



云南云天化股份有限公司
YUNNAN YUNTIANHUA CO.,LTD



2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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About This Report

INTRODUCTION

This report is the third Environmental, Social, and Governance Report (referred to as "ESG¹ Report") issued by Yunnan Yuntianhua Co., Ltd. (stock code: 600096. SH) after issuing social responsibility reports for 13 consecutive years, aiming to demonstrate the environmental, social and governance strategies, management and practices of Yunnan Yuntianhua Co., LTD and its subsidiaries.

TIME SCOPE

This report covers the period from January 1, 2023 to December 31, 2023. Some statements and contents are moderately retroactive and prospected.

REPORTING SCOPE

This report covers Yunnan Yuntianhua Co., Ltd. and its subsidiaries. The financial data involved in the report and the scope covered are consistent with the 2023 Annual Report of Yunnan Yuntianhua Co., Ltd.

PREPARATION BASIS

This report has been prepared with reference to the specific requirements on ESG in documents such as the *Guidance on State-Owned Enterprises Better Fulfilling Social Responsibilities* and the *ESG Indicators System for ESG Reports of Listed Companies Controlled by Central Enterprises* issued by State-owned Assets Supervision and Administration Commission of the State Council, the GRI Sustainable Development Reporting Standards (GRI Standards) issued by the Global Sustainability Standards Board (GSSB), the United Nations Sustainable Development Goals (SDGs), according to the practical situation of the Company.

DATA SOURCE AND CURRENCY

The information and data cited in this report are derived from the official documents, statistical reports, and financial reports of the Company, and have been collected, summarized, and reviewed by relevant departments. Unless otherwise specified, the reporting currency herein is RMB.

SHORTENED FORM

For the convenience of expression and reading, Yunnan Yuntianhua Co., Ltd. is referred to "YTH", "the Company", or "we".

RELEASE FORM

This report is prepared and printed in simplified Chinese and English with paper and electronic versions. The electronic version is available on the website of the Shanghai Stock Exchange.

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VOCABULARY

In this report, unless the context otherwise requires, the following words have the following meanings:

the Company, YTH, We	refers to	Yunnan Yuntianhua Co., Ltd.
YTH Group	refers to	Yuntianhua Group Co. LTD
Shuifu YTH	refers to	Yunnan Shuifu Yuntianhua Co., Ltd
Phosphate Chemical Group	refers to	Yunnan Phosphate Chemical Group Co., Ltd
Tian'an Chemical	refers to	Yunnan Tian 'an Chemical Co. Ltd
Jinxin Chemical	refers to	Hulunbair Jinxin Chemical Co., Ltd
Dawei Ammonia	refers to	Yunnan Dawei Ammonia Co., Ltd
R&D Center	refers to	Yunnan Yuntianhua Co., Ltd. Research and Development Centre
Red Phosphorus Chemical	refers to	Yunnan Yuntianhua Red Phosphorus Chemical Co., Ltd
Yunfeng Chemical	refers to	Yunnan Yuntianhua International Chemical Co., Ltd. Yunfeng Branch
Three Circles-Sinochem Fertilizers	refers to	Yunnan Three Circles-Sinochem Fertilizers Co. Ltd.
Agricultural Materials Chain	refers to	Yunnan Yuntianhua Agricultural Materials Chain Co., Ltd.
Tianju New Material	refers to	Chongqing Yuntianhua Tianju New Material Co., Ltd
Phosphate Technology	refers to	Yunnan Phosphate Technology Co., Ltd
Environmental Sci-tech	refers to	Yunnan Yuntianhua Environmental Sci-tech Co., Ltd.
Tianchi Logistics	refers to	Tianchi Logistics Co., Ltd
Qinghai YTH	refers to	Qinghai Yuntianhua International Fertilizer Co. Ltd.
Yunjuneng New Material	refers to	Yunnan Yunjuneng New Material Co., Ltd.
Phosphate Haikou	refers to	Yunnan Phosphate Haikou Co., Ltd.
QC	refers to	Quality Control
HSE	refers to	Health, Safety and Environment

¹ ESG: Environmental, Social and Governance



Chairman

Duan Wenhan



Secretary of the Party Committee and
General Manager of the Company

Cui Zhouquan

Message from the Chairman

In 2023, we fully embraced the new development philosophy, actively supported national strategies, and propelled the Company's green and high-quality development. Throughout the year, we maintained our commitment to progress despite the evolving external landscape. We solidified our development momentum, demonstrating high resilience and strong competitiveness.

Pool Strength to Develop—Focusing on the Industrial Sustainability

Drawing on our abundant resources, we have established a robust industrial chain, ensuring cost efficiency, reliability, and stability advantages in the expansion of the fertilizer and phosphate chemical industry. Additionally, we adhere to the principle of maximizing the value of the entire industry chain, implementing strategic measures to navigate great changes in the external environment. By aligning with market demands and driving technological innovation, we have

continued to improve the industrial structure and optimize quality and technology. Over the past year, our innovative efforts have been recognized with five Yunnan Science and Technology Awards. These achievements not only enhance our core competitiveness but also play a crucial role in fostering the sustainable development of the industry as a whole.

Prioritize Ecological Protection—Working Jointly for Green Development

In response to the nation's green development strategy, we have established green factories and mines, launched green products, and promoted the comprehensive utilization of phosphogypsum. We have implemented high-standard ecological restoration, striving for harmonious development between humanity and nature. Additionally, we have launched the "Reduce Fertilizers, Increase Efficiency" initiative, emphasizing a holistic approach to green product management throughout the entire product life cycle. Our focus remains on researching and producing products that are safe, efficient, energy-saving, low-consumption, and environmentally friendly, with the aim of reducing resource consumption and minimizing our environmental footprint. In 2023, we have attained significant milestones, including the establishment of seven nationally recognized green mines and 17 green factories (including five nationally recognized ones). The comprehensive utilization rate of phosphogypsum has met the set targets, and an additional 1,201 "Mu" (about 197.85 acres) of land has undergone ecological restoration and management. Moreover, we have introduced 14 new green products, bringing the total number of green products within the Company to 194 (including 72 nationally recognized ones). These remarkable achievements in ecological and environmental protection underscore our unwavering commitment to green development.

Pursue Steady and Sustained Progress—Deepening Reform on Enterprise Governance

We have put the 14th Five-Year Plan into practice, deepened enterprise reform and solidified our reform and development initiatives, earning widespread recognition both nationally and within the industry. We have enhanced the ability of the specialized committees of the Board of Directors and independent directors to perform their duties, implement effective cash dividends, carry out share repurchases at an appropriate time, effectively protecting the interests of investors. We have actively advanced the construction of ESG governance by establishing the Company's ESG strategic vision and goals, further improving the ESG management system to showcase the Company's sustainable development related strategies and practices to the public. In the past year, the Company was listed as the highest grade "Benchmark" in the State-owned Assets Supervision and Administration Commission of the State Council's "Double-Hundred Enterprises" rating, and its information disclosure received a Grade A rating from the Shanghai Stock Exchange. Additionally, the Company has earned honors including the ESG Excellent Practice Cases of Listed Companies, the Best Practice Cases of the Board of Directors, and the Best Governance Practice Cases in 2023.

Take Proactive Initiatives—Fulfilling Our Social Responsibilities

We have embraced the responsibility and mission to serve agriculture, rural areas, and rural communities, ensuring national food security and safeguarding the granary of our great nation. Over the past year, we have remained committed to "ensuring adequate fertilizer supply" in the domestic market, effectively guaranteeing national agricultural production and food security. Our efforts have earned widespread recognition and praise from key government entities, trade associations and the general public. We have been giving back to society and deepening targeted assistance initiatives and ensured the timely disbursement of assistance funds for rural revitalization. Additionally, our ongoing implementation of the science and technology academies project has made significant strides. Across 32 of these academies nationwide, we have consistently provided agrochemical services to local farmers, thereby contributing to progress in agricultural science and technology and increased agricultural income. We have prioritized the growth and well-being of our employees, proactively fulfilled our social responsibilities, and strengthened communication and collaboration with various sectors of society to jointly drive sustainable development.

In 2024, the world continues to undergo profound changes. We will maintain an unwavering spirit to forge ahead with determination, resolve, and enterprise. Despite these changes, we will strengthen our foundation. With a stronger development foundation and confidence, we will pursue steady and sustained progress on the path of green and high-quality development, aiming to achieve the goal of becoming a "flagship listed company."

Chairman:

About Us

Yunnan Yuntianhua Co., Ltd. is a holding subsidiary of YTH Group, a global preeminent manufacturer of phosphate fertilizer, nitrogen fertilizer, and paraformaldehyde. The Company is a top 100 listed chemical companies in China, a management benchmark among national key state-owned enterprises, and a demonstration state-owned enterprise in corporate governance. In July 1997, the Company was listed on the Shanghai Stock Exchange (stock code:600096). Since then, it has formed a diversified development paradigm covering chemical fertilizer, phosphorus ore mining and processing, the phosphate chemical industry, the fine chemical industry, commercial logistics, and other businesses. The Company has established production bases in Yunnan, Inner Mongolia, Chongqing, and other provinces and cities. Its distribution network covers the world, including the Middle East, Southeast Asia and other regions. In 2023, the Company ranked 181st on the Fortune 500 China list and 12th on the "independent production and operation" category of the top 500 Chinese petroleum and chemical enterprises.

As of the end of 2023, the Company had total assets of RMB 52.571 billion and owner's equity of RMB 22.010 billion, operating revenue of RMB 69.060 billion and total profit of RMB 6.579 billion.

The Company has a total fertilizer production capacity of 10 million tons/year, with a phosphorus fertilizer production capacity of 5.55 million tons/year, a compound (mixed) fertilizer production capacity of 1.85 million tons/year, and a urea production capacity of 2.6 million tons/year, making it one of the largest phosphorus fertilizer producers in China; The production capacity of polyformaldehyde is 90,000 tons/ year, ranking first in China in terms of capacity scale; The production capacity of feed grade calcium phosphate is 500,000 tons/year; The production capacity of iron phosphate reaches 100,000 tons/year.

Key indices:

As of the end of 2023, the Company had total assets of RMB

52.571 billion

Total profit of RMB

6.579 billion

Owner's equity of RMB

22.010 billion

Net profit attributable to shareholders of listed companies RMB

4.522 billion

Operating revenue of RMB

69.060 billion

Net cash flow from operating activities RMB

9.437 billion



Performance and Honor

Performance

Probity

Business Ethics

- Percentage of board members and senior management receiving business ethics training: **100%**
- Signing rate of *Integrity Contract* with suppliers: **100%**

Intellectual Property Protection

- Total number of authorized valid patents: **891** Patents

Preservation

Environmental Management

- Coverage of internal environmental management system: **100%**
- Coverage of ISO 14001 subsidiaries: **100%**
- Investment in environmental protection: RMB **453.62** million

Green Opportunities

- Investment in clean technology: RMB **303** million

Emissions and Waste Management

- Qualified rate of wastewater and waste gas emissions: **100%**
- Qualified rate of hazardous waste disposal: **100%**
- National-level green mines: **7**
- National-level green factories: **5**
- Association-level green factories: **14**

Biodiversity

- Managed land: about **1,201** mu
- Planted saplings: **437,000**
- Sown grass seeds: **29,400** kilograms
- Added new green products: **14**

Responding to climate change

- Comprehensive energy consumption compliance rate for major high energy-consuming products: **95%**
- Energy consumption compliance rate: **75%**

Product

Product Responsibility

- Percentage of employees trained in product quality and safety: **100%**, training hours per capita: **12** hours
- Pass rate of national and provincial supervision and sampling inspection: **100%**
- R&D investment in technology and product innovation: RMB **653** million
- R&D investment in new energy material projects: RMB **59.6557** million
- Coverage rate of safety training for employees: **100%**

Customer Relations

- Response rate of customer complaints: **100%**
- Resolution rate of customer complaints: **100%**

People

Human Capital

- Collective agreement signing **100%**
- Employee training coverage **100%**
- Total training duration **1,415,618** hours
- Employees participating in satisfaction surveys **10,586**
- Labor contract signing rate **100%**
- Social insurance coverage **100%**
- Coverage of health examination for employees **100%**
- Coverage of ISO 45001 for subsidiaries **100%**
- Injury rate per thousand people **0.037**
- Completion rate of hazard identification and control **100%**
- Qualified rate of occupational hazard factor monitoring **100%**

Community Relations

- Donations to the society: RMB **3.644** million
- Conducted voluntary activities: **77** times
- Voluntary services duration: **4,980** hours

Honor



Rated as the highest grade "Benchmark" in the SASAC's "Double-Hundred Enterprises"
State-owned Assets Supervision and Administration Commission of the State Council (SASAC)



National Demonstration Case Compilations in Industrial Innovation and Application
Ministry of Commerce



Green Design of Industrial Products Demonstration Enterprises (Qinghai YTH)
Ministry of Industry and Information Technology



China Customs Trade Performance Statistics Survey (Export) Sample Enterprises
General Administration of Customs of the People's Republic of China



Best Governance Practice Cases in 2023
China Association for Public Companies (CAPCO)



Best Practice Cases of Board of Directors in 2023
China Association for Public Companies (CAPCO)



Rated as 5A in 2023 Performance Report of The Secretary of the Board of Directors of Chinese Listed Companies
China Association for Public Companies (CAPCO)



ESG Excellent Practice Cases of Listed Companies in 2023
China Association for Public Companies (CAPCO)



Annual Meeting Excellent Practice Cases of Listed Companies for 2022
China Association for Public Companies (CAPCO)



Best Practice Cases of Board Offices of Listed Companies in 2023
China Association for Public Companies (CAPCO)



First Prize in Science and Technology in the Non-Ferrous Metals Industry of China (Tian'an Chemical)
China Non-Ferrous Metals Industry Association, The Nonferrous Metals Society of China



Second Prize for Modern Enterprise Management Innovation Achievements
China Enterprise Confederation (CEC), China Enterprise Directors Association (CEDA)



5 innovation results honored for the Yunnan Science and Technology Awards
Yunnan Province Science and Technology Department



Yunnan Province IPR-Driven High-Quality Development Demonstration Enterprise (Three Circles-Sinochem Fertilizers)
Yunnan Administration for Market Regulation



Yunnan Province 2023 "Manufacturing Digital Transformation Benchmark Enterprise" (Three Circles-Sinochem Fertilizers)
Department of Industry and Information Technology of Yunnan Province



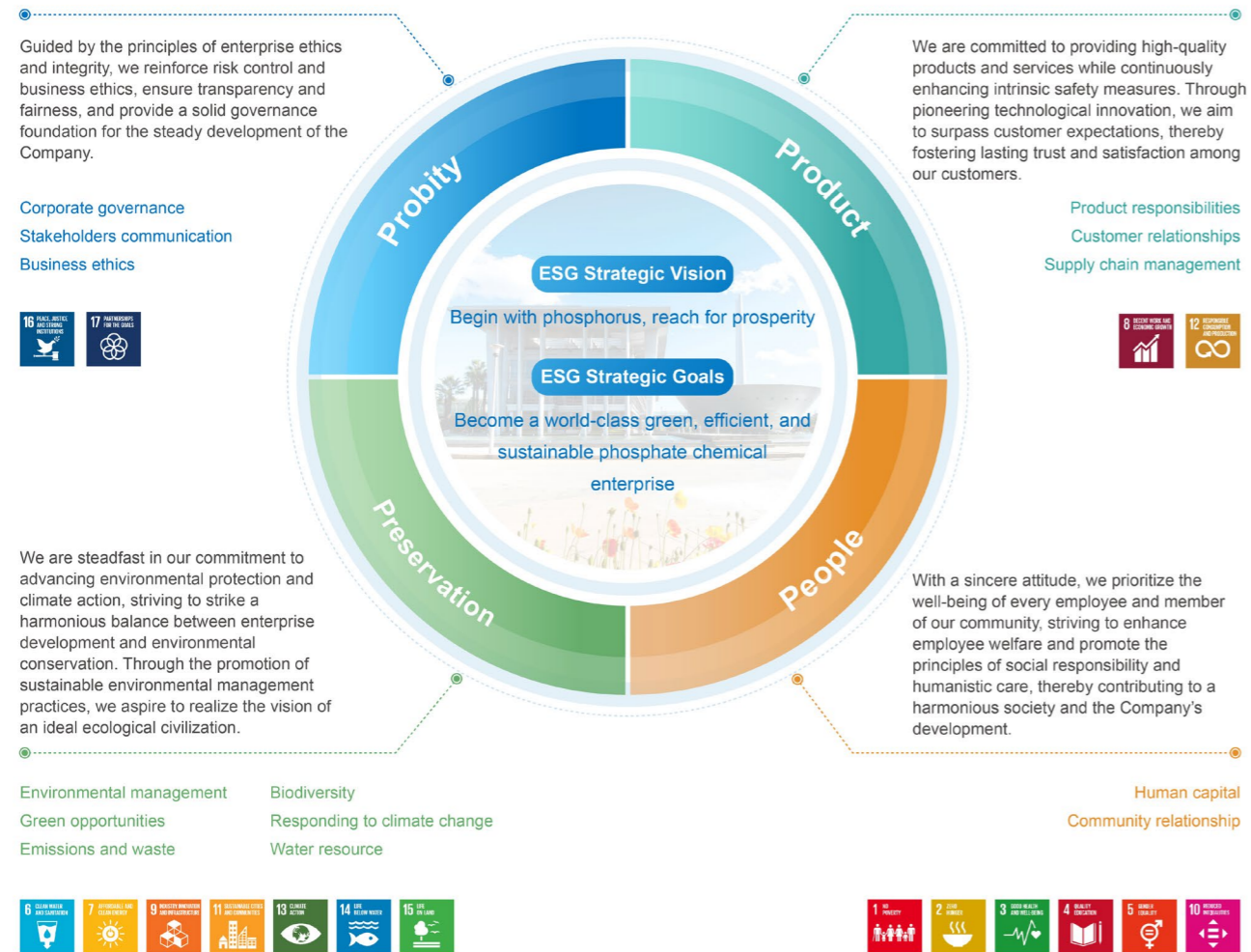
Sustainable Development Management

YTH considers sustainable development management as a key to the Company's growth, integrating sustainable development strategies into our daily operational management practices to drive high-quality development. Simultaneously, we actively engage in communication with various stakeholders, seeking advice to foster mutual development between the Company and all relevant parties.

ESG Strategy

In 2023, YTH formulated its first ESG strategy, aiming to integrate ESG factors into the Company's long-term development blueprint. We meticulously analyzed the distinctive characteristics of the phosphate chemical industry and aligned our developmental strategies with both national development blueprints and the United Nations' SDGs, we continue to enhance the high-value and high-efficiency utilization of phosphorus resources and promote the green and sustainable development of the chemical industry, and actively construct a phosphate chemical industry that is high-end, intelligent, green, integrated, and clustered, providing stakeholders with the efficient utilization of phosphorus ore resources. Simultaneously, we develop the comprehensive utilization of co-existing resources of phosphorus mining, drive transformations towards clean production, energy conservation and carbon reduction across the entire industrial chain. We try to promote the common development of industries, and establish a green, efficient, and synergistic development model.

Drawing inspiration from the elemental symbol for phosphorus – "P", the Company delineated four pivotal strategic pillars: "Probity", "Product", "Preservation" and "People". This framework served as the cornerstone for shaping a comprehensive ESG action plan, thereby facilitating the realization of the Company's ESG strategic goals and vision.



Corporate governance	Board of Directors management, Ownership and control, Salary system, Business operations, Risk management and internal monitoring
Stakeholders communication	Investor meeting, Information disclosure
Business ethics	Anti-corruption, Whistleblower protection, Business ethics audit

Product responsibilities	Product safety and quality, Product sales, Innovative development
Customer relationships	Customer services, Privacy and information security, Marketing and brand
Supply chain management	Supply chain risk management, Supplier ESG management, Supplier access

Environmental management	Environmental risk management, Environmental management system, Green office, Packaging materials, Energy, Resources use policy and entitlements
Green opportunities	Clean technology advancement, Green products
Emissions and waste	Emission standards, Emission targets and measures, Total emissions, Emission management policies, Non-compliance emission regulations
Biodiversity	Biodiversity conservation
Responding to climate change	Climate change risk management, Climate change goals, Climate change strategies, Climate change indicators, Climate change governance
Water resource	Water resource utilization and risk management, Water resource conservation

Human capital	Employment management, Labor rights, Talent development, Employee communication and care, Occupational health and safety
Community relationship	Community development, Public interest and charity

Stakeholder Engagement

The Company attaches great importance to the sound communication with stakeholders, builds normalized communication mechanism, and continues to optimize communication channels. By doing so, we respond to the expectations and opinions of various stakeholders in a timely manner, and work together for a sustainable future.

