pollution at the source, and enhance resource utilization efficiency, thus embodying the concept of a circular economy. Overall, the Group actively promotes the implementation of "closed-loop management" to maximize resource recovery and reuse.

Water Resources¹²

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

- The new water consumption decreased from 6,962,042 m³ year-on-year to 6,693,668 m³; the recycled water volume decreased from 212,051,389 m³ year-on-year to 102,644,885 m³. This change is mainly due to the commissioning of the Sinochem Yunlong sulfuric acid low-temperature waste heat recovery (HRS) project, which reduced the consumption of sulfuric acid circulating water. Additionally, balancing the production loads of sulfur-burning boilers and cogeneration boilers led to a decrease in total water consumption.

¹² Sinofert's water consumption comes from the municipal water network and there are no difficulties in sourcing water.



ENVIRONMENTAL PROTECTION

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. These data and evaluation reports are submitted to the Group's headquarters, which assesses the company or individual's water use performance based on an internal water-saving reward and penalty mechanism, providing corresponding rewards or penalties. The Group also promotes water conservation awareness among employees through active publicity and education. Moreover, to reduce the impact of production operations on water resources and alleviate the pressure of water scarcity, the Group continues to seek innovative technological breakthroughs to further enhance the recycling rate of water resources.

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

	2023	2022	Unit
Newly produced water consumption	6,693,668	6,962,042	m ³
Newly produced water intensity	2.11	5.16	m ³ /tonne of products
Recycled water consumption	102,644,885	212,051,389	m ³

Packaging Materials

The Group adheres to the principle of reducing environmental damage and makes every effort to avoid excessive production and procurement. When considering the impact of packaging materials on human health and the environment, the Group prioritizes the use of non-toxic, harmless, easily degradable, or recyclable packaging materials. In order to make reasonable use of product packaging materials, avoid excessive packaging and waste, and improve the recycling rate of packaging materials, the Group continues to refine the packaging material management practices and disclose the total consumption of packaging materials.

During the Reporting Period, the Group's use of packaging materials is as follows:

	2023	2022	Unit
Total packaging materials used ¹⁴	3,101	2,479	Ten Thousand-pieces
Packaging material intensity ¹⁵	9.75	18.39	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

The excessive and improper use of fertilizers can lead to a range of environmental issues, including soil health degradation and ecological damage. In response to soil health concerns, the Group has steadily expanded its R&D team, consistently increased R&D investment, further enhanced R&D capabilities in this field, continuously improved fertilizer use efficiency, improved soil health, and achieved breakthroughs in biological formulations and “Bio+” fertilizer products. The Group has also partnered with institutions like the Chinese Academy of Agricultural Sciences to establish the national-level R&D platform “National Engineering Research Center for Farmland Protection”, where the Group carried out technical research and integrated development in the three major directions of “biotechnology – soil health – nutrient efficiency”.

The Group remains committed to developing high-quality fertilizers to ensure the stability of the food supply chain. Through actively advancing the research and application of microbial agents and organic products that regulate soil biological functions, the Group helps promote the development of modern agriculture in China. In January 2023, the Group, in collaboration with the Soil and Fertilizer Institute of the Chinese Academy of Agricultural Sciences and China National Chemical Corporation, applied for the project “Innovation and Application of Green Enhancement Technologies for Bulk Fertilizers”, winning the “Second Prize for Scientific and Technological Progress” from the China Petroleum and Chemical Industry Federation. The Group’s research and application of this technological achievement are of great significance, making a significant contribution to the green and sustainable development of China’s phosphate resources and the phosphate fertilizer industry.

During the Reporting Period, the Group actively conducted soil self-monitoring and soil hazard investigations to protect natural resources and biodiversity, ensuring that Sinofert’s business operations are not adversely affected. The Group is dedicated to researching green agricultural planting techniques and popularizing technologies such as side-deep fertilization, integration of water and fertilizer, microbial complex formulation, coupling of bacterial and chemical fertilizers, and soil improvement, to help improve soil quality and avoid soil environmental damage. Additionally, the Group has over 400 technical service personnel who are stationed at the grassroots level to guide customers and farmers in the correct use of fertilizers, assisting them in selecting the appropriate fertilizer products and calculating the amount of fertilizer needed, thereby improving fertilizer use efficiency and crop yield.





QUALITY PRODUCTS

Under the premise of ensuring safety and quality and complying with laws and regulations, the Group continues to innovate and develop, committed to providing customers with higher quality and safer fertilizer products.

Product Responsibility

The Group strictly adheres to the “Product Quality Law of the People’s Republic of China” and other relevant laws and regulations. By establishing internal systems such as “Sinochem Fertilizer Health, Safety, and Environmental Protection Management Regulations” and “Sinochem Fertilizer Product Quality Management System”, the Group centralizes management and implement hierarchical control over product health and safety, as well as product quality. This ensures that the quality of procurement, production, and marketing processes meets the requirements, guarantees the effective operation of the quality system, clarifies product quality management responsibilities, and enhances both product quality and corporate image. Moreover, the Group 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 is dedicated to continuously improving the quality management system, integrating innovative technologies, processes, and facilities to meet the requirements of national quality safety regulations and related industry standards. The Group addresses product quality issues with caution to ensure the health and safety of product usage. Based on product categories, our subsidiaries have established internal corporate standards that are as stringent, if not more, than national standards. In the “Sinochem Fertilizer Product Quality Management System” of the Group, the quality management departments of the subsidiaries are responsible for setting technical indicators for product quality, control indicators, and analysis plans. Products that do not meet quality standards are not allowed to proceed to the next stage, and the responsible departments or personnel will investigate and rectify the causes of non-conformance. Both the Group and its subsidiaries have specialized laboratories to inspect and analyze each batch of products, strictly control product quality, and ensure compliance with factory requirements. If products that do not meet the standards are found to be shipped, the Group will immediately initiate recall procedures to retrieve the products. The Group will also continue to optimize the overall quality management system through quality management publicity, education, and operational training on the quality control management system for the relevant responsible personnel.

Regarding the control and management of non-conforming products, Sinofert has established the “Non-conforming Product Management Procedures”. This system outlines the control and handling processes for non-conforming products, including:

1. Subsidiary laboratories conduct inspections according to the “Inspection Plan”. If finished products fail inspections (including ecological indicators like arsenic, chromium, lead, cadmium, mercury), the entire batch is deemed non-conforming, and a “Non-conforming Product Disposal Form” must be completed;

2. Non-conforming products are reviewed, disposed of and recorded according to the “Non-conforming Product Disposal Form”;
3. Non-conforming products are immediately isolated and marked for identification;
4. The cause analysis and corrective measures are documented in writing.

