



C&S

**2022**

Environmental,  
Social and Governance  
(ESG) Report

# Foreword

A journey of a thousand miles begins with a single step.

So it is with life and business.

With steely determination and clear goals,  
people's living standards have improved.

We always provide high-quality products and more considerate services  
in accordance with our philosophy of "building product, enterprise and professional brands."

Concentration, technique and excellence  
are the value we've endeavored to attain.

In the pursuit of quality,  
we make technology-driven innovations.

We win the market with quality and thus promote the development of our brand,  
which is unanimously praised by our partners.

The blueprint of our dream  
includes each of our partners.

The good is like water,  
both soft and hard.

C&S,

in its ultimate pursuit of refinement,  
consistently maintains quality and innovation  
to build a century-old enterprise, create a tasteful lifestyle  
and keep moving forward.

We welcome, respect and employ talented people.

We embrace the world and connect various fields to create a sharing, win-win situation,  
and we strive to maximize the collective value of talents and users.

We look forward to working with you  
as we create a cleaner, more comfortable world.

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● C&S Paper Co., Ltd. (hereinafter "C&S" or "the Company") strives for the vision of "high-quality life, tasteful C&S" in order to provide more soothing, higher-quality products for consumers. It is committed to building a harmonious enterprise, developing a sustainable business model and creating a career-development platform with which employees can help ensure growth for themselves and the Company. It provides high-quality products and services to meet customer needs. C&S assumes its social responsibility while pursuing development to benefit the Company, employees, partners, consumers and society. In all, we strive to convey a positive corporate image.

● The Company hereby prepared the 2022 Environmental, Social and Governance Report ("ESG Report"), describing its concept and practice of sustainable development and the fulfillment of social responsibility in terms of community well-being, corporate governance, investor relations and the environment.

● This report was published electronically together with the 2022 Annual Report of C&S Paper Co., Ltd. The digital version can be found on [www.cninfo.com.cn](http://www.cninfo.com.cn), an information-disclosure website specified by the Shenzhen Stock Exchange (SZSE).



**Chapter I**

**C&S' Targeted,  
People-Centered  
Action Principle**



# Company profile

C&S Paper Co., Ltd. (hereinafter “C&S” or “the Company”) was established on May 28, 1999, and officially listed on SZSE’s SME Board (stock code 002511) on November 25, 2010. As the first A-share listed tissue-paper enterprise in China, it has a net asset exceeding RMB 5.1 billion, over 6,000 employees and annual sales revenue in 2022 of nearly RMB 9 billion. Thus, it has been accorded the honorary titles “Outstanding Private Science and Technology Enterprise in China,” “Top 100 Private Enterprises in Guangdong Province,” etc.

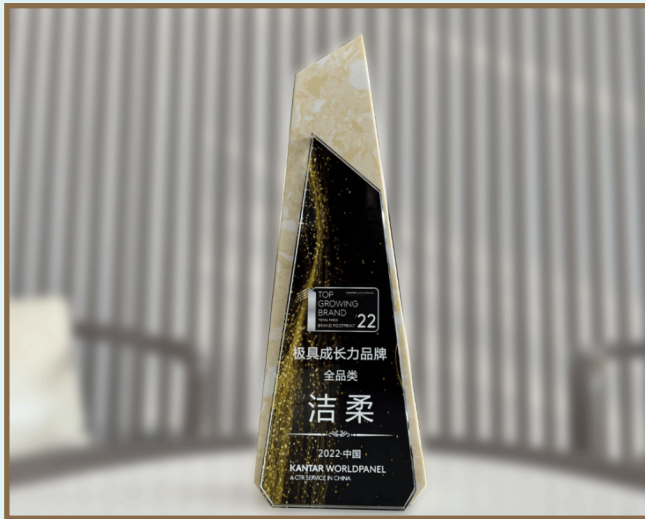


The Company, with an adherence to the business philosophy of "building product, enterprise and professional brands," practices the "All We Care Is You" value proposition and continues to provide consumers with healthy, safe, environmental-friendly, comfortable and convenient products and services. Currently the Company features three major brands, namely C&S, Sun and Dolemi. Main products include toilet tissues, facial tissues, pocket tissues, wipes, kitchen towel, personal care products, cotton tissues, etc.

Currently, the Company has established green production bases in Jiangmen of Guangdong Province, Yunfu of Guangdong Province, Chengdu of Sichuan Province, Jiaxing of Zhejiang Province, Xiaogan of Hubei Province, Tangshan of Hebei Province and Dazhou of Sichuan Province (under construction, not yet put into production). The products are sold throughout the eleven major territories of China (South China, Yunnan-Guizhou-Guangxi region, Shandong-Henan-Anhui region, Southwest China, Northwest China, East China, Central China, Northeast China, Southeast China and the Hong Kong-Macao region) as well as to overseas markets such as Southeast Asia, Northeast Asia, Oceania and North America.



# Honors and Awards



① Top 10 brands with strong growth potential in China's FMCG market in 2021



② Top 10 brands with rapid growth in China's FMCG market in 2021



③ "Golden Chrysanthemum" Charity Donation Medal for Companies (Organizations)



④ 2022 China Household Paper Industry Craftsman Products

## Corporate culture

In its more than 40 years of history, C&S always adheres to the business philosophy of “building product, enterprise and professional brands” and practices the “All We Care consumers with healthy, safe, environmental-friendly, comfortable and convenient products and services.



⑤ 10th Tiger Roar Award: Corporate Image and Event Promotion - Gold Award



⑥ National Quality and Integrity Benchmarking Enterprise



⑦ 2022 Top 500 Charity and Public Welfare Enterprises in China



⑧ “Support Arts Education and Help Young Learners”: Charitable Model





# C&S' major events in 2022

## 1 Providing aid to the frontline

In 2022, C&S actively fulfilled its social responsibilities as a corporate citizen. During the course of the year, C&S had donated anti-pandemic materials up to a value of over RMB 8 million to support the frontline staff and those in pandemic-stricken areas.