Communication with Stakeholders

Table: Communication Mechanism with Stakeholders

Stakeholders	Concerns and Requirements	Response
 <p>Government/ Regulatory Agencies</p>	Observe law and discipline Tax contribution Economic development Fight corruption and advocate integrity Strengthen Party construction Respond to national policy	Abiding by laws and regulations Implementing national policies and guaranteed the supply of chemical fertilizer Implementing State-owned enterprise reform, the 14th Five-Year Plan Paying taxes according to law Daily communication and report Strengthening Party Building Work Actively participating in researches organized by the government
 <p>Stakeholders</p>	Return on investment Performance growth Standardized operation Timely and accurate information disclosure Investor protection	Continuing to improve profitability Standardizing corporate governance Disclosing information in accordance with regulations Investor communication and exchanges Regular reports and announcements Press release
 <p>Employees</p>	Wages and benefits Safety and health Promotion and development mechanism	Improving the salary and appraisal system Staff satisfaction survey Staff complaints and feedback Expressing sympathy for the employee All-staff physical examination and safety protection Vocational training, open and transparent channels for promotion Corporate cultural activities Internal and external training



Stakeholders	Concerns and Requirements	Response
 <p>Clients</p>	Product quality and safety Product function and effect After-sales service Customer satisfaction	Strict quality control and inspection New product research and development Professional guidance, establishment of after-sales service platform Customer satisfaction survey Customer complaints and responses
 <p>Partners</p>	Business ethics Honesty and win-win cooperation Sustainable cooperation	Honest cooperation and mutual trust with win-win results Establishing strategic partnership Performing contracts according to law Technological exchanges and results sharing
 <p>Environment</p>	Green and sustainable development Implement energy conservation and emission reduction Environmental protection and governance	Promoting green and high-quality development Emission management Create "Three green" projects Environmental governance and land reclamation
 <p>Public</p>	Improve local people's livelihood Support public welfare establishments Promote employment	Rural revitalization Community co-construction Actively carrying out public benefit activities Boosting local economy and employment

Materiality Issues Matrix

With emphasis on identifying and managing materiality issues, the Company maintains regular communication with stakeholders to solicit their feedback and suggestions on ESG-related issues. We highlight these materiality issues in our annual ESG reports to continuously improve the Company's sustainable development management. In 2023, the Company systematically sorted and adjusted materiality issues in accordance with the three steps of "identification, assessment, and confirmation." As a result, we identified 22 key ESG issues and formulated a new materiality issues matrix in 2023.

Table: Judging Process of Materiality Issues

Identification

In accordance with the GRI Standards and guided by national policies and industry trends regarding ESG disclosure, the Company meticulously benchmarked standards utilized by counterparts from home and abroad. Through this comprehensive review process, we systematically analyzed ESG important issues and the concerns of various stakeholders, ultimately identifying 22 key ESG issues.

Assessment

Utilizing insights gathered from previous stakeholder surveys and in conjunction with capital market ESG ratings and indicators such as the MSCI ESG Index and CSA, the Company conducted a comprehensive analysis, with survey results systematically ranked across two dimensions: "importance to the Company" and "importance to stakeholders", and prepared the 2023 Materiality Issues Matrix in, and highlighted materiality issues in the report.

Confirmation

The ESG Management Committee reviewed the ESG materiality issues identified during the assessment process, subsequently reporting their findings to the Board of Directors, and providing recommendations on the final determination of these materiality issues.



Table: The Distribution of Materiality Issues

Highly important	Moderately important	General important
1 Work safety	10 Technology and product innovation	19 Training and development
2 Occupational health and safety	11 Risk management	20 Employee employment
3 Chemical management	12 Corporate governance	21 Information security and privacy protection
4 Product quality	13 Performance and promotion	22 Community welfare
5 Waste management	14 Customer relationship management	
6 Anti-corruption and business ethics	15 Labor rights and care	
7 Climate change and carbon emissions	16 Purchasing and supplier management	
8 Environmental management	17 Intellectual property rights	
9 Energy management and resource use	18 Biodiversity	





01 **Probity**

Governance with Strong Probity: Strengthen Compliance Management to Sustain Long-term Stability

To promote high-quality development, the Company has adhered to Party construction, optimized the governance structure and enhanced the abilities to identify and manage risks. At the same time, the Company has stepped up efforts to fight against corruption, strengthened internal supervision and intellectual property protection, promoting sound operation and sustainable growth.

- 01 **Party Construction**
- 02 **Corporate Governance**
- 03 **Risk Control**
- 04 **Anti-corruption and Integrity**
- 05 **Intellectual Property Protection**

Party Construction

The year 2023 is the first year of comprehensively implementing the spirit of the 20th Party Congress and the starting year of writing a chapter of the new era. In this year, guided by Xi Jinping's Thought of Socialism with Chinese Characteristics in the new era, the Company has closely focused on the general requirements of Party construction in the new era and the spirit of the national and provincial Party construction work conference. Also, the Party Committee of the Company has practiced effective self-supervision and full and rigorous self-governance. Led by the Party's organizational guideline, the Company has made concerted efforts in six aspects, namely, strengthening ideological and political construction, deepening work mechanism construction, promoting talent pool construction, enhancing Party spirit and clean government construction, reinforcing brand promotion construction, and improving group organization construction, so as to continuously improve the scientific level of Party construction and the ability to create values.

The Party Committee of the Company has continued to strengthen ideological and political construction, strengthened theoretical armament, and carried out the theme education of learning and implementing Xi Jinping's Thought on Socialism with Chinese Characteristics for a new era in an orderly manner, to effectively play the role of "guiding the direction, controlling the overall situation, and ensuring the implementation. The Committee adheres to Party construction to improve the efficiency of the central work, and constantly consolidates and strengthens the basic work of Party Construction. This led to two new "Yunling Pioneering Party Branch" in 2023, and five new exemplary Party branches of the Provincial SASAC in Yunnan Province. The Company held the exchange meeting of the achievements of the party construction to form the vivid practice of promoting the innovation and development of grass-roots party construction by the publicity of the party construction. The Company has always taken the comprehensive fulfilment of political, economic and social responsibilities as the pursuit of value, focusing on the goal of high-quality party construction to lead high-quality development, and following the idea of "strong leadership, grasp the fusion, and promote the development" to build a "value-based" party construction system. In terms of political value, it is to integrate the leading power of the organization, the fighting power of the team and the cultural influence; in terms of economic value, it is to promote the synergy of management, the driving power of innovation and the competitiveness of the industry; and in terms of social value, it is to integrate the power of policy implementation, the credibility of the enterprise and the power of risk control. The Company is to step up efforts to optimize efficiency, drive innovation and achieve sustainable development.



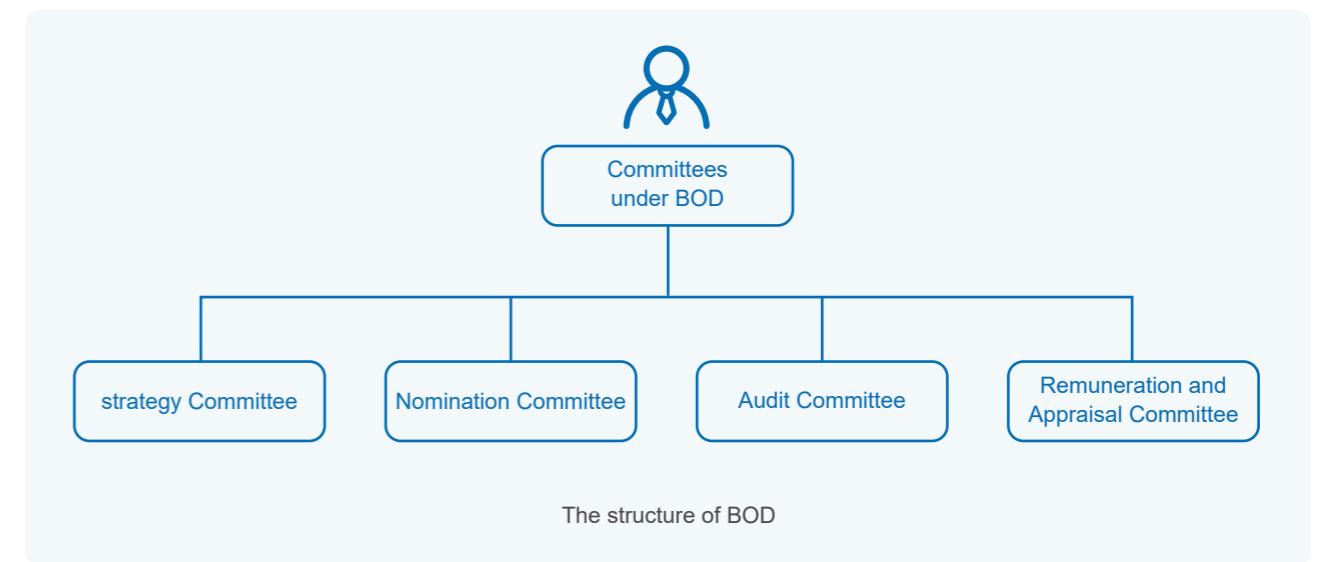
Revises the Oath of Joining the Party

Corporate Governance

The Company has strictly complied with laws, regulations and regulatory requirements, including the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and the *Code of Corporate Governance for Listed Companies*. It has established a standardized governance structure, a sound risk management system and internal control mechanism to continuously promote the Company's sound and sustainable development.

Directors and Board of Directors

The Company has established a corporate governance structure centred on the Board of Directors. Under the Board, there are Strategy Committee, Audit Committee, Remuneration and Appraisal Committee, and Nomination Committee. By the end of 2023, the Board of Directors had a total of 11 members, including seven directors and four independent directors.



To ensure the independence of the Board's decision-making, the Company has selected independent directors from exceptional individuals and industry experts and ensured that no less than one-third of the seats on the Board are held by independent directors. The Company has required all independent directors to sign a confirmation of independence annually to ensure that they are able to take into full consideration the best interests of the Company, all shareholders investors when dealing with the Company's affairs, and to make independent judgments and express independent opinions based on their professional knowledge.

In addition, to ensure the diversification of board composition, the Company has meticulously considered factors such as gender, age, race, region, educational background, professional knowledge and industry experience of board members. The current members of the Board are from different professional backgrounds covering multiple fields such as finance, law, and risk management, bringing diverse expertise and experience to the Company's development strategies and key decisions.

ESG Management Structure

The Company has devised a top-down and multi-tier ESG management structure. The BOD and Strategy Committee lead this structure, with the ESG Management Committee serving as the core and the ESG Management Committee Office acting as the driving force for implementation.

Names of Management Level	Responsibility
 Board of Directors	<ul style="list-style-type: none"> Responsible for leading and overseeing the Company's ESG governance matters, and establishing the ESG management structure; Delegating ESG-related responsibilities to the Strategy Committee.
 Strategy Committee	<ul style="list-style-type: none"> Responsible for ESG-related reviews and inspections, and formulating the Company's ESG strategy, objectives and plans, overseeing their implementation; Evaluating risks and opportunities that significantly impact the Company's business, and reviewing the Company's annual ESG report and submitting it to the BOD for deliberation.
 ESG Management Committee	<ul style="list-style-type: none"> Responsible for coordinating the implementation of the Company's ESG strategy, objectives and planning, regularly updating ESG-related risks and opportunities, and reporting to the Strategy Committee with recommendation; Supervising the Company's ESG policy to ensure that it complies with national policies, as well as legal and regulatory requirements; reviewing ESG management-related systems and significant matters; preparing for the Company's annual ESG report.
 ESG Management Committee Office	<ul style="list-style-type: none"> Under the guidance of the ESG Management Committee, promoting the implementation of various ESG tasks, including formulating ESG management systems, implementing specific ESG objectives; Identifying ESG-related risks and opportunities, preparing the Company's annual ESG report, and promote ESG culture.

Table: ESG Responsibilities at All Levels

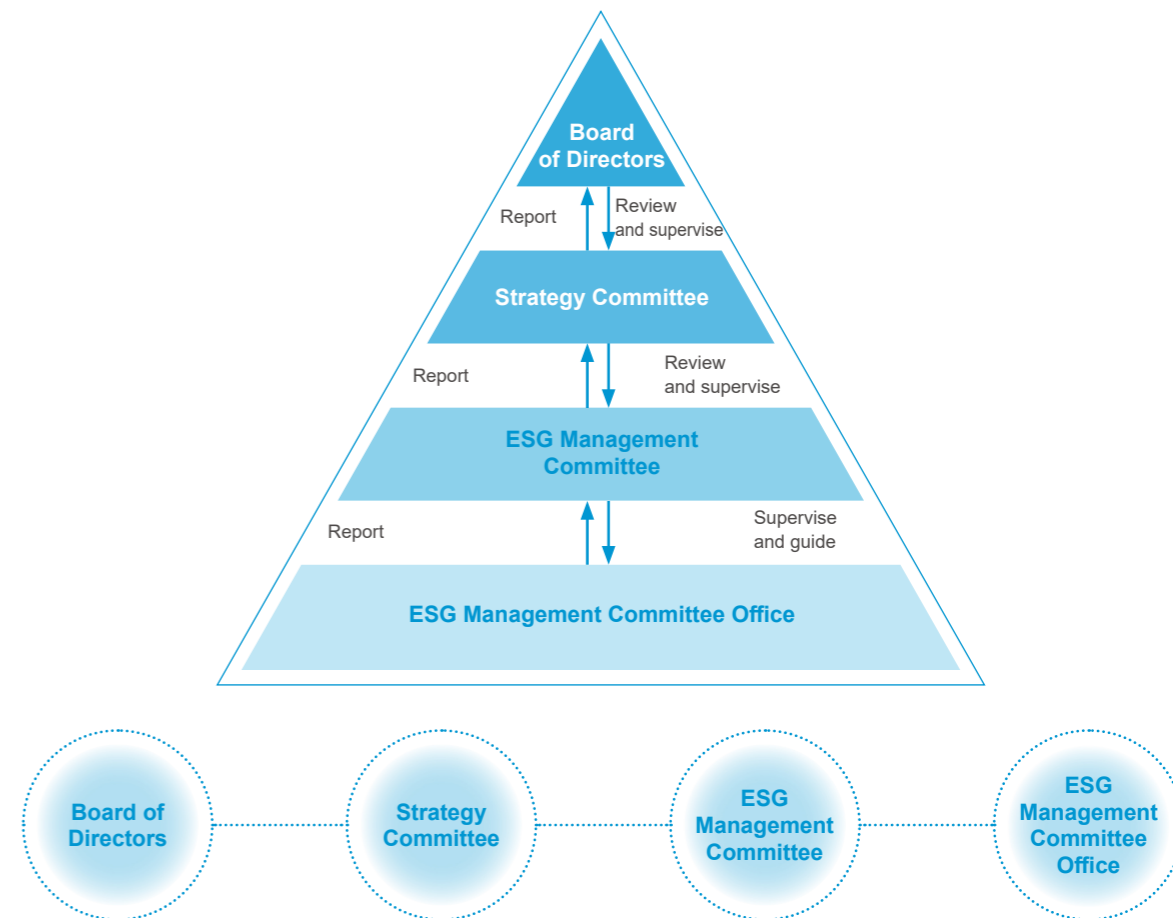


Table: ESG Management Structure

Authority and Accountability Management

The Company formulates and implements the Guidelines for the *Authority of Decision-Making Mechanism* and the *List of Authority and Responsibilities for Business Management of Each Governance Body*, clarifying the responsibilities and authorities of the Party Committee, General Meeting of Shareholders, Board of Directors, and the Management. In 2023, the Company has revised the *Yunnan Yuntianhua Co., Ltd. Implementation Regulations for the Strategy Committee of the Board of Directors*, further clarifying and refining the responsibilities and functions of the Strategy Committee in respect of the Company's development strategy, major investment decisions and ESG governance. This has strengthened the guidance on the Company's strategic planning and management.

Information Disclosure

The Company has strictly complied with relevant laws and regulations and the *Information Disclosure Management System*, strengthened the management of the Company's information disclosure, and adhered to the principles of authenticity, accuracy, completeness, timeliness, and effectiveness, so as to ensure that all stakeholders can access the Company's information.

In 2023, the Company disclosed a total of 135 reports, including the annual report for 2022, first-quarter reports for 2023, semi-annual reports for 2023, third-quarter reports for 2023 and interim announcements. The Company's information disclosure effort was rated as Grade A on the Shanghai Stock Exchange.

Disclosed a total of **135** reports

Rated as Grade **A** on the Shanghai Stock Exchange

Investor Relations

The Company has proactively communicated its information to the capital market and investors through various online and offline channels. These channels include online meetings, roadshows, performance presentations, corporate promotional films, cloud tours, investment strategy meetings, on-site investor research, SSE investor interactive platform, and investor hotlines.

In 2023, the Company held four performance presentations through recorded broadcasts for the 2022 annual report and the 2023 first quarter report. During these presentations, the Company answered a total of 36 questions from investors, 280 investor phone calls, and 32 questions on the SSE investor interactive platform.



Risk Control

Risk Management and Internal Control

The Company has maintained a consistent focus on risk management and internal control initiatives, and has established a sound risk management structure with the Board of Directors assuming leadership and decision-making responsibilities for these initiatives, and the Risk Management Department as the specific executive department. Embracing the "three lines of defense" model, the Company has implemented various mechanisms to bolster risk management and internal control, including risk identification and early warning, linked coordination, compliance review, compliance whistle-blowing, investigation and accountability, and supervision and inspection. In addition, the Company has set up an office of the leading group for the promotion of internal control under the Risk Management Department to comprehensively enhance the efficiency of the Company's internal control management and steadily push forward the construction of the risk prevention and control system.

The Company's "Three Lines of Defense" Model for Risk Management and Internal Control

<p>The First Defense Line: Business and Functional Departments</p>	<p>In accordance with the requirement that "business management requires internal control management", these departments are responsible for establishing and improving each department's internal control management system and processes. This includes carrying out risk identification and assessment, compiling risk lists and response plans, regularly sorting out the risks of key positions, and incorporating internal control requirements into the duties of the positions.</p>
<p>The Second Defense Line: The Cooperative Internal Management Business Department</p>	<p>Responsible for fulfilling the overall management responsibility for internal control management, and drafting systems of internal control management, such as basic systems, special systems, annual plans, and work reports, as well as reviewing the compliance of regulations, economic contracts, and major decisions.</p>
<p>The Third Defense Line: The Internal Audit Department</p>	<p>Responsible for including internal control management into the scope of the audit, carrying out supervision and evaluation, monitoring the implementation of internal control requirements within the scope of the department's authority, investigating irregularities, and carrying out accountability in accordance with the regulations, so as to promote the continuous optimization of the Company's internal control management system.</p>

Table: Major Actions and Measures for 2023 Risk Management and Internal Control

 <p>Revising many systems, such as the <i>Internal Control Management Manual of Yunnan Yuntianhua Co., Ltd.</i> to improve the alignment of internal control with the Company's business operations.</p>	 <p>Establishing a risk identification and early warning mechanism and connected cooperation mechanism to improve the efficiency of risk management.</p>	 <p>Regularly troubleshooting major risks and special risks and forming troubleshooting reports to fully understand the basic situation of the Company's major risks and ensure that timely countermeasures are taken to minimize the negative impacts of the risks on the Company.</p>	 <p>Timely tracking of defects and loopholes exposed in the course of operation, implementing risk analysis and assessment work, and issuing a total of three compilations of cases and case warnings to enhance the awareness of risk prevention among managers and employees.</p>
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Convening a Working Meeting on Improving the Core Competitiveness of Risk Management to Strengthen Risk Management Ability

In May 2023, the Company organised a working meeting on improving core competitiveness of risk management, arranged and deployed the risk management plan for the next three years, clarified the overall working idea, working objectives, working contents and working requirements for improving core competitiveness of risk management, and explained the assessment standards of core competitiveness. The training was attended by 378 relevant personnel from the Company's subordinate units.



The Training on Risk Management

Compliance Management

By strictly adhering to the *Measures for the Compliance Management of Central Enterprises and the Guidelines for the Compliance Management of Provincial Enterprises in Yunnan Province (for Trial Implementation)*, the Company has strengthened its compliance management mechanism. This includes the establishment of a Compliance Committee tasked primarily with coordinating, supervising, and examining compliance management efforts while promoting legal governance and awareness. Meanwhile, the Company has delineated the principal responsible departments and designated specific departments responsible for evaluating and overseeing compliance management. Emphasizing the role of each business department as the primary responsible entity for compliance management, the Company aims to enhance the compliance awareness of all members and ensure its smooth operation.

In 2023, the Company established a compliance review mechanism, a compliance reporting and investigation accountability mechanism, and a supervision and inspection mechanism to comprehensively optimize the compliance management process and further enhance the efficiency of compliance management. Meanwhile, the Company has been committed to fostering a corporate compliance culture and regularly conducting various special compliance trainings such as labor compliance management, bidding compliance management, etc. During the reporting period, the total number of participants from all units of the Company has exceeded 1,000.

Anti-corruption and Integrity

The Company has strictly followed laws and regulations, such as the *Oversight Law of the People's Republic of China* and the *Several Provisions on the Integrity of State-owned Enterprise Leaders*. We maintain a "zero-tolerance" stance against corruption and actively promote the establishment of a robust business ethics and anti-corruption system. These efforts aim to raise awareness among all managers and employees, fostering a working environment characterized by integrity and self-discipline.