During the Reporting Period, there were no incidents of product recalls due to safety and health reasons within the Group.

Quality Control on Fertilizers

To enhance the fertilizer quality inspection process, the Group has established a comprehensive quality inspection procedure covering all aspects, including raw material procurement, production process, in-process inspection, logistics and storage, sales tracking, and product incident handling. Each subsidiary has a dedicated quality management department responsible for full-process and segmented control of internal and external quality management, ensuring the quality inspection process and outcomes are controlled. The Group implements a quality control indicator target system, specifying the Group’s key quality indicators and conducting periodic tracking and assessments of the quality indicator performance results.

During the Reporting Period, there were no violations related to product quality in production and processing within the Group.



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



QUALITY PRODUCTS

Compound (Composite) Fertilizer Test	Urea Phosphate Fertilizer (Monoammonium Phosphate, Phosphoric Acid II) Test
<p>Implement “Sinofert Compound Fertilizer Enterprise Standard” (stricter than the GB 15063 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 2023, Sinofert continued to strengthen scientific research and innovation, steadfastly advancing the “Bio+” strategy, enhancing fertilizer nutrient utilization, reducing carbon emissions, and promoting soil health through R&D innovation. The Group focuses on tackling key foundational technologies such as bio-stimulants and microbial agents, and developing biotechnological products. At the same time, the Group actively promotes new products in the market. The Group continues to enhance R&D capabilities by hiring experts from the Chinese Academy of Agricultural Sciences, China Agricultural University, and the Chinese Academy of Sciences as chief scientists to improve research in plant physiology, molecular biology, and synthetic biology, and accelerate the construction of an R&D system integrating nutrient efficiency, soil health, and bioformulations. We implement an integrated mechanism of research, production, and marketing to promote the industrialization and market launch of multiple “Bio+” products such as the bio-formulation “Youliangmei”, bio-compound fertilizer “Kedefeng”, and bio-phosphate fertilizer “Sandameilinmei”.

The Group strictly adheres to the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and other relevant intellectual property laws and regulations. The Group has established and implemented internal control systems such as the "Sinofert Scientific Research Project Management Measures", "Sinofert Technology Management Measures", and "Sinofert Patent Management Measures". Strict compliance with these laws helps prevent and protect the Group's intellectual property, mitigating risks from intellectual property issues and ensuring the Group maintains strong market competitiveness. These internal policies protect the Group's high-quality patents and promote high-quality development. To implement these internal policies, Sinofert has established full-time and part-time intellectual property positions at both the Group and subsidiary levels, responsible for the protection and management of intellectual property rights, regularly checking for potential infringements, and standardizing the protection of intellectual property rights.

Customer Rights and Services

To enhance customer experience and satisfaction, Sinofert has established a comprehensive customer service system responsible for handling quality complaints and customer feedback. Through effective working mechanisms and strengthening departmental responsibilities, the Group maintains open communication with customers to meet their needs. For instance, customers can report product issues or raise queries on the website of the distribution network. If complaints cannot be resolved through communication, the Group will organize relevant units to provide technical consultation for customers, or even conduct on-site investigations or technical services, offering necessary explanations and reassurance. During the Reporting Period, the Group received 33 complaints regarding products and services, with a resolution rate and customer satisfaction rate of 100%.

Customer information is an extremely important asset for the Group and a key business secret. The Group strictly comply with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other relevant laws and regulations. In accordance with the "Sinochem Agriculture Fertilizer Business Customer Management Measures", the Group ensures the accuracy and completeness of customer information. Unauthorized disclosure of customer information is prohibited. The management of customer information, whether in paper or electronic form, follows the "Documentation Management Measures" for proper archiving and storage. Leakage of customer data can adversely affect the enterprise, customers, and other stakeholders. To ensure the accuracy and completeness of customer information, the Group conducts annual reviews and verifications. Business departments also organize regular or irregular checks and revisit to verify customer information and timely capture customer needs and feedback. The results of spot checks and revisits are documented by the Group.



QUALITY PRODUCTS

Product Labelling and Advertising

To avoid dissemination of false information, Sinofert strictly adheres to 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. The Group has also formulated the "Sinofert Packaging Entry Management Measures" to regulate labels and information on product packaging and any promotional content, strengthening market management. The Group requires that product packaging and promotional designs comply with national standards and clearly display product effects and usage methods to reassure consumers and firmly avoid exaggerated or misleading promotions. Subsidiaries must strictly follow the "Sinofert Domestic Compound Fertilizer Product Entry and Exit Management Measures" for preliminary work and efficacy verification before developing product packaging and promotion plans. The marketing department coordinates and organizes online advertising strategies for the Group's brands and products. To ensure compliance with product packaging and promotions, advertising plans released by subsidiaries must be reviewed by the marketing department, which demands corrections if discrepancies are found. Furthermore, the Group strictly follows the "Sinofert Customer Management Measures" for product packaging labeling to prevent unclear brand markings or inconsistencies with packaging. The Group also regulates the construction and maintenance standards of terminal sales stores according to the "Sinofert Sales Store Management Measures", enhancing control over sales channels. If anomalies are found in production or after-sales, the quality and technology department and sales management department are authorized to trace the source and provide feedback to customers.

PEOPLE-ORIENTATION

Sinofert upholds the philosophy of “human resources are the most important resources of the Company, mutually enhancing enterprise and employee’s values”. The Company considers employees as the Group’s most valuable resources, supporters of business development, and promoters of the third venture. To achieve mutual growth between the company and employees, the Group is committed to consistently caring for our employees. From the moment employees join until they retire, the Group is dedicated to creating a warm, reliable, enjoyable, and efficient working environment. At the same time, the Group actively enhances employees’ management skills and professional levels, aiming to build an outstanding team. In 2023, as the domestic fertilizer market gradually opens and the Group faces the challenges of market competition, Sinofert and its employees will face difficulties head-on and fight bravely. In the future, the Group will continue to build a team with high combat effectiveness and cohesion, retaining and attracting more key talents.

Protecting the rights of our employees

Sinofert insists on legal employment, focusing on the protection of employee rights, comprehensively safeguarding employees’ rights in areas such as equal employment and democratic management, promoting diverse talent development, and providing strong support for the sustainable development of the Group.



Achieving employee’s values

Sinofert continues to increase investment in employee training, constantly enhancing employees’ business capabilities, broadening their career development space, and maximizing employee value.