## 2 Phase III unlocking/exercise of the 2018 Stock Incentive Plan

The Company, in 2022, successfully completed Phase III unlocking/exercise of the stock options awarded in the first grant and reserved shares under the 2018 Stock Option and Restricted Stock Incentive Plan. This could enable incentive recipients to share the fruits of corporate development.

|             | Restricted Shares       |  |                                    | Stock Options               |                              |                            |
|-------------|-------------------------|--|------------------------------------|-----------------------------|------------------------------|----------------------------|
|             | Award price (RMB/share) | Number of employees subject to unlocking | Number of actually unlocked shares | Exercise price (RMB/option) | Number of entitled employees | Number of entitled options |
| First grant | 4.33                    | 463                                      | 5,947,912                          | 8.372                       | 2,000                        | 3,314,312                  |
| Reserved    | 7.02                    | 29                                       | 781,744                            | 13.765                      | 55                           | 569,340                    |

### 3 Launching the campus communication project and practicing the youth-oriented brand strategy

In 2022, the company engaged in in-depth interactions with students from over 1,800 colleges and universities across the country through its partnership with the Academy Award of the Advertising Arts Festival of the Chinese College Students. Working with Xinhuanet and Zhaopin.com, the company supported the C&S Livestreaming Youth Forum for insightful discussions on “the most challenging graduation season in history”. Special IP products were launched under the brand C&S, targeting students and their unique needs.





#### 4 C&S Wipes embracing a new journey

In line with the company's youth-oriented strategy, C&S Wipes has undergone a complete brand repositioning and identified chic office ladies as its targeted customer group. Backed by high-quality products with aesthetic taste and pleasant user experience, the brand has embraced rebirth after successful promotional activities. Over 100 million views and nearly 50 million comments speak for the increased popularity of the brand and its new products.





## Chapter II

# Standard Governance and Promotion of New RMB 10 Billion Industrial Platform

The Company strictly abides by the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Code of Corporate Governance for Listed Companies, Guidelines for Standardized Operation of Companies Listed on Shenzhen Stock Exchange as well as other laws, regulations and normative requirements. Moreover, the Company has established a mechanism of corporate governance in combination with its actual conditions. The Company, in 2022, strictly complied with and enforced various basic management systems and further improved corporate governance. Despite the fact that it had already done a good job in terms of information disclosure, the Company also strengthened investor relationship management, elevated its acumen with respect to operation and management, and tapped innovative businesses so as to maximize returns for shareholders.

## Three bodies' rational, standardized operations to promote development



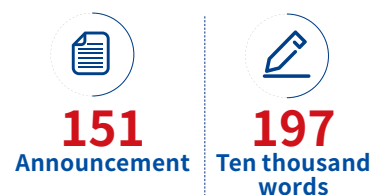
The Company continued to optimize its corporate governance structure that consists of the general shareholders' meeting, the board of directors, the board of supervisors and the management. As such, the hierarchical decision-making mechanism of the "three bodies and one management" was specified. Each level performs its own duties within respective scope of responsibilities and authority, thereby forming a scientific and effective mechanism featuring division of labor and checks and balances.

The Board of Directors consists of nine members, including three independent directors. The Board of Supervisors is comprised of three members, including an employee representative supervisor. Meanwhile, chairmen of the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee are all assumed by independent directors. The Company, in 2022, organized and convened the general shareholders' meetings as well as meetings of the Board of Directors, the Board of Supervisors and various committees in accordance with related rules in order to ensure that all the decisions are legal, compliant, authentic and effective. These meetings include five general shareholders' meetings, six meetings of the Board of Directors, six meetings of the Board of Supervisors, five meetings of the Audit Committee, a meeting of the Nomination Committee, four meetings of the Remuneration and Assessment Committee and a meeting of the Strategy Committee.



## Strict information-disclosure review for fair-and-accurate information transmission

The Company fulfills its information disclosure obligations in strict accordance with the Rules Governing the Listing of Shares on Shenzhen Stock Exchange and other relevant requirements and strives to ensure the accuracy and completeness of disclosed contents and announcements without any material omissions. This has avoided information asymmetry and guaranteed that all stakeholders, including shareholders and investors, can learn about important company information in a fair, timely manner. The Company, in 2022, has made constant efforts to improve information disclosure quality. During the course of the year, a total of 151 announcements with a word count of 1.97 million have been disclosed. Meanwhile, no correction has been made to announcements for five consecutive years.





## Fulfillment of the independent director's responsibilities and supervision of the Company's business standards

The independent directors, in 2022, participated in corporate governance as well as the work of the Board of Directors and special committees. Thus, they deliberated the Company's major events and provided opinions on related party



transactions, guarantees, investment in and implementation of major events, etc. Due to the pandemic, the Company didn't arrange for the independent directors to personally inspect each production base and sales territory at the end of the year. However, the independent directors did endeavor to learn about the Company's production and sales, listen to each production base's resumption plan, supply-chain allocation and other information and offer advice concerning the Company's business operations by means of video conferencing, WeChat, telephone, etc.

## Strictly standardized system links from R&D to quality control for maximum product quality

The Company, by adhering to the brand concept of "All We Care Is You," aims to provide consumers with products of higher quality and more comfortable experience. At every link--from R&D, procurement, production and quality control to sale and delivery--the Company follows strict standards as it pursues innovation, stays on the path from a good company to a great company, and meets its responsibilities as a provider of quality products.

### 1 Product research and development

The company insists on a customer-centric and market-driven approach and studies carefully both the actual and potential needs of customers. It has introduced new processes, new technologies, and new formulas to develop new and upgrade existing tissues, toilet rolls, facial tissues, kitchen rolls, paper towels, wipes, and cotton tissues, etc. Always an industrial leader with high-quality products, the company is able to satisfy the diverse needs of different customer groups.