Anti-corruption Management Framework and Mechanism

The Company has made continuous enhancements to its anti-corruption system, covering headquarter and its subordinates. Also, the Company optimizes mechanisms and processes related to supervision, discipline enforcement, and accountability. In 2023, the Company formulated the *Measures for Supervision of "the Top Leader" and Leadership Teams*, aimed at bolstering the integrity supervision of management personnel and fostering a heightened awareness of honesty and integrity in their professional work.

The Company has established and continuously improves its anti-corruption management structure to enhance the efficiency of anti-corruption work. We have set up the Leading Group of Party Integrity Construction to supervise the process of anti-corruption work. The Discipline Inspection Commission Office is responsible for coordinating and initiating specific work in education, supervision, discipline enforcement and accountability. Discipline inspection agencies have been set up in all subordinates belonging to the Company to realize full coverage of anti-corruption supervision.

The Company has implemented stringent measures to mitigate integrity risks, including the establishment of an integrity risk prevention and control system. This system is regularly updated with the latest integrity risk prevention and control information, clarifying the authority of departments and positions while strictly preventing corrupt practices. To ensure the efficacy of the anti-corruption system, the Company conducts an annual assessment of Party integrity and anti-corruption efforts, with higher-level Party committees disseminating assessment results to lower-level units.

The Company has advocated the construction of honest partnerships and a clean supply chain. Through the signing of the *Integrity Contract* with suppliers, the Company aims to clarify its obligations regarding integrity and to oversee contract fulfillment. Suppliers found to be in violation of the contract requirements are blacklisted and permanently prohibited from cooperation, with unfinished economic contracts terminated. In 2023, the signing rate of the *Integrity Contract* with suppliers reached 100%.

Integrity Education and Training

The Company places great emphasis on the integrity awareness of all employees and suppliers, regularly rolling out various integrity education activities. In 2023, the Business School of Yunnan Yuntianhua Co., Ltd. launched required training courses on business ethics for all employees, covering topics such as professional values, compliance with laws and regulations, and integrity in work. Additionally, based on the Code of Conduct for Business Ethics, the Company regularly carries out training for new contractors, clarifying the requirements for integrity and self-discipline. Furthermore, the Company sends integrity reminders to suppliers during important holidays and festivals.



Headquarter Holding 2023 Warning Education Conference



Organizing a Visit to the "Provincial Enterprises Integrity Culture Corridor" and Carrying out Family Activities to Promote Integrity

Table: Performance of Training on Business Ethics

Board Members and Senior Managers Trained for Business Ethics 139 person-times	Business Ethics Training Sessions for Board Members and Senior Managers 8 sessions	Proportion of Board Members and Senior Managers Trained for Business Ethics 100 %
Contractors Trained for Business Ethics 515 person-times	Business Ethics Training Sessions for Contractors 4 sessions	Proportion of Contractors Trained for Business Ethics 100 %
Employees Trained for Business Ethics 996 person-times	Business Ethics Training Sessions for Employees 4 sessions	


Whistle-blowing Management

The Company encourages internal and external supervision and complaints of the business ethics of employees and suppliers through multiple channels such as letters, calls, and visits. In accordance with the *Supervision and Discipline Enforcement Workbook*, the Company receives whistle-blowing in the first place, and imposes penalties in accordance with the *Rules for Handling Violations of Employees*.

The Company protects the legitimate rights and interests of whistle-blowers, and strictly follows the policies on the protection for whistle-blowers of the Party's Central Commission for Discipline Inspection and Provincial Commission for Discipline Inspection, by safeguarding the confidentiality of whistle-blowers' personal information and the contents of complaints within the scope permitted by laws, and protecting whistle-blowers from retaliation.

Contact Tel:
0871-64327182

Whistle-blowing Mailing Address:
No. 1417, Dianchi Road, Kunming, Yunnan Province



Intellectual Property Protection

As a National Superior Enterprise in Intellectual Property (from October 2022 to September 2025), the Company has steadily promoted intellectual property protection. We strictly adhere to the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, and other laws and regulations. Internally, the Company has developed a comprehensive set of rules and regulations, including the *Administrative Measures for Intellectual Property*, the *Administrative Measures for Trademark*, the *Administrative Measures for Research and Development*, the *Administrative Measures for Patent*, the *Administrative Measures for Fighting Counterfeiting and Defending Rights*, and the *Administrative Measures for Responsibility Incentive Assessment*. Through these measures, the Company has established a robust intellectual property management system, protected the results of the company's innovation and R&D work, and laid a solid foundation for the company's innovation and R&D system.

The Company has continuously optimized its intellectual property management system. In 2023, it successfully passed the first supervision and audit of intellectual property management system certification (ISO9000). Meanwhile, the Company has actively pursued patent applications, resulting in the acquisition of a total of 891 authorized patents by the end of the reporting period.



Intellectual Property Management System Certification

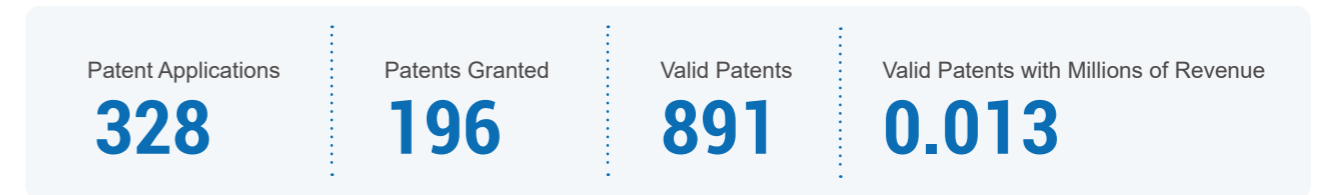


Table: 2023 Performance on Patents

In order to enhance employees' awareness of intellectual property protection and consolidate the Company's innovation and R&D achievements, the Company has conducted regular special training on intellectual property protection for key positions related to intellectual property. In addition, the Company has undertaken proactive measures to safeguard intellectual property rights. In 2023, in collaboration with local market regulation departments and public security authorities, the Company diligently investigated and addressed 19 cases related to combating counterfeiting and safeguarding intellectual property rights. As a result of these efforts, a total of more than 800 tons of counterfeit and substandard products were seized, effectively protecting the Company's legitimate rights and interests.



02 Product

Innovation with Sincerity: Manage Quality and Jointly Promote Development

The Company prioritizes product responsibility and remains committed to advancing quality and safety management initiatives. We emphasize R&D innovation while ensuring the production of safe products through stringent measures. Our approach to product quality management extends throughout all aspects of our operations. At the same time, we center our efforts around the product value chain, with customer satisfaction as our primary objective. We continuously enhance our customer service capabilities, optimize supply chain management, and collaborate with stakeholders to foster win-win development.

- 01 Product Quality
- 02 Product Innovation
- 03 Work Safety
- 04 Customer Service
- 05 Supply Chain Management

Table: Production Management Measures

 <p>Personnel Management</p>	<ul style="list-style-type: none"> Product quality inspectors undergo systematic training before commencing their duties, covering areas such as safety, environmental protection, and product quality. Product quality inspectors are required to possess a thorough understanding of product specifications, relevant quality standards, and inspection procedures, and adhere to inspection requirements and regulations.
 <p>Equipment Management</p>	<ul style="list-style-type: none"> Regularly update testing instruments and equipment to improve work efficiency and analytical accuracy.
 <p>Product Management</p>	<ul style="list-style-type: none"> Conduct quality inspections on all products passing through the factory, following internal protocols such as the <i>Quality Assurance Management Manual</i> and the <i>List of Analytical Items</i>.

Storage and Transportation Management

During the product storage and transportation stages, the Company has implemented strict management standards for both storage and transportation processes. We closely supervise all related units to ensure strict adherence to these standards.

 <p>Storage</p>	<ul style="list-style-type: none"> Conduct regular inspections of product quality in storage facilities and promptly address issues such as caking, pulverization, dampness, and discoloration to ensure that only products meeting quality standards are dispatched from the factory.
 <p>Pre-transportation</p>	<ul style="list-style-type: none"> Inspect transport vehicles to ensure that they meet transportation requirements.
 <p>Loading and Transporting</p>	<ul style="list-style-type: none"> Monitor the condition of products comprehensively and promptly replace any products that are damp or discolored. The Company conducts regular internal inspections of transport equipment, personnel qualifications, and the quality assurance capability of transporters. Transporters who fail these inspections are required to undergo rectification to ensure 100% compliance with internal inspection standards.

Trace and Recall Management

With the assistance of our digital strategy, the Company has successfully implemented digital and integrated quality management practices. We have formulated the *Measures for the Product Marketing and Tracing Management of Yunnan Yuntianhua Co., Ltd*, which includes a comprehensive digital product tracing process. This process utilizes precise and standardized marking, allowing for continuous monitoring of product quality throughout the entire production cycle. As a result, we have enhanced the level of product quality and safety.

The Company has established a product recall system, which outlines the responsibilities of the product recall management personnel and the product recall procedures. In 2023, the Company did not have any incidents of sold or shipped products that had to be recalled due to quality reasons.

Table: Product Recall Procedures



Quality Culture Construction

The Company continuously promotes the training of quality talents and enhances the dissemination of quality policies and objectives. We employ both online and offline methods to conduct a variety of quality culture training activities, aiming to elevate the standard of quality control.

The Company has carried out quality management group activities and participated in external quality-related activities to enhance the overall quality management awareness of employees. In 2023, the Company held a conference on quality management achievements, which fostered valuable exchanges among production units and bolstered their quality management abilities. In addition, the Company encourages all production units to participate in external activities such as the Yunnan Province Quality Association and national conference on quality control (QC) achievements, actively facilitating the adoption of advanced quality management methods within the industry.

In 2023, the percentage of employees who participated in product quality and safety training was **100%**, with a total of **12** hours per person on average .

Jinxin Chemical Carries out QC Seven Statistics and Analysis Practice Training

In September 2023, Jinxin Chemical invited lean management experts, management trainers and consultants to carry out QC seven statistics and analysis techniques practice training, promote the application of advanced quality management methods in various fields of the enterprise, and further improve the level of ability to carry out the business activities of QC teams.



Jinxin Chemical Carries out QC Seven Statistics and Analysis Practice Training

Shuifu YTH QC Achievements Won the National Excellent Quality Management Achievements in Petroleum and Chemical Industry

Shuifu YTH overhaul shift QC team focus on solving field problems, water lime digester drum support wheel equipment aging, frequent failure phenomenon to take technical attack, the support wheel operating cycle from 16 days to 191 days, successfully solved the problem due to the old equipment and frequent failure of the device seriously affects the continuous production of the problem for the company's cleaner production, the stable operation of the equipment has laid the foundation.



Shuifu Yuntianhua QC Achievements Won the National Petroleum and Chemical Industry Excellent Quality Management Achievements Award Site and Certificate

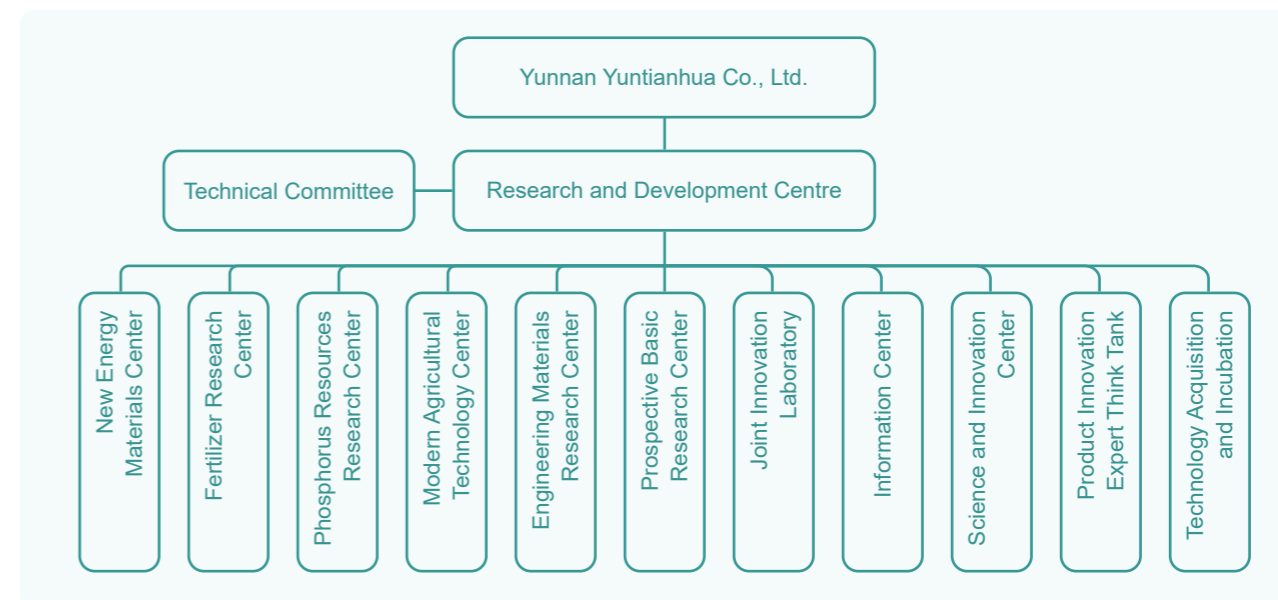
Product Innovation

The Company has always been adhering to the corporate value of "seeking excellence through pragmatism and pursuing lofty goals through innovation." We regard R&D innovation as the cornerstone of sustainable development, steadfastly promoting innovative R&D efforts. We continuously enhance the construction of the R&D system and prioritize technological innovation and product transformation to build up the core competitiveness of the company for long-term development.

Innovative R&D System

The Company has formed an innovative R&D system with its R&D Center as the leader, under the overall guidance of the Technical Committee, with several research and development centers serving as the main force, aimed at facilitating the efficient operation of the company's innovative R&D endeavors and the rapid development and promotion of new products. The Technology Innovation Department is responsible for introducing and developing new technologies, managing the construction of the industry incubation system, and facilitating collaboration and exchanges with governmental science and technology departments, universities, research institutes, and other external science and technology organizations.

Structure of Innovative R&D



The Company implements various R&D and innovation-related management measures, including the *Administrative Measures for Research and Development*, the *Administrative Measures for Charges Management of Research, Development, and Application*, the *Administrative Measures for Production Technology Innovation Project*, and the *Administrative Measures for Incentive Management of Scientific and Technological Innovation*. Additionally, in 2023, the Company revised and improved the *Implementing Rules for the Management of Research and Development*, and formulated the *Administrative Measures for R&D Funds*, among other internal systems. These initiatives are aimed at strengthening the management of R&D projects, fostering enthusiasm among staff for R&D innovation, and promoting the transformation of R&D achievements.

In 2023, the Company promoted the "Yuntianhua Innovative Win-win" plan, formulated the *Administrative Measures for Publishing the List of Successful Scientific and Technological Projects*, the *Administrative Measures for Incentive Management of Scientific and Technological Innovation*, and other incentive systems. These measures were put in place to supervise and manage major R&D projects and issue corresponding incentives for scientific and technological innovation. The Company increased staff incentives, effectively mobilizing their initiative and creativity to engage in innovation and research and development activities, thereby continuously enhancing the company's internal motivation. In 2023, in accordance with the relevant incentive policies, 427 production and technological innovation achievements were rewarded (including 45 technological innovation project achievements, 13 advanced individuals in technological innovation, 200 patents, 149 excellent technical papers, 12 standards (products and technologies), and 8 governmental scientific and technological supporting projects), with an award amount of RMB 3,724,400; and 19 scientific and technological efficiency achievement rewards were given, with an award amount of RMB 2,070,800.

Resources and Investment in Innovate Research and Development

The Company attaches great importance to building its R&D team and has formulated internal management systems related to the cultivation of core talents to ensure the attraction and development of skilled individuals, thereby enhancing the overall professional level of the R&D team. In 2023, the Company had 236 highly skilled talents, 38 newly introduced highly skilled talents, and cultivated more than 133 senior talents jointly with many universities.

The Company actively establishes scientific and technological innovation platforms to enhance the efficacy of scientific achievements transformation. In 2023, we successfully completed the construction of several such platforms, including the "National Engineering Technology Research Centre for Phosphorus Resource Exploitation and Utilization", "Yunnan Province New Fertilizer Engineering Research Centre", "Yunnan Province Phosphorus Industry Manufacturing Innovation Centre" and "Yunnan Province Phosphorus Resources Technology Innovation Centre". We also continue to enhance the development of academician workstations such as the "Academician Zhang Fukuo Workstation in Yunnan Province" and "Academician Shen Zhengchang Workstation in Yunnan Province". Internally, our R&D infrastructure boasts seven key platforms, covering a comprehensive range of areas including flame retardant R&D and application, wet phosphoric acid ore evaluation, deep processing of agricultural products in modern agriculture, fine chemical and pharmaceutical intermediates research, electronic chemical expertise, and analysis, testing, and experimentation of new energy materials.

During the reporting period, the Company invested a total of RMB **653** million in technology and product innovation R&D, marking a year-on-year increase of RMB **168** million compared to the previous year. This investment accounted for approximately **1.87** % of the revenue generated from the sales of self-produced products.

Additionally, our R&D investment in new energy material projects amounted to RMB **59.6557** million.

Conspicuous Achievements of Innovative R&D

In 2023, the Company focused on fine chemicals, fertilizers, phosphorus resources, new energy materials and other fields to carry out technological R&D innovation work. During the reporting period, the company has cumulatively applied for 328 patents, including 145 patents for invention and 181 patents for utility models, 2 patents for outlook design and obtained 196 patent authorizations, including 44 patents for invention and 152 patents for utility models. Additionally, we won five Yunnan Provincial Scientific and Technological Progress Awards, including two second-class awards for scientific and technological progress and three third-class awards for scientific and technological progress.

In addition, the Company carried out the annual declaration and review of technology and product innovation achievements within the Company in terms of the introduction, improvement and optimization of technology, research and development of new products, product quality improvement, awarded 427 production technical innovation achievements and 19 scientific and technological efficiency projects. The reward amount is RMB 5.7952 million.



Jinxin Chemical Factory

Industrialization of pilot plant construction and research project for Polyphosphate-free flame retardant

The Company has carried out the industrialization of pilot plant construction and research project for Polyphosphate-free flame retardant, which opened up the process flow and formed the process software package of the industrial plant of phosphate flame retardant. The process route pioneered by the project reached the international level after the evaluation of the results, and 13 patents have been applied for and one enterprise standard has been filed.

The Company promotes the development and application of flame retardant products

Combining product research and development with product demand, the Company has completed the development and application of eight flame retardant products, including phosphate flame retardant (EPPE), piperazine flame retardant (PMPP), reactive flame retardant and guanidine phosphate.

The Company developed a new process technology of extractive acid purification

In the traditional chemical industry, the Company has developed a new process technology of extracted acid purification combining "pre-treatment, oil removal and desolidation plus solvent extraction and purification", and the MER value of extracted acid can be reduced from 0.2 to less than 0.09 after treatment, which meets the requirement of raw acid for the production of high-quality ammonium phosphates, and the Company is now organizing the implementation of the pilot test on a scale of 1,000 tons/year.

Innovative R&D Industry Cooperation

The Company has proactively engaged in industry exchanges and collaborations, contributing to the preparation and revision of various standards at national, industry, local, and group levels. In 2023, we actively participated in the development and revision of nine standards, spanning national, industry, and group standards, including the *Guide to the Green and Intelligent Design of Fertilizer Products*, the *Technical Guidelines for Application of Polyphosphoric Acid-Modified Asphalt Mixture* group standard and other group standards for flame retardant, battery recycling, phosphorus ore flotation.

The Company adopts an open and innovative attitude, continuously enhancing exchanges and collaborations with universities, research institutes, and other external entities. This concerted effort has resulted in numerous thematic research initiatives and technology R&D demonstration projects. Moreover, we actively participate in various academic exchanges, facilitating the sharing of R&D resources and the collective advancement of the industry.



The Company cooperated with universities in R&D technology projects

The Company has collaborated with Taiyuan University of Technology on a project aimed at developing phosphane and its derivatives technology. This partnership has enabled the Company to accumulate valuable technical expertise in the high-end products segment of the fine phosphorus chemical industry. As a result, we have strengthened our position in the market for fine phosphorus chemical products.

The Company has cooperated with Xi'an Jiaotong University to undertake a project focusing on the evaluation of performance in new energy materials and the development of related waste resource recycling technology and equipment. This initiative primarily targets the dismantling and efficient sorting of retired lithium-ion batteries, as well as the recovery and reuse of valuable components. It aims to explore the high value-added utilization of anode graphite. These efforts contribute to the Company's pursuit of high value-added mineral usage and propel us towards high-end manufacturing and modern service provision.