Fostering employee’s sense of belonging

Sinofert implements the “people-oriented” concept, strengthens corporate culture construction, fully cares for employees, reduces employee turnover rate, 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. The Company believes that a strong and united team is integral to Sinofert’s sustainable development. Therefore, the Group is 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. The Group’s employment management system focuses on the following:



<p>Recruitment, dismissal, and promotion</p>	<p>Recruitment and dismissal</p> <p>The Group strictly adheres to the Labor Contract Law of the People’s Republic of China, the Labor Law of the People’s Republic of China, the Regulations on the Implementation of the Labor Contract Law of the People’s Republic of China, and other relevant laws, regulations, and policies that have a significant impact on the Group. Internal policies such as “Sinofert Employee Relationship Management Measures” to protect employee rights and interests, including equal opportunities, health and safety, competition, a merit-based recruitment and employment mechanism, and employee rights, and to eliminate any form of child labor and forced labor has been established. The Group prohibits any work by employees that is involuntary or poses safety hazards. All subsidiaries comply with legal requirements in paying employee wages and overtime compensation, with working hours and holidays regulated by national laws.</p> <p>The Group lawfully manages labor relations with employees, eliminating all forms of forced labor. During the recruitment process, employees are free to sign labor contracts of their own volition and has the right to resign. The Group strictly follows the national regulations against child labor. The Human Resources Department rigorously verifies applicants’ identification during recruitment to ensure they meet the legal working age. If child labor is discovered, the Group will terminate employment immediately and establish a special team to investigate, identify gaps, and implement remedial measures. The Group will refine its policies and carry out preventative and investigative measures to prevent recurrence.</p> <p>Promotion</p> <p>The Group upholds principles of openness, equality, competition, and meritocracy in personnel selection and promotion. Employees are promoted based on performance and ability, and positions are adjusted accordingly. To meet the changing needs of the Company and business development, the Human Resources Department regularly revises and adjusts the company-wide position and rank system based on market conditions and business performance.</p>
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<p>Equal opportunity, diversity, and anti-discrimination</p>	<p>The Group strictly follows the Law of the People’s Republic of China on the Protection of Women’s Rights and Interests and the Law of the People’s Republic of China on the Protection of Disabled Persons, among other relevant laws and regulations. The Company is committed to building a diverse talent team, ensuring all employees are treated equally regardless of age, gender, religious belief, skin color, physical disability, and cultural background. To achieve this, the Group has established a comprehensive democratic management system to ensure employees’ rights to information, expression, and supervision are protected. The Group is attentive to employees’ grievances, actively addressing their needs and feedback. In protecting the rights of female employees, the Group adheres to the principle of equal pay for equal work between men and women, ensuring fair compensation for female employees and prohibiting their employment in hazardous mining work.</p>
<p>Remuneration, benefits, and other welfare</p>	<p>The Human Resources Department of the Group has formulated “Sinofert’s Regulations on Remuneration and Benefits” policy to optimize the structure of employee remuneration and benefits. This policy covers basic salaries, other allowances (where applicable), annual bonuses, mandatory provident funds, and state-managed retirement benefit schemes. The Group aims to establish a fair remuneration structure, aligning key employees’ interests with Sinofert’s performance and shareholder value, balancing short-term and long-term interests, and ensuring overall remuneration competitiveness. The importance of a position determines its pay scale; the more critical the role, the higher the proportion of performance-related bonuses in direct compensation. This policy is designed to attract, retain, and motivate the talent needed for Sinofert’s operations while avoiding excessive incentives. Sinofert conducts annual reviews of its remuneration policy and consults with professional advisors as necessary to ensure our remuneration policy remains fair internally and competitive externally, enhancing employees’ sense of belonging and supporting the Group’s long-term business development.</p>
<p>Working hours and rest periods</p>	<p>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.</p>



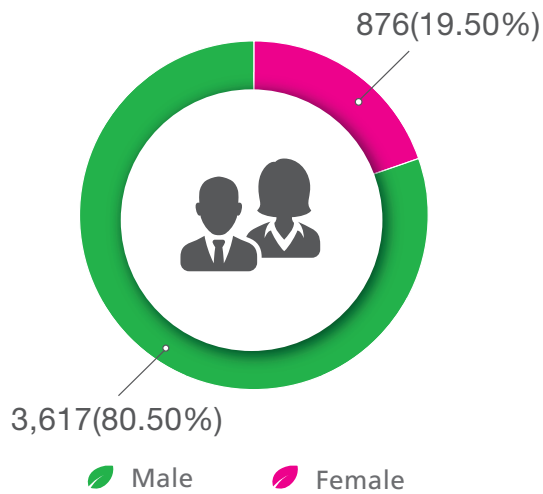
PEOPLE-ORIENTATION

Sinofert adheres to the following laws and regulations related to compensation, termination, recruitment, promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, other benefits and welfare as well as corresponding laws and regulations involving other regions (including but not limited to):

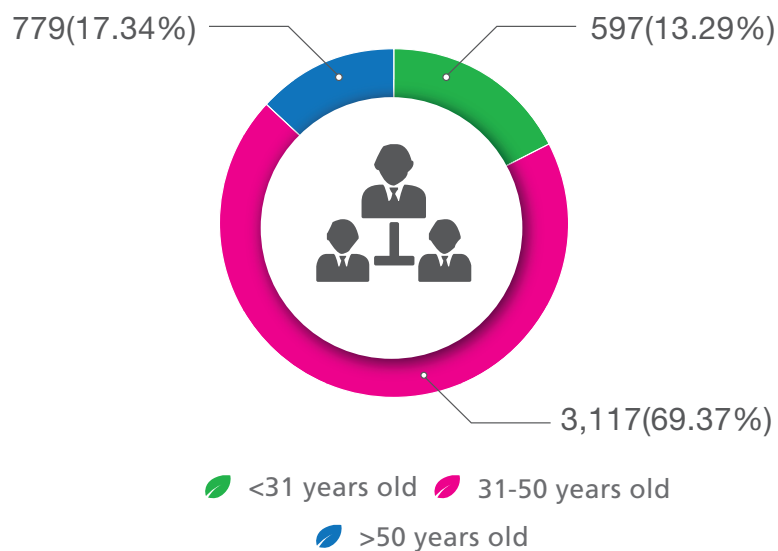
- Labor Contract Law of the People's Republic of China
- Labor Law of the People's Republic of China
- Implementation Regulations of the Labor Contract Law of the People's Republic of China
- Law of the People's Republic of China on the Protection of Women's Rights and Interests
- Law of the People's Republic of China on the Protection of Disabled Persons
- Regulations on the Employment of Persons with Disabilities
- Labor Dispute Mediation and Arbitration Law of the People's Republic of China
- Provisions on the Prohibition of Child Labor
- Regulations on the Employment of Children
- Regulations on the Employment of Young Persons (Industry)
- Law of the People's Republic of China on the Protection of Minors

