



恒安國際集團有限公司  
HENGAN INTERNATIONAL GROUP CO.,LTD

(Incorporated in the Cayman Islands with limited liability)  
Stock code: 1044

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2021





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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## FOREWORD

### 1. About the Report

Since the first Environmental, Social and Governance Report (the “ESG Report”) was released in 2017, Hengan International Group Co., Ltd. has issued ESG reports for six consecutive years. The ESG Report elaborates the Group’s concepts, practices and achievements of its sustainable development and social responsibility in 2021 from the environmental and social aspects.

#### *Scope of the Report*

The ESG Report covers three major business segments of the Group — paper production, post-processing of paper and sanitary products (including sanitary napkins and diapers). Revenue from other business segments of the Group accounts for a very small percentage of total revenue and has a slight impact on the overall performance of the Group, so it is not included in the scope of the ESG Report.

The ESG report covers the period from 1 January 2021 to 31 December 2021 (the “reporting period”). All information in the ESG Report is disclosed from the Group level, except for the environmental KPIs, which only includes data from 23 production companies (27 bases) and Weifang Hengan Thermal Power Co., Ltd. as major disclosure point. No significant adjustment is made to the disclosure scope of the ESG Report, compared with that of the 2020 ESG Report published in April 2021.

#### *Reporting principles*

The ESG Report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (《環境、社會及管治報告指引》) (the “ESG Reporting Guide”) (《ESG報告指引》) in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (《香港聯合交易所有限公司證券上市規則》) and partially refer to the GRI Standards (《GRI標準》) 2021 published by Global Reporting Initiative (GRI).

The Group has assessed the applicability and materiality of relevant aspects and key performance indicators (KPIs) according to the ESG Reporting Guide. The ESG Report complies with the disclosure obligations of “Mandatory disclosure requirements” and “Comply or explain” provisions, and any disclosure rules inapplicable to the Group has been explained. The ESG Report follows the reporting principles set out in the ESG Reporting Guide:

- **“Materiality”**: The Group identifies key ESG issues through stakeholder engagement and materiality assessment;
- **“Quantitative”**: The ESG Report states the Group’s key environmental and social KPIs on a quantitative basis, elaborating purposes and impacts and giving comparative data where appropriate;
- **“Balance”**: The ESG report provides an unbiased picture of the Group’s environmental and social performance;
- **“Consistency”**: The relevant disclosure and statistical methods of the ESG Report are consistent with those used in the 2020 ESG Report without any significant changes.

#### *Report availability*

The ESG Report is published in electronic edition, which is available on the HKEx website (<https://www.hkex.com.hk>) and the Group’s website (<http://www.hengan.com>). The ESG Report is published in Chinese and English. In the event of any discrepancies in the interpretation of the two texts, the Chinese text shall prevail.

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### Reference description

For ease of expression, Hengan International Group Co., Ltd. and its subsidiaries are also referred to as “Hengan Group”, “Hengan” or “the Group” in the ESG Report.

## 2. About the Group

Hengan, established in 1985, is a well-known domestic manufacturer of packaged tissue paper and women and children hygiene products. Hengan was successfully listed on the Stock Exchange of Hong Kong on 8 December 1998. On 7 June 2011, it was officially included as a Hang Seng Index constituent stock. Female sanitary napkins, baby diapers and tissue paper as Hengan’s three leading products take leading market shares in the domestic market. Driven by the implementation of “The Belt and Road Initiatives”, Hengan has been also expediting the overseas business development by acquiring listed companies in Malaysia. Those practices have further extended the industrial chain and layout in the international markets.



Sticking to the customer-oriented platform strategy, Hengan has been deepening management reforms, driving its products to quickly respond and stay close to the market, and cater for customers. Meanwhile, the Group has joined hands with IBM to launch a R&D and innovation management project to reconstruct the existing processes, and establish brand-new market and product planning processes, integrated product development processes, technology planning process, and technology development process and supporting systems, so as to build an end-to-end product technology innovation management system from the three dimensions of the organisation, processes and supporting mechanisms, achieve effective trans-department coordination, and launch products in alignment with customer demands on an accurate, rapid and high-quality basis.

Adhering to “independent innovation as a top priority and cooperative development for additional assistance”, Hengan thoroughly integrates internal and external technical resources through industry-university-research cooperation to develop new materials, processes and technologies, providing technical support for new product development and product upgrading. Relying on the two technology platforms, i.e., the national industrial design centre and the national enterprise technology centre, Hengan is able to lead the technological innovation in the industry.

Being customer oriented and focusing on customer demands, Hengan has been proposing new product concepts in alignment with consumer demands. Meanwhile, it actively explores innovation opportunities to drive product innovation together with product category-driven innovation, and is committed to rolling out innovative products that are comfortable, safe and healthy for customers.

The Group firmly sticks to low carbon, green and sustainable development. In 2016, Hengan Group and its CEO Mr. Hui Lin Chit were respectively awarded “the International Carbon-Value Award” and “the Carbon-Value Innovator Award” by the World Economic and Environmental Conference. In 2020, Mr. Hui Lin Chit was ranked the 8th on the list of “China’s Top 100 CEOs” by Harvard Business Review and this is the fifth time he has ranked on the list. In 2020, Hengan was awarded the Green Supply Chain Demonstration Enterprise under “The

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Belt and Road Initiatives” and Mr. Hui Lin Chit was titled the “National Advanced Individual of Private Economy in the Fight against COVID-19”. In 2021, Hengan served as the vice chairman of the Carbon Neutrality Committee of China Energy Conservation Association to actively promote the national goals of carbon peak and carbon neutrality.

### 3. Major Honours in 2021

- Fortune China: “Fortune China 500”
- All-China Federation of Industry and Commerce: “Top 500 Manufacturing Private Enterprises in China”
- Quanzhou Municipal Committee of the Communist Party of China and Quanzhou Municipal People’s Government: “Meritorious Private Enterprise of the Year”
- JD Group: “Top Ten Emerging Lower-tier Market Brands During JD 618 Shopping Festival”
- Deloitte China: “Best Managed Companies”
- Listed in the 2021 National Quality Benchmark by the China Association for Quality
- *Institutional Investor*: “Most Honoured Companies”, “Best IR Program”, and “Best ESG”; Mr. Hui Lin Chit was titled “Best CEOs” while Mr. Li Wai Leung was titled “Best CFOs”
- The 11th Philanthropy Festival & Corporate Social Responsibility Carnival: Hengan Group won “2021 Public Welfare Motivation Award” while the Group CEO Mr. Hui Ching Lau was titled “2021 Responsible Business Leaders”
- The 4th Social Responsibility Conference: Hengan Group won “Honour — 2021 Responsibility Golden Award” while the Group CEO Mr. Hui Ching Lau was titled “Honour — 2021 Responsible Business Leaders”
- Guruclub: “Best Social Responsibility Companies”
- The United Front Work Department of CPC Central Committee, the Ministry of Industry and Information Technology, the State Administration for Market Regulation and the All-China Federation of Industry and Commerce: CEO Mr. Hui Lin was titled “National Advanced Individual of Private Economy in the Fight against COVID-19”
- Shanghai Clearing House: “Excellent Panda Bonds Issuers”, “Special Award for Excellent Financial Institutions in the Fight against COVID-19”, “Excellent Financial Supervisors in the Fight against COVID-19”, and “Excellent Financial Individuals in the Fight against COVID-19”
- myguancha.com: Q • MO won “Best Performance Award for Diaper Brands of the Year”
- Kantar Worldpanel’s *Asia Brand Footprint 2021*: Hearttex won “Top Ten Preferred Brands of Chinese Consumers”
- ADMEN International Awards: “Actual Combat Case” in the integrated marketing of the year

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## I. SUSTAINABLE GOVERNANCE

## 1. ESG Strategy

The year of 2021 is not only the first year to implement the “14th Five-Year Plan”, but also is the year to initiate the national strategy of “carbon emissions peak and carbon neutrality” in an all-around manner. During the year, the paper industry together with its upstream and downstream fields have ushered in development and transformation in new policies, technologies and orientations. Meanwhile, “high-quality development”, as a long-term topic for the national socio-economic development, requires to pursue a philosophy of innovative, coordinated, green, open, and shared development. At this critical historical moment, Hengan as a leading tissue paper manufacturer in China is desperate and obliged to make greater contributions in fields such as low carbon, ecological economy, society and culture.

Hengan has been optimising its raw material structure, accelerating forest system construction, and improving its product standards. Meanwhile, the Group is committed to developing green products and cultivating high-level talents to promote human health and well-being, and fight for the goal to “gain RMB100 billion within 100 years”.



In addition, the Group conveys the Hengan’s concept and practice of sustainable development by actively responding to questionnaires such as the CDP (Carbon Disclosure Project) questionnaire, MSCI ESG Ratings, Dow Jones Sustainability Indexes (DJSI), FTSE Russell ESG rating system, as well as Hong Kong Quality Assurance Agency’s (HKQAA) Sustainability Rating. In 2021, the Group won the “Best Environmental, Social and Corporate Governance (ESG)” Award by *Institutional Investor*.

In addition, the Group supports sustainable bank loans, such as the sustainable loans of HSBC and Hang Seng Bank in 2021.

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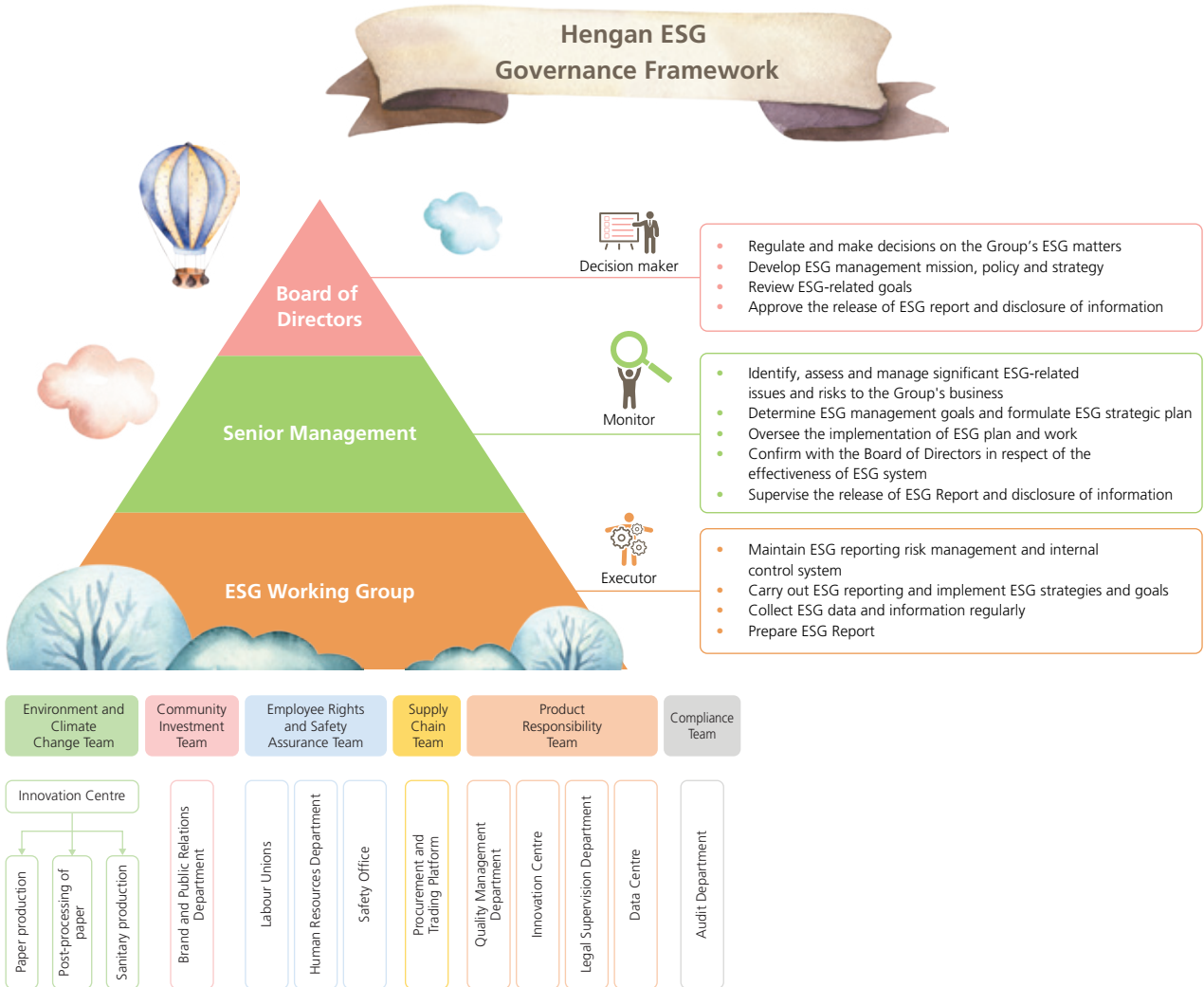
Hengan actively responds to the UN SDGs, protects the global environment, promotes social development, and cares for human well-being.

SDGs	Environment	Product	Employee	Public welfare	Countermeasures
<b>3</b> GOOD HEALTH AND WELL-BEING		★		★	<ul style="list-style-type: none"> <li>Improve the condition of female hygiene and health</li> <li>Strengthen chemicals management</li> </ul>
<b>4</b> QUALITY EDUCATION				★	<ul style="list-style-type: none"> <li>Support education</li> </ul>
<b>5</b> GENDER EQUALITY			★		<ul style="list-style-type: none"> <li>Eliminate gender discrimination and protect woman rights</li> </ul>
<b>6</b> CLEAN WATER AND SANITATION	★				<ul style="list-style-type: none"> <li>Recycle water resources</li> <li>Enhance source management of wastewater</li> </ul>
<b>7</b> AFFORDABLE AND CLEAN ENERGY	★				<ul style="list-style-type: none"> <li>Increase the utilisation of clean and renewable energy</li> </ul>
<b>8</b> DECENT WORK AND ECONOMIC GROWTH			★		<ul style="list-style-type: none"> <li>Adjust salary reasonably to ensure decent living</li> </ul>
<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE		★			<ul style="list-style-type: none"> <li>Proper "Forestry-pulp-paper integration"</li> <li>Innovation and upgrading</li> </ul>
<b>10</b> REDUCED INEQUALITIES			★		<ul style="list-style-type: none"> <li>Implement a fair remuneration and welfare policy</li> <li>Ensure equal education opportunities</li> </ul>
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION	★				<ul style="list-style-type: none"> <li>Optimise the structure of raw materials</li> <li>Accelerate Forest system Certification</li> <li>Utilise degradable materials</li> </ul>
<b>13</b> CLIMATE ACTION	★				<ul style="list-style-type: none"> <li>Manage carbon footprint of products</li> <li>Improve risk resilience of the supply chain to climate change</li> </ul>
<b>15</b> LIFE ON LAND	★				<ul style="list-style-type: none"> <li>Accelerate the Forest Certification System construction</li> </ul>
<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS		★	★		<ul style="list-style-type: none"> <li>Strengthen integrity supervision</li> <li>Provide anti-corruption training</li> </ul>

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## 2. ESG Structure

In order to improve its ESG governance structure, the Group orientates strategic development and builds a think tank for ESG governance so as to steer the sustainable development and pose positive spillover effect on the society. At the board meeting held in December 2021, all directors of the Group made further arrangements for ESG reporting and rating after the ESG briefing.





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### 3. Issues Assessment

In order to better understand the stakeholders' concerns further to guide the implementation of ESG work and the preparation of the ESG Report, the Group conduct stakeholder assessment every three years to clarify issues of importance to the Group's business and stakeholders:

#### STEP 1: Identify relevant ESG issues

- Stakeholders' expectations;
- Industry characteristics and hot issues;
- Business-related risks and opportunities;
- Focus of rating agencies and related ESG standards.

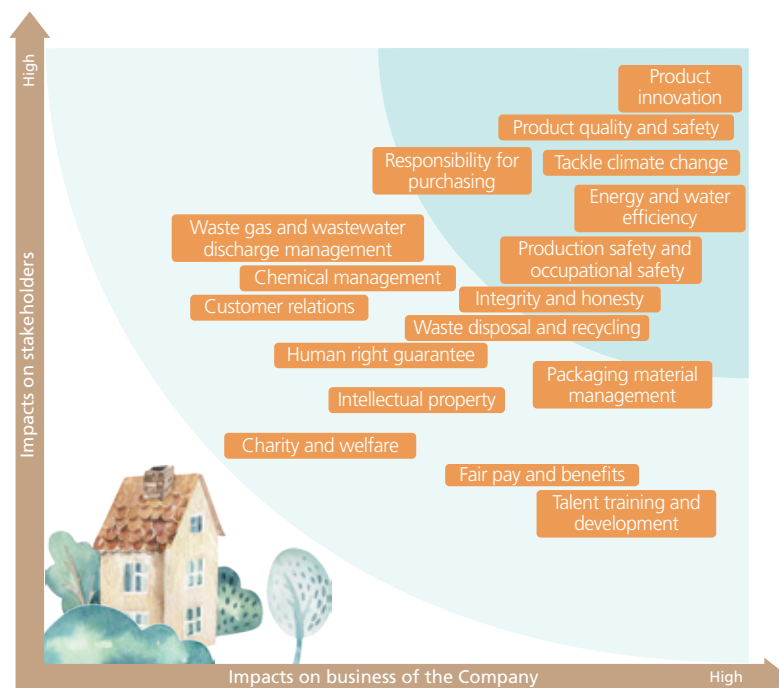
#### STEP 2: Score and sort

The Group scores and sorts the identified relevant issues, selects the important issues, draws the materiality assessment matrix, and obtains the preliminary evaluation results, so as to determine the strategic focus of sustainable development and improve the governance of sustainable development.

#### STEP 3: Assessment results

The Group submits the preliminary results to Hengan Senior Management and the ESG working group for discussion and confirmation to get final results of the materiality assessment. Final results are reported to the Board.

In 2021, the Group conducted more than 20 on-site interviews with stakeholders, and surveyed internal and external stakeholders about topics of their concern. During the reporting period, the results of materiality assessment were as follows:



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### 4. Communication and Response

The Group maintains close communication with stakeholders, responding actively and taking the initiative to undertake responsibility. The Group also explores sustainable development strategy and improves ESG management level continuously, as well as integrates sustainable development into daily management and operation.

The Group's major stakeholders include shareholders, employees, governments and regulators, clients and consumers, partners, community, environment and media, etc. The Group attaches great importance to its communication with stakeholders and has established effective channels to understand stakeholders' expectations and to discuss and respond to their concerns on ESG matters.

Stakeholders	Communication mechanisms	Communication frequency	Stakeholders' expectations
<b>Governments and regulators</b>	Daily management Meetings Monitoring and inspections Policy consultation Reporting	Multiple per year	Abide by laws Pay tax in accordance with laws Support local development Support public health incident response
<b>Shareholders</b>	Shareholders' general meetings Information disclosure Investor relations activities	Multiple per year	Guarantee reasonable and stable income Safeguard right to know Improve corporate governance Improve risk control
<b>Clients and consumers</b>	Service hotline Enterprises' official websites Brand promotion activities	Daily	Provide healthy and premium products Innovate continuously Offer first-rate services
<b>Employees</b>	Labour unions Employee trainings Staff activities	Multiple per week	Protect rights and interests Provide promotion and development Guarantee work safety Provide epidemic prevention Provide equal opportunities Communicate democratically
<b>Media</b>	Interviews about business operation Corporate culture publicity Thematic activities	Multiple per year	Understand the fulfilment of corporate social responsibility Understand the enterprises' major events
<b>Partners</b>	Negotiation and communication Supplier investigation and evaluation Open bidding and tendering Communications and exchange visits	Multiple per month	Keep promise Advocate openness and fairness Promote cooperation and development Share success
<b>Community</b>	Charitable donation Cultural and sports support Voluntary service Publicity for environmental protection	Multiple per year	Support for common prosperity Promote social harmony Drive sustainable development Support for epidemic prevention
<b>Environment</b>	Regulators' monitoring and inspection result Third-party inspection bodies' inspection result ESG report	Multiple per year	Reduce emissions Conserve energy Protect forests Adapt to climate change

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### II. LOW CARBON AND ENVIRONMENT PROTECTION

We respond to the following SDGs



“Adhering to the concept of green, low-carbon and sustainable development, Hengan Group actively responds to the national strategy of “carbon emissions peak and carbon neutrality” to achieve clean production and “zero emissions”, as well as cost reduction and efficiency enhancement.”