Table: Honors in the Field of Innovative R&D

<p>The Yunnan Provincial Scientific and Technological Progress second-class prize was awarded to two achievements, including "Key Technology for Comprehensive Gradient Utilization of Low-grade Gum Phosphate Ore" and "Collaborative Innovation and Application of Water, Fertilizer and Medicine for Potato Production in Different Regions of Yunnan Province".</p>	<p>The Yunnan Provincial Scientific and Technological Progress third-class prize was awarded to three achievements, including "Key Technological Innovation and Application for the Industrialization of High-purity Monoammonium Phosphate and the Reuse of Its Purification Residue", "Key Technology for the Efficient Utilization of Phosphorus Resources Based on a New Type of Flotation Agent and its Industrialization", and "Key Technological Development and Industrialization of the Integration of the Split-quality Utilization of Mineral and Acid Fertilizers".</p>	<p>"Key Technology and Application of Purification and Resource Utilisation of Chemical Energy-Containing Tail Gas" won the first prize of Science and Technology of China Nonferrous Metals Industry Association, China Nonferrous Metals Society and China Nonferrous Metals Industry.</p>
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Work Safety

The Company adheres to the policy of "safety and prevention first with comprehensive treatment". We have constructed a multi-level and all-encompassing safety management system. Through continuous efforts, we have established and enhanced our safety management framework, consistently refining production safety and occupational health management practices. This ongoing dedication has enabled us to continuously enhance the Company's overall safety management capability and standards, ensuring comprehensive protection for both enterprise operations and the well-being of our employees.

Safety Management System

The Company strictly abides by the *Work Safety Law of the People's Republic of China* and other relevant laws and regulations on work safety and occupational health and safety. Additionally, recognizing the unique characteristics of our business operations, we have developed a series of safety management systems. These include the *Safety and Environmental Protection Responsibility System of Yunnan Yuntianhua Co., Ltd.* and the *Measures for the Examination of the Work Safety Responsibility System*.

The Company has established a safety management structure with a clear delineation of responsibilities, with the Ecological Environment Protection and Safety Production Committee (hereinafter referred to as the "Safety Committee") as the first responsible body for work safety. This committee effectively coordinates both the internal and external safety affairs of the Company. Under the Safety Committee, there are specialized committees for firefighting and emergency response, production, and process, along with a safety management department. At the same time, we have designated full-time or part-time safety officers at the grassroots level to ensure comprehensive safety management. In addition, we have signed safety target responsibility letters with the headquarters, subsidiaries, departments, and employees. These letters delineate specific safety management targets, mobilizing all levels to actively engage in and take responsibility for safety management. This proactive approach has significantly contributed to the successful implementation and oversight of our safety management system.



YTH's "Collaborative Innovation and Application of Water, Fertilizer and Medicine for Potato Production in Different Regions of Yunnan Province" Won the Second-class Prize of Yunnan Provincial Scientific and Technological Progress



Yunfeng Chemical's "Key Technological Innovation and Application for the Industrialization of High-purity Monoammonium Phosphate and the Reuse of Its Purification Residue" Won the Third-class Prize of Yunnan Provincial Scientific and Technological Progress

In 2023, the Company took significant steps to enhance safety management responsibilities within specialized committees, refining the management system and delineating safety responsibilities for professional committees and functional management departments. By integrating advanced safety management concepts with our operational realities, we undertook a comprehensive revision of the HSE Performance Management Measures and established a robust evaluation system. This revamped system incorporates a combination of direct demerit points, outcome indicators, and process indicators in organizational performance evaluations. It includes strengthened penalties for safety violations and introduces a graded reward and punishment system to incentivize improvement. Furthermore, individual performance appraisals now include safety action and pilot indicators to comprehensively assess employee performance, thereby enhancing rewards and penalties. At the same time, we have optimized the indicators for employees at all levels, with management levels setting different percentages of indicators according to their responsibilities to continuously strengthen safety leadership; grassroots employees focused on process control to ensure that the details of HSE management are implemented and safety management is more efficient.

Table: Safety Management System

Management Level	Scope of Responsibility and Staffing
 Headquarter	<ul style="list-style-type: none"> The Ecological Environment Protection and Safety Production Committee is the highest decision-making body for the safety and environmental protection work of the Company, and it is responsible for implementing the guidelines, policies, laws, regulations and instructions of the Party and the State regarding safety and environmental protection. The director of the Safety Committee is assumed by the Company's GM, and the deputy director is assumed by the Deputy GM in charge of safety and environmental protection. The committee members are assumed by other executives, heads of functional departments and heads of major subsidiaries. The Safety Committee shall hold a meeting at least once a quarter to review and approve the long-term plans, work plans, annual safety and environmental protection measures, and the relevant evaluation, award, and punishment. In addition, the Safety Committee is responsible for studying, discussing, and resolving major issues in the company's safety and environmental protection work in a timely manner. The office of the Safety Committee is set up under the Company's Safety and Environmental Protection Supervision Department to fully implement safety management.
 Branches and Subsidiaries	<ul style="list-style-type: none"> Each branch and subsidiary sets a Safety Committee, under which sub-committees such as fire protection, process, equipment, electromechanical instruments, etc. are established, as well as a specialised safety management department (hereinafter referred to as the "Safety Committee Office"). The members of the Safety Committee are composed of the senior management of the subsidiaries and the heads of each department. The sub-committees are headed by the leaders in charge, and the members are composed of the main technical personnel of each sector. The safety committees of subsidiaries carry out regular safety inspections and provide guidance to promote safety management in various fields.
 Workshop	<ul style="list-style-type: none"> The safety line is jointly built by factory (workshop) level leaders and factory (workshop) safety officers based on regional responsibilities. They work together to ensure that the safety defenses in the plant area are effectively established and maintained, thus providing a solid guarantee of safe operation within the plant.
 Team	<ul style="list-style-type: none"> The team is composed of team leaders, part-time safety officers, and team members. They constitute the most basic safety unit. This structure ensures that safety management measures are implemented in every aspect of daily operations and strengthens safety awareness among grassroots employees.

Work Safety Guarantee

YTH has established a responsibility system for work safety featuring "shared responsibility between the Party and the government, dual responsibilities for a single position, joint management, and accountability for dereliction." We have formulated the *Yunnan Yuntianhua Co., Ltd. Management System for Safety Inspection and Hidden Danger Handling* and set annual HSE responsibility goals. Our actions include safety risk identification and investigation, regular inspections, employee safety training, emergency drills, and proactive provision of protective equipment. Through these measures, we comprehensively implement safety precautions, mitigate safety risks, minimize hidden hazards, and adhere strictly to safety standards.

Work Safety Actions

In 2023, the Company conducted a thorough analysis of our current safety management practices, identifying and evaluating potential safety risks. Subsequently, we implemented a series of safety assurance measures, including enhanced supervision, inspections, and targeted rectification initiatives. These actions were undertaken to bolster our defense mechanisms for work safety.

Table: YTH Safety Guarantee Measures



Provision of Protective Equipment

- We provided employees with a wide range of work protective equipment, including regular, seasonal, temporary, and customized gear tailored to specific working environments, ensuring their safety across various work settings.
- The Company strictly requires all employees to correctly use and wear the protective equipment during job operations. It is strictly forbidden to use protective equipment for other purposes so that the safety of each employee can be protected to the maximum.

Carry Out the Four-Zone Isolated Work

- In accordance with the *Technical Guidelines for Four-Zone Isolation in Hazardous Chemical Production and Storage Enterprises in Yunnan Province*, the Company has carried out four-zone isolation work, separating the administrative office area, logistics support area, centralized control area, and production operation area. By the end of 2023, all 12 hazardous chemical production and storage units associated with the Company have completed the four-zone isolation rectification and passed expert inspections, improving the Company's safety level.

Conducting Safety Drills

- We facilitated the establishment of emergency rescue teams and process disposal teams within each subsidiary, accompanied by the formulation of detailed emergency response plans. Regular emergency drills and evaluations of drill effectiveness were conducted to ensure preparedness.
- During the reporting period, we conducted X safety drills, effectively enhancing employees' ability to respond to emergency situations and their safety awareness.



Comprehensive Emergency Rescue Drill for Collapse and Landslides

On May 26 and June 8, 2023, Phosphate Chemical Group Jinning Phosphate Mine organized and conducted a series of emergency rescue drills to enhance the responding capabilities to slope collapse and landslides in the mining area. The drills included comprehensive emergency rescue simulations for slope collapse and landslides in the mining area, as well as emergency rescue simulations for the damage and blockage of drainage facilities at Shujia Mountain Tailings Pond. These drills, by simulating real accident scenarios, tested and improved the responding speed, coordinating abilities, and professional skills of the mine's emergency team. This ensured that in the face of a real emergency, measures could be taken quickly and effectively to protect the safety of employees and the environment.



Comprehensive Emergency Rescue Drill for Collapse and Landslides



Three Circles-Sinochem Fertilizers conducting an emergency rescue drill for major hazardous sources—liquid ammonia leakage

In November 2023, Three Circles-Sinochem Fertilizers conducted an emergency rescue drill for major hazardous sources (key fire safety areas)—liquid ammonia leakage at the liquid ammonia tank area. Officials from the Xishan Emergency Management Bureau, Haikou Industrial Park, Haikou Fire Station, Haikou Police Station, and Haikou Traffic Police Division were present to provide guidance. A total of 401 participants from the Company, Haikou Rescue Fire Station, Xishan Third People's Hospital, Wengfu YTH, and other relevant parties engaged in the drill.



The emergency rescue drill for liquid ammonia leakage

Work Safety Training

YTH adheres to the principle of "prioritizing safety relying on prevention, implementing comprehensive governance" and has internally formulated the *Yunnan Yuntianhua Co., Ltd. Management System for Safety Education and Training*. We conduct a diverse range of safety training sessions through a combination of offline and online methods, including emergency knowledge competitions, and safety speeches. This approach ensures that employees receive comprehensive training in safety management and operational skills annually. The Company requires employees of all subsidiaries to undergo three levels of safety education and training and pass the assessment before being authorized to work and manage operations in plants and workshops. All training and assessment information is recorded in the "Three-Level Safety Education Card" for long-term storage as part of the safety education records. Additionally, we implement a mentorship system where new employees and experienced staff enter mentorship contracts. During this period, designated mentors are responsible for imparting safety operating skills training until new employees pass assessments and obtain the "Safety Operation Certificate," qualifying them for independent operations. Furthermore, for personnel engaged in special work, regular reviews are conducted. Only after passing the review can they engage in corresponding special work.

In 2023, the Company conducted a total of **4,103 times** work safety and occupational health and safety training sessions. These sessions encompassed various topics, including new national safety laws and regulations, the HSE system, safety operating procedures, identification and control of hazard sources, fire safety knowledge and skills, and emergency plans. These sessions were attended **77,500 person-times**, covering **100%** of employees.

Three Circles-Sinochem Fertilizers Organizing Training on Emergency Skills and Special Work for the 2023 Work Safety Month


In June 2023, Three Circles-Sinochem Fertilizers organized training on emergency skills and special work for the 2023 Work Safety Month. The training included four subjects: wearing respiratory protection equipment, learning cardiopulmonary resuscitation (CPR), connecting hoses and water guns to fire hydrants, and using fire extinguishers.



Training on Emergency Skills and Special Work

Dawei Ammonia conducting an emergency rescue drill for work safety incidents regarding hazardous chemicals in 2023

We aim to enhance our ability to handle emergency incidents in a scientific and efficient manner, to test the practicality and operability of special emergency plans, and to promote the long-term stability of work safety. In November 2023, Dawei Ammonia conducted a fire emergency drill at the ammonia synthesis center. The emergency drill was conducted in a pragmatic manner, and divided into stages including early response, emergency response, plan shutdown, and site restoration.



Dawei Ammonia conducting an emergency rescue drill for work safety incidents regarding hazardous chemicals in 2023





Chemical Safety

The Company maintains stringent management of all hazardous chemicals and their transportation processes. We implement rigorous controls to mitigate the risks associated with hazardous chemicals. Collaborating closely with transportation service providers, we ensure that the transportation process adheres strictly to safety standards. Our collective efforts are directed towards minimizing safety risks associated with hazardous chemicals to the greatest extent possible.

Safety Management of Hazardous Chemicals

We attach great importance to the safe management of hazardous chemicals and strictly comply with laws and regulations such as the *Regulations on the Safety Management of Hazardous Chemicals of the People's Republic of China*. Additionally, we have established and implemented institutional frameworks such as the *Management System of Major Hazard Source* and *Management System of Hazardous Chemicals*. These documents encompass crucial processes including procurement, storage, usage, and transportation of hazardous chemicals, ensuring their safe use and proper management.

Table: Major Management Measures of Hazardous Chemicals

Management Measures	Management Details
 Identification of Major Hazard Sources	<ul style="list-style-type: none"> Perform a comprehensive assessment and classification of chemicals every three years based on their hazard levels. Realize effective management and control of risks associated with chemicals.
 Construction of "Industrial Internet Plus Work Safety of Hazardous Chemicals"	<ul style="list-style-type: none"> Four pilot subsidiaries completed the pilot construction of the Industrial Internet. Other hazardous chemical enterprises also simultaneously launched the Industrial Internet system and gradually improved the infrastructure construction.
 Optimizing the Digital Platform for the Prevention Mechanism of Hazardous Chemicals.	<ul style="list-style-type: none"> All units dealing with hazardous chemicals must comply with regulations such as the Guidelines for Safety Risk Investigation and Control in Hazardous Chemical Enterprises and establish a dual prevention mechanism. The Company strengthens safety management by integrating risk management and hazard investigation through a visualized supervision platform and risk-tier control. Implement self-assessment and rectification measures, continuously optimize daily supervision, and ensure that the operation of the safety management system reaches the standards.
 Enhancing Safety Management in Processes of Special Work	<ul style="list-style-type: none"> The Company implements the <i>Safety specifications of special work in hazardous chemicals enterprises (GB30871-2022)</i> and establishes safety standards for special work. The Company strictly controls 8 types of special work, such as hot work, and the loading and unloading of hazardous chemicals to enhance work safety. The Company requires all personnel engaged in special work and their supervisors to be certified before taking up their positions and strictly adhere to safety protection measures.

Administration of Transportation Safety of Hazardous Chemicals

During the loading, unloading, and transportation of hazardous chemicals, the Company strictly adheres to central and local laws and regulations on safety transportation, including the *Regulations of the People's Republic of China on Road Transport*, the *Measures for the Administration of Road Transportation Safety of Hazardous Goods*, the *Supervision Regulation on Safety Technology for Transportable Pressure Vessel (TSG R0005)*, the *Regulations of Yunnan Province on Road Transport*, the *Regulations on the Use of Electronic Waybills for Road Transportation of Dangerous Goods in Yunnan Province*. We sign safety agreements with companies providing hazardous chemical transportation services, requiring them to assume entity responsibility. We also ensure the allocation of safety and environmental protection funds and conduct regular and irregular safety inspections, hazard identification, and remediation. Moreover, we mandate transportation providers to provide safety education and training to their employees, establish a robust emergency rescue system, and comprehensively ensure the safety of hazardous chemical transportation operations.

In 2023,

We conducted safety inspections on seven providers of hazardous chemical transportation services, completing a total of 20 inspections across areas such as hazardous chemical loading and unloading platforms, warehouses, and tank areas. Through these inspections, we identified and rectified a total of 273 hidden safety risks, achieving a commendable 100% rectification rate.



We conducted safety inspections on **7** providers of hazardous chemical transportation services



completing a total of **20** inspections across areas such as hazardous chemical loading and unloading platforms, warehouses, and tank areas



we identified and rectified a total of **273** hidden safety risks



achieving a commendable **100%** rectification rate



Dawei Ammonia factory area

Customer Service

The Company adheres to the customer-oriented business philosophy, continuously enhances the quality of products and services. Simultaneously, the Company emphasizes safeguarding the basic rights of customers, listens to their needs, and continuously improves our services to better respond to their concerns and expectations.

Customer Communication and Feedback

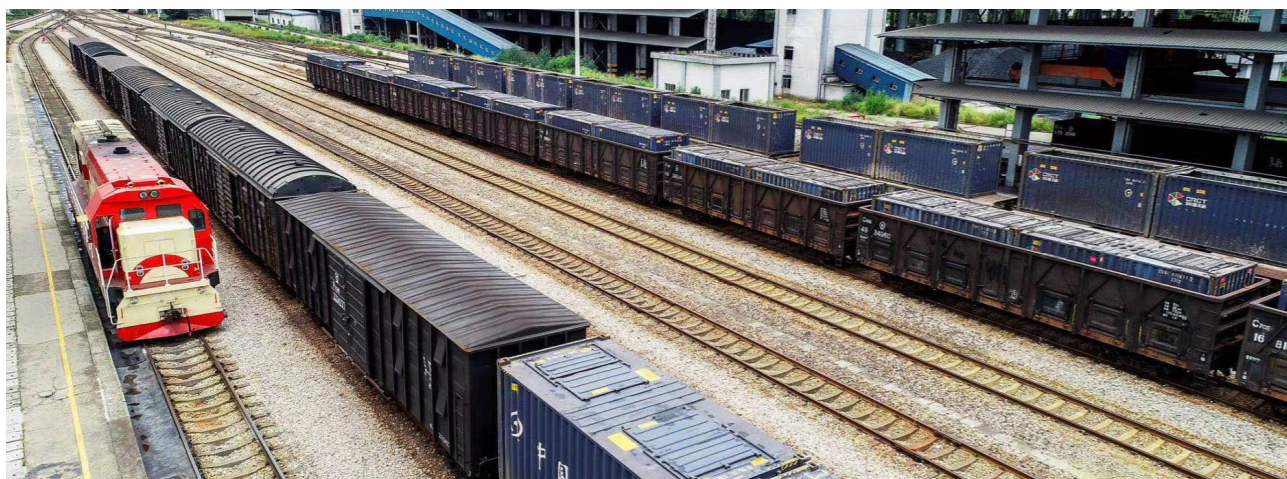
The Company adheres to relevant laws and regulations and has formulated internal systems such as the *Measures for Customer Management* to further clarify the process of customer communication. By promptly acknowledging and tracking customer feedback, we provide complaint resolution and safeguard customer rights. The Company conducts a customer satisfaction survey at least once a year, analyzing the results, and generating a customer satisfaction survey report.

In 2023, the Company conducted a satisfaction survey through questionnaires, covering **29** provinces, cities, and autonomous regions. A total of **5,634** valid questionnaires showed widespread praise from our customers.

The Company provides customers with accessible complaint channels, including hotlines and online customer service platforms. We allocate professional service personnel to actively address customer complaints and feedback. In 2023, we revised internal systems such as the *Measures for Agricultural Technology Service* and the *Execution Confirmation of Control Procedures of Sales Service*, thereby providing further clarity on the process for handling customer feedback and complaints related to product quality.

In 2023, the Company received only 15 customer complaints. The Company took prompt response and resolved all complaints in strict accordance with the processing procedures.

the Company received only **15** customer complaints, achieving a **100%** response rate and a **100%** resolution rate.



Shipping of Company Products

Customer Privacy Security

The Company places a high emphasis on the privacy and information security of its customers, committed to establishing a robust privacy and information security management mechanism to safeguard the fundamental rights of the Company, its customers, and other stakeholders. We strictly adhere to laws and regulations concerning information security and privacy protection, such as the *Measures for the Administration of Security Protection of Computer Information Networks with International Interconnections*. Additionally, we have formulated internal systems including the *Management System for Information Disclosure*, the *Information Management Measures*, and *Measures for Customer Management* with clauses on privacy protection and information security. We require all employees handling data to strictly adhere to the Company's confidentiality policies. During the confidentiality period and within the specified scope, any form of information leakage is strictly prohibited to ensure the standardization of privacy and information security management.

In 2023, the Company signed a *Compliance Commitment Letter* with all employees, effectively ensuring the protection of customer privacy and information security. Throughout the reporting period, the Company did not experience any privacy breaches or customer complaints about data loss or invasion of privacy.



Customer Service Guarantee

The Company upholds the corporate responsibility of "building solid foundation with integrity." By providing customers with high-quality products and various planting support services, it establishes a mechanism for customer service guarantee, aiming for joint development with customers. In 2023, the Company carried out five events to deliver high-quality agricultural materials to the countryside, delivering high-quality products directly to users. Additionally, it conducted 206 activities to assist farmers in increasing income, in these activities, the Company provided technical training to a large number of direct growers, helped farmers make choices, use fertilizers scientifically, and address fertilizer-related inquiries. Through We Media channels such as the "Guardians of Fertile Fields Plan" livestreaming, Tiktok, and Kwai, the Company told stories of helping farmers increase income through its products. It produced 130 short videos under the theme "Bountiful Harvest in China", with cumulative number of viewers over 5.97 million.