During the Reporting Period, Sinofert has a total of 4,493 employees, all of whom were full-time employees. The number of employees and turnover rate by gender, age group, geographic location and type of employment are shown in the following charts:

The number and percentage of workforce by gender

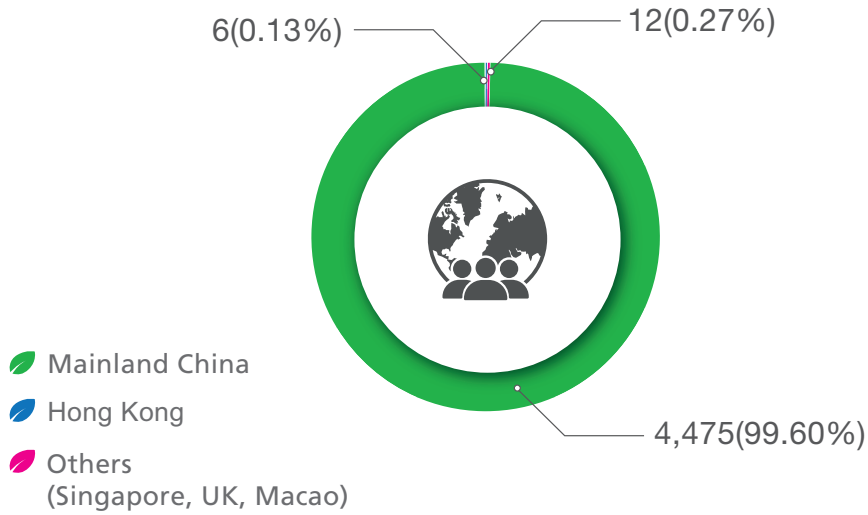


The number and percentage of workforce by age

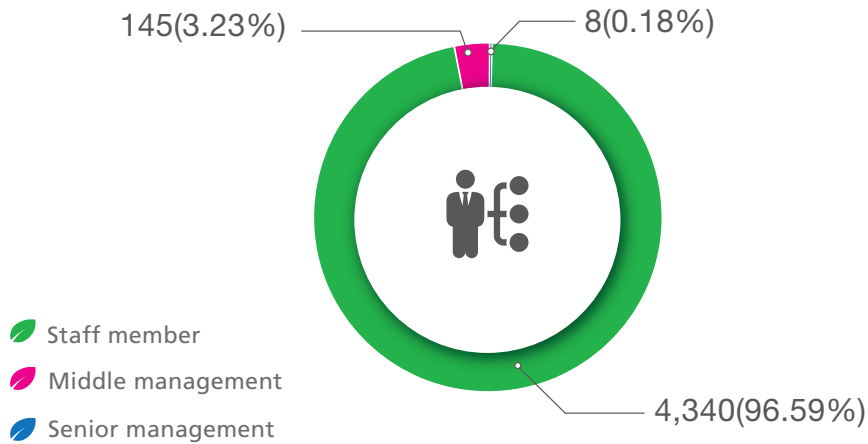


PEOPLE-ORIENTATION

The number and percentage of workforce by geographic location



The number and percentage of workforce by type of employment



Employee turnover rate ¹⁶		
Indicators	2023	
Gender	Number	Ratio
Male	260	7.19%
Female	60	6.85%
Age Group	Number	Ratio
< 31 years old	66	11.06%
31 – 50 years old	207	6.64%
> 50 years old	47	6.03%
Geographic Location	Number	Ratio
Mainland China	318	7.11%
Other regions	2	11.11%

Safety and Health

To ensure a healthy, safe, and environmentally friendly work environment, Sinofert adheres to the occupational health work policy of “prevention first, integrated prevention and control, and comprehensive management”. The Group enforces the implementation of relevant laws and regulations, including the “Law of the People’s Republic of China on Work Safety”, “Fire Control Law of the People’s Republic of China”, “Emergency Response Law of the People’s Republic of China”, “Regulations on the Safety Management of Hazardous Chemicals”, “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases”, “Provisions on the Supervision and Administration of Occupational Health at Work Sites” by the National Health Commission, and “Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance” by the Ministry of Emergency Management. The Group has established a management system of “corporate responsibility, hierarchical management, and periodic assessment” to ensure the effective implementation of occupational health work. This Year, the Group continues its efforts to achieve the following objectives: “no production accidents of a significant level or above, no environmental accidents of level IV and above, and no occupational diseases hazard accidents”. These efforts aim to maintain the stable development of the enterprise and ensure a healthy, safe, and environmentally friendly working environment.

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



PEOPLE-ORIENTATION

Sinofert, being the main entity responsible for occupational health and safety, the principal person in charge is fully responsible for the occupational health and safety work at the Group's workplaces. To ensure smooth operations, the Group takes the following measures: establishing an occupational health management system, designating the HSE and Industrial Management Department to be in charge of occupational hazard prevention and control work; appointing professional occupational health management personnel; assigning the Human Resources Department and the union to assist in supervision and management, and ensuring employee safety at work. At the same time, the Group strictly follows internal policies such as "Sinochem Fertilizer's Occupational Health Management Measures", "Sinochem Fertilizer's Health and Safety Production Management Measures", "Sinochem Fertilizer's Health, Safety, and Environmental Protection Management Regulations", "Sinochem Fertilizer's HSE Education and Training Management Standards", "Sinochem Fertilizer's Chemical Process Safety Control Standards", "Sinochem Fertilizer's HSE Accident Emergency Management Specifications", etc., to minimize occupational safety and health risks. To ensure the smooth progress of work, the Group also focuses on warnings and notifications, project reporting, monitoring and evaluation, accident handling and reporting, and emergency rescue and management.



Shandong Fertilizer, Sinochem Changshan and Sinochem Yunlong have obtained ISO 45001 Occupational Health and Safety Management System Certification.

Culture of Safety

Sinofert provides occupational health and safety training for employees at all levels annually, in accordance with relevant internal regulations. This includes training for executives, managers, and operational staff, with content tailored to actual conditions and training materials developed to establish a comprehensive and standardized training system. The training covers topics related to occupational health and safety, such as the use of personal protective equipment, fire safety management, interpretation of occupational health laws and regulations, and emergency rescue procedures for acute occupational injuries.

During this Reporting Period, the number of employees who participated in safety training organized by the Group reached 59,842, with a total of 246,503 hours of safety training conducted.