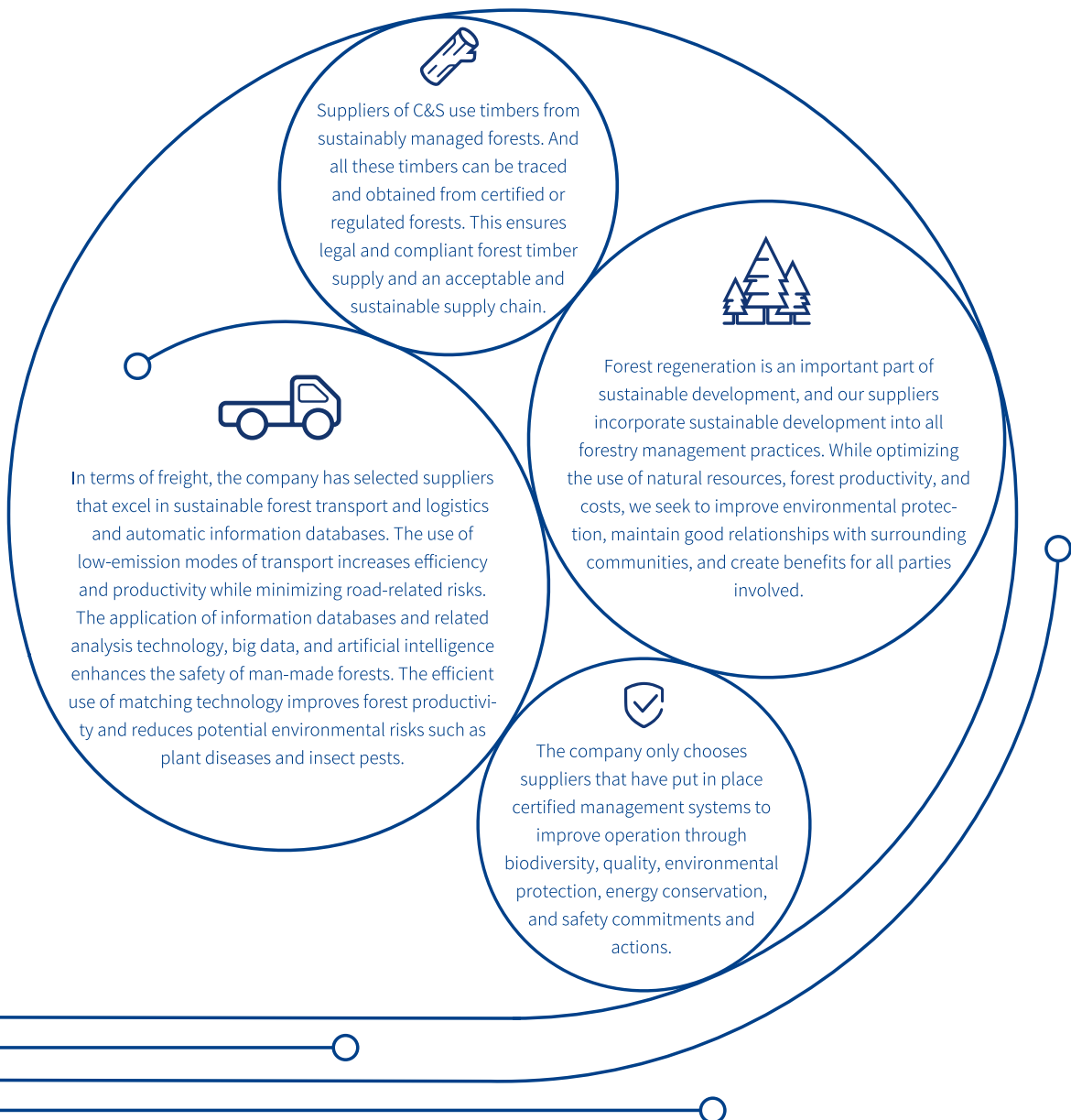


## 2 Supply chain

### Supplier management

C&S has cooperated closely with suppliers, based on mutual benefit and win-win harmony. In the Company's constant efforts made for customers, suppliers play a very important role in providing high-quality raw materials for us to produce products in line with customer expectations. After joint efforts, both sides have established trust relationships with each other so that customer needs are taken into account seriously.

With pulp being its most important raw material, C&S only chooses suppliers that protect biodiversity, sustainability, renewability, and traceability.



### Supply-chain management

The Company has established an end-to-end supply chain system. A production, supply and marketing platform has been built to interconnect the sales estimation system, production scheduling plan, packaging material procurement plan, and associated purchase-sale-inventory documents in the EAS system, thus realizing quick, efficient collaboration.

2022 saw the creation of a digital, automated, and efficient supply chain that readily met the company's business development needs. Supporting efforts included developing and optimizing new production, supply, and marketing systems, building and upgrading stereoscopic warehouses in factories, optimizing the production, supply, and marketing strategy, and selecting better logistics service providers.

#### Developing and optimizing production, supply, and marketing systems

In 2022, the company optimized its production, supply and marketing system and order sharing system, which allowed digitalized management analysis and contributed to more accurate sales, production, purchase, and inventory planning and improved production, supply and marketing performance.

01

#### Building and upgrading stereoscopic warehouses in factories

In 2022, the company built a new automatic stereoscopic warehouse in the Tangshan factory and upgraded operation facilities in automatic stereoscopic warehouses in Yunfu, Hubei, and Sichuan. These efforts effectively improved the delivery efficiency and shipment capacity of the company's warehouses and met the needs for business growth.

02

#### Development of B2C e-commerce platforms

In addition to TikTok, the company distributed its products through multiple e-commerce platforms such as Kuaishou, Weimob, Tmall, JD.com, Pinduoduo, Vipshop in 2022. With a separate e-commerce delivery warehouse set up in six factories around the nation, the company has further optimized its B2C system along the supply chain and its shipment volume increased by 140% compared with that in 2021. The development in this area not only saves operating costs for the company but also drives sales on e-commerce platforms and contributes to the maturity of the self-operated business pattern.

04

#### Improving logistics service capacity

In 2022, the company introduced public bidding as a way to select first-class logistics service providers for its supply chain, cut logistics costs, and expand delivery capacity. Although the outbreak of epidemic across the country created freight challenges and disrupted delivery on several occasions, our logistics service providers tried their best to overcome difficulties and ensure the timely delivery of goods to the market.

03

### 3 Optimization of production management and enhancement of product quality

#### Exerting all efforts for best performance

In 2022, the Production Department of the company stressed basic processes and launched six major lean projects and the TPM project to engage all employees in production management. In the meantime, the bottom-up management philosophy and the flat corporate structure ensured procession management and simplified processes. These measures effectively improved paper production efficiency, though paper processing efficiency declined slightly due to the expansion project in Tangshan.

#### Equipment improvement and innovation

The Company always encourages innovation and transformation. The innovation system has continuously inspired employees. In 2022, there were more than 220 technical improvements and innovations in total. The following table shows representative innovations in various production bases:

| NO | Project  | Before improvement  | After improvement  |
|----|--|---|--|
| 1  | 2850 rewinder bottoming improvement in Jiangmen Base   | Maximum speed: 200 meters per minute; unstable bottoming performance  | Maximum speed: over 300 meters per minute; effectively improving production efficiency of high-weight products.  |
| 2  | Facial tissue fragrance enhancers in Hubei Base  | 1. Impurities in spray heads caused clogging and uneven fragrance spraying<br>2. Different air pressures in the spray head of different machines led to spray leakage and risk of customer  | 1. Audi fuel injectors used as spray heads to ensure stable air pressure and even spraying.<br>2. Solid-state relay control program modified to ensure responsive spraying.  |
| 3  | Power consumption reduction project in the pre-supply process in Hubei Base                    | Since the second phase was launched in Hubei, refrigeration equipment failures of different degrees kept occurring, which seriously affected the stable operation of the production equipment.  | The replacement of power frequency control of the contactor with frequency conversion control and the setting up of the Closed Loop Controller (PID) ensure more accurate temperature control and more safeguards for the stable operation of paper machines.  |
| 4  | Paper machine waterjet cutter in Hubei Base  | High failure rate, high hardware maintenance costs, and serious waste of bottoming for each axis.   | 1. Reduced paper machine failure rate and improved paper machine production efficiency.<br>2. No hardware costs.<br>3. Waste paper recycled and manufacturing costs reduced.   |
| 5  | Technological upgrading of online monitoring equipment in the pre-supply process in Hubei Base | 1. Inspection tours took a lot of manpower. Multiple staff members were involved in one tour to inspect a machine and record equipment temperature and vibration.<br>2. There were long intervals between inspections. Inspection tours were conducted on a weekly basis to record equipment vibration and temperature, resulting in long intervals in between and the lack of accurate and real-time knowledge of equipment operation. The difficulty in detecting potential equipment failures beforehand created more risks.<br>3. Manual inspection was susceptible to human errors caused by different choices of inspection spots or methods and the accuracy of data collected was compromised. When inspections were conducted manually, staff members might choose different spots or methods for inspection, making it difficult to collect authentic data. | 1. Real-time monitoring of equipment temperature and vibration:<br>Real-time monitoring of equipment operation through on-site screens, or any mobile phones or computers.<br>2. Automatic alarm in case of possible failures<br>A standard value can be set on the screen. If the corresponding monitoring value on the screen exceeds the standard value, the screen will turn red and a short message will be sent to relevant personnel for immediate inspection and follow-up. In this way, potential failures are promptly addressed beforehand. |

## Standard Governance and Promotion of New RMB 10 Billion Industrial Platform

| NO | Project   | Before improvement   | After improvement   |
|----|---|--|---|
| 6  | Addressing missing facial tissue sheets and follow-up maintenance in Hubei Base   | Folded paper became fluffy inside storage racks because of air pressure. This caused many problems such as paper falling in racks, unstable cutting, and frequent alarms of underweighted small packages, etc. This not only affected the output, but also created hidden quality risks.                                 | The phenomenon of missing facial tissue sheets has been effectively addressed and no more complaints have been received about underweighted packages. There is no more dust adhesion caused by missing sheets and the output per shift has increased, ensuring the continuity of production and increasing qualification rate and production efficiency.  |
| 7  | Speed increase of paper machines in Sichuan Base  | Low speed negatively impacted production capacity.   | The speed of the machine is increases, raising production capacity by 10-20% per shift.   |
| 8  | Large rotary cutter innovation on facial tissue production lines in Sichuan Base  | Frequent material blockages, possibly leading to paper surface shredding.  | 1. Possibility of shredding completely eliminated;<br>2. No paper surface scratches because of material blockage;<br>3. Reduced workload of manual screening and improved quality and safety.   |
| 9  | Technological advancement for better communication on additives at the dry end of paper machines in Tangshan Base       | 1. Adjustment of additives especially flow parameters of different chemicals at the dry end of paper machines faced challenges such as long distance, low efficiency, and labor-intensiveness;<br>2. Difficulty in monitoring real-time operation of additives and in promptly identifying and addressing abnormalities. | 1. Remote setting of system parameters for additives at the dry end improves work efficiency by 80%;<br>2. Real-time monitoring of the operation of additives (liquid level of tanks, flow in secondary pipes, pressure and flow in the master pipe), coupled with the early identification and removal of system abnormalities by the supporting operator, reduces the probability of paper defects;<br>3. No costs of digging trenches in the ground to lay cables;<br>4. Reduced service fees for engaging engineers from manufacturers as control logic programming and overarching design are completed independently. |
| 10 | Second-phase technological advancement of facial tissue trimming pipelines in Tangshan Base                             | High power consumption and difficulty in cleaning.   | 1. Reduced use of trimming fans;<br>2. Reduced labor intensity of manual trimming;<br>3. Reduced spending on electricity.   |
| 11 | Real-time cable monitoring and control improvement in Yunfu Base  | Absence of real-time cable monitoring and control  | Real-time monitoring of temperature changes in cables to prevent fire and other safety hazards in advance.  |
| 12 | Technological adjustment of felt high-pressure pipes in Yunfu Base  | The small high-pressure pump without shaft had a short service life.   | The removal of the high-pressure pump spares employees the trouble of having to use a cutter to peel paper and damage the shaft when the high-pressure pump stops functioning.  |
| 13 | Technological advancement of negative pressure ventilation blowers in Songchuan medium packing machines in Sichuan Base | The 3KW-negative pressure ventilation blowers had similar functions as the 4KW ones but consumed more energy.  | The replacement of 3KW- negative pressure ventilation blowers with 4KW ones meets the requirements of normal production and achieves good results in saving energy and reducing consumption.  |
| 14 | Technological transformation of Xinyue Model in Yunfu Base  | Paper machine speed, output, steam consumption, electricity consumption, and PEO consumption could be optimized.   | Improved speed and output of paper machines and reduced steam and power consumption. No PEO consumption.  |
| 15 | Technological transformation of papermaking maglev vacuum pumps around China  | The average operating power of the 11 vacuum pumps across the country was over 200 kw before the transformatio   | After the transformation, the average operating power drops to over 100 kw, saving about 45% of electricity consumption. All vacuum pumps combined, more than six million kilowatt-hours of electricity will be saved every year, marking a great contribution to carbon emissions reduction.   |
| 16 | Technological transformation of servomotors around China to cut electricity consumption                                 | Pressure screens and pulpers around China used ordinary motors, leaving room for saving electricity consumption.   | On average, 29.5% of electricity is saved after nationwide technological transformation. Over three million kilowatt-hours of electricity will be saved every year, marking a great contribution to carbon emissions reduction.   |



#### 4 Building channels in a deep and meticulous manner to promote new goal of RMB 10 Billion

The year 2022 was one in which the Company worked to strengthen its channels. The five channels, namely GT (General Trade), EC (E-Commerce), KA (Key Account), AFH (Away from Home) and RC (Retail Consumer), guide consumers with more accurate and targeted services, with tangible results. Its current marketing network covers most of the prefectural and county-level cities. Products are directly sold to counties and then distributed to towns. This helps achieve segmented, flat market operation and effectively expands the dealer network.

