

Pizu Group Holdings Limited
比優集團控股有限公司

Environmental, Social and Governance Report (2018/19)

June 2019

SGS Hong Kong Limited

Certification and Business Enhancement

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1. Scope

Established in 2003, Pizu Group Holdings Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) are mainly engaged in the production and sales of civil explosives, services related to blasting operations and commodity trading business. The Group owns a series of companies that provide customers with integrated services from production, delivery to blasting construction. The Company is one of the few civil explosive companies with dual qualifications in explosives production and construction, placing them at the leading position in the industry. Furthermore, the Group is the only Hong Kong-listed company in the civil explosives industry.

In recent years, the Group had executed two business expansions while steadily developing its existing civil explosives business. On the one hand, we acquired a large number of engineering equipment in Tibet, China to expand the mining engineering business with blasting services as the core. On the other hand, we seized opportunities from the “Belt and Road” initiative to establish a subsidiary in Tajikistan in Central Asia for the production of civil explosives. The Group will continue to carefully monitor changes in the economic environment and develop various business lines, in an ongoing effort to create value for shareholders.

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

This Environmental, Social and Governance Report covers the operational status of the Group’s production and blasting subsidiaries in Inner Mongolia and Tibet in China, and Tajikistan in Central Asia. The reporting period is from 1 April 2018 to 31 March 2019. The report is prepared in accordance with the Environmental, Social and Governance Reporting Guide of HKEx and is published once a year.

2. Communication with Stakeholders

Effective communication with stakeholders is essential in deepening the mutual understanding between the Group and its stakeholders and to build a win-win relationship. To further strengthen the interaction, the Group would continue to take active measures to promote communication with stakeholders.

With respect to customers, the Group’s quality control leading group have been responsible for liaising with customers whenever we receive feedback on quality, and supervising and following up on each quality incident in order to fully resolve the problem. Internally, the Group regularly listened to employees’ opinions on matters such as work environment, welfare, and health and safety through internal meetings and emails, and proactively looked for solutions to their internal appeal. The Group also actively maintained communication with other interested parties such as government departments, academic institutions, environmental protection and charity organizations through various channels, so as to meet their expectations on the Group.

To continuously improve the transparency of the Group’s operations, there were not only annual and interim reports, circulars and announcements regularly issued to shareholders, the Group also provided opportunities for shareholders to communicate with the Board of Directors at the shareholders’ general meeting, giving shareholders the chance to seek clarification and deepen the understanding on the Group’s performance, communicate with other shareholders and the Group will answer the shareholders’ questions on performance.

The Group would disclose its latest business information to investors and the public periodically on the Group's website www.pizugroup.com. The Group also welcomes investors or stakeholders to share their opinions with the Board of Directors by calling the investor relations hotline, writing to the Group or sending enquiries to the Group's website.

3. Environmental, Social and Governance Performance

3.1 Environmental

3.1.1 Emissions

To bear the corporate environmental protection responsibility, the Group has been actively finding ways to reduce pollutants and greenhouse gases produced during operations.

Emissions Control In order to reduce the impact on the surrounding environment caused by exhaust generated during production, the Group has purchased high quality clean coal to reduce pollutants from impurities. The Group has also installed desulfurization facilities in its production facilities and, with desulfurization efficiency up to 95%, has effectively reduced exhaust emissions. Dust removal facilities have also been installed to production facilities. Coal yards have been hardened with walls built around for blockage. Water would be sprayed regularly on the coal piles to significantly reduce dust pollution. The Group has appointed a third-party vendor to conduct regular inspections, and has been monitored by the local environmental protection bureau monitoring team. According to the results of regular monitoring conducted by environmental monitoring agencies, the dust concentration and sulfur dioxide concentration at each of the Group's production sites meet the local emission standards.

The Group has established business travel conservation policies whereby employees are encouraged to use video conferences and telephone conferences, to reduce the use of company vehicles and instead take public transportation, and the use of electric cars or electric public transport have been reinforced to reduce emissions. Under the same pricing and quality conditions, we have given priority to purchasing from local suppliers to reduce exhaust emissions caused by long distance transportation. In the process of product delivery, we have determined the most reasonable explosives payload through calculation to avoid excessive use of explosives. We have also used more energy-efficient vehicles to transport blasting materials and used more energy-efficient rigs for drilling to reduce the consumption of fossil fuels and the production of tail gas.