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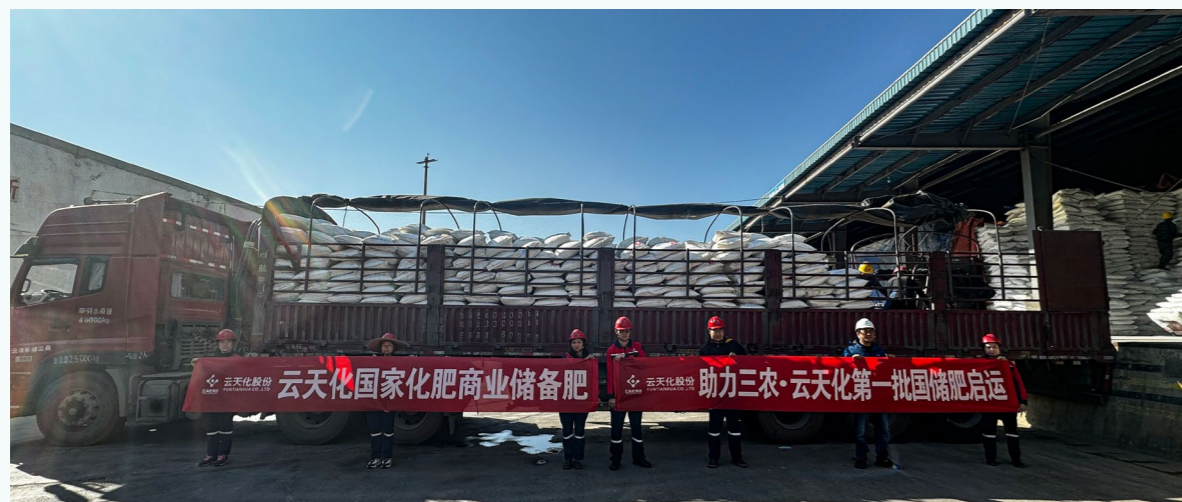


Yunnan Yuntianhua Agricultural Materials Chain Co., Ltd Events to Deliver High-Quality Agricultural Materials to the Countryside

Agricultural Materials Chain focused on concerns of the market and customers, conducted a series of activities under the theme "Ensure Spring Plowing and Honest Operations, 3·15 Events to Deliver High-Quality Agricultural Materials to the Countryside" to comprehensively enhance its ability to serve customers.

The Company held a large-scale farmer meeting in Otog Front Banner, Inner Mongolia Autonomous Region. Our regional employees provided detailed introductions to key products and new offerings, explaining scientific planting knowledge. The Company took products directly to farmers' houses, and laid a solid foundation for subsequent market promotion.

In western Yunnan, the Company carried out events to deliver agricultural materials to the countryside, making the most of activities such as dealer meetings, farmer meetings, and store promotions to patiently explain identification methods and product knowledge to customers. Local employees conducted publicity activities in various towns, continuously improving the public's awareness of high-quality fertilizer products, and assisting customers in purchasing reliable fertilizers.



YTH National Fertiliser Commercial Reserve Fertiliser Helps Three Farmers



The Company conducted "Guardians of Fertile Fields Plan" Themed Activities

In 2023, the Company collaborated with Shaanxi Agroforestry Satellite TV's "China Agricultural Materials Show" to jointly plan and create the "Guardians of Fertile Fields Plan" themed events. This initiative recorded the revitalization of the kiwi industry, the three-dimensional eco-cultivation model of "rice + N", and the flourishing corn industry along the Silk Road. Through these harvest scenes, the heartwarming stories of the "Guardians of Fertile Fields" were told. Two events in Meishan and Yinchuan were fully livestreamed on the internet, the online live streaming had a total of 1,183,500 views.



The Company agricultural service personnel provide professional guidance on grape cultivation

The Company precisely analyzes the needs of customers and industrial development, conducts ongoing marketing activities, and comprehensively enhances the Company's ability to respond to market changes and customers' needs.



Conducting a series of "Precision Marketing" activities

The Company conducted "Precision Marketing" activities by identifying niche markets, visiting customers and factories, and leveraging the Company's advantages in stable quality, excellent performance, reliable supply, and cost-effectiveness. The aim was to continuously enhance the quality of our products and services, build a positive market reputation, and effectively safeguard the interests of core customers.



Rolling out marketing activities for new products

In 2023, the Company, starting from the industry's development needs, developed low-odor polyoxymethylene products tailored to the automotive, electronics, and electrical industries. The Company initiated marketing activities for these new products, including customer seminars. By delving into the "difficulties and urgent needs" of customers, the Company aimed to provide cost-effective solutions, supporting customers in comprehensive development within the realms of new energy and low-odor applications.

Supply Chain Management

The Company adheres to a responsible procurement philosophy, striving to establish a sustainable supply chain system and promote the common development of industries. We strictly comply with laws and regulations such as the *Bidding Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and the *Specification for State-Owned Enterprises Procurement Management*. Furthermore, we have developed relevant regulations such as the *Material Procurement Management System*, the *Carrier Safety Management System*, and the *Supplier Management System*. These regulations clarify the full-process management requirements for suppliers, encompassing sourcing and development, registration, new access, process management, dynamic assessment, classification management, negative list management, change management, and document management. This enhances the Company's supply chain management system.

Supplier Access

According to the *Supplier Management Measures*, the Company conducts a thorough examination and confirmation of various indicators such as supplier qualifications, supply capacity, and quality during the admission process. At the same time, the Company incorporates suppliers' capabilities of ESG management and practices into the admission assessment. In key areas including environment, safety, quality, and occupational health and safety management, the Company encourages suppliers to elevate their management standards through ISO certification. Suppliers that have obtained ISO certification are given priority in the selection and admission process.

The Company stipulates that suppliers currently listed as judgment defaulters shall not be added. For suppliers with records of judgment defaulters, restrictions on high consumption, administrative penalties, environmental penalties, or relevant litigation disputes, the Company conducts a rigorous examination. The business department of the Company performs risk assessments, provides opinions and suggestions, and effectively controls supply chain risks in the admission process.

Table: Key Performance Sheet of Suppliers for Centralized Purchasing

Indicators	2023	2022	2021
Number of suppliers of bulk raw materials with centralized purchasing	128	105	107
Number of direct suppliers	67	50	50
Number of indirect suppliers	61	55	57
Number of suppliers who have signed Anti-Corruption Agreement (or letter of commitment)	128	105	107
Proportion of suppliers who have signed Anti-Corruption Agreement (or letter of commitment)	100%	100%	100%
Number of suppliers evaluated in the year	128	105	107
Number of disqualified suppliers	0	1	9
Number of suppliers whose cooperation was terminated for ESG matters in the year	0	0	0
Number of suppliers trained for ESG matters in the year	7	13	10

Supplier Evaluation

The Company continues to evaluate and manage the suppliers regularly in a comprehensive way throughout the whole process. In addition to the initial access qualification assessment, suppliers are required to choose one or more proper certifications, including sample certification, field certification, special qualification certification and special certification. Every year, the Company conducts a comprehensive evaluation of suppliers across various aspects including contract performance, quality assurance, procurement cost, safety and environmental protection, social responsibility, and administrative penalties. Unqualified suppliers are promptly eliminated to ensure the quality and efficiency of the supply chain. In 2023, the Company conducted an annual evaluation of 128 suppliers without identifying any major risks or impacts. Based on the results of supplier evaluations, supplier types, and other relevant factors, the Company implements a tiered classification management system for suppliers. This system applies standards according to the levels and types of suppliers, thereby ensuring effective management and oversight.

The Company remains committed to standardizing the identification and management of dishonest and untrustworthy behavior among suppliers. In addition, the Company requires all new suppliers to sign the "Supplier Profile", and the signing rate was 100% in 2023. Upon identifying a supplier engaging in dishonest or untrustworthy behavior, the Company promptly initiates "negative list" management procedures. The Company conducts dynamic supervision to effectively prevent and control supplier risks.

Supplier Empowerment

To ensure the secure and stable operation of our supply chain, we rely on our supplier management mechanisms. We actively engage in supplier communication and empowerment activities to enhance the level of supplier management.



Conducting safety education and training for hazardous chemicals carriers

In 2023, the Company invited third-party experts to conduct a special lecture on the safety structure and operational knowledge of liquid ammonia tankers. A total of 70 employees from the loading and unloading units of liquid ammonia and liquid ammonia carriers participated. Additionally, the Company invited police officers from the Kunming Traffic Police Squadron to explain the *Road Traffic Safety Law of the People's Republic of China*. We also organized employees to study the *Regulations on Main Responsibility of the Work Safety of Work and Business Entities in Yunnan Province* and implement the requirements of the *Guidelines on Comprehensively Strengthening and Implementing Enterprise Main Responsibility to Prevent and Defuse Major Work Safety Risks*. Our goal was to enhance the safety awareness of carriers.



Safety education and training for hazardous chemicals carriers

Safety Management of Contractors

YTH fulfills its responsibility for work safety by implementing strict and standardized safety management for contractors. To this end, the Company has formulated the *Contractor Safety Management System of Yunnan Yuntianhua Co., Ltd.*, aiming to promote safety and high-quality development of the supply chain.



Safety inspection of contractors

Part of Requirements for Contractors' Work Safety

Contractors are required to establish a work safety management institution and appoint full or part-time work safety management personnel. They must provide education and training on work safety laws and basic knowledge to their working personnel, ensuring a 100% pass rate.



The Company has signed the *Management Agreement on Safety and Environmental Protection* and the *Responsibility Agreement on Work Safety* with all contractors, clearly outlining the contractor's safety management institutions, safety responsibilities, safety obligations, and relevant measures.



Contractors are required to purchase necessary insurance, such as work-related injury insurance and accident insurance, for their employees to ensure the safety of their employees.



Work safety performance evaluations are conducted for contractors at least once a year. The evaluation results are promptly communicated to the contractors, providing specific grounds for improvement and enhancement. Additionally, these assessment outcomes are documented in the contractor's file, serving as a crucial basis for determining whether to continue cooperation with the contractor.

The Company intensifies the publicity of safety awareness among contractors by implementing comprehensive safety education and training programs. These programs cover the identification of hazardous factors in work, safety measures, relevant laws, and regulations, as well as knowledge and techniques related to work safety. We ensure that employees of contractors are equipped with the necessary knowledge and skills to protect their safety.

Trainees	Training Contents
On-site Workers of Contractors	<ul style="list-style-type: none"> Before work, they must receive 72 hours of Level 3 safety education and pass the assessment.
Non-contract Workers of Contractors	<ul style="list-style-type: none"> The relevant departments of the Company will be responsible for providing necessary safety education.
Contract Workers Involved in Specific Processes and Operations	<ul style="list-style-type: none"> The Company implements a dual training system and dual certification management to ensure that they receive comprehensive safety education. All departments using contract workers are responsible for organizing and assessing Level 2 and Level 3 safety education. Exam scores are meticulously recorded.

During the reporting period, we conducted 2,738 safety training sessions for contractors, with a total of 23,500 participants. The training encompassed various aspects, including on-site safety management regulations, identification and prevention of on-site safety risks, proper use of protective equipment, handling of safety work permits, utilization of firefighting equipment, and case studies of accidents.

Green Purchasing

The Company implements the concept of green purchasing, integrating environmental requirements into the entire supply chain. This initiative enhances suppliers' awareness of green operations and fosters the development of a sustainable supply chain. We establish green purchasing standards and prioritize products or services with low consumption, low emissions, or zero emissions across various stages including design, raw material selection, processing, packaging, logistics, and transportation. During incoming inspections, we rigorously control product quality and take measures such as discussions, rectifications, penalties, and adjustments for unqualified products and suppliers to ensure the green and sustainable development of the supply chain.



03

Preservation

Beautiful Nature:
Pursue Green Development

Yuntianhua embraces the concept of green development and actively responds to the national “dual-carbon” policy. We continuously enhance our environmental management system, integrating production and operation, pollution control, and ecological protection, while addressing climate change and harmonizing economic development with ecological protection.

- 01 Addressing Climate Change
- 02 Environmental Management
- 03 Green Operation
- 04 Ecological Conservation

Addressing Climate Change

Climate change is a major global challenge in today's world. We recognize the most importance of climate issues and thoroughly assess, evaluate, and monitor the risks and opportunities associated with climate change. Furthermore, we actively contribute to global greenhouse gas emission reduction through concrete actions and aligning with the dual-carbon goal (carbon peak and carbon neutrality), thereby exemplifying our role as a state-owned enterprise.

Climate Change Management

To expedite the realization of the dual-carbon goal, the Company has promoted the formulation of practical action plans for carbon peaking in accordance with the "14th Five-Year Plan" and in light of the actual situation.



The Ammonia Synthesis Plant of Qinghai Yuntianhua Co., Ltd.

Table: Highlights of Carbon Peaking Projects

Working Plan

Establishing Internal Carbon Emission Management Mechanism:

- We maintain a constant focus on managing the carbon emissions of associated industries. Concurrently, we are progressively instituting an internal carbon pricing mechanism, aligning with the gradual enhancement of the national carbon trading system. This initiative aims to achieve the visualization and refined management of carbon emissions.

Conducting Carbon Emission Inventory:

- In accordance with relevant national guidelines and requirements, the Company has conducted an inventory of the basic data of energy consumption, raw material consumption, product output, etc. This process entails accounting for carbon emissions and discerning the underlying circumstances of carbon footprints. By acquiring precise data on low-carbon operations, we establish a groundwork for subsequent analysis and planning.
- Additionally, we have evaluated the Company's green and low-carbon development needs and potentials, and identified the main drivers of carbon emissions.

Conducting Capacity Building for Carbon Emission Management:

- The Company enhances the professional skills of pertinent management personnel and aids in the formation of a full-time talent pool. We regularly dispatch management staff to partake in carbon emission management training programs organized by the Provincial Development and Reform Commission, the Provincial Environmental Protection Department, and industry associations.
- Additionally, we conduct specialized training sessions on carbon asset management to enhance practitioners' proficiency in carbon emission inventory and carbon asset management. This initiative aims to cultivate a robust talent pool within the Company, empowering us to effectively execute carbon management tasks and engage in future carbon market construction and trading efforts.

Monitoring Carbon Asset Market Trends and Carbon Trading:

- We have intensified our research efforts on industrial policies and market dynamics, integrating carbon emissions into the Company's strategic planning and evaluation framework. Leveraging the supply-side reforms catalyzed by the latest energy structural transformation, we aim to facilitate our strategic transformation.

Practical Actions in 2023

- In accordance with the relevant requirements of national laws and regulations on carbon emission management, the Company has formulated the *Measures for Energy Conservation and Low Carbon Management of Yunnan Yuntianhua Co., Ltd.* These measures serve to standardize the handling of carbon emission rights, carbon emission quotas, nationally certified voluntary emission reductions, and the trading of carbon emission rights. Through these measures, we aim to promote and regulate the management of carbon emissions in an orderly manner.

- The Company has established an annual energy consumption target of RMB 10,000 per output and a CO₂ emission intensity index of RMB 10,000 per output, based on historical energy consumption data.

- The Company requires that each subordinate set up energy-saving and low-carbon management positions.
- The Company has developed an annual training program to educate employees on energy use, aiming to enhance the technical proficiency of equipment operators and personnel in energy management positions.

- The Company has outlined the methods of carbon emission rights trading, including but not limited to agreement transfer and one-way bidding.

Table: Greenhouse Gas Emissions in 2023

Greenhouse Gas Emissions	Unit	Volume in 2023
Scope 1	tCO ₂ e	11,424,248
Scope 2	tCO ₂ e	1,229,234
Total Volume (Scope 1+ Scope 2)	tCO ₂ e	12,653,482

Clean Technology Development

In line with the global chemical industry's shift towards green practices, the Company promotes the policy of an "efficient, clean, low-carbon and recycling green manufacturing industry." This includes carrying out energy-saving and low-carbon transformation, energy-consuming equipment renovation, and recovery and utilization of by-product heat and pressure to improve the efficiency of energy utilization, etc.

In 2023, the company invested RMB **303** million in clean technology, with the comprehensive energy consumption benchmark compliance rate for major high-energy-consuming products reaching **95**%, and the energy consumption benchmark compliance rate reaching **75**%.



Yunjuneng New Material

Table: Examples and Achievements of Key Clean-tech Applications in 2023

Projects	Brief Situation	Achievements
Yunnan Dawei Ammonia Co., Ltd completed the test on low-temperature methanol scrubbing tail gas treatment technology	By building a new energy recovery and utilization power generation unit, the CO ₂ -rich methanol pipe and H ₂ S-rich methanol pipe of the primary methanol scrubber tower were transformed into the unit, and the power generated was included into the company's internal power grid.	The unit can generate about 430 kW·h of electricity and based on 8,000 hours of operation per year, it can generate a total of 3.44 million kWh of electricity per year.
Hulunbair Jinxin Chemical Co., Ltd completed the research of low-temperature methanol washing tail gas treatment technology	By adding a regenerative incinerator, the low-temperature methanol washing tail gas VOCs was treated, and the needs to meet the ultra-low emission requirements was met.	The purified gas (NO _x ≤ 45mg/m ³ , methanol ≤ 35mg/m ³) after regenerative incineration treatment was discharged through a chimney to realize ultra-low emission.
Yunnan Dawei Ammonia Co., Ltd Completed Research Project on Energy Saving and Efficiency Improvement for Converters	Through catalyst selection, the catalyst of the first converter was replaced with a catalyst with low water-gasification ratio; at the same time, the design of the gas heat exchanger was modified, and energy saving and efficiency of the converter was realized by increasing the diameter of pipe and shell piping.	The resistance of the conversion system was reduced, which solved the bottleneck of the comprehensive capacity enhancement of the large-scale plant; the saturated steam consumption of the conversion was reduced, the comprehensive energy consumption of the plant was reduced, and the daily output of the plant reached a maximum of 1,893.5 tons of liquid ammonia.
Yunnan Dawei Ammonia Co., Ltd completed Air Separation Unit and Energy-saving Renovation Project	The heat source of hot demineralized water of the conversion device was used to give full play to the recycling of waste heat and avoid frequent tripping of the deaerator safety valve; the lithium bromide refrigerator was used to replace the ammonia cooler and reduce the energy consumption of ammonia compressor compression, etc., so as to realize the energy saving and reduction of consumption of the air separation device.	On the basis of eliminating the risk of ammonia leakage in the air separation boundary area, the waste heat of the hot demineralized water of the conversion unit was recovered, so as to achieve the purpose of energy saving and reduction of comprehensive energy consumption.
Yunnan Dawei Ammonia Co., Ltd completed Plant-wide Condensate Recycling Technology Research Project	Carrying out technical research and corresponding modifications on the recycling of discharged steam condensate to reduce the amount of primary water used in the whole plant and lower the cost of sewage treatment.	Saving raw water costs of RMB 160,000/year and reducing sewage treatment costs of RMB 800,000/year with environmental and economic benefits.
Hulunbair Jinxin Chemical Co., Ltd completed Methanol Washing Waste Energy Recovery Project	The project combined the process flow, the new turbine recovery of sulfur-rich and sulfur-free methanol night residual energy. The two streams of methanol liquid using as an energy recovery turbine, driving a one-step generator to generate electricity and connect to the grid.	After the implementation of the project, the full-flow recoverable shaft power of sulfur-rich methanol and carbon-rich methanol was 440kW and 193kW respectively, and the power generation capacity was 458kW·h based on 72% energy recovery rate.