Additionally, while ensuring the smooth operation of other channels, the Company has established a professional e-commerce operation team, devoted more resources to e-commerce platforms, built and improved the corresponding supply chain system, and intensified its routine operation management. Currently, the Company has reached cooperation with renowned platforms such as Tmall, JD, Pinduoduo, Taobao, Vipshop, Suning, Kuaishou, TikTok, Yunji and NetEase. Efforts have been stepped up in the layout of emerging business models such as new retail, O2O, livestream shopping and community group buying. Moreover, it has developed an AFH service team for AFH channels and customer bases to match the growing AFH market. Several marketing activities were conducted in 2022, including new product launch, live stream from the President of the Company and joint brand promotion activities.

Thanks to a robust sales network plus quality and diversified products, the Company is able to constantly consolidate its market basis, improve consumer experience, and enhance brand reputation, which can help achieve sustainable and stable growth in the future.



### 5 Quality management and customer service

The fast-growing economy and the rapidly expanding consumer demand highlight to the company the importance of improving product quality. Guided by the philosophy of “ensuring high quality through technological innovation and winning customer satisfaction through reliable services”, the company has always put quality first. Quality orientation is shown in the attitude of every employee as well as their detail-minded actions. A sound and strict management system, together with operating specifications, is in place to cover the whole business process, from raw material procurement and process quality control to finished product inspection, product delivery, and after-sales service. Vigilant control and strict oversight ensure high-quality products and services for consumers. The company has developed strategic partnerships with the National Standardization Technical Committee of the Paper Industry, the National Paper Quality Inspection and Testing Centre, and Sinolight Paper Inspection and Certification Co., Ltd. in its efforts to contribute to the national big data strategy, especially by releasing the potential of data in the paper industry. Drawing on their combined strength in such areas as standardization, testing, calibration, research, and data resources, the company has gained access to the Industrial Service Data Platform on Paper and Paper Product Quality Standards, which ensures its provision of high-quality data services on product quality standards in a comprehensive manner.

C&S strives to build constant temperature and humidity laboratories in its regional factories, laying a solid foundation for product testing. All products are subject to internal testing and control standards that meet or exceed national standards before leaving the factory. This ensures that all national and industrial requirements are promptly met.

Certifications: C&S and six of its subordinate production companies have passed certifications of the ISO 9001 quality management system, the ISO 14001 environmental management system, and the ISO 45001 occupational health and safety management system. Moreover, C&S, together with six of its subordinate production companies and nine of its trading companies, has passed the FSC®COC (FSC® Chain of Custody) certification. The Face and Cotton Tissue series have obtained biodegradable product certification.

The Company always puts consumer first and values user experience. The Quality Management Department of the Company was organized in order to hold the Quality Evaluation Conference at regular intervals, evaluate products from six major production bases in aspects from physical and chemical indicators to actual touch feeling, and identify areas requiring improvement. Additionally, the Company has been improving and perfecting customer complaint channels. The Company receives complaints and suggestions from customers through multiple channels, strives to understand customers’ advice on product defects and improvements, and gives timely feedback to the R&D and Production departments to continuously improve product properties and meet consumers’ usage requirements.





## Chapter III

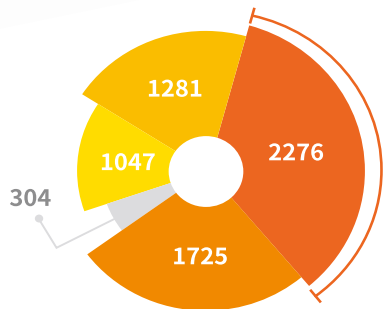
# People-Oriented Principle to Facilitate Employee Value Achievement

The Company attaches great importance to the cultivation of employees and always puts talent at the focal point of corporate development. As such, it constantly establishes and improves the talent management and development system and offers fair development channels and diverse education and training opportunities for employees. Moreover, the Company strives to understand employee demands through various ways and pays attention to their lives to make them feel the warmth and care of the Company.

# Staffing structure

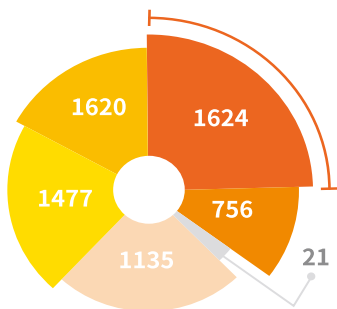
C&S gives equal opportunity, fair treatment and complete welfare to all employees. Additionally, it hires the disabled and provides job opportunities for more disabled people.

► **By age**



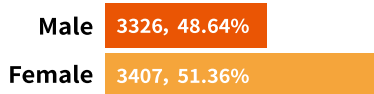
|       |                   |
|-------|-------------------|
| 18-25 | Proportion 4.58%  |
| 25-35 | Proportion 34.31% |
| 35-40 | Proportion 26.01% |
| 40-45 | Proportion 19.31% |
| 45以上  | Proportion 15.78% |

► **By educational background**



|                            |                   |
|----------------------------|-------------------|
| Middle school and below    | Proportion 24.48% |
| Bachelor degree            | Proportion 11.40% |
| College degree             | Proportion 24.42% |
| High school                | Proportion 22.27% |
| Postgraduate               | Proportion 0.32%  |
| Technical secondary school | Proportion 17.11% |

► **By gender**



► **Whether there are disabled employees**

C&S hires 25 disabled employees.

# | Remuneration and benefits

The Company hires employees in accordance with the requirements of national labor laws and regulations, signs a written labor contract with each employee on the basis of equality, voluntariness and consultation, and provides competitive total compensation and statutory benefits for each employee in line with laws. To advocate a humanized working atmosphere, the Company prepares different gifts for employees in every important festival or holiday. Additionally, the Company also follows important anniversaries of employees, such as holding birth parties for employees or sending our best regards and gifts when they get married or have babies. The various events help the employees and their family members feel the warmth of our big family, and a relaxed work environment encourages them to improve their life balance while promoting the stability of employee teams so as to ensure the healthy development for the Company and its people.

## 1 Creating a warm working environment

On the basis of understanding the needs of employees, the Company strives to improve the lives of employees, create a sound working environment and stimulate their enthusiasm in work, thereby achieving healthy and stable development.





## People-Oriented Principle to Facilitate Employee Value Achievement

### 2 Organizing rich cultural and sports activities

The Company organizes a variety of events, competitions and team building activities to enhance the team spirit and sense of belonging of employees and create a workplace atmosphere of happy work and happy life.



# Employee training

The Company continued to improve its training system in 2021. The Learning and Talent Development Center has established a comprehensive internal talent pool for all levels, formulated an efficient talent-echelon training mechanism and dramatically transformed learning outcomes. All these have helped to build a future- and learning-oriented team and activate the new engine of corporate development.