— Mr. Hui Ching Lau, Group CEO

#### Achievements in 2021

- Percentage of ISO 14001 Environment Management System Certification: **100%**
- Water consumption of paper production lower than the upper limit of national water consumption standard: **82.6%**
- Recycling of wastewater from paper production: **>99%**
- Energy consumption of paper production lower than the upper limit of national energy consumption standard: **24%**
- Percentage of paper production bases with FSC/CoC certification: **100%**

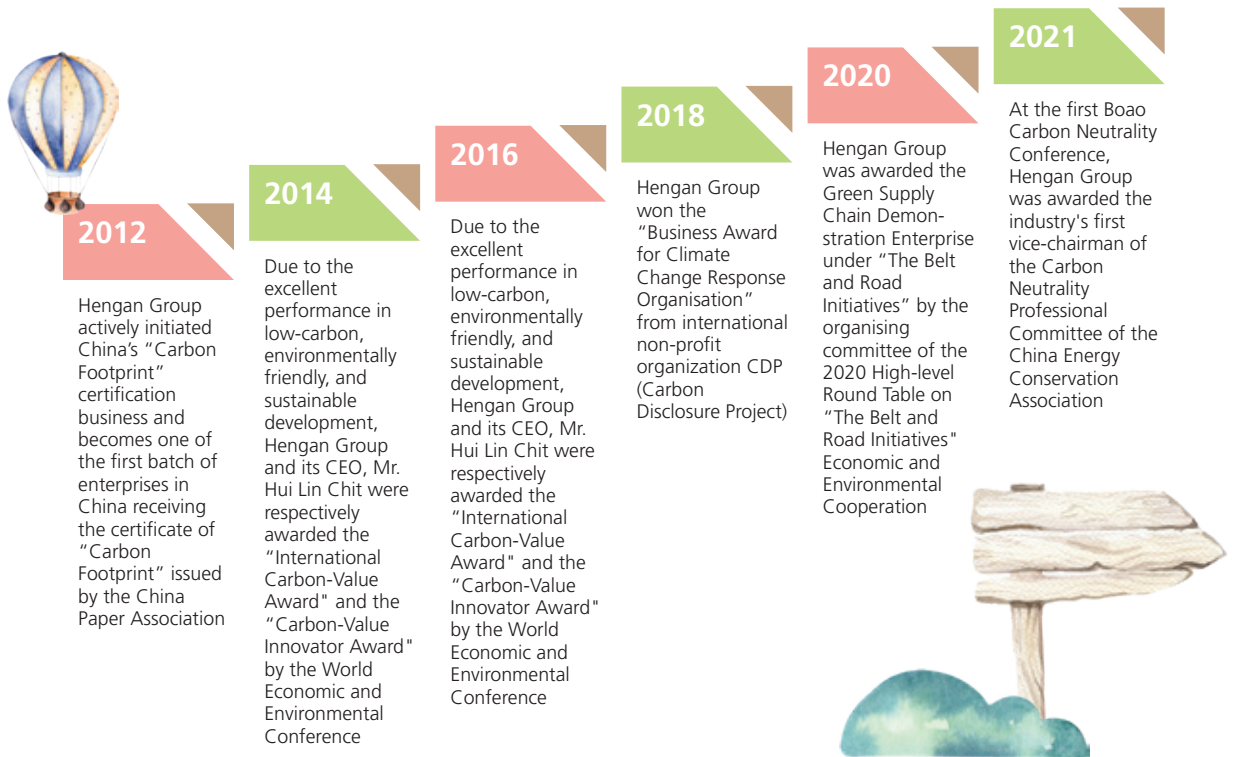
The Group has been improving the internal environmental management mechanism by enhancing the efficiency of natural resources and energy sources and reducing the discharge of wastewater, exhaust gas and wastes, so as to minimise the negative environmental impact. The Group’s senior management is responsible for formulating annual environmental targets, which are implemented by the ESG working group, and monitored and reviewed by the Board of Directors at regular intervals for effective follow-up on the Group’s environmental performance. Since 2020, the Group has set and announced quantitative environmental targets for the Hengan papermaking segment to reduce the density of power consumption per tonne of paper, the density of water consumption per tonne of paper and the density of wastewater discharge per tonne of paper, with the target progress monitored and reviewed on an annual basis. In 2021, the Group achieved all annual environmental targets:

Annual environmental target	Target in 2021	Achieved Progress in 2021	Target in 2022
Reducing the intensity of power consumption per tonne of paper	No more than 720 kWh/t paper	640 kWh/t paper	No more than 630 kWh/t paper
Reducing the intensity of water consumption per tonne of paper	Remaining at the level of 5-6 t/t paper	5.2 t/t paper	Remaining at the level of 5-6 t/t paper
Reducing the intensity of wastewater discharge per tonne of paper	No more than 3 t/t paper	3 t/t paper	No more than 3 t/t paper

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 1. Climate Change

Hengan realises that climate change is tremendously affecting the whole world. Sea level rise, flooding, and extreme weather have posed threats to our normal life and brought great uncertainty to enterprises' operations and production, which results in increasing adaptation costs. Hengan always practices the concept of "green, low-carbon and sustainable development" in its daily operation and production and conveys the concept of sustainable development in the value chain, striving to achieve the balance of social, ecological and economic benefits.



#### 1) Governance strategy

As an initiator of the "carbon footprint" course of China's paper industry, the Group pays close attention to climate change. We integrate the risks related to climate change into our risk management, take UN SDG 13 into consideration in daily business activities, and formulate long-term scientific strategic planning.

The Group's Board of Directors is the highest decision-making body for climate change-related matters, while the Group's senior management is responsible for managing climate change-related matters and directly reporting achievements in tackling climate change to the Board of Directors on an annual basis. Based on the questionnaires on material topics, we have interviewed all climate-related responsible departments to identify, define and assess material risks and opportunities, with the discussion results confirmed by senior management.

The Group formulates targets and countermeasures based on the assessment of climate change risks and opportunities, and monitors, assesses and reviews the policies, management, performance and target progress on climate change-related matters. In 2021, the Group achieved all annual environmental targets.

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### 2) Risk assessment

The Group's senior management is responsible for convening all climate-related responsible departments to identify, define and assess annual material climate risks, with the discussion results confirmed by the Board of Directors. The Group formulates targets and countermeasures based on the assessment of climate change risks, and constantly monitors, assesses and reviews the policies, management, performance and target progress on climate change-related matters. In 2021, Hengan identified the following climate-related risks:

RISK	RISK ANALYSIS	RISK RESPONSE
TIGHTENED ENVIRONMENTAL PROTECTION POLICIES	From the "9th Five-Year Plan" for the national paper industry to the "14th Five-Year Plan" for the national economy, the country has shifted its support for paper production from "structural adjustment" to "sustainable development", and then to "green production". The <i>Outline of the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035</i> has proposed to speed up the transformation and upgrading of paper manufacturers and improve their green production systems. It is inevitable for the paper industry to step on the low-carbon, circular, and green development. 2021 is the first year of the "14th Five-Year Plan", and China will strictly control the total amount of carbon emissions, continue to improve environmental quality, enhance the quality and stability of the ecosystem, comprehensively improve resource utilization efficiency, and vigorously promote the construction of ecological civilization. This has put forward higher requirements for the energy conservation and carbon reduction management systems and the green governance capacity of the paper industry. In addition, more efforts in environmental protection, such as carbon and pollution reduction, technological transformation and efficiency improvement, building of a green supply chain, and improvement on the forest certification system need to be invested.	<p>The Group has established and improved the sustainable development governance framework to manage and respond to matters related to climate changes. Since 2020, the Group has set and published quantitative energy conservation and emission reduction targets, which are monitored and reviewed annually for their progress of completion. In addition, the Group regularly assesses risks and opportunities related to climate change compliance, with corresponding measures implemented, pays attention to policy and regulatory developments and carbon trading information, and timely formulates and modifies internal policies.</p> <p>The Group expedites unified certification of the three systems (ISO 45001, ISO 9001, and ISO 14001). In 2021, all of Hengan Group's production companies and Weifang Hengan Thermal Power Co., Ltd. within the scope of the ESG Report have completed system certification.</p>

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RISK	RISK ANALYSIS	RISK RESPONSE
TRANSITION TO A LOW-CARBON MARKET	At the crucial moment to promote the green transformation of consumption, China has witnessed a significant change in its residents' consumption patterns and willingness. More and more consumers are willing to pay more for natural, safe, biodegradable and low-carbon products. Failure to grasp changes in consumer attitudes and improve the environmental sustainability of products in a timely manner will result in the risk of losing a large number of high-quality consumers with environmental protection awareness.	<p>The Group promotes forest certification of products, maintains the high proportion of certified raw materials procured, and gradually pushes forward "forestry-pulp-paper integration" for the sustainable operation driven by the market mechanisms.</p> <p>The Group remains highly keen on market and consumer demands. Relying on the production scale and technological advantages, the Group is committed to developing products and technologies which are environmental-friendly and sustainable, such as "Slim &amp; Comfort" diapers, which were sold well in the reporting period.</p> <p>The Group continues to focus on environmental protection of products, and launches upgraded products.</p> <p>Hengan strives to build an eco-friendly brand by advocating environmental protection with concrete actions, thus establishing a brand association with environmental protection among customers.</p>
LACK OF HIGH-QUALITY RAW MATERIALS	China lacks raw materials for papermaking and relies greatly on imports of paper pulp. Hengan is committed to the development of green and low-carbon products, adheres to responsible procurement, and constantly optimises the structure of raw materials. And Hengan's stringent requirements on raw materials in terms of safety, environmental protection and sustainability have posed higher risk of supply continuity.	<p>The Group promotes responsible procurement for wood pulp and establishes extremely strict criteria for the selection of raw material suppliers, with only legal, traceable and renewable wood with a clear origin used for pulp production.</p> <p>Hengan helps suppliers promote forest certification, requires suppliers to abide by the Group's paper pulp purchase standards and encourages them to adopt FSC standards. Regular on-site supplier visits are also arranged to promote sustainable forest stewardship.</p>

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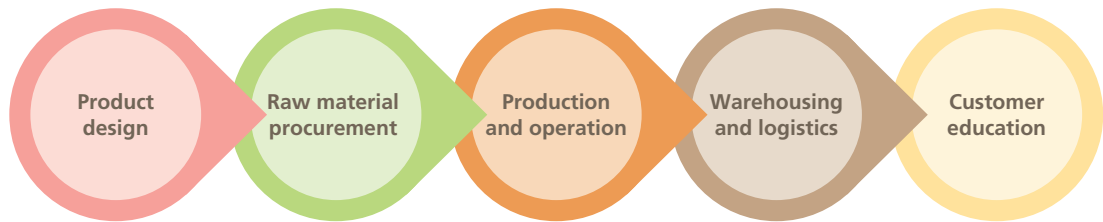
RISK	RISK ANALYSIS	RISK RESPONSE
FREQUENT EXTREME WEATHER	<p>Extreme weather and sea level rise: Climate change will cause sea level rise, and coastal areas will be more severely affected by natural disasters such as floods and typhoon. On the one hand, adverse effects may be posed on economic and social activities such as agriculture, forestry, animal husbandry and fishing, bringing risks to production operations and raw material supply of Hengan. On the other hand, employee travel may be affected, and production facilities may be damaged, threatening employee health and production safety.</p>	<p>Hengan promotes the utilisation of renewable energy to conserve energy and reduce energy consumption and carbon dioxide emissions.</p> <p>The Group pays close attention to climate and weather forecasting, and formulates and implements extreme weather emergency plans and control procedures.</p>
UPDATE AND DEVELOPMENT OF TECHNOLOGY	<p>Production technology: The paper industry is a technology-intensive industry involving plant chemistry, microbiology, materials science, chemical engineering, machinery and automation, etc. It is interdisciplinary, multi-disciplinary and cross-cutting. In the new era, the paper industry has been actively implementing innovative concepts for rapid technology progress. Papermaking equipment is also developing towards informatisation, datamation and intellectualisation, so as to achieve high reliability and product quality performance. Without innovation and advancement, Hengan will stagnate and fall behind in the industrial transformation.</p> <p>Environmental protection technology: As China attaches great importance to environmental protection and climate change adaption, papermaking process and equipment need to meet the requirements of energy conservation and environmental protection.</p>	<p>Hengan has realised the all-round AI intelligence in self-production process, supply chain system and digital construction, etc. And since 2010, manual packaging has been upgraded to intelligent automatic packaging, achieving an overall intelligence for equipment. The entire industrial system has entered the era of intelligent automation, ranging from the source covering data entry, warehouse management and output.</p> <p>To build a team of technical talents, Hengan attracts, retains and trains high technical talents through double channels of career development, training system, Hengan Innovation Academy, and school-enterprise cooperation.</p> <p>Hengan innovates continuously by utilising energy-saving and emission-reducing technologies, adopting global advanced technologies and equipment such as frequency conversion power-saving technology and turbine technology, and actively carrying out technological transformation projects such as low-nitrogen combustion transformation technology.</p>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3) Responses

We regard addressing and mitigating climate change as our responsibility. Since our foundation, we have been following the concept of green, low-carbon and sustainable development, such as introducing the first energy-saving and environment-friendly paper machine in China, recycling steam through self-developed “dryer cap heat preservation” technology, investing in the construction of wastewater treatment systems for zero discharge, and promoting fully-covered solar roof in plants across the country to promote the green development.

Through life-cycle low-carbon management, the Group has carried out a series of activities for energy conservation, emission reduction and green production in terms of product design, raw material procurement, production and operation, warehousing and logistics, and consumers, so as to provide consumers with high-quality green products, and advocate the concept of green consumption.



#### ▶ Low-carbon design

In the process of product design, the Group gradually introduces the concept of green environmental protection and sustainable development into the process of brand strategy evaluation and product design. Based on *the Green Product Assessment: Paper and Paper Products (GB/T 35613-2017)*(《綠色產品評價紙和紙製品》) that the Group has helped drafting, Hengan vigorously develops green products and sustainable technologies.

Hengan always regards products’ ecological and environmental performance as the starting point of design and takes products’ safety and health, recyclability and reusability into consideration. The Group develops natural plant fibres such as bamboo and soybean fibre non-woven fabrics, develops water washable products and improves their raw materials and technologies to increase the proportion of wood pulp in wood pulp spunlace wipes, as well as researches and develops food-grade medicinal solution for baby wipes. Additionally, the Group determines the significant environmental/hazardous factors of products and prepares corresponding control procedures, management schemes or emergency preparedness and response plans to minimise environmental impact during the process of product design.

#### ▶ Sustainable forests

Hengan continues to promote responsible procurement for wood pulp and join hands with suppliers to propel the sustainable development of the supply chain for wood pulp to protect the forests that human beings rely for existence. The Group actively advocates green supply chain cooperation under “The Belt and Road Initiatives” and establishes extremely strict criteria for the selection of raw material suppliers. Raw materials of wood pulp are mainly imported from Europe and South America, and only legal, traceable and renewable wood with a clear origin would be used for pulp production.



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The paper products of the Group received the forest certificate by Forest Stewardship Council (FSC) in 2010, and pass the third parties' certification audit every year. Six paper production subsidiaries of Hengan were FSC/CoC-certified in 2021. The percentage of certification was 100%.

Hengan is prohibited from purchasing pulp raw materials from wood through following means:

- ✘ Illegal logging or illegal timber trade or forest products
- ✘ Forestry operations that violate tradition and human rights
- ✘ Destruction of forests of high conservation value
- ✘ Important conversion use of forest plantations or non-woodlands
- ✘ Introduction of GMOs in forestry operations
- ✘ Contrary to the ILO's Declaration of Fundamental Principles and Rights

Hengan adheres to the principle of "Sustainable use of resources and strict control; protecting the environment and benefiting our society", strictly controls the production process and ensures that certified and non-certified products are clearly identified and isolated. The Group further executes its business policy, targets and commitment by means of publicity and training, establishing a document-based CoC supervision system, and assigning special personnel to maintain effective operation of system. In addition, the group would increase the certified percentage of base paper for production and sales in accordance with factors such as customer needs, government regulations and market trends.

Hengan is committed to helping suppliers promote forest certification, requires suppliers to abide by the Group's paper pulp purchase standards and encourages them to adopt FSC standards. Regular on-site supplier visits are arranged to promote sustainable forest stewardship. The Group's suppliers establish relevant internal policies and procedures to guide sustainable forest management and harvesting practices, tracing and verifying the origin and legality of all wood raw material worldwide. In 2021, 100% of pulp suppliers of Hengan obtained FSC or PEFC (Programme for the Endorsement of Forest Certification Schemes) certificates.

### ▶ Energy management

The Group strictly complies with the rules in the *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), formulates the *Hengan Group Energy Saving and Consumption Management Policy* (《恒安集團節能降耗管理制度》), and is committed to improving energy efficiency, reducing energy consumption and using cleaner energy so as to achieve the purpose of reducing energy consumption and greenhouse gas emissions.

Hengan actively responded to the State's policy of implementing energy conservation, emission reduction and elimination of backward production capacity, and continuously improved energy efficiency, so that the Group's energy and resource efficiency reached the domestic leading and international advanced level. In 2021, the energy consumption per unit product of the papermaking sector of the Group is 24% lower than the advanced value requirement of the *Energy Consumption Per Unit Product of Pulp and Papermaking* (《製漿造紙單位產品能源消耗限額》) (GB31825-2015) ( $\leq 420\text{kg}$  standard coal/ton), which is at the leading level in the industry.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the process of production, the Group has applied various energy-saving technologies and equipment, such as:

- Install a waste heat boiler in the production workshop to recover the heat of the exhaust gas after natural gas combustion for steam production, which greatly reduces the amount of purchased steam;
- Water ring vacuum pumps are extensively replaced with turbines, greatly reducing energy consumption;
- The use of dryer cap heat preservation technology reduces the heat loss of steam and cuts down the amount of steam to be purchased;
- Frequency-conversion power-saving technology is widely used in all factories to reduce power consumption;
- Appropriate measures are taken to optimise process for power conservation by increasing the first time yield and preventing reworking.

In 2021, the Group actively promoted the use of clean energy, and implemented fully-covered solar roof in plants across the country. For example, the installed capacity of PV power generation of Hengan (China) Paper Co., Ltd. was 3.8544 MW, with the annual solar power generation capacity of 1.184 million kWh, equivalent to a reduction of 917.9 tonnes of carbon dioxide, while that of Hengan (Wuhu) Paper Co., Ltd. was 4.02 MW, with the annual solar power generation capacity of 58,000 kWh, equivalent to a reduction of 40.1 tonnes of carbon dioxide.

### ▶ Warehousing and logistics

With respect to warehousing, the Group vigorously promotes the digitalisation, visualisation and informatisation and is dedicated to optimizing hardware and reduce energy consumption. Warehousing energy transformation is also promoted by the Group, as the green warehousing is gradually achieving by expanding photovoltaic power's construction on warehouse roofs and factories. In the factory, the Group replaces manual operations with automated equipment, thus accomplishing unmanned operation process and developing vertical transportation and translational delivery, so as to improve operational efficiency overall and save the energy. Furthermore, the diesel forklifts and shuttles used for warehousing operation of the group have been fully replaced by electric vehicles, which reached 100% energy transformation from diesel to electricity and reduced environmental pollution from the source.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With respect to logistics, the Group has been optimising logistics efficiency to reduce greenhouse gas (GHG) emissions in transportation and logistics by:

- Optimising logistics packaging. Hengan has established a group specialised in packaging materials to carry out optimisation, upgrading and application testing to advocate sustainable packaging materials. Hengan has improved logistics efficiency and reduced energy consumption by optimising packaging size and reducing interspace between packages. The Group conducts application testing for rapid promotion and replication, such as the application testing for large-scale turnover boxes to automate the whole production line and the package process of turnover boxes. In addition, the Group promotes the use of recyclable, revolvable and lightweight packaging materials.

Recyclable packaging materials	Lightweight packaging materials	Revolvable packaging materials
<ul style="list-style-type: none"> <li>• Continue to use recyclable trays, with more than 450,000 trays in stock;</li> <li>• Trays attached to raw materials are recycled by Hengan and our suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance the application of lightweight packaging materials, such as the use of cartons made of Russian kraft linerboard in Hengan's e-commerce to reduce packaging weight</li> </ul>	<ul style="list-style-type: none"> <li>• Replace cartons with turnover boxes for reuse to reduce waste and energy consumption</li> </ul> 

- Optimising logistics routes. Hengan replans localised logistics routes and takes the optimisation of transportation routes and volume into account to reduce the overlap of transportation routes and shorten transportation mileages. The Group advocates the direct distribution to customers to reduce multiple transfer and delivery, shorten the delivery distance, and reduce energy consumption. In addition, the Group focuses on convective transport to reduce empty routes, emissions and costs.
- Optimising energy efficiency. Hengan optimises traffic volume planning, improves stowage for truckload as much as possible, and increases loading rate to reduce empty load. The Group realises common delivery through multiple cargo owners from RDC to customers, increasing loading capacity, reducing carbon and saving energy. In addition, the Group vigorously upgrades vehicles into lightweight and new energy ones to reduce energy consumption and exhaust emissions. In 2021, new energy vehicles covered 75% urban delivery in Hengan's Sichuan operation segment.

### ▶ Customer education

We integrate sustainable development and climate change strategies into the Group's brand strategy. While promoting and enhancing our brand strengths, we convey the concept of environmental protection and sustainable development to consumers through our brands, advocating green consumption and living.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's product Bamboo π has very high quality requirements for raw materials, adopting bamboo as the raw material as its growth cycle is much shorter than that of wood to effectively protect forest resources. On the occasion of the 20th anniversary of our listing, the Group officially announced the strategic cooperation with the Qinling Giant Panda Breeding and Research Centre. The Group adopted two giant pandas for life, named "Hengheng" and "An'an", to publicise products and convey the concept of protecting wild animals and environmental health to consumers, integrating sustainable development into the brand strategy.



On various environmental protection days, Hengan influences and guides customer behaviours through brand influence, and calls on the public to pay attention to major environmental challenges and hotspots, so as to convey the spirit of sustainable development to the society.

	<p><b>National Tree Planting Day</b></p> <p>A Tree in Exchange for a Batch of Seedlings</p>		<p><b>Earth Hour</b></p> <p>Green, Low-Carbon and Sustainable Development</p>
	<p><b>International Day of Rare Animal Protection</b></p> <p>Protect Rare Animals, Thrive Long-term Stability for the Nation</p>		<p><b>Earth Hour</b></p> <p>Green, Low-Carbon and Sustainable Development</p>



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Hearttex won “2021 China Pollution Prevention Exhibition Designated Product Certificate”

The Group’s products, comprehensively reflecting the concept of green, low-carbon and sustainable development, are frequently designated for large-scale conferences themed environmental protection and high-level conferences. For example, Hearttex have been successively designated for high-level conferences such as the Gutian Conference, the 70th Anniversary Military Parade, the BRICS Xiamen Summit, the World Economic and Environmental Conference, the National People’s Congress and Chinese People’s Political Consultative Conference, the Belt and Road Economic and Environmental Cooperation High-level Round Table Conference, and the Ceremony Marking the Centenary of the Communist Party of China. On 26 November 2021, the Group’s products, Hearttex’s packaged tissue paper, handkerchief paper, and wet tissue paper, as the designated products for this exhibition at the 2021 China Pollution Prevention Exhibition themed “Focus on carbon emissions peak and carbon neutrality, promote the ecological civilization” co-sponsored by the All-China Environmental Protection Federation, China Environment News and other units won the “2021 China Pollution Prevention Exhibition Designated Product Certificate”.