<p>Hulunbuir Jinxin Chemical Co., Ltd completed Liquid Nitrogen Wash Tail Gas Recovery Project</p>	<p>By adding an adsorption device, separating CH₄ and CO in the tail gas produced by liquid nitrogen washing, thus realizing the recovery of tail gas.</p>	<p>After implementing the project, the methane recovery rate of liquid nitrogen washing tail gas was 50% and the carbon monoxide recovery rate is 70%.</p>
<p>Yunnan Tian'an Chemical Co., Ltd completed Boiler Energy Saving and Environmental Protection Upgrade Project</p>	<p>Modifying screen superheater, water-cooled wall, secondary air system, cyclone separator, air preheater, tailing shaft and air distribution system.</p>	<p>Before the modification, the thermal efficiency of boiler No. 2 was improved from 86.48% to 89.3% and the thermal efficiency of boiler No. 3 was improved from 86.06% to 87.07%.</p>
<p>Qinghai Yuntianhua Co., Ltd Completed Energy Expansion and Consumption Reduction Reform of Synthesis Project</p>	<p>Adopting "heat exchanger parallel conversion" technology for ammonia plants, "medium-pressure flash evaporation" technology for urea plants, optimizing the steam balance of the enterprise and other measures to further reduce the level of energy consumption and enhance the comprehensive capacity of the plant.</p>	<p>At present, the project is in implementation. It is expected that after the implementation of the project, the synthetic ammonia plant of Qinghai Yuntianhua Co., Ltd will have a production capacity of 800t/d (single set) under the condition of the maximum gas supply of 1.38 million m³/d (20°C); the natural gas consumption of a single ton of liquid ammonia will be reduced by about 45Nm³; the comprehensive energy consumption of a single ton of liquid ammonia will be reduced by 40kgce; and the average annual carbon emission of liquid ammonia will be reduced by 37.5 thousand tons.</p>

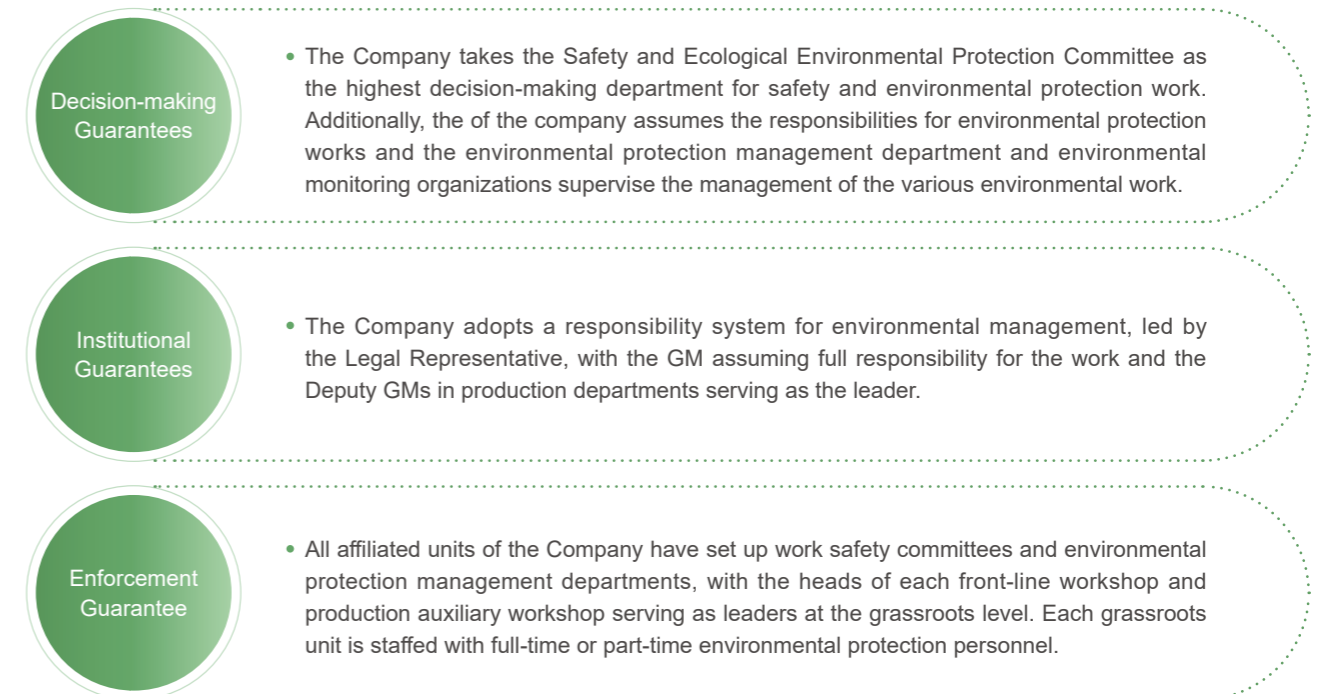
Environmental Management

The Company takes "abiding by the law, reducing consumption, preventing pollution, and continuously improving environmental performance" as its environmental protection policy. We set "ultra-low, super-clean, and near-zero" as our environmental governance objectives. To achieve these goals, we have established a robust environmental management system, conducted regular environmental risk assessments, and integrated environmental management into all aspects of our production and operation processes.

Environmental Management System

The Company strictly abides by the *Environmental Protection Law of the People's Republic of China*, the *Regulations on the Management of Environmental Protection in Construction Projects* and other laws and regulations as well as emission standards of the relevant industries. Additionally, we have established our own management system by formulating internal systems such as the *Safety and Environmental Protection Responsibility System*, the *Environmental Protection Management Measures* and the *Environmental Pollution Prevention and Control Management System*.

Table: Environmental Management Network



The Aerial Panorama of the Reclaimed Vegetation Area of Jinning Mine, Phosphate Group

The Company regards environmental performance as a metric in the development and evaluation of executive compensation. To this end, we have devised the *Comprehensive Assessment Method for Safety and Environmental Protection*. Each year, under the guidance of the Safety Committee, the Safety and Environmental Supervision Department oversees the implementation and preparation of assessment plans. This involves establishing HSE assessment teams and conducting on-site assessments in the first and second halves of the year. These assessments primarily entail on-site inspections, data reviews, inquiries, and similar methods. The outcomes of these assessments inform the annual evaluation results, which serve as the basis for rewarding or penalizing employees during the year-end performance assessment.

Objectives	Progress
<ul style="list-style-type: none"> Zero incidents of environmental pollution. 	✓
<ul style="list-style-type: none"> 100% integrity rate of environmental protection facilities, operating synchronously with the main devices. 	✓
<ul style="list-style-type: none"> Pollutant emission met the standards, and the online monitoring device on emission and its data transmission rate 100% met the requirements of environmental protection. 	✓
<ul style="list-style-type: none"> The utilization and disposal rate of phosphogypsum should be more than 50%, and reach 55%. 	✓

The Company has established a complete internal environmental management system, continuously promotes the certification of external environmental management systems such as ISO 14001, and regularly conducts annual supervisory audits. In 2023, all 21 subsidiaries of the Company have accepted and passed the Company's internal environmental audits; and all subsidiaries have obtained the certification of ISO 14001 environmental management system.

In 2023,

the Company invested

RMB **45,362**

in environmental protection



The Wastewater Resource Utilization and Emission Reduction Device (Membrane Treatment) of Yunnan Shuifu Yuntianhua Co., Ltd

Environmental Risks Assessment

The Company strictly abides by the *Environmental Impact Assessment Law*, the *Measures for Supervisory Monitoring of Pollution Sources and Disclosure of Information of National Key Monitoring Enterprises (for trial)*, the *Measures for Disclosure of Environmental Information of Enterprises and Institutions*, the *Guidelines for Disclosure of Environmental Information of Listed Companies of Shanghai Stock Exchange* and other relevant laws, regulations and management ordinances. Meanwhile, we rigorously implement the requirements of the "three-simultaneous" system for construction projects. This entails adhering to the "three-simultaneous" system for projects under construction and establishing a robust risk prevention and environmental emergency response system. Additionally, the Company proactively conducts environmental impact assessments and regularly commissions qualified third-party evaluation agencies to conduct such assessments. The results of these assessments are available on the Company's website as well as the website of the ecological and environmental management department.

Table: Measures for Environmental Risk Management





Ecological Restoration of Yunlong Phosphate Mine

Yuntianhua has proactively undertaken the ecological restoration work of the Yunlong Phosphate Mine in the Xishan District of Kunming. The company has developed an integrated technology for the harmless use of phosphogypsum for ecological restoration, adapting to local conditions to reshape the terrain and landscape, eliminating natural disasters such as landslides and mudslides. The project involves an investment of RMB 420 million and has restored approximately 1,540 mu of land, including the addition of 313.4 mu of agricultural land and 1,226.54 mu of forest land. This has achieved the synergistic development of comprehensive utilization of phosphogypsum, ecological and environmental benefits, and land resource utilization.



Ecological Restoration of Yunlong Phosphate Mine (Before)



Ecological Restoration of Yunlong Phosphate Mine (After)

Green Operation

The Company always adheres to green operation practices, rigorously adhering to all energy and resource utilization standards. We undertake technology transformation projects aimed at enhancing resource utilization efficiency, conserving energy, and reducing emissions. Additionally, we conduct environmental protection training and drills, promote green office initiatives, and endeavor to achieve synergistic progress between the Company's development and environmental protection efforts.

Energy Management

The main types of energy utilized in the Company's production and operational activities include electricity, coal, diesel, and natural gas. We strictly abide by the *Energy Conservation Law of the People's Republic of China*, the *Energy Conservation Management Measures for Key Energy Consumption Units* and other energy conservation laws, regulations and effect requirements. Additionally, we have formulated an energy management system, appointed specialists to oversee energy conservation and low-carbon initiatives within the Company and its subsidiaries, and implemented an online monitoring system for energy consumption to facilitate scientific energy management practices. The Company has secured ISO 50001:2011 energy management system certification.

Energy consumption target in 2023:

Progress

- The company's energy consumption per ten thousand RMB of output value is 0.477 tons of standard coal equivalent (tce) per RMB ten thousand, and the carbon dioxide emission intensity is 1.18 tons of CO₂ per RMB ten thousand.



Note: The data is derived from the company's main production and manufacturing units, excluding the total energy consumption for raw materials.



Setting Energy Efficiency Goals and Programs

- The Company sets annual targets for energy consumption per unit of output and carbon emission intensity in accordance with the business characteristics of the unit, and formulates and executes energy-saving work plans and production management plans in accordance with the annual set targets.



Promoting Energy-Saving Technology Projects

- To improve energy efficiency and conduct annual analysis and summarization of energy-saving results, the Company carries out energy efficiency benchmarking to regulate both the intensity and total amount of energy consumption, as well as carbon emission intensity. We thoroughly explore the potential for transforming energy conservation and carbon reduction technologies while continuously promoting management measures such as the recovery and utilization of by-product heat and pressure and exhaust.



Promoting the Use of Clean Energy

- Considering the industry's characteristics, geographic location, seasonal variations, and plant energy status, the Company undertakes initiatives to substitute non-clean energy with clean energy sources. Key projects in this regard include replacing thermoelectricity with hydroelectricity and photovoltaic, replacing raw coal with natural gas.



Plant Roof Photovoltaic in Jinxin Chemical

Table: Key Performance Statement on Energy Consumption

Type of energy consumption	Total Consumption in 2023 (10,000 Tons of standard coal)	Total Consumption in 2022 (10,000 Tons of standard coal)	Total Consumption in 2021 (10,000 Tons of standard coal)
Electricity	42	40	37
Purchased clean electricity	36.54	29.94	28.27
Coal	269	255	283
Gasoline	0.021	0.018	0.022
Diesel	5.51	4.47	6
Natural gas	102.88	100	68

Note: In 2022, the capacity utilization of the company's main units improved significantly compared to 2021, with an overall increase in primary energy consumption year over year. In 2023, Qinghai Yuntianhua was merged into the company, leading to an enhancement in the capacity utilization of the company's main units compared to 2022, and there was an improvement in energy consumption indicators year over year.

Water Resource Management

The Company attaches great importance to the conservation and efficient utilization of water resources, and strictly abides by the *Water Law of the People's Republic of China* and other relevant laws and regulations. We continuously enhance the water resources management system and processes, actively bolstering water management across our subsidiaries. Each year, the Company formulates a water conservation work plan and implements multiple measures to ensure the rational and controlled consumption of water resources. The Company's comprehensive water consumption per unit product of RMB 10,000 output value in 2023 was 17.2 tons per ten thousand RMB. During the reporting period, the Company primarily sourced water from underground water supplies, encountering no issues related to the acquisition and utilization of water resources.

Table: Highlights of Water Conservation

Plan	Execute	Review	Optimize
Subordinate factories enforce water resource grading and recycling initiatives, actively spearheading the construction of water reuse and zero-discharge sewage projects. These endeavors notably enhance the efficiency of water resource utilization and diminish primary water consumption.	We bolster the operation and maintenance management of production equipment to ensure that equipment operates in a "safe, stable, long, full, and excellent" manner. This focus ensures that equipment energy efficiency remains optimal and raw material consumption is minimized.	We conduct risk assessments related to water resources management annually, establishing an energy-saving assessment and management system. This system outlines water conservation requirements and target values, which are strictly adhered to.	Following the "early detection, early treatment" principle, we intensify control over the "running, bubbling, dripping, leaking" control of production device sites to minimize or prevent disorganized emissions. Furthermore, we implement recycling and reuse measures wherever possible.

Qinghai Wastewater Comprehensive Utilization Unit

In October 2023, Qinghai Yuntianhua Co., Ltd inaugurated its wastewater resource utilization and emission reduction project. The Company installed wastewater treatment facilities encompassing various processes, including conditioning tanks, high-density precipitation, multi-media filters, ultrafiltration, primary reverse osmosis, high-density precipitation, depth treatment units, multi-media filters, carbon removers, evaporation and crystallization systems, etc. Additionally, they implemented multi-stage wastewater treatment procedures such as precipitation and separation. The project boasted a total treatment capacity of 96 cubic meters per hour, with the treated wastewater utilized as an alternative source to supplement the circulating cooling water system within the Company. Upon formal operation, the project successfully reduced drainage water by 700,000 cubic meters per year, effectively mitigating local water scarcity pressures and promoting the preservation of the local water ecological environment.

Qinghai Wastewater Comprehensive Utilization Unit

Table: Key Performance of Water Withdrawal

Indicators	Total in 2023 (10,000 tons)
Total water withdrawal	6,018.23

Table: Key Performance of Water Consumption

Type of water consumption	Total in 2023 (10,000 tons)
Fresh water	6,018.23
Quantity of water replenishment	794.48

Green Office

The Company actively advocates the concept of green environmental protection and embraces green office practices. We reinforce energy-saving and environmental protection initiatives, launching special campaigns to conserve energy and reduce consumption. Our priority is to prioritize environmentally friendly products and imbue the green office concept throughout every aspect of the Company's business operation.

Water conservation

Install smart faucets, flushing toilets with high water efficiency and other water-saving equipment in restrooms.

Purchase of office supplies

Prioritize environmentally friendly products and services when purchasing office supplies, and encourage employees to opt for green products in their daily work.

Office supplies use

Suppliers recycle printer toner cartridges, powder cartridges and other polluting office supplies. They are responsible for their proper disposal to prevent the indiscriminate discarding of toner and ink cartridges, thereby mitigating environmental pollution.

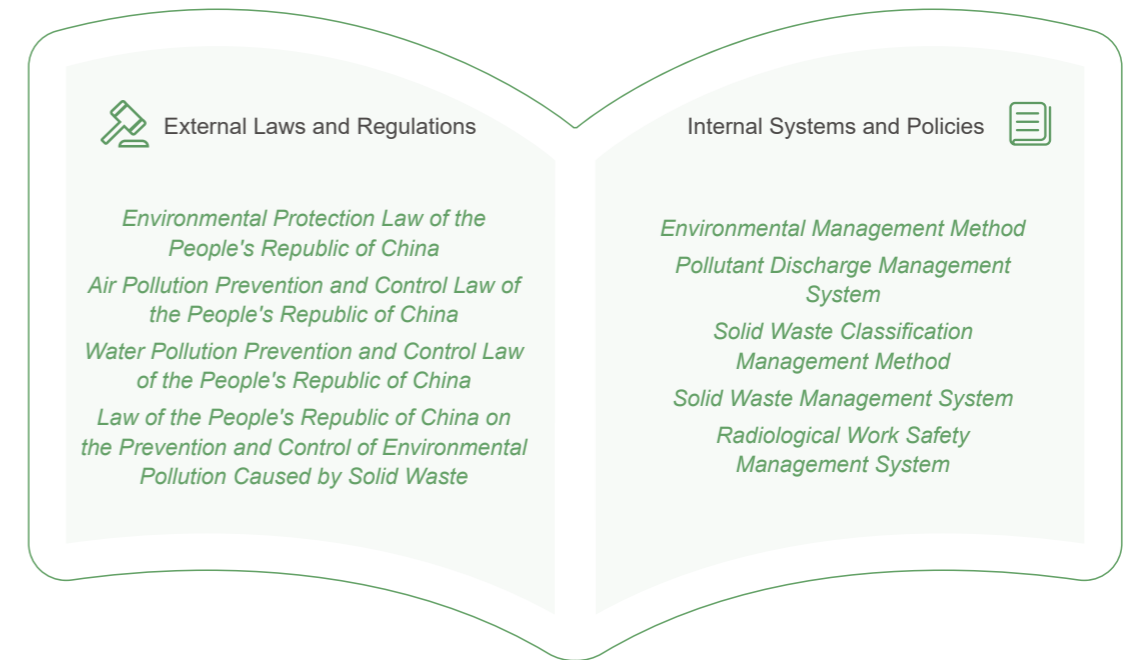
Environmental protection promotion

Organize training on green office knowledge, including green energy use, waste separation and disposal, paper saving, etc., to enhance employees' environmental awareness and ability.

Ecological Conservation

The Company practices low consumption and emission reduction, and strictly controls the management of emissions. We actively work to minimize the emissions of wastewater, waste gas, and solid waste during both daily construction and operation activities. Additionally, we prioritize ecological management efforts to foster a favorable ecological environment.

Emission Management



The Company strictly abides by national laws and regulations on environmental protection and pollution prevention and control. We have developed a comprehensive internal emission management system and disposal process to standardize the management and prevention of pollutants such as wastewater, waste gas, and solid waste. Additionally, we prioritize the recycling of key waste resources such as phosphorus gypsum. We continuously refine the long-term mechanism for pollution prevention and control, making concerted efforts to minimize the negative impacts on the environment.

To ensure effective waste management, the Company has established a robust job responsibility system and intensified the management and assessment of pollutant control in the production process. We consistently fulfill annual pollutant emission reduction projects and achieve emission reduction targets through the implementation of pollution source classification and grading management, along with regular inspection and maintenance of environmental protection facilities. At the same time, we installed an automatic monitoring system in the exhaust gas, and wastewater pollution sources for real-time monitoring. Environmental information such as pollutant outfalls, pollutant emissions, environmental protection facilities and environmental monitoring programs is made public through the website, display screens and other means. In addition, we regularly prepare contingency plans for environmental emergencies and environmental self-monitoring programs, which are filed with the local ecological and environmental departments.

In 2023, the Company's online monitoring device for environmental emissions and its data transmission rate complied with environmental protection requirements. The concentration of pollutant emissions remained significantly below national permissible emission standards, with a compliance rate of **100%** for wastewater and waste gas emissions. **All** hazardous waste was disposed of in accordance with regulations.

Waste Gas Management

The Company actively initiates ultra-low emission treatment of waste gas and establishes strict emission standards and reduction targets in accordance with the *Integrated Emission Standard of Air Pollutants*, the *Emission Standard of Air Pollutants for Boiler*, the *Emission Standard of Air Pollutants for Industrial Kiln and Furnace*, the *Emission Standard of Air Pollutants for Thermal Power Plants and other standards*. While realizing a "double reduction" in emissions and emission concentration, we have incorporated the above objectives into the HSE target responsibility book assessment, and strictly enforced them according to the assessment results in accordance with the company's *Comprehensive Assessment Method for Safety and Environmental Protection*. To prevent the leakage and emission of dust and gaseous pollutants during production processes, we strengthen control and management of unorganized emission sources and points in production areas. We employ methods such as workshop confinement, centralized collection and treatment, thatching, and sprinkling for dust suppression.



Table: Key Performance Sheet of Principal Air Pollutant Emitters

Pollutant Type	Total emissions in 2023 (ton)
SO ₂	2,355.34
NO _x	2,382
PM	1,107.19
VOC	82.49



The Central Control Room of Yunnan Tian'an Chemical Co., Ltd.

Wastewater Management

The Company strictly abides by the *Integrated Wastewater Discharge Standard*, the *Discharge Standard of Water Pollutants for Ammonia Industry*, the *Emission Standard of Pollutants for Synthetic Resin Industry* and other relevant laws, regulations and documents. We prioritize optimizing the level of wastewater management to advance efforts in reducing wastewater effluent emissions and promoting recycling initiatives. In 2023, the industrial wastewater of the company was treated and discharged in compliance with the standards.



Adopt rainwater and sewage diversion and the clearing of sewage, reducing the impact of sewage on water bodies.




Strengthen the early warning management of water quality, monitor the water quality of external environmental water bodies, strengthen the monitoring and management of special pollution factors, and promptly take effective measures against the discovery of abnormalities.



"Anaerobic plus aerobic" process with continuous feeding for wastewater treatment.

Table: Key Performance Sheet on Wastewater Management

Pollutant Type	Total emissions in 2023 (ton)
Total discharge of industrial wastewater	7,944,847.79
COD	189.43
Ammonia nitrogen (NH3-N)	8.51
Total phosphorus	1.33



Solid Waste Management

The Company strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste*, the *Measures for the Transfer of Hazardous Wastes*, the *Measures for the Duplicate Forms for the Transfer of Hazardous Wastes*, the *Directory of National Hazardous Wastes (Version 2021)*, the *Standard for pollution control on the non-hazardous industrial solid waste storage and landfill*, and other laws, regulations and standards. We require our subsidiaries to comply with the declaration and registration system for waste discharge management, to apply for sewage discharge permits as required by law, and to undergo annual inspections and payment of sewage charges. These measures ensure proper handling of all types of waste.


2023 Solid Waste Management Objectives	Progress
• 100% disposal or utilization of hot blast furnace slag and boiler slag	✓
• Phosphogypsum utilization and disposal rate is no less than 50%, striving to reach 55%	✓

The Company vigorously promotes the reduction of industrial solid waste at source and efficient utilization on a large scale. We advocate for the high-value recycling of renewable resources and enhance the efficiency of industrial resource utilization, including comprehensive utilization of solid waste like phosphogypsum. Currently, solid waste utilization, such as phosphogypsum, extends to various products including ecological restoration materials, cement retarders, gypsum boards, construction gypsum powder, gypsum mortar, and water stabilizers for roadbase. This approach establishes a path for comprehensive phosphogypsum utilization and fortifies the foundation for the Company's green, healthy, and sustainable development.

In 2023, the Company recycled and comprehensively utilized a total of **10,144,500** tons of waste.


Table: Key Performance Sheet of General Solid Waste

Type	Total emissions in 2023 (ton)
General industrial solid waste	12,448,191.84
Hazardous waste	23,333.65
Total amount of waste	12,471,525.49




To strengthen the management of hazardous waste, we implement tailored hazardous waste control measures aligned with actual production needs. These measures span the entire lifecycle of hazardous waste, from generation and collection to storage, transfer, transportation, utilization, and disposal. Our aim is to alleviate pressure on waste treatment while enhancing resource utilization efficiency. We ensure that all hazardous waste management practices comply with legal requirements.

