

## **Pizu Group Holdings Limited**

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**比優集團控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8053)

# **Environmental, Social and Governance Report**

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**2016/17**

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## 1. Scope

Established in 2003, Pizu Group Holdings Limited (“the Company”) and its subsidiary companies (collectively referred to as “the Group”) mainly engage in the production, sales, blasting operations of civil explosives, as well as the commodity trading business. The Group has different companies to provide clients with integrated services from production, delivery to blasting. The Company is one of the few civil explosives companies that are dually-qualified in explosives production and construction, placing them at the leading position in the industry. Furthermore, the Group is the only Hong Kong stock listed company that is in the civil explosives industry.

In recent years, in addition to the steady development of the civil explosives business, the Group has carried out two other business expansions. We have acquired a large number of engineering equipment and expanded the mining engineering business with blasting as the core service. We have also established subsidiary companies in Tajikistan in Central Asia for the production of civil explosives, taking advantage of the “One Belt, One Road” policy, which have been in operation since May 2017. The Group will continue to carefully monitor changes in the economic environment, develop various businesses, and continue to create value for shareholders.

The Group’s Hong Kong head office and core business point are situated at Unit A, 11/F, Two Chinachem Plaza, No. 68 Connaught Road Central, Hong Kong.

The reporting period of this Environmental, Social and Governance report is from 1 April 2016 to 31 March 2017. The content is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* of HKEx and is published once a year.

## 2. Stakeholder Communication

The Group believes that maintaining effective communication with the investment industry is essential in deepening investors’ understanding of the Group’s business and its development. To achieve this goal, the Group will continue to take active measures to improve the relationship and communication with investors. Apart from regularly distributing annual and interim reports, circulars and announcements to shareholders, the Group’s shareholder’s general meeting has also provided an opportunity for shareholders and the board of directors to communicate, giving shareholders an opportunity to clarify and deepen their understanding of the Group’s performance.

The Group will regularly publish the Group’s latest business information on their website [www.pizugroup.com](http://www.pizugroup.com) for investors and the public. The Group also welcomes investors or stakeholders to contact the Group via the investor relationship hotline, or to send enquiries through the Group’s website to share their opinions with the board of directors.

### 3. Environmental, Social and Governance Performance

#### 3.1 Environment

##### 3.1.1 Emissions

As a company with environmental protection responsibilities, the Group has been actively finding ways to reduce greenhouse gases and other wastes produced during operations. In terms of energy conservation, the Group has, since 2014, invested more than 30 million RMB in technological transformation for the production line, purchasing domestic top-of-the-line production equipment which have increased capacity from 4 tons/hour to 8 tons/hour. This has greatly increased productivity, minimized production time, and reduced consumption of boiler coal, electricity and other such energy. Lighting in workspaces has all been changed to energy saving bulbs. Motion and sound sensor bulbs have also been installed in the corridors to further reduce energy waste.

The Group has established a policy to reduce business travels. To reduce the emission of greenhouse gases, employees have been encouraged to use video and telephone conferencing instead of travelling, and use of public transportation has been reinforced. Given the same pricing and quality conditions, the Group has given priority to purchasing from local suppliers to reduce emission of exhaust gases produced during transportation of goods. During the process of goods shipping, we have calculated and chosen the most appropriate amount of dosage to prevent overusing explosives, thus reducing the production of hazardous gases. Moreover, we have switched to more energy saving vehicles to transport blasting materials and have used more energy saving rigs to perform drilling to reduce the consumption of fossil fuels and production of tail gas.

The Group places great importance on air quality in the workplace. To improve air quality, we encourage open windows for ventilation and have prohibited smoking in all indoor areas. Potted plants are also placed around the workplace.

To control water consumption and sewage discharge, we have installed water reduction equipment at different business points, such as water meters, water saving faucets, and water saving flushing systems, to monitor water consumption and reduce water wastage. We have also encouraged recycling of waste water, for example, using water that has been used for floor cleaning and other wastewater for watering office plants, so as to minimize sewage discharge as much as possible.

The Group is committed to reducing the production of solid waste in all aspects of operations. Employees are educated to protect the work environment through training. During the process of construction, production and in daily life, we have required employees to minimize the use of plastic products. Waste and residual metal materials produced during the production process will be collected for other production use. Materials that cannot be reused will be sold to recycling collectors. We require employees to use both sides of papers and have promoted a paperless work environment to reduce paper waste.

During the reporting period, there has been no case of prosecution against the Group due to violation of any environmental laws and regulations.