Additionally, through organized rest and work management, training, information communication, and drills, the Group enhances employees' understanding of occupational health and safety, strengthen their self-protection awareness, and strive to prevent occupational safety incidents, ensuring their occupational health and safety.

During this Reporting Period, the Group experienced three safety-related incidents. One contractor's employee died from a fall at height and the incident resulted in a fine of RMB400,000; an employee died due to an evaporator pipe deflagration; and a fine of RMB30,000 was paid for lack of safety warning signs in the workplace. The Group conducts thorough investigations into each incident to understand the fundamental causes of accidents and actively takes corrective measures to prevent future occurrences.



PEOPLE-ORIENTATION

During the Reporting Period, the Group experienced one work-related fatality. The following are the number and rate of work-related fatalities and the number of lost workdays due to work injuries for the Group over the past three years (including this year):

Indicators	2023	2022	2021	Unit
Number of work-related fatalities	1	0	0	Person
Rate of work-related fatalities	0.02%	0	0	Percentage
Lost days due to work injury ¹⁷	276	10	55	Day

The Group places great emphasis on the safety and health of our employees, participating in work injury insurance and paying the related expenses for all employees as required by law. Furthermore, the Group has strengthened its safe production work system to ensure the safety and health of the work environment. The Group has established the “Sinochem Fertilizer HSE Hidden Danger Management Standard” and actively carries out various hidden danger investigations. The Group pays close attention to safety issues related to fire safety and the handling of hazardous chemicals. Once any suspicious hidden dangers are discovered, the relevant departments will eliminate them after timely inspection and verification to ensure the safety of the workshop. Additionally, the Group entrusts technical service organizations with the necessary qualifications to conduct at least one occupational hazard factor detection annually. For subsidiaries or departments with serious occupational hazards, the Group conducts an occupational hazard status assessment at least once every three years and address and rectify the identified issues.

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.

Caring For Our Employees

While the Group helps employees improve their training plans and career development paths, it also pay great attention to their physical and mental well-being and provide a variety of activities to enrich their leisure life and enhance employee satisfaction.

CASE STUDY: SINOCHEM CHANGSHAN CHESS AND GO TOURNAMENT

The Group values providing a work-life balance for its employees. During the Reporting Period, Sinochem Changshan organized chess and Go tournaments to enrich employees' cultural life after work and provide ample opportunities for communication among enthusiasts of these games.



CASE STUDY: SINOCHEM CHANGSHAN 2023 EMPLOYEE BASKETBALL TOURNAMENT

During the Reporting Period, the Group continued the tradition from previous years and organized the highly popular employee basketball tournament. The aim was to alleviate physical and mental stress among employees, foster teamwork, and enable employees to engage in their work with a stronger physique and a better spirit.



PEOPLE-ORIENTATION

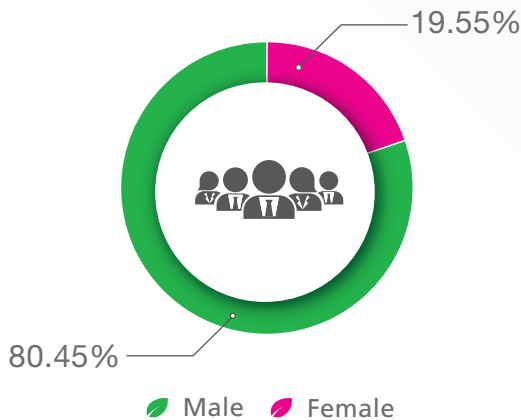
Staff Training and Development

Sinofert firmly believes in the indivisible link between individual employee progress and corporate development. The Group value and respects each employee's individuality and desires, advocating for equal development opportunities for everyone and placing full trust in our employees while empowering them accordingly. The Group integrates Sinofert's business strategy and core organizational capabilities closely, continuously optimizing the talent development system with a focus on "leadership echelon construction as the guide, the cultivation of four core teams as the wings, and the Xianzhi and Xingyuan programs as the driving force", providing employees with diverse career development paths.

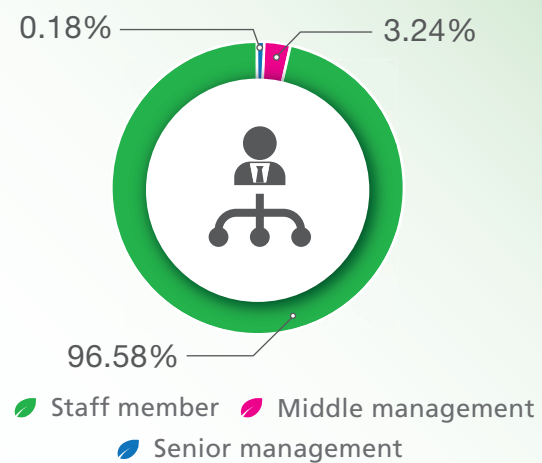
To promote the steady development of the entire industrial chain, Sinofert actively enhances the comprehensive qualities and professional skills of all employees, realizing individual employee development and the Group's talent competitiveness. The Group strictly implements the "Sinochem Fertilizer Training Management Measures" and the "Sinochem Fertilizer Internal Trainer Management Measures", strengthening and standardizing the Group's training work. The Group establishes a scientific, reasonable, systematic, and effective talent development, cultivation, and training system, creating a learning organization that enhances the overall abilities and qualities of employees, ensuring the effective implementation of the Group's talent strategy. At the same time, the Group fully explores internal resources, accumulates and passes on the company's internal professional knowledge, provides course guarantees for internal talent cultivation within the Group, and standardizes the selection, cultivation, and motivation of internal trainers. The Group combines the characteristic businesses of each operational region to provide training content covering industry development, strategy implementation, organizational capacity building, corporate culture, leadership enhancement, marketing management, innovation methods and tools, policy interpretation, new media operations, technical exchanges, compliance risks, finance, human resource management, safety production, and general skills. The Group has also established the Pioneer Camp online learning platform, motivating employees to continuously learn knowledge related to industry development through various functional designs, diverse and integrated learning projects, and rich course content and operational activities. Moving forward, the Group will continue to prioritize employee training and development, enhancing the professional skills and standards of employees and improving the enterprise's comprehensive competitiveness.

