

2022 Communication on Engagement (COE)  
to the United Nations Global Compact (UNGC)

In 2019, we signed an agreement with Dunhuang Natural Resources Bureau, [Dunhuang City, Gansu Province](#) to plant saxaul trees (*Haloxylon ammodendron*) across 10 thousand mu of the local Gobi Desert from 2020 to 2024. As usual, this project is funded by contributions from enterprise and individual donors. We've commissioned and signed contracts with professional tree-planting companies to plant these trees. We make 40% of the total payment upfront and another 40% after the trees are planted and validated that they meet the pre-decided requirements. Should there be any problems, payment wouldn't be made until mistakes are fixed. The rest 20% will be paid in the next year on the condition that no less than 85% of the trees have survived. If not, the commissioned companies are required to plant more trees to make up the shortfall before they can claim the full amount.

In 2020, 400 thousand trees were planted, successfully turning 2000 mu of the Gobi Desert into oasis. 2021 saw 410 thousand trees planted with up-to-par survival rate, covering over 3000 mu of the Gobi Desert.

In 2022, we have commissioned a tree planting company to plant trees on over 5,000 mu of the Gobi Desert. The company's utilization of machines can help greatly improve the efficiency of tree planting. And we won't budge on the 85% survival rate threshold, as it is a principle we must uphold. This company also grows and sells *Cistanche deserticola*. And our cooperation not only helps us reduced the cost of tree planting and management, but also enables the commissioned company to reduce their

cost of selling products, which is a win-win for both parties.

Throughout the process, we remain a zero-tolerance stance on all forms of corruption. As always, we implement strict regulatory measures. All donations from enterprises and individual donors will go to the foundations that we have agreements with, namely China Women Development Foundation, Inner Mongolia Autonomous Region Youth Development Foundation or China Overseas Chinese Public Welfare Foundation. They will issue a donation receipt uniformly used by the state to the donors. In time of payments, we will raise payment requests to the foundations who will directly transfer the funds to the tree planting companies or relevant departments after verifying and approving the procedures. In the meantime, we also regularly monitor whether the donations are used for the agreed purposes only.

In addition, we monitor the commissioned tree-planting enterprises to ensure they comply with the human rights and labor standards of the Ten Principles of the UN Global Compact. If violations are identified, we will not cooperate with them and will evaluate the situation to see whether it is necessary to take legal action.