For Hearttex, we establish extremely strict criteria for the selection of raw material suppliers, and requires suppliers to use only legal, traceable and renewable wood with a clear origin for pulp production. The production process uses the state-of-the-art technology to minimise the use of water, wood and energy sources. From pulp to finished paper products, Hearttex has achieved “zero discharge” of wastewater throughout the water circulation system in production, avoiding pollution to the surroundings during the production of paper products.



## 2. Water Conservation

Hengan’s water consumption is mainly for production and domestic use. With tap water and reservoir water as water source, water demands for daily operation can be satisfied. The Group strictly abides by the provisions of laws and regulations such as the *Water Law of the People’s Republic of China* (《中華人民共和國水法》). The Production Department under each segment is responsible for assessing and managing water demands, and promoting the assessment and application of water-saving technologies to reduce water consumption. To improve the water conservation awareness of all employees, water conservation labels are set in workshops and living areas.

Pulping and papermaking consume large quantities of water resources. In order to reduce the consumption of fresh water, Hengan reuses water in different paper production procedures based on the water quality. Excess discharged water after treatment can be used for other purposes. Small amount of wastewater produced in paper production is biochemically treated, and then recycled to the paper production workshop after ultrafiltration and reverse osmosis, realising water resource recycling, with more than 99% of paper production wastewater recycled. In 2021, Hengan papermaking segment launched an

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

advanced treatment project in Hengan (China) Paper Co., Ltd. to build a set of 3500 m<sup>3</sup>/d reclaimed water reuse system and a set of 1800 m<sup>3</sup>/d final-stage effluent treatment system, expecting to save 730,000 tonnes of water annually.

In 2021, the water consumption per tonne of paper in the Hengan papermaking segment was 82.6% lower than the national standard upper limit of water withdrawal per tonne of product specified in GB/T18916.5 *Water Quotas Part 5: Paper Products* (《取水定額第5部分：造紙產品》), leading the industry.

### 3. Packaging Reduction

Hengan improves the utilisation efficiency of packaging materials through reduction, reuse, efficient processes and recycling, and uses packaging label to indicate consumers the proper ways of packaging disposal, driving a more recycling production and consumption model.

In the post-processing of paper, Hengan has set consumption standards for each department and product in terms of raw materials and packaging materials, and evaluated the key performance indicators on a monthly and annual basis. The evaluation results are directly linked to bonus of each employee, which comes to good results.

In 2021, the Group actively promoted all-round automation, and carried out a series of packaging automation improvement projects. Each subsidiary has also introduced and promoted a batch of automatic packaging equipment, such as tissue paper counting machines, bagging machines (boxing machines), detecting instruments, box fillers and labelling machines, in order to improve the automation of the packaging process, enhance the quality stability, and finally achieve the goal of reducing the waste of packaging materials.

In order to reduce the environmental impact of packaging, the Group prefers degradable and recyclable packaging materials, and discusses with suppliers to develop green materials such as biodegradable materials and sustainable packaging materials. In 2021, 100% of paper packaging materials and 91.4% of plastic packaging materials of Hengan were recyclable, accounting for 97% of the total amount of packaging materials.

In addition, the Group conveys the concept of environmental protection and sustainable development to consumers through product packaging identification, and guides consumers to correctly dispose of waste after using products, so as to promote resource recycling and reduce packaging material wasting.

### 4. Compliance Emissions

Hengan is committed to clean production and pollution reduction for green production in traditional industries. The Group strictly follows the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), the *Law of the People's Republic of China on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢棄物污染環境防治法》) and other laws and regulations. The Group identifies, monitors and manages essential environmental factors in accordance with the internal policies such as the *Identification Control Procedure of Environmental Factors* (《環境因素識別控制程序》) and the *Monitoring and Measurement Control Procedure of Environment, Safety and Health* (《環境安衛監視與測量控制程序》) to minimise the impact of production and operating activities on the environment.

Since 2003, Hengan has established and implemented the ISO 14001 environmental management system, and accepted the supervision and review by third party certification institutions and regulatory departments every year. By the end of 2021, all of the Group's production companies and Weifang Hengan Thermal Power Co., Ltd. have established and passed ISO 14001 Environment Management System Certification, and the certification rate was 100%.

During the reporting period, there were no major environmental pollution accidents at the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The wastewater discharged by Hengan is mainly the production wastewater and domestic wastewater produced during the production process. According to the Group's *Wastewater Treatment Measure* (《廢水處理辦法》), all the paper production companies under Hengan have built sewage treatment stations. The wastewater is dealt with through slanting, air floatation, aerobic aeration, etc., thus meeting the discharge standard under the *Discharge Standard of Water Pollutants for Pulp & Paper Industry GB3544-2008* (《製漿造紙工業水污染排放標準GB3544-2008》) before discharge. In 2021, the wastewater discharge intensity, COD discharge concentration and N-NH<sub>3</sub> discharge concentration of the Group's papermaking segment were far less than the national discharge standard.

The waste gas emissions of Hengan mainly include exhaust gas emissions caused by fossil fuel combustion and dust emissions from production workshops during the production process.

The Group's each paper manufacturing base is promoting the use of the clean natural gas, and parts of the production processes are using foreign advanced equipment, recovering some of the particles during the production process, in order to reduce the waste gas emission to the greatest extent possible. As for the waste gas emission during boiler combustion, the Group requires each base to install a waste gas disposal unit and equip desulfurisation and denitrification dust removal facility in the coal-fired power plant to effectively dispose SO<sub>2</sub>, NO<sub>x</sub> and smoke to reach the standard of emission concentration stipulated in the *Emission Standards of Air Pollutants for Thermal Power Plants (GB13223-2011)* (《火電廠大氣污染排放標準》). Each paper production workshop is equipped with a de-dusting system imported from global leading markets such as Austria and Germany. The dust particle concentration of the working environment is only 3mg/m<sup>3</sup>, reaching the excellent level set in national standard for atmospheric environment quality.

In 2021, Hengan's subsidiaries continuously implemented equipment replacement and technical transformation to further respond to the national emission reduction policy:

- Hengan (Chongqing) Living Paper Co., Ltd. implemented the low-nitrogen combustion technology reconstruction programme to reduce the generation of nitrogen oxides from the source;
- Hunan Hengan Living Paper Products Co., Ltd. carried out the project of ultra-low emission of flue gas from 75t circulating fluidised bed boilers to meet the requirements of ultra-low emission reform of coal-fired boiler gas emissions.

Hengan is committed to managing wastes with responsibility, and applies the principle of "reduction, reuse, recycle", so as to improve the efficiency of resource use and reduce the discharge of hazardous and non-hazardous wastes.

<b>1</b>	<b>Hazardous wastes</b>
	Detoxification treatment by entrusted qualified third parties
<b>2</b>	<b>Non-hazardous wastes</b>
	Classifies and recycles non-hazardous wastes in accordance with the Group's <i>Solid Waste Management Measures</i> (《固體廢棄物管理辦法》).
	Domestic wastes: <ul style="list-style-type: none"> <li>● Recycle and detoxification treatment by environmental sanitation department</li> </ul>
	General industrial solid wastes: For solid waste with reuse and resource potential, the Group conducts multi-level recycling of waste: <ul style="list-style-type: none"> <li>● Selling pulp to external paper box mills for recycling;</li> <li>● Using sludge for incineration to produce electricity;</li> <li>● Selling gypsum to cement factories for cement manufacturing;</li> <li>● Selling fly ash to other companies for refining rare metals;</li> <li>● Selling slag for brick manufacturing.</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group reduces waste production and discharge by reducing waste of raw materials.

- The Group has developed raw material consumption assessment indicators. Whether the raw material consumption exceeds the standard or not is directly linked to the salary of each position. Employees of each position are urged to control raw material consumption and enhance material utilisation, thus reducing the discharge of leftover materials.
- The Group has realised the reduction of absorption of cotton and polymers in vacuuming by improving mesh screens, negative pressure, fans, pipes and conveyor belts, which further greatly reduced the amount of waste generated in addition to lowering costs.

### 5. Industry Cooperation

The Group joins climate change-related organisations, and plays an active role in promoting the industrial progress and facilitating the realisation of the goal of carbon peak and carbon neutrality through in-depth dialogues and cooperation and communication among multiple parties.

As the vice-chairman of the Carbon Neutrality Committee of China Energy Conservation Association, the Group is the first enterprise in the tissue paper and hygiene products industry to hold this position. Hengan actively performs the functions to build an open exchange platform for all relevant units, and vigorously promotes the national goal of carbon peak and carbon neutrality in strategic research, capacity building, standard establishment, and international cooperation.

Hengan conducts cooperation with partners along with the supply chain to practise environmental protection and low carbon, and pass on the concept of sustainable development to more partners. Hengan prefers suppliers that perform well in energy conservation and environmental protection, and encourages suppliers to increase the use of environmentally friendly products and services. The Group delivers ideas and experience of sustainable development on the supply chain through irregular supplier exchange conferences, supplier visits and on-site investigation.

The 2022 Quanzhou Private Economic Development Conference was held in the Quanzhou People's Hall, during which Mr. Hui Ching Lau, Hengan Group's CEO, shared "Carrying forward the "Jinjiang Experience" to Promote Innovation-driven Development of the Real Economy". Focusing on the goal of carbon emissions peak and carbon neutrality, the Group conveyed Hengan's concept of green, low-carbon and sustainable development, and expressed our determination to clean production, "zero emissions" and cost reduction and efficiency enhancement at the conference. In addition, the Group shared the practical experience in energy conservation, environmental protection and carbon reduction, including steam recycling, zero discharge of wastewater, and solar power generation, with fellow entrepreneurs, calling on enterprises to step on sustainable development.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### III. PRODUCT RESPONSIBILITY

We respond to the following SDGs



**“Hengan will, on a firm footing, unswervingly take care of our own business for real economy, and drive the sound and sustainable development through innovation and reform.”**

— Mr. Hui Ching Lau, Group CEO



#### Achievements in 2021

- Percentage of passing ISO 9001 Quality Management System Certification: **100%**
- Percentage of products subject to recalls for safety and health reasons: **0%**
- Percentage of chemical suppliers with Material Safety Data Sheet (MSDS): **100%**
- The Group’s valid patents: **231 items**
- Complaints received from consumers for privacy leakage in the past three years: **0**
- Information security incidents in the past three years: **0**
- The Integrity Agreement (《廉潔協議書》) signed by suppliers: **100%**

At Hengan, we take a new approach to quality management, which directs us to establish an overall management model and system engineering that highlights constant care, constant innovation and constant safety (the “Three Constants Model”). Sticking to the original intention of “care”, the Group has been improving the quality management in the course of management, research and development, and manufacturing, and provides customers with constantly safe products. The pursuit of constant safety, and continuous innovation and recycling has been driving us to deliver our care.

During the online release of the 2021 national quality benchmark and the 4th experience exchange session, the China Association for Quality awarded medals to the enterprises that were listed in the 2021 national quality benchmark. Hengan Group was successfully listed as the only selected enterprise in the hygiene products industry by virtue of its experience of implementing the “Three Constant Model” for quality management to forge a national brand.



The Group continues to deepen the application of the quality management model — “Three Constants Model”, implements the concept of “Love, Changes Life” in the full process, and foster a culture of quality centred on love, demonstrating care for customers and the expectation to grow with employees and stakeholders. We constantly create innovative measures, such as a double-top quality management structure at the strategic level and “red line” and “yellow card” rules for quality control, to help us achieve win-win results for the platform-based operating income and quality. Through Hazard Analysis and Critical Control Points (HACCP) and the mass production approval mechanism, we effectively control the new product quality risk in the process of integrated

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

product development (IPD). By means of simulation and optimisation, we realise digital and intelligent process quality control (PQC) to ensure the stability of quality. We adopt systematic standard management to lead the development of the industry, and ultimately lead the standard and quality safety and create a national brand of world-class daily necessities.



### 1. Constant Care

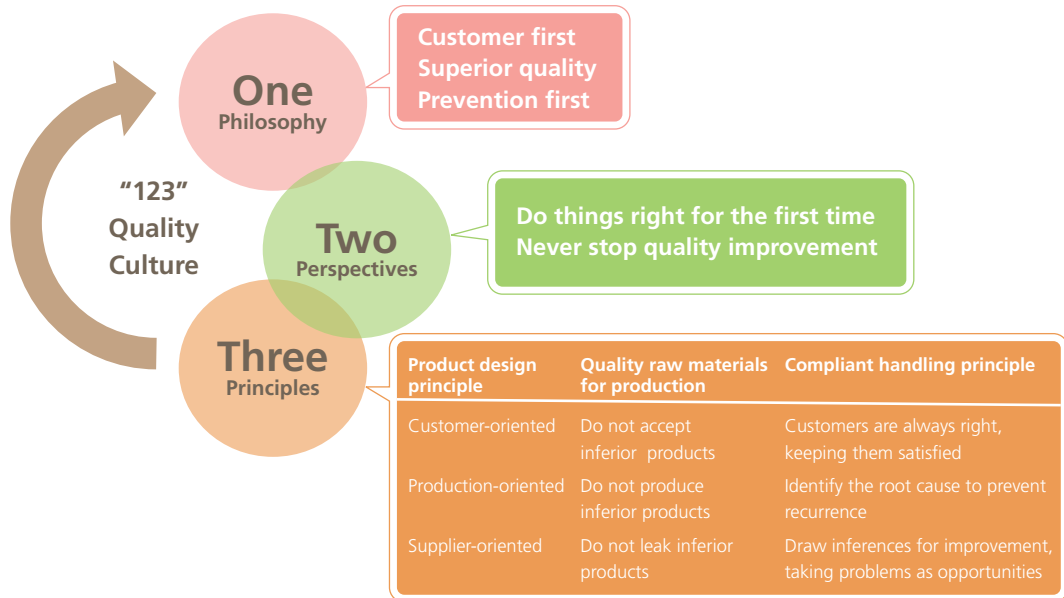
The Group integrates love into the culture of quality and establishes the culture of quality titled “123”. Focusing on customers, we have built a comprehensive customer VOC (Voice of Customer) collection channel relying on “Online + Offline” to listen to customers’ voices and understand their demands and satisfaction. We share our development achievements with employees, and conduct “large team operation collaboration” with partners in the industry chain to achieve common growth.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 1) Quality culture

Since the establishment of the Group, we have been practicing the core connotation of love and gradually formed the culture of quality titled “123” with Hengan characteristics.



### 2) Customer first

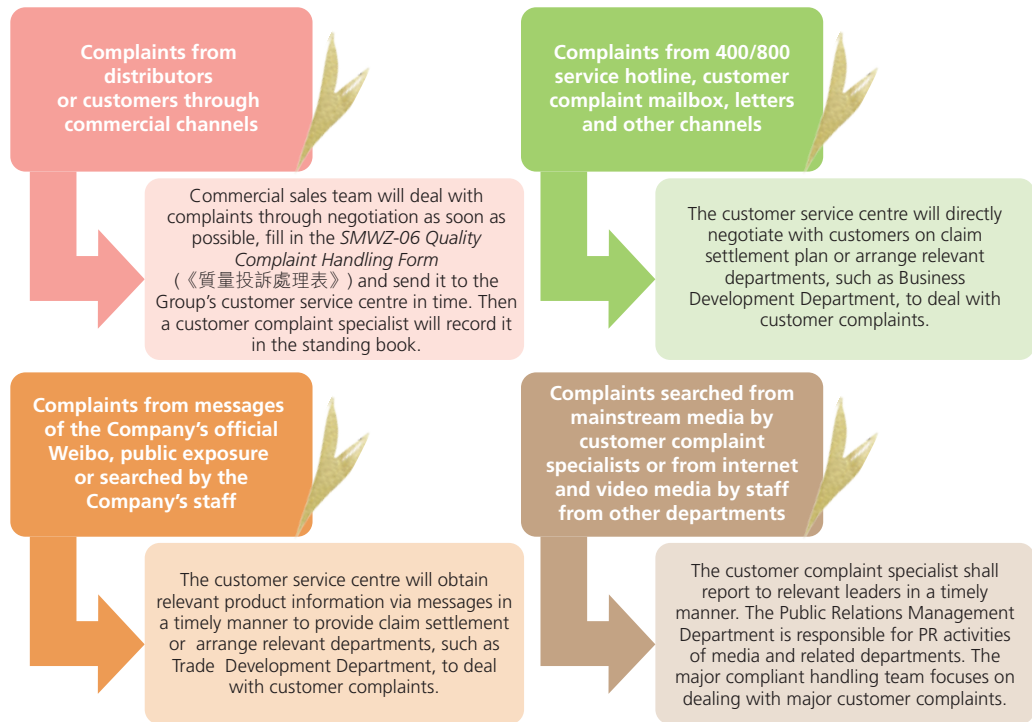
#### ▶ Customer satisfaction

To create value for end consumers on a continuous basis, Hengan keeps abreast of consumers’ tendencies and satisfaction through the “Online + Offline” that covers hundreds of millions of members and millions of terminals, allowing for a quick response to consumer demands.

Hengan strictly abides by pertinent laws and regulations such as the *Law of the People’s Republic of China on Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》), and follows relevant internal procedures, such as the *Customer Satisfaction Survey Control Procedures* (《顧客滿意度調查控制程序》) to analyse customer and client satisfaction through official website, e-commerce platform, hotline and follow-up investigation, figure out whether the Group correctly understands and meets customers’ needs and expectation, and evaluate whether the quality management system adequately addresses customer requirements. Based on the results of satisfaction survey, the Group identifies and rectifies relevant deficiencies to constantly improve customer satisfaction.

Hengan implements *Customer Complaint Control Procedures* (《顧客投訴控制程序》), *Customer Service Standards* (《客服崗位服務標準》), *Customer Complaint Handling Records* (《客訴處理履歷》), *Return Visit Policy for Customer Complaint* (《客訴回訪制度》), *Information Analysis* (《信息分析》) and *Employee Liable for Specific Quality Issue* (《質量問題責任落實到人》) and other policies to resolve customer complaints received from multiple channels rapidly and effectively.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

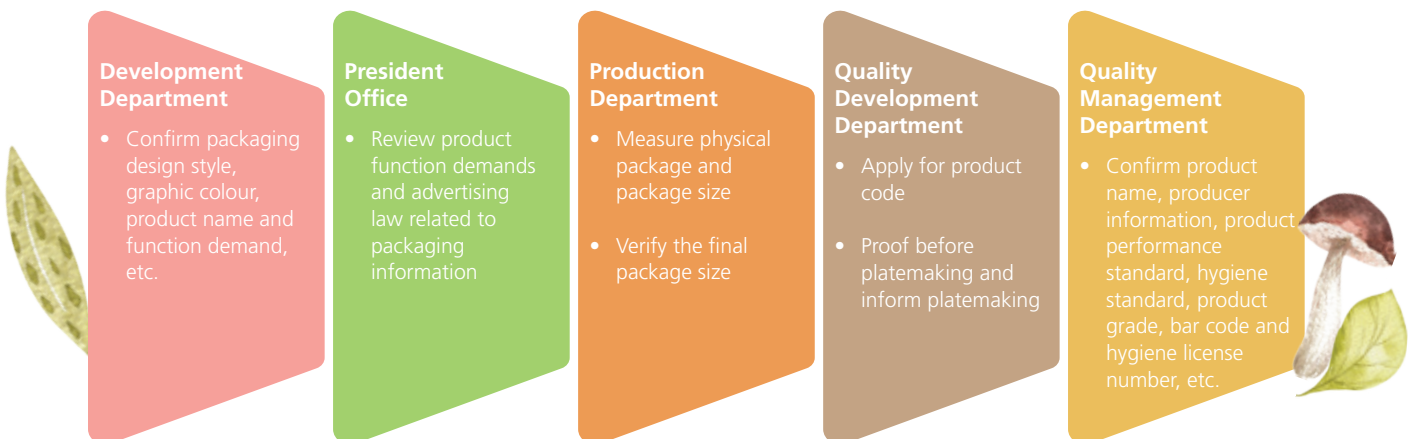


### Product information

Hengan has also established a standardised product information review process to protect customers' right to know product information.

According to *Administrative Measures of Packaging Design* (《包裝設計管理辦法》) and *Product Packaging Layout Review Process* (《產品包裝版面審核流程》), the Group will stringently review the following information on the package in order to provide accurate information to consumers, including product name, producer name, address, product performance standard, hygiene standard, product grade, bar code, hygiene license number, trademark, specification, quantity, production batch number and expiration date, certification mark, consumer service telephone number and other information.

### Product packaging layout review process



The Group strictly regulates the use of FSC marks and effectively controls the use of FSC marks in the processes of printing, publicity, product marking, etc. to ensure that the use of marks complies with FSC requirements.

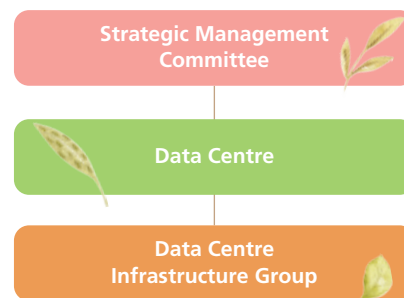
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ▶ Privacy security

While making efforts in building Marketing Platform and accelerating digitalisation, Hengan also pays attention to consumers' personal privacy, and strictly abides by relevant laws and regulations such as the *Personal Information Protection Law of the People's Republic of China* (《中國人民共和國個人信息保護法》) to protect customers' information security.

The Data Centre is the executive department of the Group's information security, and the CEO is the responsible person, who reports to the Strategic Management Committee of the Board of Directors. Hengan formulated *Management Manual 1.0 for Data Centre* (《數據中心管理工作手冊1.0》) and the *Hengan Group Digitalization Service and Building Management Policy* (《恒安集團數字化服務與建設管理制度》), to standardise the data centre's work, including data digitising planning, data services, demand management and promotion, IT support services, information construction and operation and maintenance, infrastructure management, etc., so as to strengthen information security management.

#### Hengan Information Security Governance Structure



In terms of information security operation, the Group's IT equipment shall be uniformly installed by the Group's data centre with designated anti-virus software, and the server of anti-virus software shall be managed by a specially assigned person from the Data Centre. The Group regularly tracks the server and virus logs to make relevant log records, and releases pre-warning audit on the collected log records according to the three stages of underlied, induced and occurred. Based on the needs of various departments, the Data Centre also conducts network information security management training from time to time.