### 3.1.2 Use of Resources

In order to protect the Earth and implement a more effective utilization of our precious natural resources, the Group has formulated various policies and measures to increase the efficiency of resource utilization. We are committed to reducing the use of resources in office operations by asking employees to minimize water waste, reusing paper, working online and creating a green office environment. According to different work needs, the Group has set up an electronic filing system to reduce the demand and dependency on paper files in order to achieve the long-term goal of a paperless office. When purchasing various equipment and raw materials needed for production, we will prioritize green procurement by choosing nontoxic raw and auxiliary materials, low energy consumption equipment models, and partner with surrounding suppliers to further increase efficiency of resource use. We will continue to closely monitor the Group's use of natural resources in the future, working towards greater environmental goals.

### 3.1.3 Environment and Natural Resources

Facing the ever-growing problem of environmental pollution, the Group deeply feels the urgency of protecting the environment and cherishing natural resources. The Group has made active measures in daily operations and towards employees' environmental awareness. We will avoid using non-environmentally friendly materials in our product design stage to reduce damage to the environment within the whole product life cycle. In choosing suppliers and service providers, in addition to considering quality, delivery date and other such factors, we will choose to partner with green organizations that have environmental responsibility. The Group's paper files and document records, if conditions permitted, have been replaced by electronic files, in the hope to further reduce the use of paper.

We have regularly promoted the Group's environmental green policy through E-mails and internal announcement boards, reminding employees to minimize the production of waste during work hours and increasing environmental awareness. To promote and apply environmental protection practices in supply chain management, we have encouraged our employees to use electronic communications when communicating with customers and suppliers, and to complete the payment process likewise.

Environmental protection and cherishing natural resources have always been the basis of the Group's policy and operational model. The colloidal emulsion explosives that we produce are environmentally friendly explosives. They are encouraged and promoted by the Nation for being safe and environmentally friendly, low in energy consumption and having excellent performance characteristics. During the blasting method research and construction process, we will carry out comprehensive assessments and choose the most appropriate blasting method. If situations permit, we will carry out large scale blasting in small sections to minimize damage to the environment in order to achieve zero damage to the environment. The total amount of dosage for explosives used for blasting is decided through thorough calculations so that pollution could be controlled at source.

The Group undertakes to prioritize the procurement of green products, choosing equipment and materials that reduce environmental pollution, energy consumption and are reusable. The Group is committed to investing resources in environmental advocacy. Internal trainings have taught

employees the elements of environmental protection by giving guidance on how to protect the environment in their daily life. The Group's product manuals have also included environmental advocacy, fulfilling the Group's responsibility on promoting environmental protection. Moreover, the Group has established a Safety and Environmental Protection Department that arranges for safety and environmental protection inspection for each project department. Inspections are carried out quarterly in order to ensure that the Group's internal operations are in line with the Company's overall environmental policy.

## 3.2 Social

### 3.2.1 Employment

The Group is committed to establish harmonious relationships with its employees so as to build a stable team of motivated workforce and in continuing to attract and recruit high caliber candidates in order to expand its business. The recruitment policy of the company is based on the principle of an open, transparent, fair and merit-based system. It does not discriminate candidates on the basis of age, gender, ethnicity and place of origin, or other prejudices. In order to promote diversity in the workforce, the company, in addition to recruiting top local talents, remunerates highly capable and all rounded knowledgeable professionals from different places of origin with top salary package. The Company promotes racial equality and has instituted the equality pledge, especially in the ethnic minority regions, by having recruited numerous ethnic Mongolians.

The principle for internal staff promotion used by Human Resources and managers is based on criteria such as the employee's moral standard, capability, work performance and development potential. Discriminatory factors such as gender, age and other prejudices will not influence equal rights in staff promotion.

The Group rewards employees on the basis of work performance and equal pay for equal work, and pledges all employees equal rights in promotion and equal treatment. Employees would not be discriminated on ethnicity, race, religion, gender (include child bearing), sexual orientation, age, disability, work experience and legal protection, or receive differential treatment because of personal characteristics unrelated to the job. According to our understanding of the labor market, our employees' salary package is above the standard for minimum wage and is ranked above average among the local enterprises. In the event of the employee having to work overtime during normal working days or rest day, the Group, in agreement with the employee, compensates the employee with days in lieu or overtime pay as stipulated by the National law and regulations governing overtime pay.