The Group planted trees, flowers and grass in the office, production and surrounding areas to increase vegetation coverage, thereby preventing sandstorms and improving the air quality of surrounding areas. The Group also encouraged frequent opening of windows to improve ventilation and has banned indoor smoking.

Waste Management The Group strived to reduce the production of solid waste in all aspects of its operation. Raw material barrels would be collected and reused in cooperation with the factories. We would frequently educate employees on protecting the work environment through on-the-job training. Employees have been requested to minimize the use of plastic products during the construction and production process and in daily life. Furthermore, the Company has set up waste

classification bins to instill the habit of waste classification in employees. Hazardous wastes that have been collected, such as lamps and ink cartridges, would be regularly passed over to qualified waste collectors for handling.

During the reporting period, the Group has complied with the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other relevant environmental protection laws. There were no cases of violating environmental laws and regulations. The emissions produced by the Group during the reporting period that have impacted on the environment are as follows:

Type of emission	Quantity
Greenhouse gases	
Direct emission¹	11,330.94 tons CO ₂ -e
Energy indirect emission²	1,174.85 tons CO ₂ -e
Other indirect emission³	14.39 tons CO ₂ -e
Other exhaust gases	
NOx (caused by gas fuel consumption)	7.71 kg
SOx (caused by gas fuel consumption)	0.04 kg
NOx (caused by the use of vehicles)	37.95 kg
SOx (caused by the use of vehicles)	0.20 kg
PM (caused by the use of vehicles)	3.64 kg
Solid wastes	
Hazardous waste (waste batteries, waste lamps, waste ink cartridges, expired or used medicines in labs, etc.)	0.60 tons
Non-hazardous waste	73.19 tons

Note 1: Sources of direct greenhouse gas emissions include stationary combustion of diesel, mobile combustion of gasoline and mobile combustion of diesel.

Note 2: Sources of energy indirect greenhouse gas emissions include purchased electricity

Note 3: Currently, other sources of indirect greenhouse gas emissions only include the emissions generated from business trips by air.

3.1.2 Use of Resources

The Group realizes that nurturing the Earths' precious natural resources has become the global trend and, as such, has established a series of environmental protection measures to increase the efficiency of resource use.

Energy Consumption Management In terms of energy conservation, the Group's emulsion explosive production line has used advanced domestic production equipment which has significantly improved work efficiency, shortened production time and reduced the consumption of coal in boilers, electricity and other energy sources. Streetlamps in the factory area of the Group, hot water systems in the dormitories, canteen and washrooms were all driven by solar energy, increasing the use of renewable energy. In addition, office lightings have all been replaced with

energy-saving lamps, and sound and light-controlled bulbs have been installed to avoid permanent lighting in the corridors at night in order to reduce energy waste. Furthermore, we have strengthened the management on energy-consuming equipment, encouraging employees to develop energy-saving habits. For example, we have set the air-conditioning system at 25^oC, and required all office equipment and production machinery to be switched off when leaving work. According to the data analysis of power consumption within the Group for this year, the power consumption has decreased to 1,213,689 kWh, as compared with the same period as last year,

Water Consumption Management To control the consumption of drinking water and the discharge of sewage, the Group has installed water meters at suitable locations to regularly monitor water consumption, and replaced faucets and valves with induction faucets and water-saving valves, reducing wastage of water resources and minimizing sewage discharge. The Group has also implemented measures for reclaimed water recycling at various operation sites, including re-injecting boiler water vapor collected in the condensing tank into boilers for reuse, flushing toilet with waste water that has been purified by water treatment equipment, and using sewage and domestic waste water after precipitation treatment for landscaping use. According to the statistics of water consumption by the Group during the reporting period, the water consumption has increased to 18,148 cubic meters, as compared with the same period of last year.