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

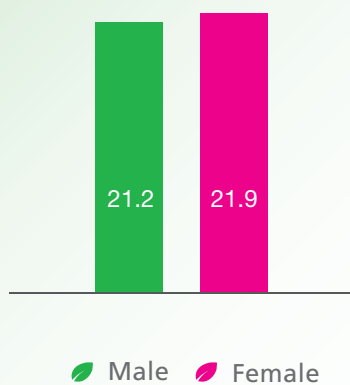
The percentage of employees trained by gender



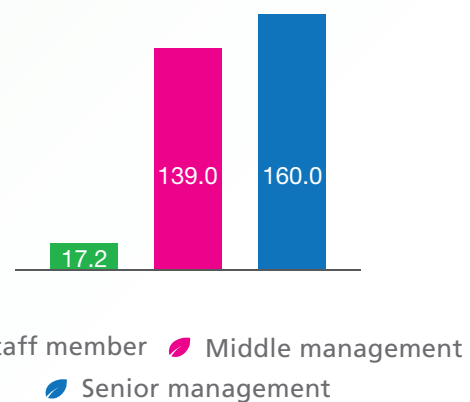
The percentage of employees trained by employees category



The average training hours completed per employee by gender



The average training hours completed per employee by employee category



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: DIVERSIFIED TALENT DEVELOPMENT

Closely integrating Sinofert's business strategy and core organizational capabilities, the Group aims to build a learning organization that comprehensively empowers the CN talent team. For industrial reserve talents, the Group implements the Production Expansion Talent Development Project; for marketing reserve talents, the Group implements the Marketing Expansion Talent Development Project; for management trainees, the Group implements the New Feather Management Trainee Training Project; for agricultural technical talents, the Group holds the Crop Comparison Contest; for the internal trainer team, the Group organizes and implements the Torch Plan, empowering and certifying internal training instructors; for all employees, the Group customizes and implements the Universal Gravitation Learning Project; the Group continues to promote the "Zigzag Living Water" rotation training project; follow up on the 2022-2024 industry-education integration implementation plan; and, at the same time, continues operating the online learning platform, utilizing the online platform to complete new employee onboarding training and empowerment cultivation.



Integrity and Anti-Corruption

The Group strictly adheres to the "Criminal Law of the People's Republic of China", "Anti-Money Laundering Law of the People's Republic of China", "Company Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China", and other relevant laws and regulations. The Group steadfastly practice the principles of "dare not to be corrupt", "cannot be corrupt", and "do not want to be corrupt", resolutely combating all forms of corruption, bribery, extortion, fraud, and money laundering. This year, there were no corruption litigation cases within the Group. The Company will continue to improve its corporate governance system, fostering a culture of integrity, prudence, and honesty.

The Group enforces internal regulations such as the “Employee Code of Conduct” and “Guidelines on Anti-Bribery, Anti-Fraud, and Conflict of Interest Management”, conducting signature campaigns among all employees to clarify that everyone must strictly abide by the law and conduct business activities legally. Even for the benefit of the company, it is not allowed to violate the law or engage in any form of bribery to gain transaction opportunities or competitive advantages. Employees are also prohibited from using their job convenience to solicit or accept property from others or seek benefits for others in the course of conducting business activities for the Company. This effectively standardizes the Group and employees’ compliance obligations and codes of conduct in anti-money laundering and anti-corruption efforts. At the same time, the Group focuses on compliance performance of business partners, establishes and improves compliance risk management mechanisms, prevents compliance risks, and promotes the healthy and sustainable development of the Group.

During the Reporting Period, the Group mainly carried out the following work in terms of measures to prevent bribery, extortion, fraud, and money laundering:

- The management regularly holds meetings to study and promote discipline and anti-corruption efforts, with management members cumulatively having over 600 reminders and talks to extend the requirements of integrity and compliance to the grassroots level.
- Focus on advancing the system and mechanisms of “dare not to be corrupt, cannot be corrupt, do not want to be corrupt”, leveraging the advantages of comprehensive supervision, and organizing quarterly risk compliance meetings with relevant departments and innovative business units to prevent and resolve various integrity and compliance risks.
- Implement a unified leadership, tiered responsibility mechanism, conduct internal control self-assessment and supervision evaluation annually to objectively, truthfully, and accurately reveal internal control defects and risks in operations and management.
- Effectively transform the new achievements of disciplinary education into practical results that promote high-quality development of discipline and anti-corruption efforts, conduct discipline lectures, and deeply explore and publicize typical examples of integrity and compliance around us to strengthen the awareness of integrity and self-discipline.



PEOPLE-ORIENTATION

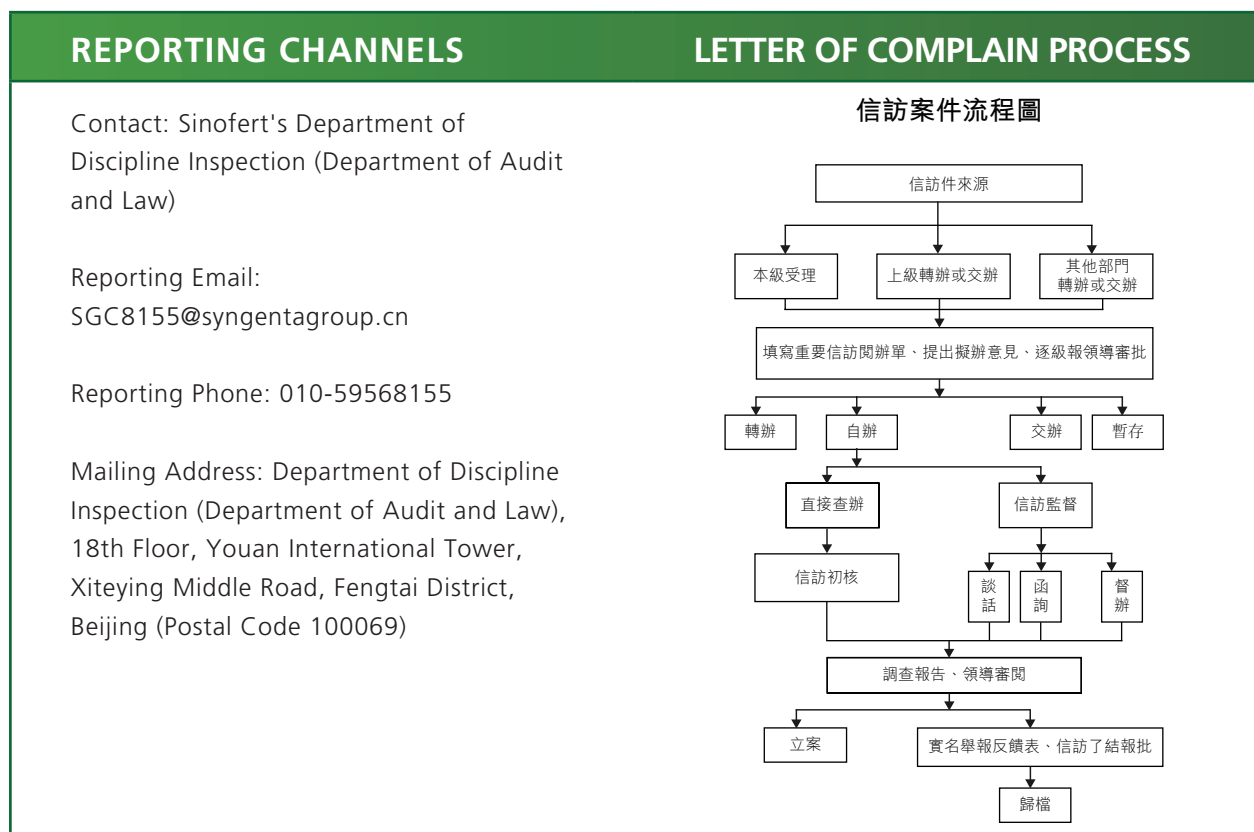
Sinofert adheres to laws and regulations related to bribery, extortion, fraud, and money laundering, including but not limited to:

- Criminal Law of the People's Republic of China
- Civil Code of the People's Republic of China
- Anti-Money Laundering Law of the People's Republic of China
- Company Law of the People's Republic of China
- Anti-Unfair Competition Law of the People's Republic of China
- Anti-Monopoly Law of the People's Republic of China
- Bidding Law of the People's Republic of China
- Implementation Regulations of the Bidding Law of the People's Republic of China

Once the fraudulent behavior of the employee is verified, it will be considered a serious violation of the employer's rules and regulations. The Group may take disciplinary action against the employee, including termination of the employment contract. If the behavior is suspected to be criminal, it should be referred to the judicial authorities for processing.

The Group has also established various reporting channels, including regularly updated and maintained correspondence, a 24-hour reporting hotline, email, and QR codes, among others. The Company encourages all stakeholders, such as employees, suppliers, contractors, and customers, to report any incompetence, dishonesty, corruption, or other misconduct in either a named or anonymous manner. This fosters a corporate culture where people are encouraged to express themselves and be candid. The Group's petition and reporting work follows a unified acceptance, centralized management, hierarchical transfer, investigation and handling, and strict approval process. It ensures that all reported issues are fully registered for future reference, collectively studied, and handled according to regulations. The investigation and handling work requires the formation of a verification team of at least two people, the development of a work plan, the listing of issues to be verified and verification measures, schedule arrangements, and disciplinary requirements. Upon completion of the verification work, a verification report should be drafted, outlining the basic situation, main issues raised, investigation results, and suggestions for handling. For those found to be in violation of regulations and discipline, disciplinary actions will be taken according to regulations and discipline.

Upon receiving reporting materials from stakeholders, the Discipline Inspection Department will immediately register and number the materials, conduct collective analysis, judgment, and discussion, and propose a disposal plan to the responsible leaders. Reports within the scope of the Discipline Inspection Department will be handled by them; those outside their scope will be transferred to the relevant departments and units according to procedures. After receiving clues about an issue, the Discipline Inspection Department should consider the overall situation of the involved department or unit and handle it through one of four methods: inquiry letter, preliminary verification, temporary storage for investigation, or closure, to promptly resolve the issue. The diagram below illustrates the process for handling complain cases:



During the Reporting Period, the Group organized more than 220 training sessions and lectures on anti-corruption and discipline, covering over 8,600 participants, spanning the entire chain and all levels, and including all units, board members, senior management, and employees. Adhering to the principles of “focusing on both regularity and normalization, balancing key groups and comprehensive coverage, synchronizing positive publicity with warning education, and coordinating practical relevance with effectiveness”, the Group and all employees have significantly improved their awareness of integrity, compliance, and corruption prevention, continuously strengthening proactive measures and enriching the Group’s “Integrity Culture in Agriculture”.





PARTNERSHIP

Sinofert has always been a practitioner of corporate social responsibility, maintaining long-term win-win partnerships with its collaborators and the communities it serves. The Group actively encourages its suppliers to take on environmental and social responsibilities and supports its employees in actively participating in community welfare projects to give back to society.

Value Chain Management

The Group is committed to serving Chinese farmers wholeheartedly and actively exerting its industry influence and appeal. The Group continuously consolidates and expands channels for sourcing goods, enhancing its resource acquisition capability to ensure a stable supply of fertilizers. As a member of the International Fertilizer Association (IFA), the Group possess over sixty years of experience in international fertilizer trade and a comprehensive international trade network, making it a principal channel for fertilizer imports into China. In terms of potash fertilizer imports, the Group has established win-win strategic partnerships with major international potash suppliers such as Canpotex of Canada, Arab Potash Company (APC) of Jordan, and Belarusian Potash Company (BPC) of Belarus, ensuring close cooperation. In June 2023, the Group reached an agreement with Canpotex on the potash import contract for the year, continuing to maintain a “low-price” position in the global potash market and effectively ensuring the supply and price stability of the domestic potash market.

To promote sustainable win-win development with business partners, improvement in environmental and social risk management, and development of responsible and transparent supply chain management, the Group rigorously implements various operational systems including “Sinochem China’s Procurement Management Regulations”, “Sinochem Fertilizer Supplier Management Methods”, “Sinochem Fertilizer Indirect Procurement Management Methods”, “Sinochem Fertilizer Packaging Management Methods”, and the “Crop Nutrition BU Functional Framework”. The Supply Chain Management Department is tasked with comprehensively managing and monitoring our supply chain, covering access approval, inspection, supervision, and grading. Responsibilities include (but are not limited to):

- Conducting background checks on supplier companies through public consultations and field investigations.
- Classifying and grading to establish a comprehensive supplier database.
- Creating a supplier evaluation system, organizing static and dynamic assessments of suppliers, and continuously optimizing the supplier structure.

Sinofert pays close attention to the management of environmental and social risks at every link in the supply chain, always choosing to work with suppliers who perform well in environmental and social aspects. Environmentally, the Group prioritizes suppliers with robust environmental management systems, especially those with ISO 14001 or similar certifications. Socially, the Group has established a supply chain evaluation system, including assessment methods and indicators, to cover various aspects such as the supplier’s nature, size, operational status, supply capacity, quality standards, after-sales service, and other performances. The evaluation system includes both annual static and dynamic assessments:

Static

The Group conducts a joint annual review organized by the Supply Chain Management Department and the demand department for shortlisted suppliers, and assess and grade them. Depending on the grading results, corresponding incentives and penalties are implemented.