In terms of information security management, Hengan classifies company secrets, personnel files and customer information as confidential information. Strict registration procedures are carried out in all aspects of drafting, circulation, verification, storage, transfer and destruction of information. Meanwhile, confidential information is encrypted and access to the information is controlled, with accounts and passwords of all information systems under unified authentication management. Application for releasing information to the public shall follow the principle of "the person who releases the information shall guarantee its security" and shall be submitted to the relevant leaders of corresponding department for approval according to the management regulations of such department. An emergency Plan is in place so that the emergency operations are in strict compliance with the corresponding failure emergency plans under the Plan in case of sudden failure of the server.

The Group organises 6 cybersecurity drills every year, including 4 drills for security failures and 2 drills for security attacks. In order to test the cybersecurity situation and capacity against attacks, the Group managed to carry out drills for security attacks on Internet IP and Data Center bare fiber switching in 2021.

Hengan classifies customer information as highly confidential information, thus keeping the personal information collected from customers strictly confidential. No employees shall disclose any confidential commercial information concerning business, production formula, technical data and document of the Group. Any intentional disclosure of confidential information about business and technology of the Group, resulting in losses that the Group has suffered or will suffer, is deemed as serious violation of the rules and regulations of the Group, and employment contracts of employees involved shall be terminated.

The Group received no complaint from consumers for privacy leakage, and had no information security incident in the past three years.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3) Sharing and win-win results

The Group integrates the corporate blueprint with industrial strategies. On the one hand, we implement full power delegation to stimulate the vitality of all employees and share the achievements of corporate development with employees. On the other hand, we deepen large team operation collaboration with partners in the upstream and downstream of the industry chain, and share resources and achievements with them to achieve common development.

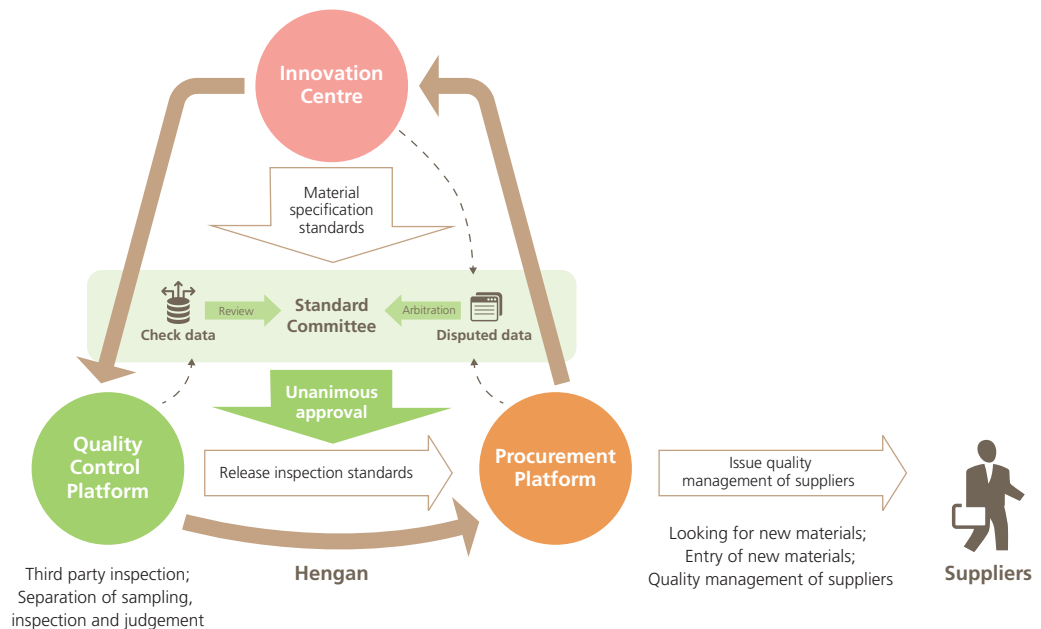
#### ▶ Operation of small teams

Since 2013, Hengan has started the third round of platform-based management reform that is driven by data, implemented Amoeba platform-based operation of small teams, assembled small Amoeba teams and elected the leaders, thus realising the independent operation, accounting and self-financing of small teams. On the one hand, a team's performance assessment result is linked to its performance to form incentives, and the Amoeba teams with outstanding annual operating results will be recognised and rewarded with dividends, bringing a significant increase in their respective incomes compared to the past. On the other hand, data on all the Amoeba teams of the Group are summarised to form a horse racing system among the teams to promote healthy competition and motivate the enthusiasm of employees, which is also in line with the full-staff management philosophy advocated by Amoeba and the values of "co-creation of value and sharing of responsibilities and benefits".

#### ▶ Supply chain cooperation

Hengan only cooperates with high-quality and responsible partners, and constantly passes on the Group's quality standards and responsibility concepts to promote the common and healthy development of the industry chain.

Insisting on the strategy of "Separation of Three Powers" among the Procurement Platform, the Innovation Centre and the Quality Control Platform, the Group builds up an "Iron Triangle" management model. Specifically, the Innovation Centre prepares material specification standards in accordance with product positioning (market/quality/cost). The Quality Control Platform inspects and manages quality in accordance with formal standards issued, presents inspection results provided by a third party and sets out corrective action plans. The Procurement Platform introduces, manages and instructs qualified suppliers in accordance with formal standards issued to monitor supply quality in an all-round manner.



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The Group conducts centralised procurement management through the procurement platform. Based on the *Procurement Platform Management Regulations* (《採購平台管理規定》), the Group sets standards for sourcing and supplier management from procedure connection, function orientation, organisational structure, code of conduct and implementation assurance, to form a fair, transparent and professional end-to-end procurement management platform.

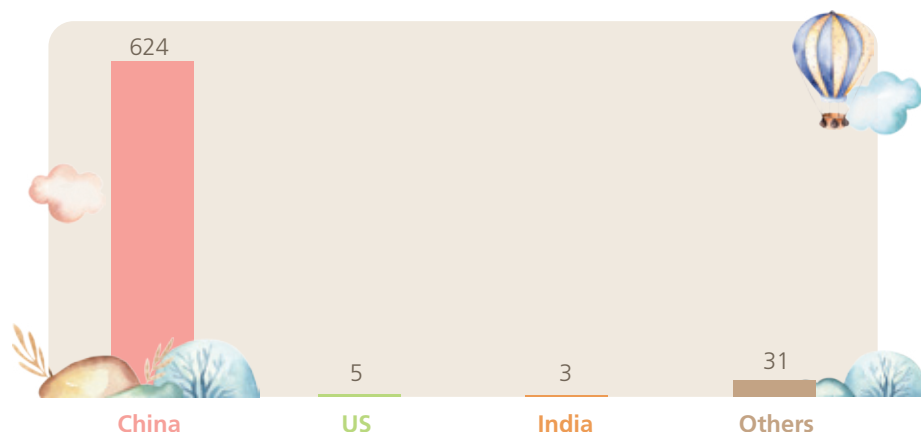
**Supplier acceptance:** The Group, in compliance with the *Suppliers On-Site Inspection Management Measures* (《供應商現場考察評審管理辦法》), reviews qualifications and systems of supplier to be approved, to screen out qualified suppliers pending for verification. The Group requires suppliers to provide the following information, documents and records, including factory status, quality policy and objectives, organisational structure and personnel allocation, production process, hardware facilities, customer composition, enterprise qualification, quality management system, production process management, traceability process and recall management, fire control management and pest control and prevention, chemicals and waste management. The Group will carry out assessment upon quality management, environmental and social risk (involving anti-discrimination, occupational health and safety, business ethics, compliance employment, etc.), technology R&D and service management, etc.

Supplier approval criteria mainly include:

- ✓ Environment, safety and quality standards: certificate of environmental impact assessment, certificate of work safety standardisation, pollutant discharge permit, fire safety permit, ISO 9001, ISO 9002, ISO 14001, SA 8000, ISO 45001, UL, VDE, EMC, CCEE, CE, etc.;
- ✓ Special qualifications required by special business: printing business license required by prints, relevant construction class qualification certificate required by civil engineering and construction, pressure vessel class certificate required by pressure vessels, explosion-proof qualification required by explosion-proof business, and firefighting qualification required by firefighting industry;
- ✓ Agent, trader or service provider must provide relevant distribution authorisation certificate, and manufacturers' qualification certificate for production and operation, production or business scope and main products and commodity catalogue;
- ✓ Documents that prove chemicals are toxic-free.

On the premise of ensuring the quality of production materials, the Group preferentially selects local suppliers. As at the end of 2021, the number of the Group's suppliers of raw and auxiliary materials by country is as follows:

Numbers of suppliers of raw and auxiliary materials by country



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Supplier classification:** In terms of supplier management, the Group classifies suppliers into transactional suppliers, cooperative suppliers and strategic suppliers according to materials importance and supplier dependency. The Group further divides them into four levels i.e. core suppliers, optimal suppliers, to-be-cultivated suppliers and to-be-eliminated suppliers according to suppliers' annual performance ratings, laying the foundation for differentiated supplier management.

**Supplier evaluation:** The Group conducts monthly performance evaluation on suppliers of bulk materials, production materials, equipment/spare parts and OEM and promotes continuous improvement on suppliers' performance based on the evaluation results. Meanwhile, the Group conducts annual performance evaluation and hierarchical management for suppliers of bulk materials and production materials for differentiated cooperation. In addition, the Group carries out annual on-site audit of qualified OEM suppliers to control the quality and supply risks of the suppliers.

**Supplier phase-out:** The Group conducts daily inspection and supervision on suppliers with quality/delivery issues to assist them in continuous improvement. The Group will initiate the freezing/withdrawal procedure against suppliers that fail daily inspection/on-site annual review and monthly/annual performance evaluation, and that present serious quality issues or violations of laws and regulations, etc. These suppliers will be removed from the list of qualified suppliers. In 2021, the Group eliminated 1 suppliers.

**Supplier sustainable development management:** The Group regards irreplaceable suppliers with high amount of procurement and supplying key raw materials as key suppliers. Also, the group regularly conducts the ESG risk evaluation and on-site audit on suppliers of raw and auxiliary materials and follows up the situation of suppliers at high ESG risk level. During the supplier on-site evaluation jointly carried out by the Quality Management Department and the Procurement Platform, the Group incorporates environmental and social factors into the evaluation indicators, and mainly identifies the sustainable development risks of suppliers from the following aspects:

- ✓ Whether suppliers' internal regulations meet the requirements of relevant laws and regulations;
- ✓ Whether suppliers have passed environmental management system certification and whether any environmental pollution incidents have occurred to suppliers in the past three years, etc.;
- ✓ Suppliers' environmental and sanitary status, including mosquito control, pollution source control and workshop/warehousing environment management, etc.;
- ✓ Suppliers' protection of employees' rights and interests (whether suppliers have passed occupational health and safety management system certification, office environment safety, whether incidents such as gender discrimination or child labour occurred to suppliers, fire training and drills, factory risk prevention, health check and job training, etc.);
- ✓ Suppliers' raw and auxiliary material source management and sub-supplier management, etc.

In 2021, the Group carried out ESG on-site audit on 37 suppliers, and required 8 suppliers to take remediation measures. Among them, 7 suppliers finished rectification in a timely manner, and the remaining 1 is in the progress.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2. Constant Innovation

The Group has gone through three rounds of management reform and persisted in enhancing self strength for a long time. Only with “constant innovation” can we keep pace with the times, provide customers with better products and services, and realise the enterprise’s original intention of love.



#### 1) Quality management

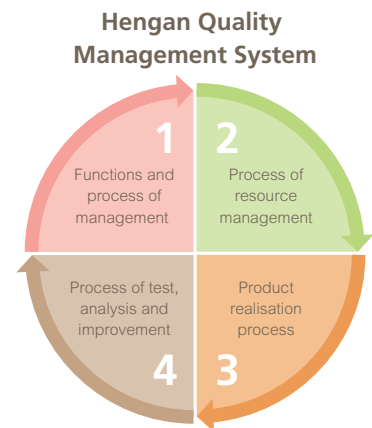
Hengan Group is committed to providing consumers with high-quality and reliable personal and household hygiene products. For the long-term quality management, Hengan vigorously absorbs advanced ideas from others and incorporates scientific quality management methods and successful experience into the management system to establish a sound quality management system.

Since 2014, the Group has established an efficient operation platform, innovatively designed a quality inspection platform at the top, and formed a double-top quality management structure. In addition, the Group has formulated a “red line” and “yellow card” mechanism for quality performance to ensure win-win results for revenue and quality.

Hengan strictly complies with the requirements of laws and regulations such as the *Product Quality Law of the People's Republic of China* (《中華人民共和國產品質量法》). In addition, according to the *Acquisition and Identification Control Procedures for Laws and Regulations* (《法律法規的獲取、識別控制程序》), the Group regularly collects and evaluates information on quality-related laws and regulations and relevant standards to form a quality compliance evaluation report.

The Group has passed ISO 9001 Quality Management System certification, CE certification, FDA certification and MSDS certification and introduced the comprehensive quality management and target management method, to guarantee the Group’s product quality level and compliance.

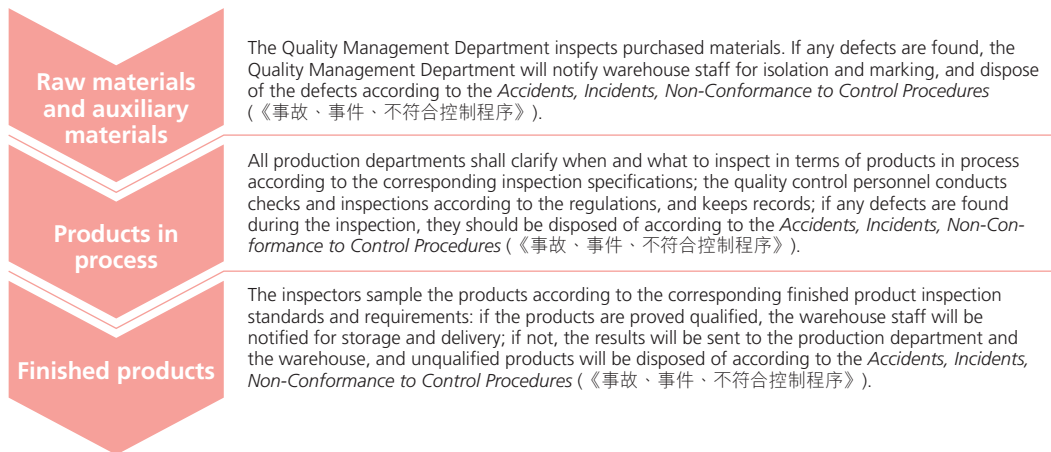
The Group monitors and measures the quality management system, conducts internal audits and management reviews, and accepts external reviews. As at the end of 2021, all of the Group’s production companies and Weifang Heng’an Thermal Power Co., Ltd have established and passed ISO 9001 Quality Management System certification, and the certification rate was 100%. During the reporting period, the qualified rate of the Group’s products subject to sampling inspection by supervisors at or above the provincial level was 100%.



ISO 9001 Quality Management System

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In terms of quality inspection, the Group has formulated and implemented procedure documents such as the *Control Procedure for Process and Product Monitoring and Measurement* (《過程和產品的監視和測量控制程序》) and the *Control Procedure for Corrective Actions and Preventive Measures* (《糾正措施和預防措施控制程序》), requiring whole-process detection to monitor and measure product quality from raw and auxiliary materials, products in process to finished products.



### 2) Innovation and R&D

Based on the leading strength in industrial technological innovation, the Group upholds the concept of “independent innovation as a top priority and cooperative development for additional assistance”, fully integrates internal and external technical resources through industry-academy-research cooperation, and realises the leap from “following” to “leading” in independent design and R&D capabilities, with a plural of technologies reaching the world leading level, providing technical support for new product development and product upgrading. In 2021, the Group continued to actively explore opportunities for innovation, proposed new ideas in product development to meet consumer needs, and strived to create innovative products that deliver comfortable, safe and healthy user experience.

#### ▶ Innovation strategy

The Group has established and enhanced an interactive dual-engine product innovation model, incorporating category selection led by the product management committee of the Group and technology and product R&D led by the innovation centre, aiming at encouraging technological innovation and effectively managing the technical research projects of the innovation centre, so as to effectively exchange technical information and support product innovation through knowledge sharing.

Driven by the dual-engine model, and guided by the target of improving the first-pass yield of R&D, the Group clarifies the development direction of high-quality, healthy and safe products, implements a differentiated and high-end technology development route, builds automated and digital factories, promotes R&D digitisation, and establishes and improves a standardised and scientific innovation management mechanism to support the continuous implementation of the R&D innovation management system and improve the execution efficiency and management efficiency of R&D innovation business.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ► Innovation capability

We have established a complete product R&D system and organisational structure to drive internal product management, formulated advanced internal standards to improve our own technical level and product quality, and maintained a long-term leading edge in the competition with internationally renowned brands.

The product management committee of the Group authorised by the decision committee is responsible for the management of product planning and product development. To promote product planning management by product categories, the product management committee holds monthly meetings to carry forward the process and result management based upon project objectives and the management of the problems occurring in the implementation process. The marketing and product planning team, product development team and technical experts committee of the Group perform specific product planning and product development.

The innovation centre of the Group takes responsibility for the R&D of innovative material technology, equipment technology and products, also for the innovation management and technical standards across the Group, penetrating laterally into the process of integration and optimisation of technology and product development. The centre adopts a project-specific operation and evaluation model, manages projects based on the business work flows, and improves proper performance assessment approaches and incentive measures for product development projects aiming at promoting effective collaboration among team members to maintain the efficient operation of projects.

In 2021, based on the technical planning and the product development needs, the Group took stock of existing talents in the innovation centre, evaluated the demand for basic technical talents, and introduced and cultivated professional and technical talents accordingly. Statistics show that the Group in 2021 employed a total of 92 highly educated talents, including 2 doctors, 11 postgraduates, and 79 undergraduates, covering a variety of disciplines such as papermaking, chemistry, materials, electromechanics, industrial design, etc., which will be helpful for the comprehensive implementation of product innovation from four dimensions of technology research, product innovation, product development and innovation management.



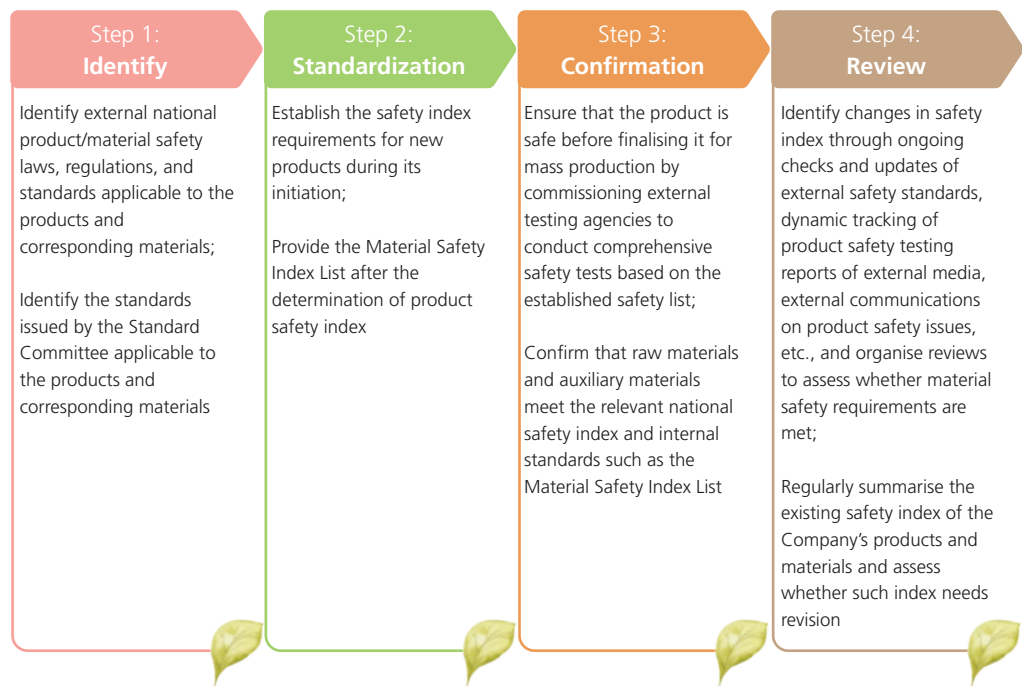
Online Design Camp for College Students Across the Taiwan Strait

To implement the innovation-driven development strategy and promote the introduction strategy of creative talents, the Group continued to jointly hold the “Online Design Camp for College Students Across the Taiwan Strait” with Jinjiang Industrial Design Association in 2021. Outstanding professors and students in the field of industrial design from Fuzhou University, Jiangxi University of Finance and Economics, Xiamen University Tan Kah Kee College, Huaqiao University and other colleges and universities were brought together to help with the enterprise’s product innovation and upgrading and promote industrial innovation and upgrading.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ► Innovation system

In 2018, the Group established an efficient R&D and innovation system to respond to the diverse needs of the market. To ensure the quality of new products in IPD and the safety of products and raw materials, the Group observed the principles of HACCP and Current Good Manufacturing Practice (CGMP) in the product development stage to assess potential risks and implement Sanitation Standard Operating Procedure (SSOP) management for the whole process, and managed and controlled all key hazard points, so as to realise quality and safety management for new products throughout the whole process of R&D, procurement, production and delivery. In accordance with the *Management System for Quality Safety of Products and Materials* (《產品、材料質量安全管理制度》) and other systems, the Group ensures the safety of new products and raw materials through the following four steps:



All new products are subject to approval before mass production.

### ► Innovation practice

The Group continues to carry out product R&D and innovation for new materials, new technologies and applications, etc. to provide consumers with safer and more environment-friendly products and a better user experience. From 2019 to 2021, the Group launched a total of 224 R&D projects, of which 124 had been completed by the end of 2021. Since the establishment of the antibacterial/bacteriostatic research platform, biodegradable research platform and non-woven research platform in 2020, Hengan had incubated a total of 36 technology development projects, of which 8 had been approved. For new non-woven

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

materials, Hengan had a total of 305 technological innovation projects related to non-woven technology planning and extension planning, and had approved 30 technology development projects as at the end of 2021.