Green Procurement When purchasing equipment and raw materials for production, the Group would exercise green procurement by choosing to use materials that do not contain toxic ingredients, energy efficient equipment and suppliers located nearby. The Group has mainly used cartons and woven bags as packaging materials. Production units would use woven bags instead of cartons for packaging as much as possible to reduce carton waste. We are currently working with a packaging material supplier to develop a production line of large-diameter woven bags for emulsion explosives. If successful, we expect to significantly reduce the use and waste of cartons.

Green Office We have been committed to reducing the use of resources in office operations. The Group has set up an electronic filing system to reduce the demand for and dependence on paper files, with an aim to achieve the long-term goal of a paperless office. We hope to build a green office through paper recycling, double-sided printing and using online office systems. We shall work towards greater environmental goals by continuing to closely monitor the Company's utilization of natural resources.

During the reporting period, the main resources consumed by the Group during its operations and production are summarized as follows:

Resources	Quantity
Electricity	1,213,689 kWh
Fuel	4,259,920 kg
Fresh water	18,148 m ³
Packaging material (paper material)	1,737 tons
Packaging material (metal material)	6.19 tons
Packaging material (plastic material)	57.79 tons

3.1.3 Environmental and Natural Resources

As the world is currently facing an increasingly serious environmental pollution problem, the Group deeply understands the urgency of protecting and cherishing natural resources.

Management Systems The Group has established an environmental management committee to handle and coordinate internal policies concerning environmental protection. Nurturing environmental and natural resources have been incorporated into the long-term developmental objectives of various subsidiaries. Active measures have also been taken to strengthen environmental protection in daily operations and enhance employees' environmental awareness. The major subsidiaries of the Group have successfully obtained the ISO14001 Environmental Management System Certification, and have established the following objectives:

- No environmental pollution incidents;
- 99% control rate of main environmental factors;
- Classification and standardized handling of occupational waste to reach 100%; and
- Meeting emission standards 100% of the time for boiler smoke, sewage, dust and noise.

Environmentally Friendly Explosives Environmental protection and cherishing natural resources have always been the basis of the Group's policy setting and operational model. The colloidal emulsion explosives that we produce are environmentally friendly explosives encouraged and promoted by the state for being safe, environmentally friendly, energy-efficient and high-performance.

Environmentally Friendly Blasting To reduce the impact of blasting on the surrounding environment, we would comprehensively evaluate the construction solution during research of blasting solution and blasting construction to achieve the most appropriate blasting solution. When the need for large-scale blasting arises, if circumstances permits, we would carry out the blasting strategy of deconstructing the blasting into smaller ones and ignite explosives in small batches to minimize the damage to the surrounding environment. The total amount of explosives used during blasting would be determined through precise calculations in order to control pollution from the source.

Raw Material Procurement In terms of raw and auxiliary materials, we would try to avoid using materials that are non-environmentally friendly to reduce damage to the environment caused by the products throughout their entire life cycles. When selecting suppliers or service providers, the Group would prioritize those that provide green products, choosing equipment and materials that are low in environmental pollution and energy consumption and are convenient for reuse. We would also endeavor to select partners that are committed to protecting the environment.

Promoting Awareness The Group's product brochures contained environmental advocacy to fulfill the Group's responsibility to promote environmental protection. Internally, we have incorporated environmental protection elements into our employee training. Through environmental lectures, emails and internal bulletin boards, we would guide employees on how to protect the environment in daily life and work. We would also remind employees to minimize the generation of waste at work and strengthen the promotion of environmental awareness.

3.2 Social

3.2.1 Employment

The Group has been committed to building a stable team, and retaining and attracting talents by creating harmonious employment relations in order to give stimulation to the Group's ongoing business expansion.

Selecting the Best The Group's recruitment process has always followed the principle of being open, impartial, fair, merit-based, work more to gain more, and equal post equal pay. Human resources department and various management personnel would only handle internal employee promotion based on aspects such as personal morality, work capability and performance, and potential for development. Evaluations would be carried out by means of democratic appraisal and performance appraisal. The Group would not allow prejudice or discrimination against job applicants based on factors unrelated to work, such as age, gender, family background, race, place of origin, skin color, religion, sexual orientation, and disabilities.