Dynamic

The Supply Chain Management Department conducts unscheduled surveys throughout the year on the creditworthiness and performance of shortlisted suppliers. Based on the survey results, corresponding penalties are applied to unqualified suppliers.

The supplier evaluation assessment levels are as follows:

Grade	A (Excellent)	B (Good)	C (Qualified)	D (Eliminated)
Score	Score ≥ 90	$80 \leq \text{Score} < 90$	$60 \leq \text{Score} < 80$	Score < 60

Based on these assessment results, if a supplier is classified as Grade D, the Group will suspend its partnership with them, require them to provide an explanation report and formulate a rectification plan, and report to the Supply Chain Management Department and the demand department for review and record. The decision to continue the business will be based on their rectification measures and results, helping the Group to avoid potential environmental and social impacts on the supply chain.

Furthermore, to promote the use of environmentally friendly products and services, the Group follows national policies and regulations such as “carbon peak and carbon neutrality” and environmental protection in its procurement processes, encouraging green and sustainable procurement. In equipment selection, the Group prioritizes the purchase and use of high-efficiency, energy-saving, and emission-reducing products and equipment with environmental certifications, phasing out high-energy-consuming equipment and reducing or stopping the use of products that waste energy and water resources. The Group selects suppliers and services that align with its sustainable philosophy whenever possible, effectively improving its overall efficiency and promoting its energy-saving development.

By integrating information on the regional distribution, nature, and network of suppliers, the Group manages suppliers comprehensively and effectively. During the Reporting Period, the Group reviewed 1,926 suppliers, including those for production materials, packaging, logistics, and other indirect procurement. All suppliers were selected and appointed according to the aforementioned policies.



PARTNERSHIP

The number of suppliers by region for this year is as follows:

Total number of suppliers (by geographical region)	2023	Unit
Mainland China	1,897	Units
Overseas	29	Units

As a responsible producer, in addition to strictly monitoring the performance of its suppliers, the Group also maintains close contact and cooperation with downstream distributors. To ensure product quality, the Group provide guidelines on product packaging, such as moisture-proofing, sun protection, and separation distances between seeds and fertilizers, to ensure that distributors and end-users store and use the products properly. The Group also periodically advise distributors on warehouse conditions, visiting some distributors with less robust storage conditions before the rainy season and advising them to pay further attention to storage conditions to ensure the quality of the fertilizers is not affected.

Community Welfare

As a leading integrated operator in agricultural inputs and a corporate citizen, Sinofert actively fulfills its corporate social responsibilities and contributes significantly to the development of agriculture, rural areas, and farmers (“sannong” matters). As part of its corporate citizenship, while developing its business, the Group actively participates in various community investment activities, proactively understands the needs of the communities where it operates, and establishes a close relationship between the Group and the public through diverse means such as supporting local poverty alleviation, education, and the modern development of agriculture and rural areas. This promotes the sustainable development of both the company and the society.

During the Reporting Period, the Group supported a total of RMB579,000 through targeted procurement assistance for agricultural products and support for local agricultural and sideline products; the Group donated a total of RMB193,000 in educational sponsorship activities; and our employees accumulated more than 1,550 hours of volunteer activities.

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

During the Farmer’s Harvest Festival in 2022 and 2023, Sinofert held the “Happy Harvest Journey” crop harvest celebration for two consecutive years with the themes “Food Security and National Prosperity” and “Rich Farmers with Fragrant Fruits and Vegetables”. The team organized over 30 large-scale events across more than 20 provinces nationwide, driving more than 6,000 small and medium-sized observation meetings, covering over 500,000 farmers online and offline, and impacting 10 million mu (approximately 666,667 hectares) of cultivated land. The good news from the Zhe Village in Xundian County, Yunnan, made the members of the Sinochem Yunlong Educational Sponsorship Team part of the Crop Nutrition Business Unit.



CASE STUDY: SINOCHEM YUNLONG EDUCATIONAL SPONSORSHIP ACTIVITIES

Sinofert's subsidiary, Sinochem Yunlong, organized a team to travel to Yize Village in Gongshan Town, Pulu Village, and Fulu Village in Xianfeng Town to carry out the 2023 educational sponsorship activity, helping 38 students to enroll smoothly to university. This year marks the eighth year of the activity.



CASE STUDY: POST-DISASTER RECONSTRUCTION WORK IN THE BEIJING- TIANJIN-HEBEI REGION

On 8 August 2023, representatives from the North China Region Branch of the Sinofert Distribution Network brought 3 tons of 84 disinfectant, 30,000 chlorine dioxide disinfectant effervescent tablets, 2.56 tons of vegetables, and other relief materials to Xiao Yi and Zhuang Village in Diao Wo Town, Qian Tun Tian Village, and Hou Tun Tian Village in Dou Zhuang Town, Zhuozhou City, Hebei Province, to support local flood control and emergency response efforts.



CASE STUDY: “PARTY MEMBER ASSISTANCE TEAM” BRAVING THE RAIN TO HELP FARMERS HARVEST MUSTARD TUBERS

On 6 March 2023, the “Party Member Assistance Team” from Sinofert’s subsidiary, Sinochem Fuling, went to the Fourth Community of Taiping Village, Baisheng Town, Fuling District, braving the rain to help farmers harvest 2 mu (approximately 0.133 hectares) of mustard tubers, totaling 16,000 kilograms.



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

Mandatory Disclosure Requirements		Relevant Sections in this Report/ Remarks
Governance Structure	A statement from the board containing the following elements: (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.	Reporting Standards
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.	Reporting Scope



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

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Remarks
"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).	Energy Management
	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.	Environmental Protection
	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/ Remarks
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	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).	Energy Management
	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.	Resources and Recycling
	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.	Water Resources
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Materials
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/ Environmental Compliance
	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/ Environmental Compliance



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

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Remarks
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 climate related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
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

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

Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Remarks
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
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



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Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Remarks
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/ Remarks
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.	Customer Rights and Services



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Aspect	Key Performance Indicators	Description	Relevant Sections in this Report/ Remarks
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 2023 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 has 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:
 - Vehicle fuel consumption
 - Chemical oxygen demand (COD)
 - Received complaints regarding products and services
 - Number and percentage of employees by gender – female
 - Employee turnover rate – number and rate of female
 - Percentage of employees trained by gender – female
- 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;

APPENDIX 2: INDEPENDENT ASSURANCE STATEMENT

- CECEPAC (HK)'s assurance work was with respect to information disclosed from 1 January 2023 to 31 December 2023 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 responses 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.

APPENDIX 2: INDEPENDENT ASSURANCE STATEMENT

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.



25 March 2024
Hong Kong SAR, China