From 2019 to 2021, the number of approved invention patents of Hengan increased by 240% compared with that before 2019. As at the end of 2021, the Group had 79 valid invention patents, and 152 utility models and designs.

In 2021, the Group maintained the momentum of innovation and development, consolidated innovation strengths, and made breakthroughs in production technology, application of new materials, product quality and functional upgrading.

**Material replacement:** The Group emphasises the use experience of products. In 2021, new materials were adopted for smart thermoregulation disposable hygiene products, medical care diapers, etc., to make the products more skin-friendly and comfortable. Specifically, the “medical care diapers” were designed with a surface layer made of non-woven fabrics that are skin-friendly and sweat-absorbing; and the “smart thermoregulation disposable hygiene products” were made of non-woven fabrics with the surface spray-coated with a smart thermoregulation layer to achieve long-term thermoregulation.

**Process updating:** The Group actively conducts research on production processes such as water-blocking treatment for leak-proof diapers and improvement of air permeability for diapers. For example, the production process and related equipment of “leak-proof diapers” have been refined by adding the processes of preparing a liquid-permeable surface layer, preparing leak-proof partitions, etc., which solves the problem of side leakage in existing absorbent articles caused by deficiencies at both sides of the front and rear ends of the leak-proof partitions.

**Quality improvement:** The Group’s newly launched product “PINO facial tissue 14.5g” is produced with a cost-effective pulp, which has a reasonable ratio of long fibre to ensure the toughness. In the production process, necessary chemical additives such as softener, retention and drainage aids are added to solve the problem of paper powder falling off, and a ceramic scraper is used to ensure fine wrinkles and give consumers a feeling of smoothness.



**Environment-friendly and low-carbon:** The Group values the R&D of low-carbon and environment-friendly products. For example, the “Slim & Comfort” diaper launched in 2021 uses lintfree paper and SS non-woven absorbent paper on the top and bottom respectively, which makes the product thinner and softer, and applies a 13gsmSS non-woven bottom to further reduce the thickness of the product, which not only makes the product more comfortable to use, but also reduces the use of raw materials and carbon emissions. In addition, the use of degradable and recyclable non-woven fabrics is expected to reduce costs and promote the Group’s green production.

**Health and Safety:** The Group always pays attention to the safety of products, and is committed to safeguarding the health of consumers. “Hearttex Antibacterial Series Facial Tissue” is enhanced with a material containing natural antibacterial ingredients, which is developed in cooperation with colleges and universities, and realises an antibacterial rate of more than 99% against Escherichia coli and Staphylococcus aureus, helping consumers maintain healthy and meeting their needs for a more hygienic environment upon the outbreak of COVID-19.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Formula optimisation:** In 2021, the formulas of various products of the Group were upgraded and optimised to bring better use effects to consumers. A peach leaf essence was added to the top layer of "Yuxing Peach Care" diaper, which was expected to soothe the skin, relieve prickly heat and other problems, and deliver certain effects of clearing heat and relieving itching and eczema. The "Light Luxury Soft" diaper surface fibre was added with a German wheat protein essence, which could nourish the skin and improve the skin complexion.

### ▶ Intellectual property rights

The Group implements the *Trademark Management Policies of Hengan Group* (《恒安集團商標管理制度》) to regulate the design, application and use of trademarks and manage and maintain trademarks in an effective way, so as to make scientific and efficient use of trademark resources and prevent and strike any infringement of the Group's trademarks.

To create a cleaner market consumption environment and protect consumers' and our own rights and interests, Hengan actively cracks down on counterfeit production and sale to an extent that "every case is investigated and every investigation is concluded". Based on internal procedures set forth in the *Anti-counterfeit Management Policies of Hengan Group* (《恒安集團打假管理制度》), the anti-counterfeiting office at the Group's headquarters is responsible for cracking down on nationwide infringement acts of manufacturing and selling counterfeit products, and implements the system of assigning "anti-counterfeiting commissioner" to coordinate anti-counterfeiting activities in the local market under the unified command of the anti-counterfeiting office at the headquarters. If products with counterfeit trademarks of the Group are found in the market circulation, the anti-counterfeiting team will take actions to safeguard their rights so as to control and minimise consequence of infringement. As long as whistleblowers' report is verified to be true and reliable and contribute to the Group's investigation and punishment on producers and sellers of counterfeit products, Hengan will give them certain rewards.

### 3) Enhancement with digital and intelligent features

The Group continues to promote the application of intelligent and digital technologies, and gradually builds a unified digital platform to make the production process transparent and traceable, and realise digital management over the production, quality, equipment, energy, etc., thus providing data support for continuous improvement and efficient management, and laying a solid foundation for the realisation of intelligent high-quality manufacturing.

The Group has carried out production process reengineering, built digital and intelligent process quality control (PQC), and adopted a large number of world-leading automatic equipment to realise automatic operation for the whole process. The Group's digital and intelligent PQC has six functions: intelligent online monitoring, digital inspection, intelligent quality tracing, statistical process control (SPC), event management, and intelligent simulation and optimisation.

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For example, in the visualisation of simulation and optimisation processes, PQC uses workers' experimental knowledge and grey relational analysis to select analysis parameters, uses support vector machine (SVM) to train the performance prediction model, and uses genetic algorithm (GA) to optimise process parameters, so as to realise the visualisation of simulation and optimisation processes. For core forming performance prediction and process optimisation, the model can function in two opposite directions. In the forward direction, the model can predict product performance based on the mixing ratio of wood pulp and polymer. In the backward direction, the model can provide reasonable process parameters based on the expected performance, and automatically anticipate and rectify defects through online monitoring in real time.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3. Constant Safety

We uphold “constant innovation” out of “constant care” and realise “constant safety” based on “leading standards” and “secured product quality”.

#### 1) Safety standard

Only by continuously leading the product standards can we meet and exceed the needs of customers. The Group designs a Standard Management Committee at the top, and takes international advanced standards as benchmarks to formulate and release unified standards and procedures, including setting up internal standards higher than the national ones regarding liquid medicine, wood pulp, polymers, hot melt adhesives, toilet paper, and non-woven fabrics in order to maintain the leading position. The technical standard team subordinate to the committee is divided into material team, finished product team, equipment team and others, taking the innovation centre as the starting point. It tackles with the full life cycle management, including organising and coordinating build-up of technical standard system, and the review, issue and update for technical standards content.

The Group also actively exports advanced standards to improve the technical and quality level of national, local and industrial. The Group has joined China Paper Association and Fujian Paper Association, participated in industry exchanges on product safety standards, and put forward ideas and suggestions for the development and revision of national, local and industry standards. In 2021, the Group was engaged in the development and revision of 8 national standards, including *GB/T 40274-2021 Guidelines for the Monitoring and Evaluation of Quality and Safety Status in the Production of Household Paper* (《GB/T 40274-2021生活用紙生產過程質量安全狀態監測與評價指南》), *GB/T 40181-2021 Test Method and Evaluation of Flushability of Disposable Hygiene Nonwoven Materials* (《GB/T 40181-2021一次性衛生用非織造材料的可衝散性試驗方法及評價》), etc.

#### China Paper Association

- Established in 1992, China Paper Association is directed by relevant departments of the State Council. Since its establishment, the association has been developing along with the overall major adjustment of the domestic pulp and paper industry, and made a lot of contributions to the rapid development of the industry.

#### Fujian Paper Association

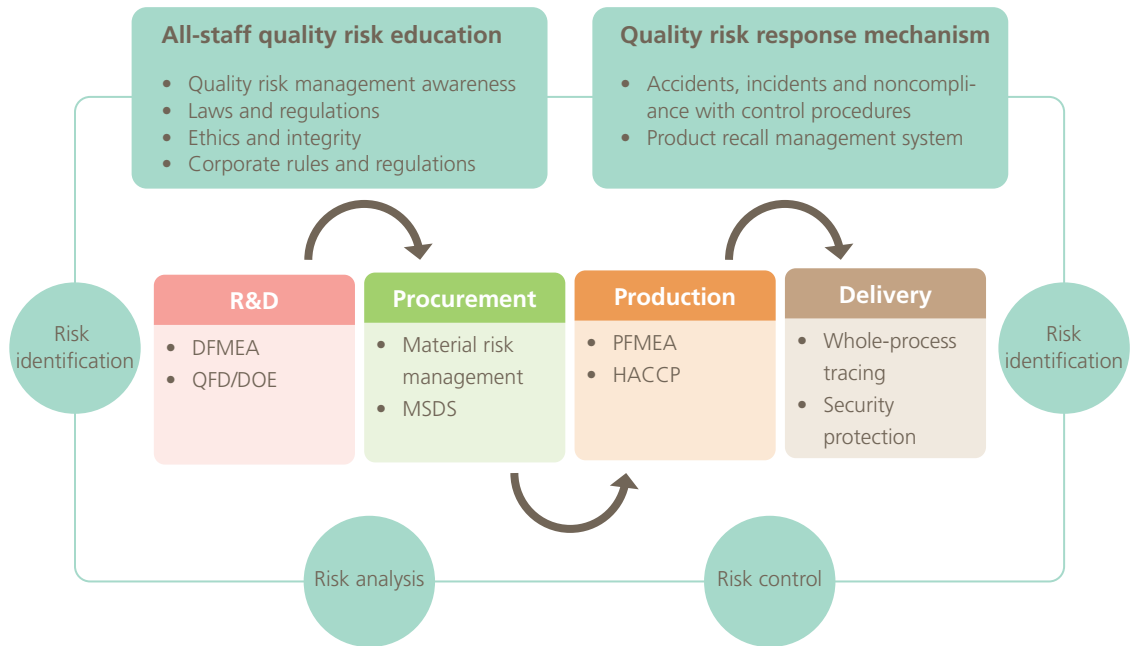
- As the paper and paper products industry association of Fujian Province, it is composed of multiple institutions in the paper and paper products industry and related industries of Fujian, and responsible for the implementation of relevant government policies regarding the development of the paper industry.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2) Product safety

The Group has built a whole-process quality risk management system of Hengan, and assembled a quality risk management team led by the Chief Quality Officer of the Group who is provided with the one-vote veto power. The failure mode and effect analysis (FMEA) is adopted to identify, analyse, control and monitor potential quality and safety risks throughout the process of R&D, procurement, production and delivery.



### Raw material risk management

In strict accordance with international, national, industrial and internal standards, the Group strictly controls the raw materials used, gives priority to natural and safe raw materials, and regularly identifies and eliminates highly concerned chemicals to maintain the health of users.

The Group strictly follows normative documents including the *Management System for Quality Safety of Products and Materials* (《產品、材料質量安全管理制度》), the *Administrative Measures for Oils and Chemicals* (《油類、化學品管理辦法》), the *Material Safety Index List* (《材料安全指標清單》), and the *Additive Limitation List* (《添加物限度清單》), and makes improvement on chemicals procurement, storage, usage and disposal.

**Procurement of raw materials:** The Group applies high standards on supplier selection, requiring them to present qualified business license, related “safety production license” or “business permit”, and related Material Safety Data Sheet (MSDS). Suppliers of chemicals directly related to paper products are required to present certificates of non-toxic and non-hazardous chemicals issued by authoritative testing institutions or provincial centres for disease control and prevention. In the procurement of chemicals, the Group gives priority to non-toxic and non-hazardous ones that cause less pollution. Imported hazardous chemicals should be accompanied with corresponding labels or description in Chinese.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Management of raw materials:** The Group has set up specific storage warehouse equipped with corresponding facilities and appointed responsible staff. Hazardous chemicals for temporary storage must be put in a fixed location, and the storage method and quantity must conform to the national standard *Rules for Storage of Hazardous Chemicals* (《常用化學危險品貯存通則》), and daily inspection must be conducted. Hazardous chemicals must be strictly and quantitatively distributed and recorded. When storing, transporting, packaging and labelling hazardous chemicals, *Provisions on Hazardous Chemicals Warehouse Management* (《危險化學品倉庫管理規定》) must be obeyed.

**Use of raw materials:** The Group's safety standards for chemicals meet or exceed national and industry standards, as well as other authoritative international standards, such as REACH, a regulation of EU. Some chemicals the Group uses are also listed as highly focused in the REACH regulation List. The concentrations (weight ratio) of these chemicals in the Group's products are all lower than 0.1% as stipulated in the regulation. Based on international standards, the Group has established internal *Material Safety Index List* (《材料安全指標清單》) and *Additive Limitation List* (《添加物限度清單》), and enhanced the inspection for chemicals in raw materials and products:

- Use of hazardous substances are prohibited in the production process;
- The chemicals applied must meet with the relevant national security indicators, and upstream suppliers are required to comply with *Material Safety Index List* (《材料安全指標清單》);
- Transportation vehicles must be hygienic and safe;
- Chemical additives must abide by the *Additive Limitation List* (《添加物限度清單》). Use of chemicals that are harmful to human being are strictly forbidden by the Group.



### We do not allow additions

2-Bromine-2-Nitropropane-1,3Diol (Bropol)	Propylene Glycol
5-Bromine-5-Nitro-1, 3-Dioxane	1-Monophenyl Ether
7-Ethyl bicyclo oxazolidine	Salicylic acid and its salts
Formaldehyde benzyl alcohol hemiacetal	Salts of benzene mercury, including Phenylmercuric Borate
Chloreton	Silver oxide deposited on titanium dioxide
Diazolidinyl urea	Sodium hydroxymethyl glycine
DMDM hydantoin	Thiomersal
Formaldehyde and paraformaldehyde	Triclocarban
Glutaraldehyde	Triclosan
Imidazolidinyl urea	Zinc pyrithione
Iodopropynyl Butylcarbamate (IPBC)	Methenamine
Methyl isothiazolinone (CIT)	Chloroacetamide
Methylchlorisothiazolinone and methylisothiazolinone (Kathon)	HICC lyral
P-chlorom-cresol	Ethyl lauroyl arginate
Nonylphenol polyoxyethylene ether	Citric acid and silver citrate

**Raw materials phase-out:** The Group takes the initiative to obtain external information such as industry standards, EU standards and the elimination of hazardous chemicals by external institutions to develop and update *Hazardous Chemicals List* (《危險化學品清單》), which specifies identified highly toxic chemicals, highly irritating and corrosive chemicals, inflammable and explosive chemicals and general hazardous chemicals. According to aforementioned information, the Group phases out chemicals and seeks for safer alternatives.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Safety test:** In accordance with *Material Safety Index List* (《材料安全指標清單》), *GB15979-2002 Hygienic Standard for Disposable Sanitary Products*, *GB/T2912.1-2009 Textiles — Determination of formaldehyde — Part 1: Free and hydrolysed formaldehyde (water extraction method)*, *Hygienic Standard for Cosmetics (2007)* (《化妝品衛生規範》(2007年版)), *ISO 10993-10: 2018 Biological evaluation of medical devices — Part 10: Irritation and persistent allergy test*, European Pharmacopoeia (EP), United States Pharmacopoeia (USP) and other domestic and foreign testing standards, the Group conducts tests regarding biosafety, physical safety, human stimulus sensitisation safety and chemical safety indexes, and issues corresponding safety reports. Meanwhile, the Group requires suppliers to entrust authoritative testing institutions to test chemicals and offer test reports following testing standards, such as *Safety and Technical Specifications for Cosmetics (2015)* (《化妝品安全技術規範(2015年版)》) and *GB/T21603-2008 Chemicals — Test Method of Acute Oral Toxicity*.

### ▶ Risk response

The Group's Quality Management Department assumes responsibility of regular inspection and evaluation of raw materials and products, and management and control of defects. If any defects are found, the Quality Management Department will notify warehouse staff of the test result for isolation and marking, and dispose of the unqualified materials according to the *Accidents, Incidents, Non-Conformance to Control Procedures* (《事故、事件、不符合控制程序》).

The Group implements *Accidents, Incidents, Non-Conformance to Control Procedures* (《事故、事件、不符合控制程序》), *Product Quality Problem Recall Management Policy* (《產品質量問題召回制度》) and other processing procedures to actively disclose information to relevant parties in a timely manner, inform to stop the production and sales of the product and recall defective products in circulation when products fail to meet with safety standards or defective products appear in the market.

### Recall Process

Responsible Department	Process	Description
Quality Management Department	Acceptance of quality information	Accepting quality information from distributors, consumers, quality supervision departments, and the Group's internal feedback.
Quality Management Department, Technology Centre, Production Operation Department and Commercial Development Department	Confirmation of information	Organising Technology Centre, Production Operation Department and Commercial Development Department to investigate and assess product safety hazards.
Quality Management Department, Technology Centre and Commercial Development Department	Recall of products	Terminating selling of the product immediately and tracing and investigating the inventory of the same batch of products. A notice to cease sales should be issued within the specified period (within 1 day for the first-level recall, 2 days for the second-level recall and 3 days for the third-level recall) and a recall plan should be prepared. Progress for the recall should be reported in a timely manner, with causes analysed and results reported.
Quality Management Department, Commercial Development Department and Production Operation Department	Disposal for recalled products	Taking remedial measures to ensure that the recalled product can be safely resold upon verification. Unqualified products that cannot be remedied should be destroyed.

In 2021, the Group did not engage in any product recall for safety or health reasons.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ▶ Risk education

To continuously improve employees' awareness of quality risk, the Group has established a quality education and training system focusing on position quality training classes, junior training classes and senior training classes, and conducts trainings on quality and safety risks for employees through quality training dojo and independent platform for Hengan quality management. In 2021, Hengan's production companies carried out a variety of quality training events with diversified themes in the forms of special training, theoretical training, exams, etc., integrating online and offline approaches, aiming at comprehensively cultivating a culture of quality and promoting quality improvement.



Training on disposal of nonconforming materials



Nationwide online and offline group activity training for QC teams



Training on quality documents



Training on management manual



Training on carton quality

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### IV. EMPLOYEE CARE

We respond to the following SDGs



“Effective work safety management is essential to the survival and development of the enterprise. We must strengthen our understanding and awareness of safety production, be more proactive and forward-looking in the protection of work safety, and always put precautions in place to absolutely avoid work accident and achieve the goal of zero production accident.

I hope we all grow together and be our own heroes on the journey of realising Hengan’s goal to ‘Gain RMB100 billion within 100 years’.”

— Mr. Hui Ching Lau, Group CEO

#### Achievements in 2021

- 23 production companies of the Group had established and passed ISO 45001 Occupational Health and Safety Management System certification, and the certification percentage is **100%**
- Employee COVID-19 vaccination rate: **100%**
- Work-related deaths in past three years: **0**
- Occupational disease cases: **0%**
- Percentage of employees joining the labour union: **100%**
- Number of Hengan management employees promoted: **94**
- Money invested in employee training: **Approximately RMB640,000**
- Number of Hengan management employees promoted: **10 hours**

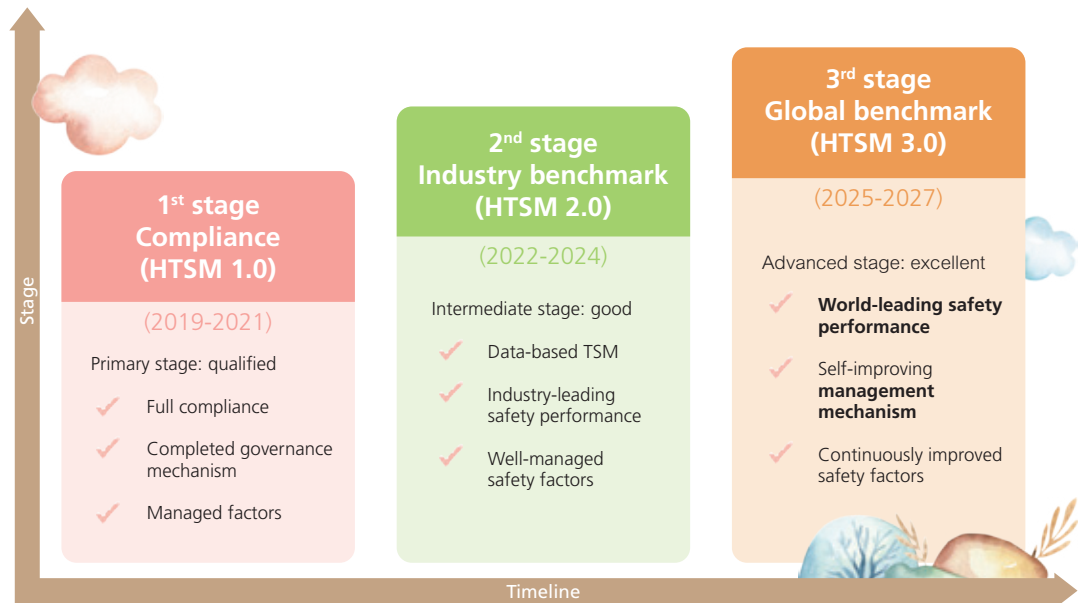
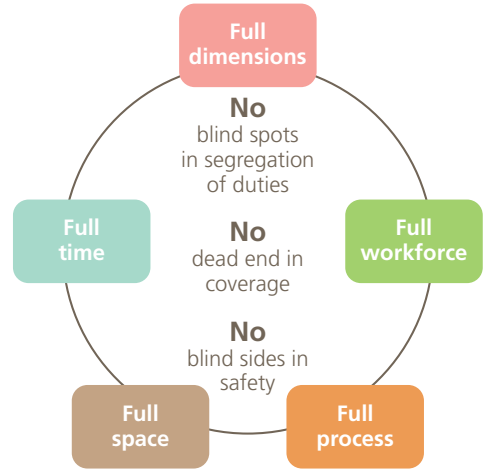
#### 1. Safety and Health

Hengan implements the new “People-centred” development concept proposed by the state and the Group’s safety management policy of “Putting safety first, focusing on quality; taking prevention as a priority, enhancing comprehensive management; making continuous improvement, pursuing excellence”, fully implements the work safety responsibilities, and strives to achieve the sustainable development goal to “Gain RMB100 billion within 100 years”.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 1) Safety strategy

Hengan actively implements the responsibilities as an enterprise, and carries out unified and systematic management within the Group to improve the safety management capability and performance. In 2018, the Group established a comprehensive safety management project team, and formulated a “three-step” comprehensive safety management strategy to achieve the overall target of “Wu Quan San Wu” principle (“Full dimensions, Full workforce, Full process, Full space, Full time” and “No blind spots in segregation of duties”, “No dead end in coverage”, “No blind sides in safety”) from seven aspects, including quality, environment, production, fire protection, occupational health, administration, and warehouse distribution, so as to build Hengan into an industry benchmark and set a model for comprehensive safety management for the industry and private enterprises.