Table: Hazardous Waste Management Mechanisms




Declaration and Registration

- Fully identify hazardous wastes in accordance with the *Directory of National Hazardous Wastes*, the *Identification standards for hazardous wastes* and declare to environmental protection authorities for registration.
- Establish hazardous waste management files.



Storage

- Designate Hazardous waste storage rooms in accordance with the requirements of relevant standards.
- Strictly manage hazardous waste storage and disposal facilities and sites in accordance with the requirements of the "two people plus two locks", and establish hazardous waste generation projects in accordance with the requirements of the environmental assessment of the construction of prevention and control facilities.



Transfer

- Transfer hazardous waste based on the approval of the competent administrative department for environmental protection.
- Ensure that hazardous wastes are disposed of by units qualified to handle hazardous waste, and track the treatment and disposal process accordingly.

Ecological Governance

The Company is committed to a series of actions and measures to realize the green development concept of protecting biodiversity and preserving natural resources. We actively participate in promoting the construction of green mines, establishing green factories and innovating and promoting green products. Through these efforts, we strive to achieve harmonious development between humanity and nature.

The Company continues to promote the construction of the "Three Green Projects". We have set up a leading group for ecological environment restoration and management, and promoted the ecological environment restoration and management of mines, green factories, green product R&D and creation with grassroots units as the main implementation body. In 2023, the Company saw 2 new enterprises to be honored as national green factories. As of the end of the reporting period, we have a total of 7 national green mines; 5 national green factories; 14 association-level green factories, and have formed a green manufacturing industry cluster.

Green Mine

The Company has forwardly practiced the concept put forward by President Xi Jinping of "lucid waters and lush mountains are invaluable assets", firmly followed the development path of green mines, and invariably adhered to the principle of "developing with protection". Upholding to the requirements of "larger green restoration area than the newly disturbed area, and faster mine restoration than mining", we have faithfully implemented the slogan of "where it is mined, the vegetation will be reclaimed" in real work. Considering the mining schedule, we have taken a full account of the ecological landscape of the original plot when formulating an implementation plan for ecological restoration and governance. We have actively conducted secondary development and utilization of land resources in reclaimed vegetation areas, which has upgraded the ecological restoration and governance, bringing about a salutary exploration in the construction of national mining parks. In addition, we have earnestly initiated key engineering projects of the country and Yunnan Province such as the *Research and Demonstration of Comprehensive Control Technology for Ecological Restoration of Abandoned Mining Areas*, where we have formed a certain scale of ecological forests, economic forests, and landscape forests inside the land reclamation and vegetation areas to rebuild a scenic mining environment. In 2023, we governed 1,201 mu of land, planted 437,000 seedlings, sowed 29,400 kilograms of grass seeds, and the rate of reclaimable vegetation on the land reached 94%, with a cumulative investment of RMB 21 million, by means of mine slope overburden, artificial maintenance and ecological restoration.



Mine Vegetation Reclamation Area of Kunyang Phosphate Mine, Phosphate Chemical Group



Shuangshao Phosphate Mine Ecological Restoration Project

The company is actively advancing the construction of the Shuangshao Phosphate Mine Ecological Restoration Project, combining the modified phosphogypsum ecological restoration fillers with mine ecological restoration to create significant ecological and environmental benefits.

The Haikou Shuangshao Phosphate Mine Factory in Xishan District of the Environmental Sci-tech, adopts the method of "geological disaster management + mine pit seepage prevention + restoration material backfill + vegetation recovery" for the ecological restoration of the mining area. This is aimed at solving existing geological disasters such as landslides, unstable slopes, steep slopes, as well as soil erosion and secondary ecological and environmental problems. The phosphogypsum-based ecological restoration materials used for backfilling adopt a three-level inspection system of "production process inspection + in-process inspection + retrospective inspection of the backfill area" to ensure the stability of the production process and quality of the phosphogypsum-based ecological restoration materials.

Green Factory

The green factory is the main implementation body of the Company's green development, and an important part of its green manufacturing system. The Ministry of Industry and Information Technology released the annual list of green manufacturing, Chongqing Yuntianhua Tianju New Material Co., Ltd and Baozhuo Chemical of the Phosphate Technology, two subordinates of the Company was successfully selected as a national "green factory", scaling new heights for the Company's green manufacturing.



Formaldehyde Unit in Tianju New Material

Green Product

The Company has abidingly advanced the effort of "lower fertilizer, higher efficiency". We have implemented green management practices across the product life cycle, resulting in the development and production of safe, efficient, and energy-saving products that are environmentally friendly with low consumption. Through initiatives such as clean production and the creation of high-quality green products, we have successfully reduced resource consumption and minimized environmental impact. As of the reporting period, the number of our green products has increased by 14, bringing the total to 194, including 72 national green products. We have established a scaled demonstration cluster for our products with green manufacturing and design with 5 units passing the supervision and assessment for the Certification of Eco-friendly Product with Ecological Fertilizers.

the number of our green products has increased by

14



bringing the total to

194



including

72 national green products



YTH's Green and Intelligent Fertilizers for Corn and Potato

In January 2023, the green and intelligent fertilizers for corn and potato jointly developed by the Company and a team of experts were successfully put into production. Based on the principle of plant nutrient regulation, crop growth soil and its environment, the fertilizers are targeted and designed. Also, we developed high-quality fertilizers with crop inter-root effect stimulation, nutrient precise matching, multi dimensions and full quantitative utilization of mineral resources were produced by applying the advanced green manufacturing process. These new kinds have won the high recognition of the majority of farmers.



Put Fertilizers for Potato into Production



04 People

People-oriented: Uphold Social Responsibilities

YTH actively promotes the practice of social responsibility and human care, contributing to the harmony of society and the growth of the Company. We uphold principles of fairness, justice, and respect towards every employee, prioritizing their health and well-being. As we pursue our own development, we are committed to empowering employees to realize their self-worth. Additionally, by ensuring adequate fertilizer supply, protecting IPR, supporting rural revitalization, and participating in philanthropy, we fulfill our social responsibility as a state-owned enterprise and share the fruits of development with society.

- 01 Employee Benefits
- 02 Ensuring Adequate Fertilizer Supply
- 03 Social Responsibility



Employee Benefits

The development of the Company relies on the support of its employees. YTH adheres to management principles of "independence, effectiveness, and dynamism," working diligently to cultivate a harmonious and positive working environment where employees can experience the care and support of the Company.

Employee Rights and Interests

The Company prioritizes a "people-oriented" approach, recognizing human resources as its most valuable asset. In our efforts to attract and retain top talent, we adhere to the principle of "attracting, retaining, and employing talents," in accordance with various national labor laws and regulations, as well as the Company's systems such as the *Labor Contract Management Measures of Yunnan Yuntianhua Co., Ltd. Headquarters* and the *Labor Employment Management Measures of Yunnan Yuntianhua Co., Ltd. Headquarters*. We are committed to safeguarding the rights of our employees and upholding a fair, just, and respectful attitude towards each individual. Our goal is to foster a harmonious and positive working environment where employees feel cared for and supported. Furthermore, we encourage active participation from employees in decision-making and management processes, empowering them to contribute to the development and progress of the Company. During the reporting period, YTH achieved a 100% signing rate for collective agreements, successfully covering all employees.

The Company strictly prohibits the use of child labor and forced labor, and unequivocally opposes any form of discrimination, including discrimination based on gender, appearance, age, marital status, reproductive status, etc. During the reporting period, the Company did not experience any incidents of violating the rules regarding the use of child labor and forced labor.

To meet the demands of the Company's strategic and business development, we implement a dynamic position adjustment and management strategy, ensuring our ability to respond to various changes and challenges at any time. Additionally, we have designed a multidimensional recruitment process, with particular emphasis on job qualifications as a crucial criterion for assessing talents, thereby enhancing the efficiency of our recruitment efforts. During the reporting period, YTH achieved significant results in talent reserve. We successfully recruited 139 Level-1 High-potential talents and 935 Level-2 High-potential talents, further expanding our key talent pool. The number of "leading talents" increased to 23, "elite talents" to 65, and "backbone talents" to 370, demonstrating the Company's robust capabilities in talent development and acquisition.

The Company focuses on enhancing talent selection through the "Gold Medal Interviewer" project, which aims to improve talent evaluation standards. Additionally, we are continually advancing the "Hunting for Talent" program, which has resulted in the successful recruitment of 39 urgently needed talents, with 29 fulfilling roles in R&D, thereby bolstering the Company's R&D capabilities. We have also implemented the "Technology Trainee" program, attracting 75 talents with master's degrees or higher, including 5 individuals with doctorates. This initiative has injected new vitality into the Company's long-term development.



Shuifu YTH Signs the 2023 Collective Contract

Key Indicators		Unit	2023	
Number of Employees	By Region	Chinese Mainland	person	11,893
		Hong Kong, Macao and Taiwan regions of China	person	0
	By Gender	Male	person	8,863
		Female	person	3,030
Number of Minority Employees		person	1,592	
Number of Disabled Employees		person	91	
Number of Newly Graduated Employees		person	261	
Number of Internal Recruitment Employees		person	171	
Total of Discrimination Incidents		case	0	
Proportion of Employees Involved in Collective Bargaining		%	100	

Age Composition

Age	Unit	2023
Under 30 years old	person	1,569
30-50 years old	person	8,182
Above 50 years old	person	2,142

Employee Growth

In accordance with internal management regulations such as the *Position Management Measures of Yunnan Yuntianhua Co., Ltd.*, the *Business School Management System of Yunnan Yuntianhua Co., Ltd. (Trial)*, and the *Management System for Online Learning in Business School of Yunnan Yuntianhua Co., Ltd. (Trial)*, and systems such as the *Guide to Career Development and Employment Management*, the Company has established a job network consisting of 6 major job clusters, 51 job sequences, and 21 job levels. We continuously optimize regulations pertaining to employee qualifications and promotions, enhance the talent training system, and cultivate teams that embody both ethical principles and professional skills. This approach provides robust support for the comprehensive planning, selection, training, employment, and retention of talents.

The Company prioritizes the establishment of an open, shared, professional, and comprehensive platform for talent development, with the Business School at its core. Through a variety of activities hosted on this platform, such as online competitions and reading contests, we seek to ignite employees' enthusiasm and creativity, thereby providing robust talent support for the company's transformation and upgrading efforts.



"YTH Artisan" Talent Development Program Launch Ceremony and the First Phase of Training



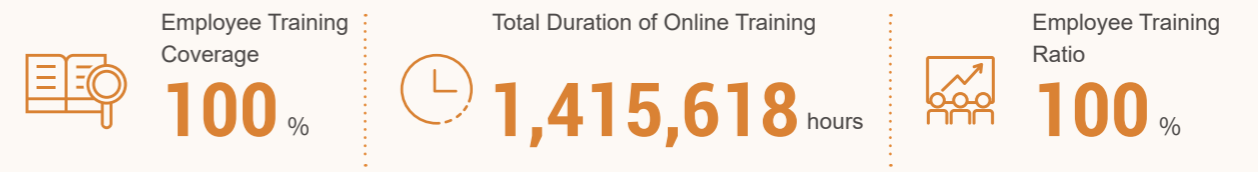
The Red Phosphorus Chemical Participating Team Wins the Third Prize in the 14th National Vocational Skills Competition for the Petroleum and Chemical Industry



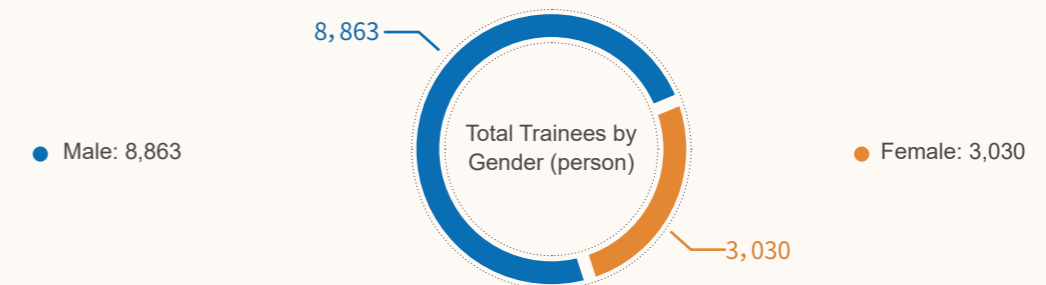
Chen Jia from Tian'an Chemical Participated in the 7th Annual "Yunling Craftsman" Awards Ceremony in Yunnan Province as One of the Recipients of the 7th "Yunling Craftsman" Honor

During the reporting period, the Company conducted a total of **178** talent development programs, covering new and experienced managers, senior executives, and entrepreneurial and innovative technical talents. The total investment in these programs amounted to RMB **24.23** million.

In 2023



Per Capita Duration of Training by Rank



Care for Employees

YTH strictly adheres to internal regulations such as the *Management Measures for Total Salary of Yunnan Yuntianhua Co., Ltd.*, the *Management Measures for Remuneration of Yunnan Yuntianhua Co., Ltd. Headquarters*, and the *Management Measures for Performance Yunnan Yuntianhua Co., Ltd. Headquarters* to guide salary payments and related processes. In addition to salaries and benefits, YTH follows national laws and regulations on working hours, mainly using standard working hours and approved special working hours. We also provide non-salary benefits, including annual leave, marriage leave, maternity leave, medical leave, birth control surgery leave, and other non-salary benefits, to effectively safeguard the basic rights and interests of our employees.

The Company adopts a "classified management" approach for the remuneration of directors and supervisors. The remuneration of internal directors and supervisors is assessed and distributed by the departments that they work for, primarily consisting of basic annual salary and performance-based annual salary. Independent directors receive allowances based on relevant standards, with their performance evaluated based on factors such as participation rate. In addition, the remuneration of the management team at Yunnan Yuntianhua (YTH) is structured as "basic annual salary (40%) + performance-based annual salary (60%)". The performance-based annual salary is linked to the individual's annual performance contract score, which encompasses multiple dimensions such as profitability, operational efficiency, risk management capabilities, and sustainable development potential.



The Company mainly adopts standard working hours and approved special working hours. All types of leave are administered in accordance with relevant national laws and regulations. The disbursement of overtime pay, holiday pay, and other compensations is in accordance with relevant rules and regulations.



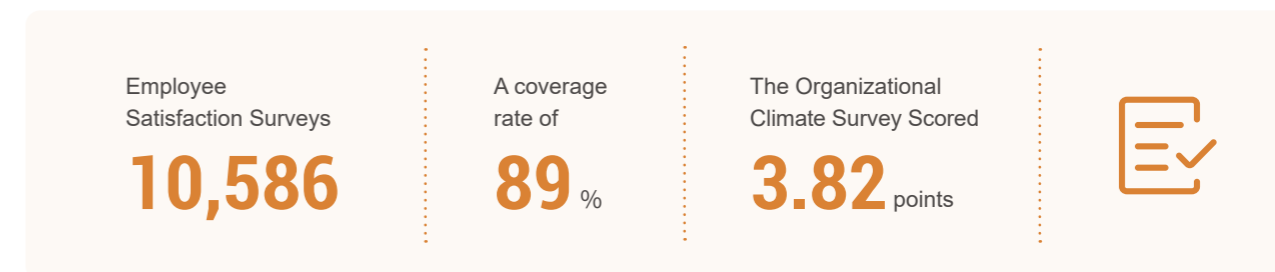
Key Indicators	Unit	2023
Percentage of Employees		
Salary Performance Assessment—Male Proportion	%	75
Salary Performance Assessment—Female Proportion	%	25

Percentage of Employees		
Salary Performance Assessment—Senior Management's Proportion	%	1
Salary Performance Assessment—Middle Management's Proportion	%	4
Salary Performance Assessment—Junior Management's Proportion	%	3
Salary Performance Assessment—General Employees' Proportion	%	92

Employee Communication

YTH actively listens to employees' concerns and suggestions regarding the Company's production and operation, as well as matters related to their personal interests. The Company has formulated the *Implementation Measures for Transparency in Corporate Affairs of Yunnan Yuntianhua Co., Ltd.* and the *Implementation Measures for Workers' Congress of Yunnan Yuntianhua Co., Ltd.* Additionally, there are 24 second-level union organizations and 127 third-level union organizations under the trade union, ensuring the standardized management and smooth operation of the Company's union organizations.

In 2023, YTH convened its fourth Workers' Congress, featuring the presentation of the annual work report, active engagement in collective wage negotiations, signing of collective labor contracts and special contracts, and review of important management systems and reform proposals. These initiatives aimed to strengthen employees' cohesion and sense of belonging. During the reporting period, a total of 10,586 employee satisfaction surveys were collected, with a coverage rate of 89%. The organizational climate survey scored 3.82 points, maintaining in the "Best Employer Zone" (3.25 points to 5 points). In addition, the score of the organizational climate survey has been steadily increasing over the past three years.



Satisfaction Survey		
Frequency	time/year	1
Number of participants	person	10,586



Symposium for New Employees at the Company Headquarters



Yunfeng Chemical and Dawei Ammonia conducted exchange activities of the Communist Young League

Employee Assistance

At YTH, we consider our employees as integral members of our family. Through the formulation of the *Management Measures for the Warm Assistance of Yunnan Yuntianhua Co., Ltd.* and the *Announcement on Issuing the Management Measures for the Employee Assistance Fund of Yunnan Yuntianhua Co., Ltd.*, we delineate the responsibilities of each department, standardize the application and approval processes, and proactively address any difficulties encountered by our employees. Through these measures, we are committed to fostering a warm and supportive working environment.

Key Indicators

Special Fund

The Company provided assistance funds totaling RMB 862,400, distributing student subsidies totaling RMB 107,200 to 31 households of employees facing difficulties.

Leisurely Recuperation

The Company organized 10 model workers and 94 employees to participate in the provincial-level leisurely recuperation program.

Employee Mental Health

The Company conducted 11 sessions of lectures on employee mental health with 1,247 participants; organized one training session for 20 people on employee psychological counseling; provided one-on-one psychological care for 26 employees through 14 sessions; conducted psychological assessments for 633 employees; and established and put into operation four mental health stations, organizing five activities.

Heatstroke Prevention and Cooling Measures

Labor unions invested RMB 192,000 in funds for heatstroke prevention and cooling measures.

Care for Women

At YTH, we empower every female employee to pursue their aspirations. We are dedicated to fostering an environment that is equitable, respectful, and inclusive, enabling each female member of our team to realize their full potential and showcase their unique talents.



Key Indicators



Care for Women

Labor unions assisted **17** female employees facing difficulties

Organized **44** caring activities

With a total of **2,045** participants



Lectures on Health for Female Employees

On March 8, 2023, Haikou Phosphorus Industry held a lecture on "Women's Health Supports the Health Causes of the Enterprise and Yunnan Province." Experts gave a lecture on first aid knowledge, prevention and self-examination of female cancers, prevention and treatment of common cardiovascular and cerebrovascular diseases in women, healthy lifestyles, and health care. It aimed to encourage female employees to pay attention to their health, raise health awareness, and effectively manage stress in both work and life. Over 60 female employees participated in this lecture.



Lectures on Health

Occupational Health and Safety

YTH takes a people-oriented approach to safety management, striving to create a safe and healthy working environment. The Company strictly complies with the requirements of the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Regulations on Prevention and Control of Occupational Diseases in Yunnan Province*, and the *Management Measures for Occupational Health Surveillance*, among other legal regulations. Additionally, we have formulated the *Management System for Occupational Health of Yunnan Yuntianhua Co., Ltd.* to ensure rigorous oversight of our employees' occupational health and safety, thus safeguarding their well-being. Simultaneously, we extend our commitment to occupational health and safety to our contractors, integrating their safety objectives into our overall management approach. We apply equal levels of management and supervision to ensure the occupational health and safety standards of our contractors are aligned with our own, continually enhancing their performance in this critical area.

The Company implements strict health and safety management. Every year, we conduct comprehensive assessments of the implementation of health and safety objectives through a qualified quality certification center. Each operational entity undergoes annual self-assessments and internal audits to ensure adherence to safety standardization. In addition, we engage third-party evaluation organizations to conduct reviews every three years to ensure the effectiveness and compliance of the system.

Occupational Health and Safety Objectives

No cases of occupational diseases



Injury rate per thousand workers

<0.5



Completion rate of rectification of safety hazards at the expiration date

100%



Arrange for a review by a third-party evaluator every

3 years



Occupational Health Certification



The headquarters and all subsidiaries of YTH have obtained **ISO 45001** certification, covering all workplaces.



Working units have all met the requirements of safety standardization, ensuring occupational health and safety in the working process.



All major suppliers of the Company have obtained **ISO 45001** certification, ensuring that every link in the supply chain complies with occupational health and safety standards.