Since the establishment of the Group, we have participated in social insurance, pension, work-related injury insurance, maternity insurance, unemployment insurance and medical insurance on behalf of employees. Subscription to the accident insurance by the Group entitles employee to receive the entitled payments and other rights and compensations in the event of the employee having been injured in an accident. The employee can enjoy the benefits of the pension insurance on retirement at the statutory retirement age and in the event of retirement under abnormal situations such as the employee being made redundant due to inability to fill positions following corporate reorganization, the Group will make financial

compensation to the employee in accordance with the Labor Contract Law according to the employee's years of service, monthly salary of the previous year. At the same time, the employee is also entitled to claim unemployment benefits.

To enrich staff's work life, the Group has set up recreational rooms for its employees and has organized on a regular basis entertainment, recreational and sports activities in order to relieve workplace stress and promote good relationships in the workplace.

During the reporting period, there has been no case of reported staff discrimination.

### **3.2.2 Health and Safety**

The Group main business involves the manufacture and sale of explosive materials, and blasting operation related services. Employees are required to frequent working at mining sites, operate heavy engineering equipment and explosive materials. In order to avoid workplace injury and to raise employees' awareness of safety at work, we have expended considerable efforts in providing a safe and comfortable work environment for our employees. We provide regular safety training such as blasting operation for operational personnel, basic knowledge of commonly used blasting equipment, storage of blasting equipment, correct usage and storage management of blasting equipment, electric blasting, prevention and management of misfire, safety management regulations of civil explosives, and safety procedures governing explosives. Only on passing the assessment could the certified employee be allowed to start work. As regards the operational management of workplace and workshop, the Group has specially set up the Safety and Environmental Department to oversee occupational safety management. The department is tasked to appoint full time and part time safety officers to monitor safe work practices, and to formulate contingency plans, conduct fire drills etc. so as to ensure the source of significant danger is under control, the institution of the "Four Protective Measures" - property, people, technology, and trained dogs. In addition to strict adherence to safety management system and safe operating procedure when carrying out work activities, vigilance at blasting sites is observed.

To further strengthen workplace safety management, the Group has organized periodic safety inspection, and carried out repair and maintenance. The closed loop management system is used from identification of hidden dangers to rectification and acceptance so as to ensure the protective measures are operating normally. Contractors are required to sign and abide by the safety and environment code of practice stipulated in the Safety Operation Agreement which sets out the precautions needed to be taken out during operation.

As regards to relatively high risks operation activities, the Group requires project department to submit a post-blasting report. Safety training relevant to the industry or in relation to the incidents in the surrounding areas is also conducted. During the month designated for safety awareness campaign with safety messages, pamphlets, publicity display, slogan, suggestion box and prize quiz are used to strengthen employees' awareness on safety management.

The Group has done a comprehensive analysis on occupational health hidden dangers faced by employees when performing their duties. Anti-static work clothing and other personal protective equipment have also been distributed to safeguard employee's safety. The Group is also caring of employees' mental and physical health; staff will receive periodic health check-up to safeguard their physical well-being and manager will meet with their staff to better understand their family and their emotional well-being.

During the reporting period, there has been no case of prosecution against any related occupational health and safety nor any safety relevant laws and regulations.

### **3.2.3 Development and Training**

Building a team of professional staff is prerequisite to the company's sustainable development and competitive edge. The Group actively encourages staff to develop their personal potential as well as their strengths at work in order to contribute their added-values and overall worth to the organization. New hires will be received induction training on technical skills and other skills pertaining to specialized job. Employees will also receive periodic refresher training to refresh their competencies to meet the job requirements. The Group looks for suitable training for staff whenever new projects are being planned with employees attending external training, forum discussion, full time study as well as job rotation/transfer to prepare the staff to better meet future challenges.

In order to support and accelerate employees' growth, the Group has implemented a mentoring program targeting at less experienced employee being mentored by a more capable employee in aspects relating to work, life and thinking process, so as to deepen the employee's sense of belonging and understanding of the company's policy and culture in the shortest time possible.

### **3.2.4 Labor Standards**

Labor guidelines of the Group are based on the broad principle of compliance with the local regulations governing labor in places where we operate. We strictly adhere to the National minimum working age during the recruitment process by only employing candidates over the age of 18, so as to uphold the rights of every child growing up in a safe and healthy environment. Due to the uniqueness of the Group's products and services, we have never had situations of over production, over time, excess quantity or surplus staff since our products availability is limited by production capacity. We have therefore never had to force employees to work overtime. On future occasion when there is a need for the employee to work overtime, we will compensate the employee in accordance with the Overtime Compensation Policy applicable to all levels of staff and pay reasonable overtime subsidy as compensation.