In the three years upon the launch of the comprehensive safety management project, we have established safety element standards and improved the work safety responsibility system based on our own characteristics. We have also formulated safety management regulations, built safety workshop models, trained a group of safety management professionals, and developed a systematic comprehensive safety management method based on “hazard source identification — risk management — control measures”. The phase I tasks of the project have been completed, laying the foundation for the enterprise to fulfil social commitments and implement the work safety responsibilities as an enterprise. The occurrence of safety incidents has been decreasing year by year, and violations of the safety “yellow line” have been effectively curbed, which fully reflects the continuous improvement of the safety awareness and ability of all corporate leaders and managers at all levels.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hengan Group held the “Total Safety Management (TSM) Project Phase II” Review & Phase III Kick-off Meeting at the headquarters on 3 June 2021. At the meeting, the results of the “Total Safety Management (TSM) Project Phase II” and the implementation plan for Phase III were shared to promote the sustainable development of the overall safety management.



The Hengan Total Safety Management (TSM) Project Phase III kick-off meeting was held at the headquarters of Hengan Group on 14 July 2021. Driven by supervision from leaders, implementation by specialists and support from all staff, Phase III of the project was advanced based on the mechanism of hidden danger investigation and risk assessment, the principles of “Banning violations to prevent accidents and focusing on safety to promote production”, and the main line of changes and renovations, aiming at achieving substantial compliance for all safety work.



### 2) Safety goals

The Group has set up the goals of full compliance, industry benchmark, zero accidents and zero injuries. We designate specific indicators and assessment requirements every year, and require the director of the safety management committee of the Group to sign the safety management target responsibility letter with each safety responsible entity to implement the annual safety goals. As at the end of the reporting period, the annual safety goals for 2021 set by the Group have been successfully achieved.

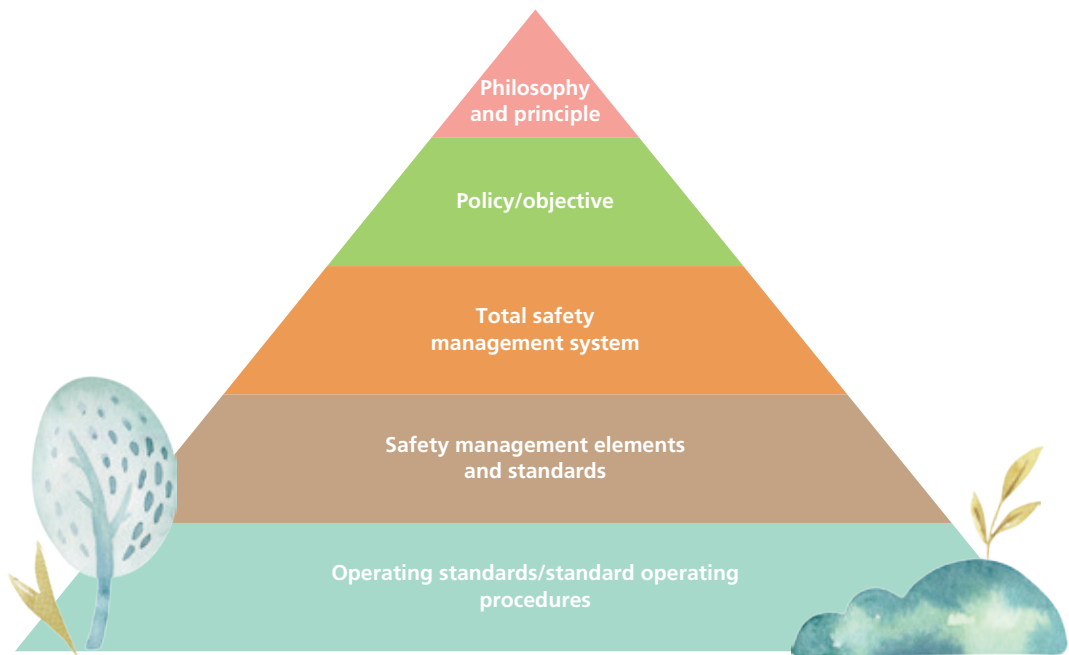
- ✓ Eliminate major safety accidents with grade 8 or above work-related injuries or direct losses of more than RMB100,000;
- ✓ No more than one incident with working hour loss per million working hours;
- ✓ The per capita working hour loss kept below 2.5 hours;
- ✓ 100% rectification (within the specified time limit) of potential safety hazards, and zero occurrence of major hidden dangers on site;
- ✓ 100% acceptance rate of new, expansion and reconstruction projects in terms of the “three-simultaneity”, fire protection and other items;
- ✓ 100% participation of new employees in safety education at Level 3, and 100% certification rate of employees in special positions.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3) Management mechanism

Hengan observes laws and regulations including the *Work Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》) and the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), and internal rules and disciplines, including the *Comprehensive Safety Management Policy of Hengan Group* (《恒安集團全面安全管理制度》), the *Administrative Provisions on Maintenance of Fire-fighting System* (《消防維保管理規定》) and the *Employee Occupational Health Management* (《員工職業健康管理辦法》), as well as related procedures and standard lists, in an effort to continuously drive the improvement of the safety system covering the whole process of business operation process, and lay a good foundation for the realisation of the goal to "Gain RMB100 billion within 100 years" for Hengan. In 2021, all production companies of the Group and Weifang Hengan Thermal Power Co., Ltd. established the ISO 45001 Occupational Health and Safety Management System and passed the third-party certification, and the certification rate was 100%.

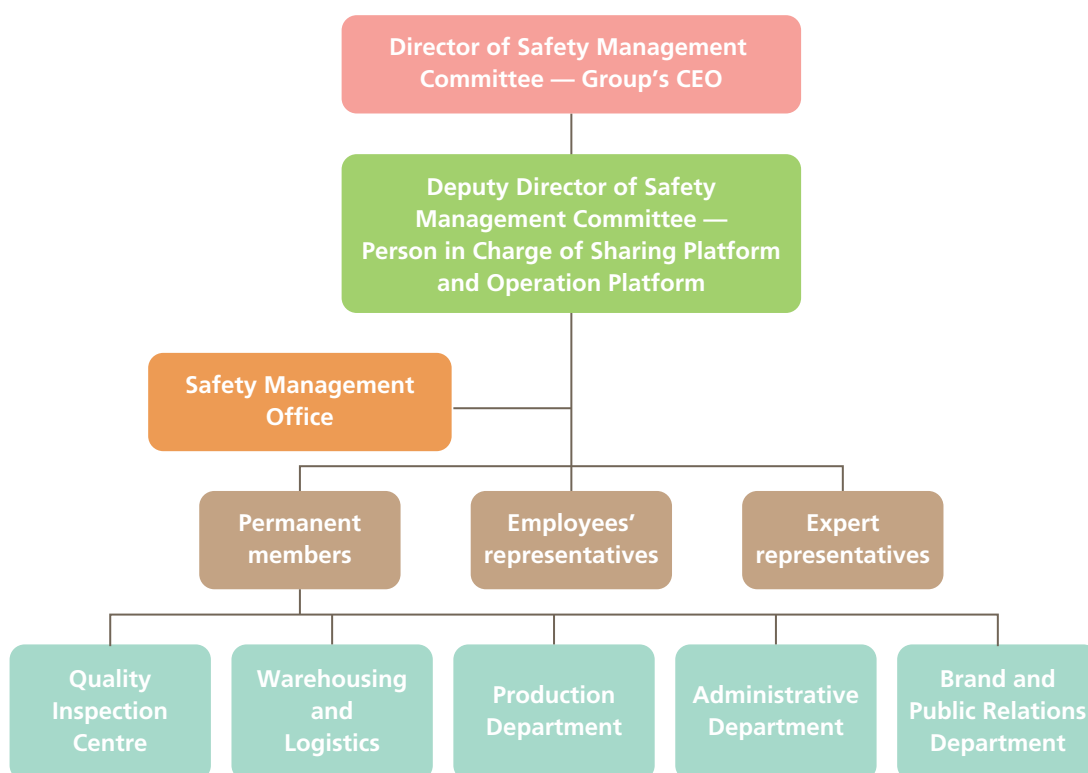
#### Total management system framework





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strengthens safety management during production, facilitates standardizing safety management, safeguards safety of all employees and improves work efficiency of safety management through establishment of a Safety Management Committee. Serving as a decision maker that directs comprehensive safety management within the Group, the Safety Management Committee is fully in charge of safety management from decision-making on major safety concerns to safety management oversight. The Safety Management Office, an executive arm headed by the Safety Management Committee, is responsible for organising monthly safety meetings and annual and semi-annual safety report meetings to review, follow up on and supervise the implementation of safety rules, polices and comprehensive management safety by business units.



### 4) Management measures

#### ▶ Risk identification

The Group classifies the equipment, facilities, working environment and hazardous matters at the workplace into physical, chemical, biological and social psychological hazard sources and adopts corresponding control measures as follows:

- Unacceptable risks: formulate targets and management plans of occupational safety;
- Acceptable risks: require business centres and production sites of the Group to lay down regulations on management of safe production and operation procedures, which shall specify detailed control measures for various potential hazard sources and risks, so as to ensure that those hazard sources and risks are under control;
- Potential urgent situations (i.e., fire, leakage of flammables, typhoon, accidental injuries, etc.): require formulating emergency plans and corresponding control procedures to control the situations mentioned in line with the emergency procedures.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ▶ Safety management and control

In 2021, progress was made in safety enhancement as a result of the following initiatives that were undertaken in our production companies:

- Hengan (Henan) Hygiene Products Co., Ltd.: work safety improvement for comprehensive safety management was carried out based on risks identified, which highlighted targeted inspection of potential safety hazards in safety interlock, outdoor firefighting network, stereoscopic warehouses and corresponding improvement measures;
- Hengan (Jiangxi) Household Products Co., Ltd.: to ensure safety at workplace, more than RMB100 thousand in total was invested for safety door repair for all machines in the workshop and installation of more than 500 safety interlocks to protect employees from injuries caused by opening safety doors of machines in operation;
- Hengan (Chongqing) Living Paper Co., Ltd.: RMB760 thousand was invested to fix leaks, bursts and corrosion of steel pipes by acid rain in Phase II outdoor firefighting network, shunning the risk of bursts in emergency.

### ▶ Education on safety

The Group assigns the responsible person of each department for work safety, and carries out different safety education and trainings to implement the philosophy of work safety and strengthen the safety awareness and self-protection capabilities of all employees.

The Group provides different safety education and trainings for employees at different levels, through which management is expected to grasp relevant state policies and requirements and advanced domestic and international experience in work safety management, and to familiarise themselves with safety accident prevention regulations. Work safety supervisors are expected to master accident investigation, statistics and handling and to develop capabilities for emergency response. New joiners are to receive safety education and trainings at levels of company, workshop and team, and sign notification on position-related risks to confirm risks at the workplace.



Training on safe operation for mechanical injury prevention on 30 July 2021

The Group organises regularly safety rules training, firefighting training and drills to raise the safety awareness and self-protection capabilities of all employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group organised an emergency firefighting drill in the office building through joint efforts with Anhui Fire Brigade on the morning of 27 November 2021.



Firefighting drill on 27 November 2021

The Group also encourages employees to be acquainted with corporate culture, safety and management knowledge using fragmented time. For example, Fujian Hengan Homecare Products Co., Ltd. installed a TV set next to the elevator, and plays various safety education videos when employees entering and leaving the hall, enhancing the safety awareness of the company's employees and external personnel.

### ▶ Accident investigation

The Group has formulated detailed and comprehensive management regulations on the investigation and handling of safety accidents, and has standardised identification and classification, timely reporting, site protection, data collection, investigation organisation, investigation content, causes and responsibilities analysis, accident reporting, investigation settlement and data archiving of safety incidents.

The Group's safety accident reporting, investigation and handling must integrate the principle of "protecting people, quality and equipment". The Group will leave no stone unturned in the investigation and handling of accidents until the cause is clarified, the personnel subject to liabilities are held accountable, rectification measures are implemented, and the personnel concerned are criticised.

When a safety incident occurs, the safety representative will organise or assist in the thorough investigation of the safety incident and supervise the implementation of rectification measures according to his/her authority. Departments concerned will organise or participate in the investigation and handling according to their authority. Each department will summarise and submit the information on the rectification of the safety incident to the comprehensive safety representative and file it at the integrated service team.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 5) *Occupational health*

The Group identifies and evaluates existing hazards in the workplace and takes necessary control measures to eliminate and reduce risks, including but not limited to:

- A third-party testing agency was entrusted to test the air and noise in the factory premises. Dedusting and exhaust devices are installed in facilities that generate dust and exhaust gas. For devices that generate excessive noise, the priority is to eliminate or reduce the noise sources, second is to control the noise transmission, and last is to require employees to wear protective appliances;
- Provides annual occupational disease examinations for employees with occupational disease risk;
- Based on the needs of each post, different types of personal protective equipment are provided to employees regularly, with instructions on correct wearing and use for employees to observe.

Hengan arranges annual physical examinations for employees and sets up a new gym at its headquarters for employees to work out and keep healthy status. Amid repeated resurgence of COVID-19, the Group sustains sound pandemic control, with the vaccination rate for employees reaching 100% as at the end of 2021.

## 2. **Employment Management**

Being deeply aware of what roles employees play in enterprise development, Hengan values talents as the most important asset, and is committed to fostering fairness and equality at the workplace for employees and protecting their rights and interests to the utmost, improving the compensation and benefit system, designing professional training programmes and building fair promotion channels, caring for employees and enhancing their sense of belonging, happiness and satisfaction, and attaching importance to integrity and honesty within the Group and launching anti-corruption and integrity campaign to create a clean atmosphere. In addition, the Group strives for common progress of the enterprise and employees.

### 1) *Protection of rights and interests*

Hengan recruits employees that match the Group, provides employees with reasonable compensation and benefits, and creates good working atmosphere. Hengan also has built the Sunshine Community to safeguard the legitimate rights and interests of employees. The Group puts forward the Policy of eight values for employees to realise their wills of filial piety, harmonious marriage, loving kids, comfortable living, satisfying work, happy learning, physical and mental health and decent living.

The Group advocates the Universal Declaration of Human Rights endorsed by the United Nations and other internationally recognised human rights principles, and is committed to fulfilling our responsibility to uphold human rights in our operations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ▶ Recruitment and dismissal

Hengan strictly complies with laws and regulations, including *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》) and the *Labour Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》), etc. The Group has proactively implemented a package of management policies for human resources, including *Hengan Group Personnel Management Policy* (《恒安集團人事管理規定》), *Hengan Group Remuneration Management Policy* (《恒安集團薪酬管理規定》), and *Hengan Group Transparent Management Policy* (《恒安陽光管理制度》), etc. Employment of child labour and forced labour are prohibited by Hengan. In accordance with the *Hengan Group Personnel Management Policy* (《恒安集團人事管理規定》), those under 16 years old will not be hired in the process of recruitment and talent selection. In addition, it has been configured that no one under 16 can be put into the human resources information system. The Human Resources Department will be informed immediately of any child labour and forced labour cases, implement remedies and report to the labour department or the public security department for their advice on any appropriate arrangements.

Hengan actively carries out the principle of equal employment, and shows no discrimination towards employees or job applicants based on race, religious belief, gender, age, sexual orientation, disability, nationality, etc. Hengan employs disabled employees in different positions in various production companies, arranges suitable positions for them, and encourages them to work earnestly to exert social values. In 2021, Hengan employed 103 disabled employees to work as facilities maintenance specialists, auxiliary workers, equipment technicians, security guards, production monitors, packaging team leaders, etc., accounting for 0.44% of total workforce.

Hengan will not arbitrarily dismiss any employee, and the rights and obligations of Hengan and employees are clarified in the labour contract to protect the legitimate rights and interests of employees. By the end of 2021, the Group's employee handbook was signed by all employees, ensuring equal opportunities, fair remuneration and comprehensive benefits for all employees.

By the end of 2021, the percentage of employees joining the labour union reached 100% and contracts such as *Collective Labour Contract* (《集體勞動合同》), *Collective Wage Agreement* (《工資集體協議》) and *Special Collective Contract for Female Employees* (《女職工專項集體合同》) were signed between employees and the Group. Therefore, employees' freedom of association and right to collective bargaining were guaranteed.

### ▶ Remuneration and benefits

The Group adopts a scientific and reasonable "Target Wage" system, which is connected to job responsibilities and task goals of employees, so as to motivate employees' work enthusiasm. In accordance with the *Hengan Group Remuneration Management Policy* (《恒安集團薪酬管理規定》), the remunerations of the employees of the Group are no less than the local minimum wages. The Group regularly evaluates the reasonableness of employees' wages and determines whether to adjust the wages each year according to the operation performance of the previous year and the market salary situation.

The Group provides social security for employees in a labour relation with the Group. The social security base, insurance coverage and contribution rate are determined according to the relevant national requirements. If necessary, certain employees will be covered by commercial insurance.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, employees enjoy the following benefits:

- subsidies for high temperature from June to September every year;
- an allowance for cleaning uniform, which is granted once a month for production workers;
- uniforms and necessary personal protection equipment issued as appropriate at employees' embarkation;
- family visit reimbursement for senior staff or above;
- a share option scheme to enable employees to grow with the company;
- arrangement for nearest enrolment of kindergarten, elementary school and middle school for employees' children and welfare like tuition fee discount.

### ▶ Working hours and holidays

The working hours of employees are strictly in compliance with relevant laws and regulations. If employees are arranged to work overtime due to work needs, they must be voluntary and be paid according to relevant regulations. In addition, Hengan arranges employees to take holiday leave on New Year's Day, Spring Festival, Qingming Festival, International Labor Day, Dragon Boat Festival, Mid-Autumn Festival, National Day and other statutory holidays stipulated by laws and regulations.

### ▶ Communication and suggestions

In order to ensure smooth communication between employees and the Group's management, Hengan provides employees with multiple ways to propose suggestions on management and development of the Group. For example, Hengan built the "Sunshine Community" platform and encourages employees to propose suggestions in the platform. Relevant department heads will respond so that problems can be dealt with timely or improvement can be made. Additionally, management expands outreach to get the first line workers involved in the communication and solve problems in a timely manner. Hengan also carries out employee satisfaction surveys (including work and life satisfaction surveys on catering, accommodation and office condition conducted by each subsidiary) to enhance employees' sense of belonging.

## 2) Career development

Hengan provides comprehensive and professional trainings for employees to continuously improve the talent cultivation system, and offers fair promotion opportunities and a clear and suitable development platform. In addition, the Group has established and improved the structure of the "Three columns" platform to promote employees' self-innovation.

### ▶ Training system

Hengan is committed to cultivating itself as a "Learning enterprise". Hengan highlights training and education of employees and keeps expanding horizons of employees to enhance their comprehensive quality. Based on the *Hengan Group Training Management Policy* (《恒安集團培訓管理規定》), the Group has formed a unique talent cultivation system with the use of external excellent resources, internal instructors, and various training methods. In 2021, Hengan invested nearly RMB650 thousand in employee training.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group built its “Corporate University”, namely “Hengan Innovation Academy” (formerly known as “Hengan Management University”) to carry out all-round and staged skills & competence training for employees at all levels. Hengan Innovation Academy consists of 3 colleges, namely Leadership and Management College, Lean College and Marketing College, which are responsible for leadership and competence training, production management and technical training, marketing management and skills training respectively. Besides, the Group attaches great importance to the building and cultivation of internal teachers and instructors, and fully develops and uses internal training resources. Hengan has selected 1,827 internal trainers through open recruitment and trial teaching and is aimed to building an inward talents training base.

The Group uses external resources and invites talents from cooperated universities & colleges to share new knowledge & skills with the Group’s talents. On the one hand, we cooperate with Fuzhou University, Huaqiao University and others in forms of academic career class and job-oriented training class to promote the education level of grass-roots staff, with a total of 1,175 employees participating in the training. On the other hand, we cooperate with Donghua University and build an Academician Workstation to cultivate innovative and technical talents for enterprises.

In 2021, Hengan continued to improve employees’ technical skills and management skills and tried to meet the needs of employees at all levels through various internal trainings, third-party open courses, post-ability-based quality model and online platform of management learning and training. The Group provides trainings concerning cutting-edge commercial knowledge to management, technical knowledge training to technology employees, and pre-employment training covering corporate culture, sustainable development and occupational development to newcomers.

- Establishing systematic training system for the Commercial Development Department

On 29 July 2021, the Group issued the *Establishment of Systematic Training System for the Commercial Development Department* (《系統化建立商貿發展部培訓體系》) and organised internal and external lecturers to provide targeted training to employees at different levels from the Commercial Development Department so as to reinforce the training and development of commercial talents and improve the rapid response capability as business develops. The courses covered four main areas: culture and related processes, standards and tools, general management skills and professional skills.



Training for the Commercial Development Department

- Training for equipment technicians of hygiene products production sectors

From 28 to 29 May 2021, the Group’s Hygiene Production Division organised equipment technical managers and mechanical engineers of hygiene products production sectors to attend the “2021 Training for Equipment Technicians of Hygiene Products Production Sectors”. The training and exchange mainly focused on safety, quality, cost, process and tool and mould management, aiming to improve the management level of on-site processes, enhance the comprehensive ability of site management and reinforce the professional and technical operation level.



Training for equipment technicians of hygiene products production sectors

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Pre-employment training

In 2021, Hengan Innovation Academy held the pre-employment training for newcomers, sharing information concerning development history, corporate culture, occupational psychology and career planning, etc. This may enable newcomers to rapidly fit into and become part of this family and have a clearer understanding of their future career development.