Moreover, the Company offers training programs of various varieties and forms that cover all sequences and positions so as to facilitate the growth and development of employees. The Company also improves the comprehensive competence and quality of employees from the aspects of macroeconomics, national policy, corporate strategy, standardized governance, financial management and HR management. Additionally, systematic and professional training is offered to new employees to facilitate their smooth integration into the Company.

The Company has established production-safety and management systems, through which it has conducted investigation and treatment in regard to hazards. It has improved the occupational health and safety education and training of employees, and obtained certification under the QHSAS 18001 occupational health and safety management system. The Company has regularly organized the safety production meetings, conducted emergency drills, fire-safety training and other activities, and purchased various labor protection articles for employees in a timely manner, thus ensuring their safety during production and related work.





People-Oriented Principle to Facilitate Employee Value Achievement





## Chapter IV

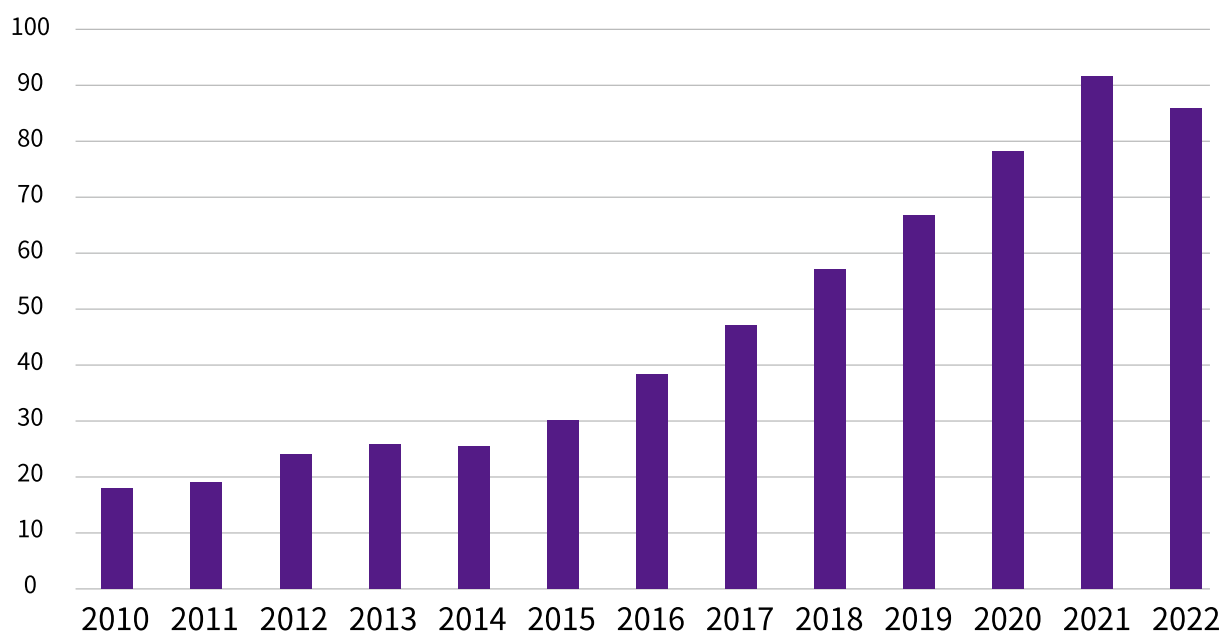
# Ensuring Openness and Transparency to Protect Investors' Rights and Interests

Better communication with investors and assurance of investor rights and interests are more conducive to the openness, transparency and long-term development of enterprises. Better listening to investor suggestions is beneficial to investor supervision of enterprises.

## | The Company featuring favorable development

The Company has introduced outstanding talents from R&D, production, sales, quality management, among other systems since 2014, thereby establishing a first-rate management team. The introduction of the new management team has led to the comprehensive reform of various aspects of the Company including the management structure, marketing channel and incentive mechanism, and further improved operation of the Company. After several years of effort, the Company has seen significant improvement in its channel, product and brand strengths.

Operating Income Year on Year (RMB 100 billion)





## Prioritizing dividends to repay investors

To ensure investors can share the fruits of corporate development, C&S, while ensuring its growth and development, attaches great importance to shareholder returns and repay shareholders with practical actions. The Company has maintained a consistent profit distribution policy since it was listed on the stock exchange, and consequently it prioritized a reasonable return on investment while giving consideration to the Company's sustainable development. To ensure the continuity and stability of the profit distribution policy and protect the investors' interests, the Company re-examines the shareholder return program every three years.

Its profit distribution proposal in 2022: Distribute a cash dividend of RMB0.62 (tax inclusive) for every 10 shares to all shareholders. No bonus shares will be issued, and no capital reserve will be converted into share capital.

| The Company's profit distribution plans over the years since listing<br>(including share repurchase amount) |                                      |   |
|---|--------------------------------------|---|
| Year  | Cash dividend amount (tax inclusive) | Ratio of cash dividend to net profit attributable to shareholders of the listed company in the consolidated statement (%) |
| 2021 年  | 789,859,682.88                       | 135.93  |
| 2020 年  | 156,832,468.76                       | 17.31   |
| 2019 年  | 98,024,652.98                        | 16.23   |
| 2018 年  | 124,358,696.49                       | 30.56   |
| 2017 年  | 75,746,454                           | 21.70   |
| 2016 年  | 50,525,800                           | 19.40   |
| 2015 年  | 25,183,850                           | 28.55   |
| 2014 年  | 4,056,000                            | 6.01  |
| 2012 年  | 31,200,000                           | 19.63   |
| 2011 年  | 32,000,000                           | 39.73   |

## Diversified communication mechanism to strengthen investor relations

The Company attaches great importance to the communication with the capital market and has gradually established a diversified mechanism for investor communication. The Company maintains close contact with investors through onsite, phone and online meetings as well as strategy meetings organized by major institutions so that investors can learn more about the Company. Additionally, it communicates with investors regularly via phone, e-mail, SZSE' s interaction platform, performance briefings, investor reception days, and other formats so as to facilitate their understanding of the Company, solidify mutual trust and convey its values to investors.

The Company, in 2022, answered 157 questions raised by investors on the interaction platform and received twelve surveys from domestic and foreign securities firms, funds and other institutional or individual investors. Moreover, it convened the annual report briefing meeting to answer questions from investors.



Reply to investors' questions

**157**



survey

**12**



To help investors more fully understand the Company's production, sales, products and brands, the Company started to build the Life Hall in 2020. The place provides detailed information on the Company's history, production technologies, application scenarios, products and operations, thus allowing investors to get a glimpse of the Company with the best sensory experience.