During the reporting period, there has been no case of prosecution against child labor nor forced labor.

### **3.2.5 Supply Chain Management**

The Group adheres strictly to the standards pertaining to selection of suppliers during the procurement process. We ask suppliers to provide certificate of quality assurance in environmental, occupational health and



safety for review of the supplier's reputation and assess their undertaking of social responsibility. So as to strengthen the supply chain management, the Group has established a code of practice for the suppliers, which includes the stipulation to guarantee the product's outer packaging is intact to eliminate environmental pollution due to damaged packaging. We also request suppliers to use environmental friendly vehicles for transportation to reduce tail gas. To ensure that suppliers continue to meet the Group's requirements, the relevant department heads will sit together every year, discussing, evaluating and reviewing each suppliers' performance.

### **3.2.6 Product Responsibility**

The Group undertakes to supply customers with premium quality products and services. The raw materials, semi-finished products and the finished products have therefore undergone various forms of testing and random inspection. Some tests were conducted by the National testing organization to ensure the products meet the relevant specifications and safety requirements. We implement curfew in the vicinity of the site of blasting operation. We would never use detonator or explosives that have expired or not meeting specifications so as to ensure safety requirements. We conduct post-blasting review following the blasting operation to determine if the blasting has met expectation.

The Group conducts regular customer satisfaction survey using questionnaire and follow-up calls in order to better understand the customers' perception of our products and services quality. On receiving feedback from the customer, the marketing representative will communicate in the first instance with the customer. In the event of the need to retrieve the product the representative will assist the customer to apply to the public security bureau for legal transportation procedures.

The Group has customized a bilingual promotion brochure for customers to better understand our products and services.

During the reporting period, there has been no case of complaints or dissatisfaction with our products and services from customers.

### **3.2.7 Anti-Corruption**

To ensure the Group performs with high efficiency and integrity, we have specially set up the safety production committee, pricing committee and quality control steering committee for better monitoring of the Group's operation from different perspectives. The Group's employee handbook has specifically prescribed an anti-fraud management system and has described in details avoidance of conflict of interest. All employees are required to comply strictly with anti bribery regulations and business ethics. The Group will not tolerate any form of behaviors related to corruption or bribery. At the same time, we have established policy pertaining to declaration of conflict of interest. The employee is required to declare to the Group's Board of Directors of any direct or indirect conflict of interest with the company or its subsidiary.

In order to eradicate corrupt behaviors and bribery during the procurement process, the Group has formulated a clear open tender policy. The company contract management system has also stated unambiguously the limits of authority of personnel at all levels. For infrastructure and technological

transformation project that involves procurement of substantial raw materials, fuel and supplementary materials, the procuring process will be by tenders. This tendering process is also applicable for those projects that have been decided by the top management to be procured so. This is to ensure the interests of the shareholders and customers are protected.

During the reporting period, there has been no case of prosecution against any anti-corruption regulations.

### **3.2.8 Community Participation**

The Group gladly lends support to the socially vulnerable groups and has always sought opportunities to work with community groups in order to contribute to the balanced development of the society. The Group has since 2012 established the Sheng'an Foundation for Poverty Alleviation which has been offering assistance to the deprived workers, students and the poverty stricken groups. The Group has participated in the greening and landscaping of the community in addition to holding caring activities for the community and distributed daily used items to the workers. We have also actively taken the initiative to take on the volunteer role in major events.

The Group undertakes to continue in the future to take the initiative to liaise with the community groups. We continue to collect opinions and recommendations from the community to which we will respond within two working days upon receiving them. We will continue to seek out appropriate opportunities to reciprocate the society and contribute to the balanced development of the society.

#### 4. Awards and Achievements

The Group has received several awards and achievements during the reporting period, including:

Awards/Achievements Titles	Issuing Organization	Date Awarded
Grade AAAA Enterprise of Integrity	Inner Mongolia Engineering Blasting Association/The Inner Mongolia Autonomous Region Blasting Equipment Industry Association	2017.1.3
Quality, Environmental, Occupational Health & Safety Management System Authentication Certificate	Beijing Xingguo Global Certification Co. Ltd.	2017.1.10
Harmonious Labor Relations	Office of the Tripartite Commission for Coordination of Labor Relations in the Inner Mongolia Autonomous Region	2017.2.7
Grade A Taxpaying Enterprise	The Inner Mongolia Autonomous Region State Taxation Bureau	2017.3.1