Pre-employment training for newcomers

- Executive Development Programme (EDP)

On 4 September 2021, the opening ceremony of the EDP was held at the headquarters of the Hengan Group. Jointly designed and held by the EDP Centre of School of Management of Xiamen University and Hengan Innovation Academy, this programme aims to expand cognition of the Group's executives to allow them to think out of the box within one year through a series of teaching activities that highlight theoretical knowledge and management capability.



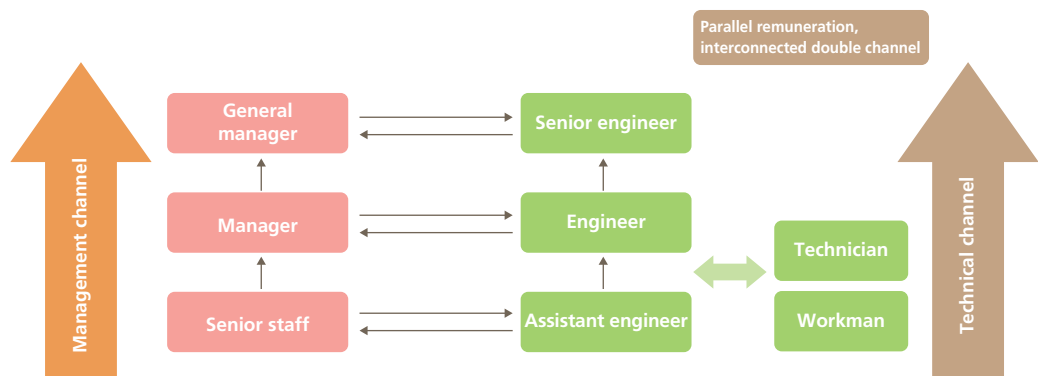
EDP program

► Promotion channel

Hengan emphasises on building a win-win situation between employees and the enterprise. The Group constantly innovates the employment mechanism and working environment, modifies the single position management system in which changes can only be realised through job promotion, sets up a competitive internal recruitment process that builds a talent pipeline from first-line workers to department employees, and accurately evaluates talents through personality tests, quality assessment and other assessment tools. The Group designs career development channels for professionals from different systems to meet their development needs.

- Career development channel of managers: Through effective management of the team, an employee can continue to expand his/her scope of management and become a leader of the department and the enterprise;
- Career development channel of professional technicians: With continuous improvement of their professional knowledge and skills, an employee can become technical expert.

### Double channels of career development





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hengan Innovation Academy adopts the professional technical title evaluation system and, by publicising the career development channels and title evaluation knowledge within the Group, encourages all employees to sign up for the evaluation. For employees who have obtained a technical certificate, the Group holds an appointment ceremony and appoints the employees formally, and offers them corresponding benefits.

The Group developed a job rotation programme for eligible in-service employees, covering key positions, specific positions and routine positions, so as to help the Group cultivate versatile talents and expand career development channels for employees.

In 2021, 94 management employees were promoted in Hengan.

### 3) Care and support

At Hengan, we hope that employees can feel comfortable and at ease in this big family, while constantly creating a strong sense of achievement and belonging at work. We are committed to providing care and support to our employees to actively convey corporate culture and spirit, and organising various employee activities to foster harmonious relationships within employees and make them feel the warmth of the big family.

#### ▶ Employee activities

Hengan organises diversified employee activities to ensure that our employees are physically and mentally healthy, giving them the energy and enthusiasm to meet challenges and pursue goals at work and in life. In 2021, the Group continued to promote our long-lasting tradition of “Integrity, Diligence, Innovation, Dedication”, and carried out activities to encourage our employees to be creative and hard-working for common development.

- “Growing with you for a better life” themed speech

On 11 September 2021, the Group CEO, Mr. Hui Ching Lau, delivered a speech themed “Growing with you for a better life” at the Sharing Session for 2021 Teachers’ Day, which was held both online and offline. Mr. Hui Ching Lau explained his views and attitudes through his own stories, and shared with the employees on site his outlook on life, values and worldview, as well as some ideas on how to overcome setbacks. The sharing session aimed to help employees change their mindset for better work and life in the future.



“GROW” — the Sharing Session for 2021 Teachers’ Day

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also carried out a series of team sports activities under the slogan of “Integrity, Diligence, Innovation, Dedication” in 2021, including balloon volleyball competitions, basketball competitions and table tennis competitions, to encourage employees to fight with motivation and strive for success, further building up their team spirit and enhancing friendship and cohesiveness. In addition, the Group also organised parents- child activities to create a harmonious and inclusive corporate atmosphere.



“Love to share and grow together” — parents-child activities



“Hengan Cup” basketball competition



The balloon volleyball competition for employees



Table tennis competition under the theme of “Fighting with motivation and striving for success”

In addition, various featured activities were carried out for employees in an orderly manner in 2021, such as employees’ birthday parties and TCM health consultations, giving employees a stronger sense of belonging and raising their health awareness.



“Working healthily and living happily”  
— TCM health consultations



Staff birthday party



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ▶ Caring for employees' life

In addition to employees' career development, Hengan also cares about the living conditions of employees. The Group helps employees to solve urgent and difficult problems in life, congratulates on their achievements in life and strives to enhance employee happiness, reflecting the Group's philosophy of putting equal emphasis on humanistic care and work-life balance.

- Congratulations to our employee Mrs. Yu Shuyan for her daughter Miss Qu Chunyu winning the gold medal at the Beijing 2022 Winter Olympics

On 25 February 2022, employee Yu Shuyan's beloved daughter Qu Chunyu won China's first gold medal in the short-track speed skating mixed team relay event at the 24th Winter Olympics, securing glory for the nation. Mr. Hui Ching Lau, Hengan's CEO, sent a letter of congratulations timely and asked representatives to extend regards to Mrs. Yu Shuyan and her family.



Representatives extending congratulations

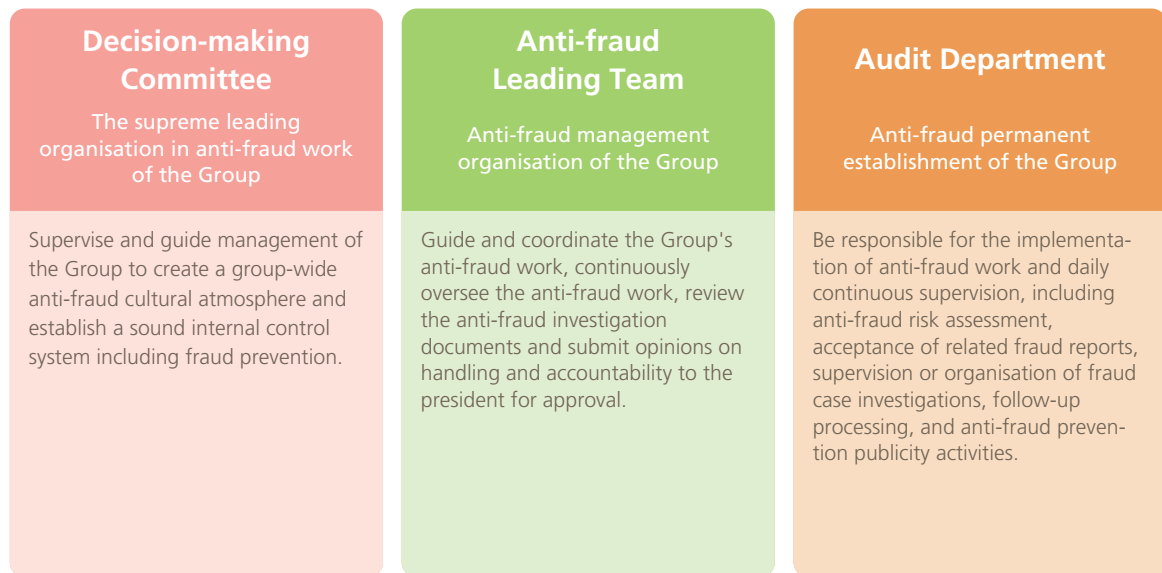


## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4) Anti-corruption

Integrity is the foundation of a enterprise. Hengan has always upheld the principle of "Bright and Fair" and operated with integrity in accordance with laws and regulations since its establishment. Hengan strictly complies with the *Company Law of the People's Republic of China* (《中華人民共和國公司法》), the *Tendering and Bidding Law of the People's Republic of China* (《中華人民共和國招標投標法》), the *Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》), the *Interim Provisions on Banning Commercial Bribery* (《關於禁止商業賄賂行為的暫行規定》) and other applicable laws and regulations. Corruption and bribery are strictly prohibited in Hengan. All employees are responsible for the supervision and reporting on other employees' breach on national laws and regulations as well as rules and regulations of the Group.

## Anti-fraud organisational structure



The Group formulated several policies such as *Anti-Fraud Policy of Hengan Group* (《恒安集團反舞弊制度》), *Interest Conflict Management Policy of Hengan Group* (《恒安集團利益衝突管理制度》) and *Travel Expenses Management Policy of Hengan Group* (《恒安集團差旅費管理制度》) in an effort to strengthen the anti-fraud structure, which clarified the anti-fraud responsibilities to standardise various business activities of the Group. The Group signs Letters of Commitment relating to Integrity with employees in sensitive positions and management positions, including *Anti-Fraud Statement* (《反舞弊聲明》), *Interest Conflict Statement* (《利益衝突聲明》) and *Gift Policy Statement* (《禮品政策聲明》) to regulate employee behaviour.

The Group has established multiple reporting channels to get reporting clues from internal and external persons. Reporting clues will be accepted, preliminarily examined and investigated by personnel from different branches. Investigation results will be reported to the Group's anti-fraud management team for review, evaluation, and verification, and then will be finally submitted to the Group President for approval. Employees and management who are confirmed in fraud events will be subject to internal sanctions. Employees who violate the law will transferred to judicial authorities for prosecution.

**Reporting channels:**

Tel.: 400-1044-315 185-5951-2828

WeChat Official Account: Integrity building in Hengan

Email: jubao@hengan.com

Mail or reception address: Audit Department, 13# Office Building, Hengan Industrial City, Anhai Town, Jinjiang City, Fujian Province

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to protect whistleblowers and investigators, the Group prohibits employees who receive reports or complaints or get involved in fraud investigation from offering information related to the report to any department or individual, and prohibits transferring reporting materials to the individual or department being reported. Otherwise, the person breaking the above rules will be deemed as engaged in fraud. The Group prohibits any illegal discrimination or retaliation and protects whistleblowers and investigators in the investigation. For employees who threaten, intimidate and revenge the whistleblowers and investigators, the Group will remove them from their posts or terminate their labour contracts. If they break the law, they will be referred to judicial authorities for prosecution. In 2021, Hengan had two concluded lawsuits regarding corrupt practices against its employees. The two cases, which involved bribe-taking, had been resolved through judicial channels.

Hengan has adopted various forms of measures such as rotation programmes, avoidance of relative recruiting and departure audit to promote the level of business integrity of the Group. It also strives to strengthen information sharing between members of the Board of Directors, managers and employees on internal control, anti-corruption and anti-commercial bribery through channels such as annual and semi-annual seminars, regular training, publicity and knowledge push from official account "Integrity building in Hengan", and orientation training so as to intensify anti-corruption awareness. In 2021, the Group's subsidiaries organised publicity activities on anti-fraud policy to raise employees' awareness of integrity.



Publicity activities on anti-fraud policy in subsidiaries in Guangxi

Code of conduct for staff during the tendering and bidding process, requirements of economic incentives during construction works, and code of conduct for procurement staff have also been stipulated by Hengan in such documents as the *Management Policy of Hengan Group for Tendering and Bidding* (《恒安集團招投標管理制度》), the *Management Provisions of Hengan Group on Engineering Construction* (《恒安集團工程建設管理規定》) and the *Procurement Policy of Hengan Group* (《恒安集團採購制度》). Hengan requires suppliers to comply with the laws and regulations, such as the *Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》), and fights against commercial bribery and other unfair commercial practices. In addition, the Group has also entered into the *Integrity Agreement* (《廉潔協議書》) with suppliers, which has clarified suppliers' reporting obligations and violation responsibilities for commercial bribery/interest conflict. In 2021, Hengan signed the *Integrity Agreement* (《廉潔協議書》) with its suppliers with the coverage of 100%. Hengan has adopted various forms of measures to promote the integrity in cooperation between the Group and suppliers, including procurement pricing meetings, supplier evaluation system, quality analysis meetings, analysis meetings for competitive products, as well as the business review meetings.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## V. BENEFIT FOR ALL

We respond to the following SDGs



“Caring about the country and the people, we strive for the vision of becoming a model of patriotism, professional excellence, law-abiding business and paying back to the society. We face up to our social responsibilities and leverage our strength to play a bigger role in the pursuit of common prosperity.”

— Mr. Hui Ching Lau, Group CEO

As a leading enterprise in the packaged tissue paper and hygiene products industry and a listed company with abundant social resources, Hengan has taken the initiative to fulfil social responsibilities while achieving sustainable and sound development. Hengan has always been dedicating to philanthropy and public welfare and to the fight against COVID-19 with a greater sense of responsibility and enthusiasm as a national enterprise. Complying with the *Management Policy for Hengan Group's Charity and Voluntary Activities* (《恒安集團慈善與公益活動管理制度》), subsidiaries of the Group regularly evaluate the relationship between their public welfare activities and the communities in which they are located, make utmost efforts to fight the pandemic, and show enthusiasm about and public welfare and philanthropy. They also care for the elderly and children, promote low-carbon living and support the development of culture and sports. In 2021, Hengan Group's anti COVID-19 donation of cash and supplies was more than RMB21 million.

In 2021, Hengan won many honours and awards, which was a recognition of the Group's philanthropic endeavours and an inspiration for the Group to continue to devote to public welfare undertakings.

## Achievements in 2021

Hengan Group's anti COVID-19 donation of cash and supplies in 2021:

- More than **RMB21 million**
- Hours of volunteer services in 2021: **1,196 hours**
- Number of volunteers from Hengan in 2021: **265**



Guruclub — Best Social Responsibility Companies



Honour Award — 2021 Responsibility Golden Award



2021 Public Welfare Motivation Award

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 1. Aiding Pandemic-affected Communities

Pandemic situation remained severe in 2021. Hengan Group continued to practice corporate social responsibility by fighting more effectively against the pandemic, supporting the frontline epidemic prevention work, making donations to the pandemic-affected communities, and fighting the pandemic with tenacity and solidarity.

Since the outbreak, Hengan Group has integrated resources, introduced mask production equipment, put into production of safety medical masks with long-term experience in the field of sanitary products, which could be quickly stored and allocated by the government to ensure the production and supply of anti-pandemic supplies.

- On 3 February 2021, Hengan Group donated “Hearttex” hand sanitizer to Jinjiang Railway Station for pandemic prevention and control during the Spring Festival, ensuring a healthy and safe travel and a peaceful New Year holiday for passengers;



Hengan Group donated supplies to Jinjiang Railway Station

- On 30 July 2021, some areas in Xiamen were put under closed management and listed as areas having a medium or high risk of infection. On August 1, Hengan Group donated sterilising products and “Hearttex” sterilising wipes to communities under closed management in Xiamen, extending warm regards to the community’s residents and letting them free from undue concern;



Hengan Group donated supplies to communities in Xiamen under closed-off management

- In September 2021, the pandemic outbreak in Putian, leaving some regions classified as high and medium-risk areas. On September 16, Hengan Group donated protective clothing, medical masks, hand sanitizer, adult diapers, disposable thick gloves and other supplies to aid Putian and did what we can to assist in pandemic prevention and control.



Hengan Group donated anti-pandemic supplies to Putian

- On 22 February 2022, amidst the severe situation and the rising number of confirmed cases in the fifth wave of the pandemic in Hong Kong, Hengan International and its medical brand Banitore donated 50,000 rapid test kits to the residents in Hong Kong to help them tide over the crisis, ease their anxiety and financial burden, and support Hong Kong to scale up pandemic control.



Hengan Group donated rapid test kits to Hong Kong

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2. Caring for the Girl Child

#### ▶ Caring for the buds

Hengan Group has helped implement the Spring Bud Project for three consecutive years. On October 11, 2021, the Group responded to the call to donate RMB10 million in cash and supplies at the conference jointly held by the All China Women's Federation (ACWF) and China Children and Teenagers' Fund (CCTF) to promote the implementation of the "Spring Bud Project — Dream of Future Action", actively contributing to the project.



Hengan Group donated to the Spring Bud Project

#### ▶ Guardian for youth

On 13 October 2021, Hengan Group participated in the public welfare activity - "Growing together — period poverty elimination" — held in Minzu village of Lanlongkou Town, Huanzhong District, Qinghai, and sponsored the activity by providing the Space 7 products to help lift adolescent girls in the area out of period poverty.



Hengan sponsored the period poverty elimination action

### 3. Supporting Disaster-struck Areas

In July 2021, the extraordinary rainfall striking Henan Province caused massive damage. Zhengzhou was the worst affected, which touched people's hearts. On July 21, Hengan Group donated a total of RMB10 million of sanitary napkins, paper towels, wet wipes and diapers to disaster-struck areas in Henan through the China Women's Development Foundation and Zhengzhou Charity Federation to help and stick together with our compatriots in Henan through the hard time.



Hengan Group donated supplies to disaster-struck areas in Henan



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 4. Respecting the Elderly and Taking Care of the Young

In 2021, the Group's volunteers regularly visited the nurseries and old people's homes, providing the children and elderly with diapers and other personal hygiene products as well as sending blessings at festivals such as the Spring Festival and the Double Ninth Festival.



Charity activities for the Spring Festival to help the elderly in Xiamen



Charity activities for the Spring Festival to help the elderly in Xiamen



Public welfare activity for the Double Ninth Festival to care for the elderly



Visiting Anhai Nursery

### 5. Event Sponsorship

On 19 April 2021, Hengan Group officially signed a sponsorship agreement for "The 18th Jinjiang Gymnasiade (World School Summer Games) in 2020" whereby we would offer products such as paper towels, disinfectant wipes, sanitary napkins and no-wash disinfectant hand sanitizer for the event, in hope of providing better protection, services and experience to the athletes from all over the world, and demonstrating the spirit of national enterprises in Jinjiang.



Sponsoring the Gymnasiade

In the future, Hengan Group will continue to proactively fulfil corporate social responsibilities, continuously pursue innovation and transformation, and do our part to promote corporate social responsibility activities and make contributions to the high-quality development of public welfare and charity in a more stable, better and sustained manner.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## KPI SUMMARY TABLE

## 1. Environmental KPIs

The environmental KPIs in the ESG Report covers 23 production companies (27 production bases) which are the three major business segments of the Group — paper production, post-processing of paper and sanitary products (including sanitary napkins and diapers) and Weifang Hengan Thermal Power Co., Ltd.

	2021	2020	2019	Unit
<b>Waste gas emissions (Paper production sector)</b>				
NO <sub>x</sub> <sup>1</sup>	127	239	307	tonnes
SO <sub>2</sub> <sup>1</sup>	38	59	72	tonnes
Smoke <sup>1</sup>	16	24	35	tonnes
Dust	19	19	78	tonnes
<b>Waste water discharge</b>				
Total waste water discharge	4,625,679	4,729,837	4,775,877	tonnes
<b>Waste water discharge (Paper production sector)</b>				
Intensity of waste water discharge	3.0	3.1	3.0	tonnes/tonnes of paper
COD emissions <sup>2</sup>	139	117	114	tonnes
Intensity of COD emissions <sup>2</sup>	43.1	35.9	34.5	mg/L
N-NH <sub>3</sub> emissions <sup>2</sup>	10.6	2.9	5	tonnes
Intensity of N-NH <sub>3</sub> emissions <sup>2</sup>	3.3	0.9	1.6	mg/L
<b>Waste emissions<sup>3</sup></b>				
Hazardous waste emissions <sup>4</sup>	87	42	795	tonnes
Hazardous waste emission intensity <sup>4</sup>	0.04	0.02	0.35	kg/revenue in RMB10,000
Non-hazardous waste emissions	112,011	155,282	200,213	tonnes
Non-hazardous waste emission intensity	53.9	66.3	89.0	kg/revenue in RMB10,000
<b>GHG emissions<sup>5</sup></b>				
Direct emissions (Scope 1)	547,925	795,184	935,180	tCO <sub>2</sub> e
Energy indirect emissions (Scope 2)	804,328	811,868	843,203	tCO <sub>2</sub> e
Total GHG emissions	1,352,253	1,607,051	1,778,383	tCO <sub>2</sub> e
GHG emission intensity	0.65	0.69	0.79	tCO <sub>2</sub> e/revenue in RMB10,000
<b>GHG emissions (Paper production sector)<sup>6</sup></b>				
GHG emissions	913,707	1,239,433	1,327,949	tCO <sub>2</sub> e
GHG emission intensity	1.00	1.19	1.22	tCO <sub>2</sub> e/tonnes of paper
<b>Energy consumption<sup>7</sup></b>				
Natural gases	81,502,433	95,311,855	102,099,325	cubic metre
Anthracite	171,135	271,228	328,927	tonnes
Purchased electricity	89,892	96,614	100,151	10,000 kWh
Purchased steam and heat	1,805,002	1,662,649	1,839,302	GJ
Liquefied petroleum gas	0	0	243	kg
Total energy consumption	3,375,000	4,191,459	4,717,921	MWh
Energy consumption intensity	1.6	1.8	2.1	MWh/revenue in RMB10,000

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2021	2020	2019	Unit
<b>Energy consumption (Paper production sector)<sup>8</sup></b>				
Total energy consumption	293,339	385,458	402,728	tce
Energy consumption intensity	0.32	0.37	0.37	tce/tonnes of paper
<b>Water consumption</b>				
Total water consumption	8,053,423	9,148,196	10,086,725	tonnes
Including:				
Water consumption (Tap water)	5,753,050	7,804,200	8,674,025	tonnes
Water consumption (Reservoir water)	2,300,373	1,343,996	1,412,700	tonnes
Water consumption intensity	3.9	3.9	4.5	tonnes/revenue in RMB10,000
<b>Water consumption (Paper production sector)<sup>9</sup></b>				
Water consumption	4,791,613	6,387,404	6,851,980	tonnes
Water consumption intensity	5.2	6.1	6.3	tonnes/tonnes of paper
<b>Packaging material consumption</b>				
Total packaging material used	103,378	109,475	108,540	tonnes
Intensity of packaging material used	0.05	0.05	0.05	tonnes/revenue in RMB10,000

Notes:

- Due to the decrease of energy consumption of Weifang Hengan Thermal Power Co., Ltd. and other production companies, the emissions of NO<sub>x</sub>, SO<sub>2</sub> and Smoke in 2021 are lower than those in 2020;
- Due to reduction in paper production and product adjustment in some production companies in 2021, the emissions and emission intensity of N-NH<sub>3</sub> and COD of paper production sector increased in 2021, but is still far below the limit of paper making company standards set out in GB3544-2008 Water Pollutant Discharge Standard for Pulp and Paper Industry (《GB3544-2008製漿造紙工業水污染物排放標準》);
- Hazardous waste of the Group includes mercuric tubes, used batteries, cartridges, waste oil (such as lubes, engine oil), used ink bottles, used additive bottles, used detergent bottles, waste white mineral oil barrels etc.; non-hazardous waste includes sludge, wetproof, cinder, production waste, domestic waste, gypsum, coal ash, etc.;
- Due to the adjustment of product and the expanded scope of monitoring and reporting hazardous waste required by local government in some production companies, the emissions of hazardous waste in 2021 are higher than those in 2020;
- The GHG emissions mainly represent CO<sub>2</sub> emissions, including Scope 1: direct emissions, including anthracite and natural gas consumed during the production process; Scope 2: energy indirect emissions, including purchased electricity, purchased steam and heat. The GHG emissions are measured by carbon dioxide equivalent according to the Guidelines for the Calculation and Reporting of Greenhouse Gas Emissions from Paper and Paper Products Manufacturers (Trial) (《造紙和紙製品生產企業溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission; as the overall energy consumption decreases, the GHG emissions in 2021 is lower than that in 2020;
- Since the paper production sector is the main source of the Group's GHG emissions, the GHG emissions and the intensity of GHG emitted for production of each tonne of paper in the paper production sector are separately disclosed here;
- The total energy consumption of the Group is calculated based on the use of natural gas, anthracite, purchased electricity, purchased steam and heat, in combination with the recommended values for the relevant parameters of commonly used fossil fuels in Appendix 1 of Guidelines for the Calculation and Reporting of Greenhouse Gas Emissions from Paper and Paper Products Manufacturers (《造紙和紙製品生產企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission;
- Since the energy consumption of paper production sector accounts for a relatively high proportion of that of the Group, the energy consumption and intensity of energy for production of each tonne of paper in the paper production sector are separately disclosed here;
- Since the water consumption of the paper production sector accounts for a large proportion of that of the Group, the water consumption and intensity of water for production of each tonne of paper in the paper production sector are separately disclosed here.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. Social KPIs

The social KPIs in the ESG Report covers the entire Hengan Group.