### Reception area

Here you can embark on the journey of exploration to understand the life philosophy of C&S and facilitate the harmonious coexistence of human and nature.



### We care

Since the Company's establishment, our efforts have been devoted to meeting every demand for tissue paper. Beginning with an understanding of C&S, we care about the value of commitment. Products rely on brands, and enterprises rely on brands. This is even truer for people.

## Ensuring Openness and Transparency to Protect Investors' Rights and Interests



### We care about your life

With easy access, we strive to satisfy every demand when you're at home.

In every scenario, we strive to meet every demand in your daily life.

### We care about your environment

Our attitude toward every product originates from the good intention for the harmonious coexistence of human and environment. Here you will find that we take the utmost care in every process from selection of raw materials to product use by consumers.





**We care about your experience**

From product quality to other aspects beyond that, we always take the utmost care to provide more diversified products, more human-based services and more considerate experience, with a view to making your life even better by virtue of continuous efforts and practices.





## Ensuring Openness and Transparency to Protect Investors' Rights and Interests



Since opening in 2022, C&S Life Hall has received 130 tours of more than 2,800 visitors, covering governmental agencies, investors, enterprises, schools and employees. It was certified as the onsite teaching base of the Sun Yat-Sen University Higher Center for Continuing Education.





## Chapter V

# Pursuit of Green Development and Fulfillment of Corporate Social Responsibilities

Adhering to a philosophy of green, low-carbon development, C&S strives to integrate environmental protection into corporate development.

Enterprise development is rooted in society, so giving back to society is a responsibility of the Company.

The Company attaches great importance to the demonstration of social values and regards the creation of prosperity for the society as a commitment of corporate social responsibility, with a view to influencing and driving the revitalization of local economy through its development.

# Strict supervision, minimum allowable emission, transparency and fairness

Under increasingly higher pressure related to environmental protection, the Company continues to improve pollution management facilities in production process and improve environmental quality. All production bases of the Company continue to increase capital and technological inputs and prevent environmental pollution, thereby achieving minimum allowable emission, reduced emission and green production.

## 1 Construction and operation of facilities for pollution control and prevention

### Duty toward compliance

The Company and its subsidiaries strictly abide by national and local environmental laws and regulations. All new projects strictly implement the environmental impact assessment system and “three simultaneous” system. All production activities strictly comply with the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Water Pollution, the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Action Plan for Prevention and Control of Water Pollution, and ensure that all pollutant treatment and discharge are in line with the requirements of laws and regulations.

### Configuration and operation of water treatment equipment and facilities

Each subsidiary has a complete array of environmental protection treatment equipment and facilities. The main sewage treatment processes are anaerobic, aerobic and subsequent deep treatment processes, which can achieve the discharge standards of various sewage indicators. Moreover, each subsidiary is equipped with a recycling water system in which the reclaimed water that meets the usage standard is used for re-production to reduce the discharge of sewage as far as possible. The sewage of Jiangmen, Zhejiang, Hubei and Tangshan companies is discharged after centralized treatment in the Company and treated by the local sewage treatment plants. After centralized treatment in the Company, the sewage of Sichuan Company enters water purification station through urban sewage pipeline. The sewage of Yunfu Company, after treated by the Company’s sewage-treatment station and reaching the standard, is discharged in an organized manner.

### Online monitoring and operation of water treatment facilities

Six subsidiaries or branches in Jiangmen, Sichuan, Zhejiang, Tangshan, Yunfu and Hubei have all installed on-line sewage monitoring facilities, which are directly supervised by local environmental protection bureau.

### Boiler waste gas emission

The Sichuan and Tangshan subsidiaries are equipped with natural-gas boilers. Hubei Company is equipped with a coal-fired boiler, and waste gas is emitted uniformly after desulfurization and denitrification. Boiler waste gas emission conforms to GB13271-2014 Emission Standard of Air Pollutants for Boiler.



## 2 Environmental impact assessment of construction projects and other administrative permits for environmental protection

| Administrative permits   | Construction projects  |
|--|--|
| <p style="text-align: center;">▼</p> <p>According to the Measures for the Administration of Pollutant Discharge Permit of the Ministry of Environmental Protection of the People’s Republic of China, the applications were submitted to the Environmental Protection Bureau. All the subsidiaries and branches completed the renewal and change of the pollutant discharge permit in June 2021.</p> | <p style="text-align: center;">▼</p> <p>The Company always implements control of construction projects strictly in line with environmental protection-related laws and regulations. All construction projects are subject to environmental impact assessment. During the construction process, the Company organizes the construction of environmentally friendly projects in line with construction schedule, ensuring the synchronous design, construction and operation of environmental protection facilities and subject projects. Currently, all construction projects put into production have completed environmental impact assessment, and reception and approval.</p> |

## 3 Environmental-event emergency response plan

| Preparation and reporting of emergency plan for sudden environmental events  | Emergency response supplies, training and drill   |
|--|---|
| <p style="text-align: center;">▼</p> <p>The Company strictly implements emergency response rules for sudden environmental events, and, in accordance with the technical requirements in the Technical Guidelines for Preparation of Emergency Plans for Environmental Pollution Accidents, employs a professional advisory and guidance organization to formulate the Emergency Plan for Sudden Environmental Events, which has been reviewed by and filed with the Environmental Protection Bureau.</p> | <p style="text-align: center;">▼</p> <p>The Company has matched the corresponding emergency response supplies according to the requirements of the Emergency Plan for Sudden Environmental Events. Emergency response measures for hazardous chemicals have been prepared according to environmental protection requirements, and necessary labor protection supplies and emergency response supplies have been provided in accordance with safety technical instructions, and checked and updated regularly. The Company regularly carries out emergency training and drill and suitability assessment of the emergency plan to ensure the effectiveness and enforceability of the emergency plan.</p> |

## 4 Environmental self-monitoring plan

The Company strictly abides by laws and regulations, carries out self-monitoring work in accordance with environmental protection requirements, establishes environmental management ledger and data, and constantly improves it.



### Sewage monitoring

Currently, self-monitoring is a combination of manual monitoring and automatic monitoring, and qualified units are entrusted to carry out monitoring regularly. Automatic monitoring items: main discharge outlet of wastewater (COD, ammonia nitrogen, flow rate, PH, total nitrogen); Manual monitoring items: BOD, SS and chroma indicators are monitored daily or weekly; for other sewage monitoring items, uncontrolled emissions, solid waste and factory boundary noise, each subsidiary entrusts qualified units to carry out monitoring work monthly or quarterly according to the local environmental protection requirements.