The Company implements the requirements of the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes* and the *Regulations on the Safety and Protection of Radioactive Isotopes and Radiation Devices*. We strengthen the management of solid wastes, hazardous wastes, and radioactive sources to ensure compliance with legal and regulatory standards. Moreover, we enhance the management of radioactive sources, covering aspects such as usage and storage, to prevent occupational accidents. Additionally, we conduct on-site safety inspections and evaluations every six months, ensuring subsidiaries strictly adhere to relevant regulations and conduct daily monitoring of occupational hazards. In 2023, the Company signed the *Responsibility Agreements for Safety, Environmental Protection, Occupational Health, and Fire Safety in 2023* with its 30 subsidiaries (including entrusted units), delineating the responsibilities and objectives of each subsidiary in the realms of safety, environmental protection, occupational health, and fire safety.

In 2023, the Company successfully met its work safety objectives, achieving an injury rate of **0.037** per thousand persons and ensuring a **100%** completion rate for hazard identification and control.

We conducted annual occupational health examinations for employees across 20 working units, totaling **9,500** workers. No cases of occupational diseases were found, achieving a **100%** qualified rate in the occupational hazard factor monitoring.



"Improving Working Environment and Conditions, Protecting Workers' Physical and Mental Health" publicity week

On April 27, 2023, Three Circles-Sinochem Fertilizers, in collaboration with the Comprehensive Supervision and Law Enforcement Bureau of Xishan District Health Bureau, conducted a themed publicity week on "Improving Working Environment and Conditions, Protecting Workers' Physical and Mental Health." The event included themed consultations, special training, on-site filming of promotional videos, and various other forms. Participants read promotional brochures, took part in on-site signatures, and attended the lecture on "Knowledge of Occupational Hazard Protection", effectively enhancing awareness of prevention and control of occupational diseases. Additionally, a medical consultation booth was set up on-site to provide employees with thoughtful services such as blood pressure measurements, dietary guidance, and answers to difficult questions, effectively ensuring the health and safety of employees in the workplace.



"Improving Working Environment and Conditions, Protecting Workers' Physical and Mental Health" publicity week

Ensuring Adequate Fertilizer Supply

The Company remains committed to its role as a "national team for food security." Through concrete actions, we fulfill the duties of a state-owned enterprise, shoulder social responsibilities, and consistently ensure the supply to stabilize fertilizer prices in the domestic market.

The Company is fully committed to maintaining stability in fertilizer production capacity, output, quality, and logistics. Taking into account the industry's characteristics and market dynamics, we prioritize "controlling the pace, building inventory, and mitigating risks" to execute a dynamic adjustment of procurement strategies and operations. Through the "precise procurement" approach, we mitigate the risks associated with "bulk purchasing", ensuring stable supplies, cost reduction, and efficiency enhancement of key raw materials.

Moreover, we actively engage in the national initiative of reserving chemical fertilizers during off-seasons to secure fertilizer supplies for spring farming. In 2023, we met the national commercial fertilizer reserve target by securing 950,000 tons of reserves. The Company's total domestic fertilizer distribution reached 7.375 million tons, with over 3 million tons of phosphate fertilizer, maintaining a historically high level of distribution. Urea accounted for 2.376 million tons of domestic distribution, representing 95% of the Company's total sales. Compound fertilizer accounted for 1.85 million tons of domestic distribution, constituting 97% of the Company's total sales. Simultaneously, we ensure transportation capacity, dynamically adjust transportation organization, and coordinate closely with production schedules. In 2023, the completion rate of shipping plans reached 103%, effectively guaranteeing the demand in the domestic market.

While maintaining stable production and transportation, the Company actively monitors the supply of fertilizers in real-time. This proactive approach allows us to promptly identify any issues, offer suggestions, and implement corrective actions. During critical periods such as spring planting and winter storage, the Company issued initiatives such as the *Proposal for Ensuring Adequate Supply of Fertilizers for Spring Planting and Ensuring National Food Security* and the *Initiative for Ensuring Adequate Supply and Stabilizing Market Prices to Celebrate the Harvest Together*. These initiatives received positive responses from our partners, effectively stabilizing fertilizer prices and fulfilling our social responsibility of ensuring adequate fertilizer supply.

In 2023, we met the national commercial fertilizer reserve target by securing

950,000
tons of reserves

The Company's total domestic fertilizer distribution reached

7.375 million tons

The completion rate of shipping plans reached

103%

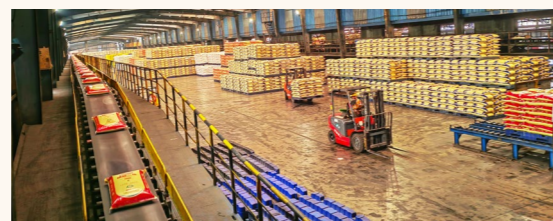


Taking up the Task of Ensuring Adequate Supply for Spring Planting

In February 2023, the Company actively implemented the requirements of the State Council for spring plowing and preparation, and ensured the orderly operation of production, transportation, and other links. Leveraging the advantages of large-scale nitrogen and phosphorus fertilizer plants in terms of scale, technology, safety and environmental protection, we ensured that the fertilizer plants achieved stable production at full capacity. Relying on the 5A-level logistics capability of Tianchi Logistics, we dynamically adjusted transportation routes, and provided multi-modal transportation logistics support.



Fertilizer Warehousing



Fertilizer Packaging Line

Social Responsibility

The Company actively undertakes social responsibilities as a state-owned enterprise. Aligned with our core values, we consistently engage in social welfare initiatives, including empowering farmers with science and technology, facilitating co-construction between villages and enterprises, and making charitable donations. These efforts contribute significantly to fostering a harmonious society. In 2023, the Company made a total donation of RMB 3.644 million to various social causes.

In 2023, the Company made a total donation of RMB

3.644
million to various social causes

Empowering Farmers with Science and Technology

The Company remains committed to fostering rural revitalization through the establishment of small scientific and technological academies. These academies operate under the principles of "zero distance, zero threshold, zero time difference, and zero cost," ensuring accessibility and effectiveness for farmers and agricultural organizations. Additionally, the Company focuses on researching and resolving practical challenges in agricultural production, disseminating advanced farming techniques directly to the field. In 2023, the Company extended agricultural services to local farmers through 32 small scientific and technological academies nationwide.

The Company extended agricultural services to local farmers through

32
small scientific and technological academies nationwide



Sichuan Danleng Small Scientific and Technological Academy Guiding Farmers in the Science-based Cultivation of Citrus Fruits

Danleng in Meishan, Sichuan Province, is an area known for late-maturing citrus fruits. Previously, due to low-quality soil and management, the quality and yield of citrus fruits were unsatisfactory, which affected farmers' income. After the establishment of the Danleng Small Scientific and Technological Academy, soil improvement and balancing fertilization by soil testing were conducted under expert guidance. Through over two years of research, the academy tailored management plans for local farmers. It upgraded the product formula of magnesium diboron, making it more suitable for local soil and citrus fruits, thereby helping farmers increase their yield and income.



Sichuan Danleng Small Scientific and Technological Academy Guiding Farmers in the Science-based Cultivation of Citrus Fruits

Co-construction by Both Villages and Enterprises

The Company fulfills the responsibilities of a state-owned enterprise, deepening the targeted assistance work in accordance with the *Key Points of Work for Paired Assistance in Yunnan Province in 2023* and related requirements. The Company has signed the *Management Agreement on Special Fund and Project for Donation and Assistance* with the assisted villages, specifying the scope of fund use and the disbursement procedures to ensure project implementation efficacy and enhance benefits for farmers.

In 2023, the Company timely disbursed assistance funds totaling RMB 1.5 million, bolstering rural revitalization efforts in Yuhe Town, Wanchang Town, Xinhua Village in Xuanwei City, Dapo Village, in Zhanyi District, Qujing City, and other designated areas. Concurrently, the Company actively upholds the social responsibilities of state-owned enterprises, collaborating with the State-owned Assets Supervision and Administration Commission of Yunnan Province and the Yunnan Provincial Committee of the Communist Youth League of China to donate fertilizers valued at RMB 644,000 to Maguan County, Changning County, and other localities, thereby augmenting the income of farmers in those regions.

The Company, in line with its business characteristics, actively contributes to rural revitalization. In 2023, the Company's documentary series "China's Harvest Journey" was selected as an outstanding case for rural revitalization by CAPCO, with a total viewership of 62.54 million in 2023.

The Company timely disbursed assistance funds totaling RMB

1.5 million

Donated fertilizers valued at RMB

644,000

Public Benefit Activities

The Company adheres to the philosophy of "National Interests First, Social Responsibility Foremost" and actively participates in public benefit activities. Through tangible actions, we strive to foster a harmonious society and fulfill our mission and responsibility as state-owned enterprises. In 2023, the Company donated RMB 1.5 million in charity funds to the local governments where its subsidiaries are located. Donations of RMB 500,000 were made to the Red Cross Societies of Xishan District and Jinning District in Kunming, as well as Anning City.

The Company encourages employees to be advocates of good social norms, promoters and participants of social civilization and rolls out numerous voluntary activities. Over 1,300 employees have registered as volunteers on the "China Volunteer Service" website. In 2023, the Company organized 77 voluntary activities, drawing participation from 1,992 employees, who collectively contributed 4,980 hours of service.

The Company donated RMB

1.5 million in charity funds

Over

1,300 employees have

registered as volunteers on the "China Volunteer Service" website

Community Relationship

To provide the public with a more direct understanding of the Company and its subsidiaries, and to enable the Company to be more aware of external changes and public expectations, an effective two-way interactive mechanism is established, injecting intrinsic motivation into the high-quality development of the Company. We and our subsidiaries regularly conduct "Open Days" activities, inviting more citizens and social groups to visit factories. This aims to build a harmonious relationship between the business and society in the new era.

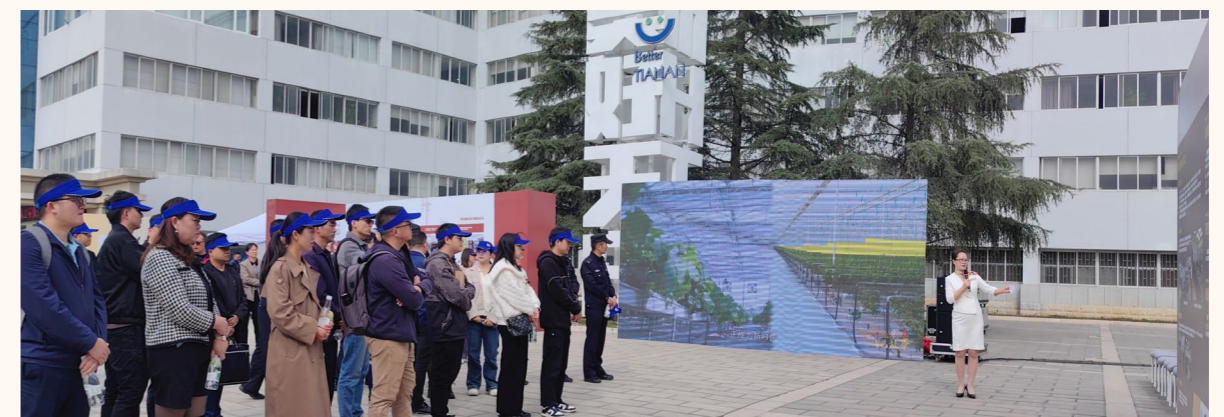
Educational Assistance	<ul style="list-style-type: none"> The Company provided educational funds totaling RMB 628,000 to support 320 economically disadvantaged students in Yuhe Town and Wanchang Town in Zhenxiang County. The Company allocated RMB 75,000 to support rural schools. This included the installation of two sets of air-source heaters and supporting infrastructure, addressing the poor living conditions of boarding students during autumn and winter and ensuring access to hot water for daily use. The Company invested RMB 20,000 in toys and teaching facilities for local kindergartens, aiming to provide more diverse learning and entertainment resources for rural children.
Industrial Assistance	<ul style="list-style-type: none"> The Company allocated RMB 23,000 to implement the pilot project of "Green and Beauty Action + Courtyard Economy." We distributed over 1,600 saplings such as persimmons, cherries, and figs to villagers. This initiative encouraged villagers to participate in planting along roadsides and scattered fields near their homes, thereby promoting the development of the rural courtyard economy.
Resources Assistance	<ul style="list-style-type: none"> The Company invested RMB 139,000 in the construction of three small-scale reservoirs and the laying of 2,000 meters of new drinking water pipelines. This initiative aimed to address water safety and supply issues in remote rural areas, improving the efficient utilization of water resources and ensuring access to safe drinking water for both people and livestock.

Table: 2023 Paired Assistance Program Outcomes



Tian'an Chemical Holding an "Open Day" Activity Under the Theme of "Ensuring Food Security for Prosperity"

On November 29, 2023, Tian'an Chemical held an Open Day event under the theme of "Ensuring Food Security for Prosperity". The activity invited over 100 public representatives, including local government officials, residents, partners, and students from universities, to visit the Company. They had the opportunity to experience a green and intelligent factory up close. The event provided an immersive experience for more residents from the surrounding community and individuals interested in the Company's growth, changing their perceptions of traditional factories.



Tian'an Chemical Holding an "Open Day" Activity Under the Theme of "Ensuring Food Security for Prosperity"

Future Prospects

Over the past year, the global landscape has grown increasingly complex, characterized by frequent regional conflicts and significant challenges to global governance and economic development. The Company has proactively aligned itself with national strategies and integrated them into local policies. With the aim of becoming a flagship listed company, we leverage our strengths in mineralization integration and large-scale operations. Through ongoing reform efforts, we have navigated challenges such as declining product market prices and fluctuating raw material prices, resulting in impressive business performance and reinforcing our dedication to sustainable development.

In 2024, we will continue to implement the concept of green and high-quality development. In line with the *Implementation Plan for Effective and Efficient Utilization of Phosphorus Resources*, we will strive to cultivate greater competitive advantages across the industrial chain. Through sustainable resource practices, maximizing resource utilization, technological advancements in manufacturing, and optimizing management processes, our goal is to establish effective and efficient competitive advantages across the entire phosphorus chemical industry, continuously enhancing the Company's growth capabilities.

In 2024, our commitment remains steadfast to strengthening safety and environmental management, consolidating the foundation of green development, and furthering reform and innovation. We will enhance refined management, elevate corporate governance quality, and foster deeper collaboration with domestic and international partners. Additionally, we will actively fulfill social responsibilities and promote sustainable development across the Company, society, and the economy through our high-quality ESG management practices.

Amidst challenges, we remain unwavering in our dedication to our founding ideals and forge ahead to script a new narrative. We will march towards our ESG strategic vision of "Begin with Phosphorus, Reach for Prosperity", endeavoring to emerge as a world-class, green, efficient, and sustainable phosphorus chemical enterprise.

GRI Standards Index

Instructions for use	Yunnan Yuntianhua Co., Ltd reported the information cited in this GRI Index with reference to the GRI Standards from 1 January 2023 to 31 December 2023.		
GRI 1 used	GRI 1: Foundation 2021		
Disclosure issue/item	Disclosure title	Sections	Pages
GRI 2: General Disclosure 2021			
The organisation and its reporting practices			
2-1	Organisational details	About Us	P5
2-2	Entities included in the organisation's sustainability reporting	About This Report	P1
2-3	Reporting period, frequency and contact point	About This Report	P1
2-4	Restatements of information	About This Report	P1
Activities and workers			
2-6	Activities, value chain and other business relationships	Stakeholder Engagement	P11-14
2-7	Employees	Protection of Employee Rights and Interests	P82
2-8	Workers who are not employees	Supply Chain Management	P52
Governance			
2-9	Governance structure and composition	Corporate Governance	P18-21
2-10	Nomination and selection of the highest governance body	Corporate Governance	P18-21
2-11	Chair of the highest governance body	Corporate Governance	P18-21
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance	P18-21
2-13	Delegation of responsibility for managing impacts	Corporate Governance	P18-21
2-14	Role of the highest governance body in sustainability reporting	Corporate Governance	P18-21
2-15	Conflicts of interest	Corporate Governance	P18-21
2-16	Communication of critical concerns	Corporate Governance	P18-21

2-17	Collective knowledge of the highest governance body	Corporate Governance	P18-21
2-18	Remuneration policies	Employee Benefits	P81-92
2-19	Process to determine remuneration	Employee Benefits	P81-92
Strategy, policies, and practices			
2-22	Statement on sustainable development strategy	Sustainable Development Management	P9-10
2-23	Policy commitments	Sustainable Development Management	P9-10
2-24	Embedding policy commitments	Sustainable Development Management	P9-10
2-25	Processes to remediate negative impacts	Stakeholder Engagement	P11-14
2-26	Mechanisms for seeking advice and raising concerns	Stakeholder Engagement	P11-14
2-27	Compliance with laws and regulations	Corporate Governance	P18-21
2-28	Membership associations	Product Quality	P29-33
Stakeholder engagement			
2-29	Approach to stakeholder engagement	Stakeholder Engagement	P11-14
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	Stakeholder Engagement	P11-14
3-2	List of material topics	Stakeholder Engagement	P11-14
3-3	Management of material topics	Stakeholder Engagement	P11-14
Economic			
GRI 201: Economic Performance			
201-2	Financial implications and other risks and opportunities due to climate change	Addressing Climate Change	P57-65
201-3	Defined benefit plan obligations and other retirement plans	Employee Management	P81-92
GRI 205: Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption and Integrity	P23-25
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption and Integrity	P23-25
GRI 206: Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Anti-corruption and Integrity	P23-25

Environmental			
GRI 302: Energy			
302-1	Energy consumption within the organization	Green Operation	P66-69
302-3	Energy intensity	Green Operation	P66-69
302-4	Reduction of energy consumption	Green Operation	P66-69
302-5	Reduction in energy requirements of products and services	Green Operation	P66-69
GRI 303: Water and Effluents			
303-1	Interactions with water as a shared resource	Green Operation	P66-69
303-2	Management of water discharge-related impacts	Green Operation	P66-69
303-3	Water withdrawal	Green Operation	P66-69
303-4	Water discharge	Green Operation	P66-69
303-5	Water consumption	Green Operation	P66-69
GRI 304: Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Ecological Conservation	P70-78
304-2	Significant impacts of activities, products, and services on biodiversity	Ecological Conservation	P70-78
304-3	Habitats protected or restored	Ecological Conservation	P70-78
GRI 305: Emissions			
305-4	GHG emissions intensity	Addressing Climate Change	P57-65
305-5	Reduction of GHG emissions	Addressing Climate Change	P57-65
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Addressing Climate Change	P57-65
GRI 306: Waste			
306-1	Waste generation and significant waste-related impacts	Ecological Conservation	P70-78
306-2	Management of significant waste-related impacts	Ecological Conservation	P70-78
306-3	Waste generated	Ecological Conservation	P70-78
306-4	Waste diverted from disposal	Ecological Conservation	P70-78
306-5	Waste directed to disposal	Ecological Conservation	P70-78
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental evaluation criteria	Supply Chain Management	P51-54
308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Management	P51-54

Social			
GRI 401: Employment			
401-1	New employee hires and employee turnover	Employee Benefits	P81-92
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Benefits	P81-92
401-3	Parental leave	Employee Benefits	P81-92
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	Employee Benefits	P81-90
403-2	Hazard identification, risk assessment, and incident investigation	Work safety, Employee Benefits	P38-46, P81-90
403-3	Occupational health services	Employee Benefits	P81-90
403-4	Worker participation, consultation, and communication on occupational health and safety	Employee Benefits	P81-90
403-5	Worker training on occupational health and safety	Work safety, Employee Benefits	P38-46, P81-90
403-6	Promotion of worker health	Work safety, Employee Benefits	P38-46, P81-90
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Work safety, Employee Benefits	P38-46, P81-90
403-8	Workers covered by an occupational health and safety management system	Employee Benefits	P81-90
403-9	Work-related injuries	Employee Benefits	P81-90
403-10	Work-related ill health	Work safety, Employee Benefits	P38-46, P81-90
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Employee Benefits	P81-90
404-2	Programmes for upgrading employee skills and transition assistance programs	Employee Benefits	P81-90
404-3	Percentage of employees receiving regular performance and career development reviews	Employee Benefits	P81-90
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Employee Benefits	P81-90
GRI 406: Non-Discrimination			
406-1	Incidents of discrimination and corrective actions taken	Employee Benefits	P81-90
GRI 413: Local communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	Social Responsibility	P92-94
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Service	P47-51

Reader Feedback

Dear readers,

Thank you very much for reading the Company's *2023 Environmental, Social and Governance Report*. We highly value your comments on the report. In order to promote our endeavor in environmental, social, and governance work, you are thankfully asked to provide your comments and suggestions on this report for further improvement.

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1. What is your capacity to the company?

- Government
 Employee
 Partner
 Public
 Media
 Environmental Protection Agency
 Others (Please specify)_____

2. What is your overall evaluation of this report?

- Excellent
 Good
 Normal
 Poor

3. What do you think of the structure and presentation of this report:

- Very reasonable
 Reasonable
 Normal
 Poor

4. What do you think is the quality of the information disclosed in this report:

- Excellent
 Good
 Normal
 Poor

5. Other suggestions or opinions on the Company's *2023 Environmental, Social, and Governance Report*.



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