	2021	2020	2019	Unit
<b>Employee Overview</b>				
Total workforce	<b>20,000</b>	25,000	25,000	person
By gender				
Male	<b>41%</b>	41%	41%	
Female	<b>59%</b>	59%	59%	
By age group				
Under 30	<b>24%</b>	27%	28%	
30–49	<b>71%</b>	70%	69%	
50 and above	<b>4%</b>	4%	3%	
By employment type				
Full-time	<b>100%</b>	100%	100%	
Part-time	<b>0</b>	0	0	
By region				
Northeast region	<b>5%</b>	5%	5%	
Fujian, Jiangxi	<b>31%</b>	36%	31%	
Guangdong, Guangxi, Hainan, Hunan, Hubei	<b>19%</b>	17%	18%	
North China region	<b>5%</b>	4%	5%	
East China region	<b>13%</b>	12%	12%	
Shandong, Henan	<b>11%</b>	10%	12%	
Northwest region	<b>5%</b>	5%	5%	
Southwest region	<b>11%</b>	11%	12%	
Proportion of female by job title				
General manager and above	<b>16%</b>	13%	14%	
Manager	<b>37%</b>	35%	33%	
Functional staff	<b>40%</b>	39%	39%	
Junior staff	<b>92%</b>	89%	89%	
Employee turnover rate <sup>1</sup>				
By gender				
Male	<b>24%</b>	27%	/	
Female	<b>22%</b>	30%	/	
By age group				
Under 30	<b>35%</b>	43%	/	
30–49	<b>18%</b>	23%	/	
50 and above	<b>27%</b>	34%	/	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2021	2020	2019	Unit
By region				
Northeast region	19%	23%	/	
Fujian, Jiangxi	23%	30%	/	
Guangdong, Guangxi, Hainan, Hunan, Hubei	24%	24%	/	
North China region	17%	28%	/	
East China region	24%	32%	/	
Shandong, Henan	21%	27%	/	
Northwest region	23%	33%	/	
Southwest region	25%	33%	/	
<b>Development and Training</b>				
Employee training ratio <sup>2</sup>				
By gender				
Male	80%	86%	77%	
Female	51%	51%	45%	
By job title				
General manager and above	42%	50%	49%	
Manager	61%	60%	44%	
Functional staff	68%	74%	55%	
Junior staff	58%	54%	64%	
Average training hours of employees	10	8	9	hour
By gender				
Male	15	13	14	hour
Female	7	5	5	hour
By job title				
General manager and above	4	4	4	hour
Manager	9	7	6	hour
Functional staff	11	10	12	hour
Junior staff	9	6	6	hour
<b>Health and Safety</b>				
Incidence of occupational diseases	0	0	0	
Number of work injury	51	70	73	occurrence
Number of working days lost due to work injury	3,033	3,147	3,309	day
Number of work-related fatalities	0	0	0	person

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2021	2020	2019	Unit
<b>Supply Chain Management</b>				
Total number of raw and auxiliary materials suppliers	663	728	/	Supplier
By country				
China	624	670	/	Supplier
America	5	7	/	Supplier
India	3	6	/	Supplier
Others	31	45	/	Supplier
<b>Product Responsibility</b>				
Percentage of recall for safety and health reasons	0	0	0	
<b>Anti-corruption</b>				
Number of concluded legal cases regarding corrupt practices brought against the Group's employees during the reporting period	2	2	0	case
<b>Community Investment</b>				
Hengan Group's anti COVID-19 contributions of cash and supplies	2,100	2,300	/	RMB10,000
Volunteer hours	1,196	1,116	521	hour

## Notes:

1. The calculation method of the Group's employee turnover rate is Employees in the specified category leaving employment during the reporting year/Total number of employees in the specified category at the end of the reporting year (excluding the turnover during the probation period);
2. The calculation method of the Group's employee training ration is the number of employees in the specified category who took part in training/the total number of employees in the specified category;
3. Hengan added some new social KPIs in 2020, so the historical data of related KPIs had not been disclosed in 2019.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### GRI STANDARDS INDEX

GRI Standards Number	Disclosure Title	Report Section(s)
Organizational profile	102-1 Name of the organization	About the Report
	102-2 Activities, brands, products, and services	About the Group
	102-3 Location of headquarters	About the Group
	102-4 Location of operations	About the Group
	102-5 Ownership and legal form	About the Group
	102-6 Markets served	About the Group
	102-7 Scale of the organization	About the Group
	102-8 Information on employees and other workers	Employee care — Employee management
	102-9 Supply chain	Product responsibility — Constant care
	102-10 Significant changes to the organization and its supply chain	No significant changes
	102-11 Precautionary Principle or approach	Sustainable governance
	102-12 External initiatives	Sustainable governance
	102-13 Membership of associations	Sustainable governance — ESG structure
Strategy	102-14 Statement from senior decision-maker	/
	102-15 Key impacts, risks, and opportunities	Low carbon and environment protection — Climate change
Ethics and integrity	102-16 Values, principles, standards, and norms of behavior	Employee care — Employee management
	102-17 Mechanisms for advice and concerns about ethics	Employee care — Employee management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standards Number	Disclosure Title	Report Section(s)
Governance	102-18 Governance structure	Sustainable governance — ESG structure
	102-19 Delegating authority	Sustainable governance — ESG structure
	102-20 Executive-level responsibility for economic, environmental, and social topics	Sustainable governance — ESG structure
	102-21 Consulting stakeholders on economic, environmental, and social topics	Sustainable governance — Communication and response
	102-22 Composition of the highest governance body and its committees	Sustainable governance — ESG structure
	102-23 Chair of the highest governance body	/
	102-24 Nominating and selecting the highest governance body	/
	102-25 Conflicts of interest	/
	102-26 Role of highest governance body in setting purpose, values, and strategy	Sustainable governance — ESG structure
	102-27 Collective knowledge of highest governance body	Sustainable governance — ESG structure
	102-28 Evaluating the highest governance body's performance	/
	102-29 Identifying and managing economic, environmental, and social impacts	Low carbon and environment protection — Climate change
	102-30 Effectiveness of risk management processes	Low carbon and environment protection — Climate change
	102-31 Review of economic, environmental, and social topics	Sustainable governance — Materiality assessment
	102-32 Highest governance body's role in sustainability reporting	Sustainable governance — ESG structure
	102-33 Communicating critical concerns	Sustainable governance — Communication and response
	102-34 Nature and total number of critical concerns	Sustainable governance — Materiality assessment Sustainable governance — Communication and response
	102-35 Remuneration policies	/
	102-36 Process for determining remuneration	/
102-37 Stakeholders' involvement in remuneration	/	
102-38 Annual total compensation ratio	/	
102-39 Percentage increase in annual total compensation ratio	/	



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standards Number	Disclosure Title	Report Section(s)
Stakeholder engagement	102-40 List of stakeholder groups	Sustainable governance — Communication and response
	102-41 Collective bargaining agreements	Employee care — Employee management
	102-42 Identifying and selecting stakeholders	Sustainable governance — Communication and response
	102-43 Approach to stakeholder engagement	Sustainable governance — Communication and response
	102-44 Key topics and concerns raised	Sustainable governance — Materiality assessment Sustainable governance — Communication and response
Reporting practice	102-45 Entities included in the consolidated financial statements	About the Report
	102-46 Defining report content and topic Boundaries	About the Report
	102-47 List of material topics	Sustainable governance — Materiality assessment
	102-48 Restatements of information	No significant changes
	102-49 Changes in reporting	About the Report
	102-50 Reporting period	About the Report
	102-51 Date of most recent report	About the Report
	102-52 Reporting cycle	About the Report
	102-53 Contact point for questions regarding the report	Readers feedback form
	102-54 Claims of reporting in accordance with the GRI Standards	About the Report
	102-55 GRI content index	GRI Standards Index
102-56 External assurance	/	
Management Approach	103-1 Explanation of the material topic and its Boundary	Sustainable governance — Materiality assessment
	103-2 The management approach and its components	Sustainable governance — ESG structure Sustainable governance — Communication and response
	103-3 Evaluation of the management approach	Sustainable governance — Materiality assessment
GRI201: Economic Performance	201-1 Direct economic value generated and distributed	/
	201-2 Financial implications and other risks and opportunities due to climate change	Low carbon and environment protection — Climate change
	201-3 Defined benefit plan obligations and other retirement plans	/
	201-4 Financial assistance received from government	/

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GRI Standards Number	Disclosure Title	Report Section(s)
GRI202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	/
	202-2 Proportion of senior management hired from the local community	/
GRI203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported	/
	203-2 Significant indirect economic impacts	/
GRI204: Procurement Practices	204-1 Proportion of spending on local suppliers	/
	205-1 Operations assessed for risks related to corruption	/
GRI205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	Employee care — Employee management
	205-3 Confirmed incidents of corruption and actions taken	/
GRI206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Employee care — Employee management
GRI207: Tax	207-1 Approach to tax	Refer to annual report
	207-2 Tax governance, control, and risk management	Refer to annual report
	207-3 Stakeholder engagement and management of concerns related to tax	Refer to annual report
	207-4 Country-by-country reporting	Refer to annual report
GRI301: Materials	301-1 Materials used by weight or volume	Environmental KPIs
	301-2 Recycled input materials used	/
	301-3 Reclaimed products and their packaging materials	Low carbon and environment protection — Packaging reduction
GRI302: Energy	302-1 Energy consumption within the organization	Environmental KPIs
	302-2 Energy consumption outside of the organization	/
	302-3 Energy intensity	Environmental KPIs
	302-4 Reduction of energy consumption	Low carbon and environment protection — Climate change
	302-5 Reductions in energy requirements of products and services	Low carbon and environment protection — Climate change
GRI303: Water	303-1 Interactions with water as a shared resource	/
	303-2 Management of water discharge-related impacts	Low carbon and environment protection — Water conservation
	303-3 Water withdrawal	Low carbon and environment protection — Water conservation
	303-4 Water Discharge	Low carbon and environment protection — Water conservation
	303-5 Water Consumption	Low carbon and environment protection — Water conservation

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standards Number	Disclosure Title	Report Section(s)
GRI304: Biodiversity	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	/
	304-2 Significant impacts of activities, products, and services on biodiversity	/
	304-3 Habitats protected or restored	/
	304-4 IUCN Red List species and national conservation list Species with habitats in areas affected by operations	/
GRI305: Emissions	305-1 Direct (Scope 1) GHG emissions	Environmental KPIs
	305-2 Energy indirect (Scope 2) GHG emissions	Environmental KPIs
	305-3 Other indirect (Scope 3) GHG emissions	/
	305-4 GHG emissions intensity	Environmental KPIs
	305-5 Reduction of GHG emissions	Low carbon and environment protection — Climate change
	305-6 Emissions of ozone-depleting substances (ODS)	/
	305-7 Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	/
GRI306: Effluents and Waste	306-1 Water discharge by quality and destination	Environmental KPIs
	306-2 Waste by type and disposal method	Environmental KPIs
	306-3 Significant spills	Not applicable
	306-4 Transport of hazardous waste	Low carbon and environment protection — Compliance emissions
	306-5 Water bodies affected by water discharges and/or runoff	/
GRI307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	The Group strictly abides by relevant laws and regulations
GRI308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	Product responsibility — Constant care
	308-2 Negative environmental impacts in the supply chain and actions taken	Product responsibility — Constant care
GRI401: Employment	401-1 New employee hires and employee turnover	/
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee care — Employee management
	401-3 Parental leave	/

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standards Number	Disclosure Title	Report Section(s)
GRI402: Labor/Management Relations	402-1 Minimum notice periods regarding operational changes	The Group strictly abides by relevant laws and regulations
	403-1 Occupational health and safety management system	Employee care — Safety and Health
	403-2 Hazard identification, risk assessment, and incident investigation	Employee care — Safety and Health
	403-3 Occupational health services	Employee care — Safety and Health
	403-4 Worker participation, consultation, and communication occupational health and safety	Employee care — Safety and Health
GRI403: Occupational Health and Safety	403-5 Worker training on occupational health and safety	Employee care — Safety and Health
	403-6 Promotion of worker health	Employee care — Safety and Health
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	/
	403-8 Workers covered by an occupational health and safety management system	Employee care — Safety and Health
	403-9 Work-related injuries	Social KPIs
	403-10 Work-related ill health	Employee care — Safety and Health
GRI404: Training and Education	404-1 Average hours of training per year per employee	Social KPIs
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee care — Employee management
	404-3 Percentage of employees receiving regular performance and career development reviews	Employee care — Employee management
GRI405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Employee care — Employee management
	405-2 Ratio of basic salary and remuneration of women to men	/
GRI406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	Employee care — Employee management
GRI407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	/
GRI408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	/
GRI409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	/

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standards Number	Disclosure Title	Report Section(s)
GRI410: Security Practices	410-1 Security personnel trained in human rights policies or procedures	/
GRI411: Rights of Indigenous Peoples	411-1 Incidents of violations involving rights of indigenous peoples	Not applicable
GRI412: Human Rights Assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	/
	412-2 Employee training on human rights policies or procedures	Employee care — Employee management
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	/
GRI413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	Benefit for all
	413-2 Operations with significant actual and potential negative Impacts on local communities	/
GRI414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	Product responsibility — Constant care
	414-2 Negative social impacts in the supply chain and actions taken	/
GRI415: Public Policy	415-1 Political contributions	Not applicable
GRI416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	Product responsibility — Constant safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Product responsibility — Constant safety
GRI417: Marketing and Labeling	417-1 Requirements for product and service information and labeling	Product responsibility — Constant care
	417-2 Incidents of non-compliance concerning product and service information and labeling	During the reporting period, the Group did not have corresponding violations
	417-3 Incidents of non-compliance concerning marketing communications	During the reporting period, the Group did not have corresponding violations
GRI418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Product responsibility — Constant care
GRI419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	The Group strictly abides by relevant laws and regulations

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG REPORTING GUIDE INDEX

KPI	Description	Report Section(s)
<b>A1</b>	<b>Emissions</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	<b>Low carbon and environment protection — Climate change Water conservation Compliance emissions</b>
A1.1	The types of emissions and respective emissions data.	<b>Environmental KPIs</b>
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	<b>Environmental KPIs</b>
A1.3	Total hazardous waste produced and, where appropriate, intensity.	<b>Environmental KPIs</b>
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	<b>Environmental KPIs</b>
A1.5	Description of emissions target(s) set and steps taken to achieve them.	<b>Low carbon and environment protection</b>
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	<b>Low carbon and environment protection — Compliance emissions</b>
<b>A2</b>	<b>Use of Resource</b>	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<b>Low carbon and environment protection — Climate change Water conservation Packaging reduction</b>
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	<b>Environmental KPIs</b>
A2.2	Water consumption in total and intensity.	<b>Environmental KPIs</b>
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	<b>Low carbon and environment protection — Climate change</b>
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.	<b>Low carbon and environment protection — Water conservation</b>
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	<b>Environmental KPIs</b>
<b>A3</b>	<b>The Environment and Natural Resources</b>	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	<b>Low carbon and environment protection — Climate change</b>
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<b>Low carbon and environment protection — Climate change</b>
<b>A4</b>	<b>Climate Change</b>	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	<b>Low carbon and environment protection — Climate change</b>
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.	<b>Low carbon and environment protection — Climate change</b>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI	Description	Report Section(s)
<b>B1</b>	<b>Employment</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	<b>Employee care — Employee management</b>
B1.1	Total workforce by gender, employment type, age group and geographical region.	<b>Social KPIs</b>
B1.2	Employee turnover rate by gender, age group and geographical region.	<b>Social KPIs</b>
<b>B2</b>	<b>Health and Safety</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	<b>Employee care — Safety and health</b>
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	<b>Social KPIs</b>
B2.2	Lost days due to work injury.	<b>Social KPIs</b>
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	<b>Employee care — Safety and health</b>
<b>B3</b>	<b>Development and Training</b>	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<b>Employee care — Employee management</b>
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<b>Social KPIs</b>
B3.2	The average training hours completed per employee by gender and employee category.	<b>Social KPIs</b>
<b>B4</b>	<b>Labour Standards</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	<b>Employee care — Employee management</b>
B4.1	Description of measures to review employment practices to avoid child and forced labour.	<b>Employee care — Employee management</b>
B4.2	Description of steps taken to eliminate such practices when discovered.	<b>Employee care — Employee management</b>
<b>B5</b>	<b>Supply Chain Management</b>	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	<b>Product responsibility — Constant care</b>
B5.1	Number of suppliers by geographical region.	<b>Product responsibility — Constant care</b> <b>Social KPIs</b>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI	Description	Report Section(s)
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	<b>Product responsibility — Constant care</b>
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<b>Product responsibility — Constant care</b>
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	<b>Low carbon and environment protection — Climate change</b>
<b>B6</b>	<b>Product Responsibility</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	<b>Product responsibility — Constant care</b> <b>Product responsibility — Constant safety</b>
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<b>Social KPIs</b>
B6.2	Number of products and service related complaints received and how they are dealt with.	<b>Product responsibility — Constant care</b> <b>Social KPIs</b>
B6.3	Description of practices relating to observing and protecting intellectual property rights.	<b>Product responsibility — Constant innovation</b>
B6.4	Description of quality assurance process and recall procedures.	<b>Product responsibility — Constant safety</b>
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	<b>Product responsibility — Constant care</b>
<b>B7</b>	<b>Anti-corruption</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<b>Employee care — Employee management</b>
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.	<b>Social KPIs</b>
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	<b>Employee care — Employee management</b>
B7.3	Description of anti-corruption training provided to directors and staff.	<b>Employee care — Employee management</b>
<b>B8</b>	<b>Community Investment</b>	
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.	<b>Benefit for all</b>
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	<b>Benefit for all</b>
B8.2	Resources contributed (e.g. money or time) to the focus area.	<b>Benefit for all</b> <b>Social KPIs</b>



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### READERS FEEDBACK FORM

Thank you for reading the “Hengan 2021 Environmental, Social and Governance Report”. In order to provide more valuable information to the Group’s stakeholders and improve the ability and level of social responsibilities, Hengan sincerely invites you to put forward comments or suggestions about this report.

You can fill out the feedback form and send the form in any of the following ways:

E-mail address: martinli@hengan.com.hk

Mailing address: Unit 2101D, 21st Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong

1. How would you rate the Group’s 2021 ESG Report?
 

<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Terrible
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  2. How would you rate the social and environmental responsibilities of Hengan?
 

Social Responsibility	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Terrible
Environmental responsibility	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Terrible
  
  3. Please rate the effectiveness of this Report in reflecting the social and environmental impact the Group has brought about through its social responsibility practices.
 

<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Terrible
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  4. How would you rate the clarity, accuracy and completeness of the information, data and indicators disclosed in this Report?
 

Clarity	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Terrible
Accuracy	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Terrible
Completeness	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Terrible
  
  5. Do you think the contents and formatting of this Report are easy to read?
 

<input type="checkbox"/> Yes	<input type="checkbox"/> Neutral	<input type="checkbox"/> No
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  6. Feel free to share any comments or suggestions you may have on the Group and this Report:
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