### Waste gas monitoring

The main testing items are nitrogen oxide, ringelman emittance, sulfur dioxide, soot, mercury and their compounds. The frequency of testing is in compliance with the requirements of regulations.

The self-monitoring data of pollutant discharge and environmental monitoring plans are disclosed on provincial disclosure websites for key pollution-source information while paper reports are submitted to the Environmental Protection Bureau for archival.

# Reducing production costs and achieving energy conservation and emission reduction

The Company has always adhered to the concept of green and low-carbon development and integrates environmental protection into corporate development. In the process of production, the Company continuously modifies equipment and innovates in technologies, with power and steam consumption per ton of paper decreasing year by year. This could maximize energy savings and emission reduction on the basis of reducing costs, thus achieving the win-win of socioeconomic benefits.

YoY reductions in standard coal converted from power/steam consumption per ton of paper 2017 - 2022

| Item   | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|------|------|------|------|------|
| Standard coal reduction converted from power consumption per ton of paper (kgce/t) | 6    | 4    | 7    | 9    | 3    | 2    |
| Standard coal reduction converted from steam consumption per ton of paper (kgce/t) | 20   | 11   | 20   | 16   | 7    | 0    |

# Trading of carbon-emissions rights

China's first emissions trading scheme (ETS) was launched in Shenzhen on June 18, 2013, and subsequently Beijing, Tianjin, Shanghai, Guangdong, Hubei, Chongqing, and other provinces and cities rolled out pilot projects for carbon-emission trading. Among the seven pilot regions, most of the provinces and cities issue quota to emission-control enterprises free of charge. As a result, the primary market for quota trading employs the method of administrative allocation. Wherein, Guangdong, Shenzhen and Hubei issue certain quotas to emission-control enterprises through bidding.

As of December 31, 2022, Jiangmen Production Base and Yunfu Production Base of Guangdong Province and Hubei Production Base had carbon-emission quotas. The provinces in which other subsidiaries are located haven't yet begun to issue carbon-emission quota and conduct accounting.

| Carbon Trading at the Jiangmen, Yunfu and Hubei Production Bases |          |       |       |       |       |       | Unit: 10,000t |
|--|----------|-------|-------|-------|-------|-------|---------------|
| Item   | Company  | 2021  | 2020  | 2019  | 2018  | 2017  | 2016          |
| Actual emission of Jiangmen Base                                 | Jiangmen | 13.99 | 13.97 | 13.60 | 15.30 | 16.28 | 15.10         |
| Emission quota of Jiangmen Base                                  | Jiangmen | 20.06 | 18.94 | 16.46 | 16.24 | 16.69 | 13.81         |
| Actual emission of Yunfu Base                                    | Yunfu    | 19.77 | 19.23 | 20.43 | 14.86 | 12.13 | /             |
| Emission quota of Yunfu Base                                     | Yunfu    | 25.46 | 24.31 | 23.11 | 14.68 | 12.02 | /             |
| Actual emission of Hubei Base                                    | Hubei    | 16.64 | 8.21  | /     | /     | /     | /             |
| Emission quota of Hubei Base                                     | Hubei    | 15.93 | 11.13 | /     | /     | /     | /             |

**Note: Actual carbon emission in 2022 will be released after accounting by review institutions.**

Jiangmen Production Base recorded actual carbon emission higher than carbon-emission quota in 2016. Through continuous energy conservation, emission reduction and consumption reduction measures, it managed to continuously reduce power, steam and pulp consumption in production, and actual carbon emissions from 2017 to 2021 are lower than carbon-emission quotas.

Yunfu Production Base recorded actual carbon emission higher than carbon-emission quota in 2017 and 2018. Through constant energy conservation, emission reduction and consumption reduction measures, it managed to continuously reduce power, steam and pulp consumption in production, and actual carbon emissions from 2019 to 2021 are lower than the carbon-emission quota.

Hubei Production Base recorded actual carbon emission lower than carbon-emission quota in 2020, higher than in 2021.

The Company will continue to devote itself to energy-saving, emission-reduction and consumption-reduction actions and implement them simultaneously throughout the group in order to fulfill its corporate social responsibilities for environmental protection.

# Contributing to social welfare causes

## 1 Providing aid to the frontline

In 2022, as a national enterprise with important social influence, C&S actively fulfills its responsibilities as a corporate citizen. The Company helps the frontline personnel and affected areas in the fight against the pandemic.

In 2022, the company donated RMB eight million of supplies and materials, such as masks, household paper products, disinfectant wipes, and care products, to cities including Jilin, Qingdao, Jiaying, Zhongshan, Dongguan, Shenzhen, Weihai, Guangzhou, Foshan, and Shanghai.





## 2 Engaging in public welfare undertakings to help those in need

☑ In March 2022, C&S donated over 25,000 care packages, with a total value of RMB 690,000, to Zhongshan Women and Children Welfare Foundation at a ceremony organized by the Women's Federation of Zhongshan City to celebrate the 112th Anniversary of International Women's Day under the theme of "Women Together for A Stronger China and A Better Future".

☑ Jiangmen Zhongshun participated in an initiative sponsored by the Red Cross Society of China to "Send Love to Thousands of Families" by donating to 151 families in need and contributing supplies valuing RMB 22,600.

☑ Jiangmen Zhongshun paid visits to families in need during the Dragon Boat Festival and contributed supplies valuing RMB 4,500.

## 3 "C&S Cup" International Standard Dancing Open Championship

The Company, in 2022, continued to sponsor the "C&S Cup" International Standard Dancing Open Championship. The competition was held in 31 cities of 18 provinces, comprising 21 events. China international standard dance is a fashionably elegant dance that's very popular among the public that integrates the features of mass appeal, entertainment, artistry and competition. Therefore, by sponsoring the event, the Company not only facilitated the promotion of international standard dance across China but also played a role in building a harmonious society, promoting cultural enrichment, including sports, in daily life.





## Chapter VI

# Outlook

2022 is a year of challenges but also a year of abundant harvest!

Those who believe in themselves never stop halfway and those who never stop halfway will embrace the ultimate victory. Every step towards the peak is a stride towards victory. We will continue to conduct business in a compliant and honest manner, promote the in-depth integration of product quality and consumer experience, refine product functions and expand product categories so as to create returns for shareholders, build a solid development platform for employees and contribute to society.

The new journey is unfolding before our eyes. Everyone at C&S will continue to carry forward the spirit of bravely climbing the peak with a more positive and confident attitude. Let's work hard and forge ahead for a better 2023 and a better future!

**New era, new journey!  
Fight for the RMB 10 billion  
target and win the future!**



**中顺洁柔**

股票代码002511