Diversity and Inclusion To promote diversity in the workforce, the Group would not only employ local talents from the place of business, but also recruit talented, educated high-caliber professionals from different places of origin with high salaries. The Group has made great effort in promoting racial equality, especially in areas where ethnic minorities are concentrated. Currently, the Group has recruited numerous ethnic minorities locally to uphold its commitment to racial equality.

Legal Compliance The wages of the Group's employees are higher than the local minimum wage. Since its establishment, the Group has been making contributions towards social insurance, pension insurance, work injury insurance, maternity insurance, unemployment insurance and medical insurance of its employees who are legally entitled to various rights and benefits. The Group has also bought accident insurance for all employees so that they could receive compensation in the event of an accident. Employees could enjoy the benefits of pension insurance when they retire at the statutory retirement age. In the event of retirement under abnormal circumstances such as layoffs due to technical upgrading or incompetence, the Company would provide economic compensation in accordance with the Labor Contract Law and based on their years of service and monthly salaries of the previous year. Such employees would also be entitled to claim unemployment benefits. Where an employee needs to work overtime during normal working days or rest days, the Group would, with the consent of the employee, arrange for compensatory time off or provide overtime pay in accordance with national laws and regulations.

Excellent Benefits To strengthen employees' sense of belonging towards the Company, the Group has provided employees with various benefits, including three days of paid leave per month, free accommodation, shuttle bus rides to and from work, paid maternity leave, and healthcare such as Western medicine, Chinese medicine and dental services.

The Group has established a trade union which holds regular labor-capital meetings to gather employees' opinions in order to deepen the mutual understanding and improve employment relations. During the reporting period, the Group has complied with the *Labor Law of the People's Republic of China* and other relevant employment laws. The Group did not receive any complaints concerning discrimination or recruitment during the reporting period.

As at the period end, the total number of employees and turnover rates of the Group's major operating entities are set out below:

Gender	Number of employees	Employee turnover rate
Male	340	1.09%
Female	83	0.74%

Employment type	Number of employees
Full time	421
Part time	1
Apprentice and intern	1

Age	Number of employees
18 - 24	30
25 - 34	145
35 - 44	130
45 - 54	104
55 - 64	13
> 65	1

Geographical location	Number of employees
Mainland China	423
Hong Kong	0

3.2.2 Health and Safety

The Group's business involves the production and sales of explosive products and blasting operations services, therefore employees would often need to handle explosive products, enter construction sites and operate heavy engineering equipment. To increase employees' safety awareness and prevent work injuries, the Group has raised the efforts in strengthening occupational health and safety, so as to provide employees with a more comfortable and safe work environment.

Management Systems The four major subsidiaries of the Group have established occupational health and safety management systems, and have successfully obtained the OHSAS18001 certification. We have adopted appropriate management for the hazards and risks faced by each employee during operation. For the operational management of construction sites and workshops, the Group has specially set up a safety and environmental department to be in charge with safety management. The department would be responsible for designating full time and part time safety personnel to monitor safety operations, formulating emergency contingency plans, organizing fire drills to ensure that major hazard sources would be under control. The department would also coordinate the implementation of four preventive measures in terms of property, people, technology, and trained dogs, and have required operations to be performed in strict compliance with the safety management system and safety operation procedures. To further strengthen safety management in the workplace, the Company signed a letter of responsibility for safety production with each subsidiary, thus achieving full coverage of safety accountability.

Hazard Protection The Group has conducted a comprehensive analysis of the occupational health hazards faced by all employees during operations. In light of this, the Group has distributed anti-static work attire and other personal protective devices to employees in order to ensure their safety. The Group has also been very concerned about the physical and mental health of employees. On the one hand, Group would organize annual occupational health check-ups for employees to monitor and protect the health of employees; on the other hand, the Group has set up a psychological counseling hotline for employees to help them ease the tension and stress caused by work.

Internal Verification We have implemented the *Measures for Rewards and Punishments for Safety Production and Safety Accountability*. Each month, the Company would arrange for a safety inspection team to carry out comprehensive and thorough safety inspections on all of its subsidiaries. In doing so, the Group would perform closed loop safety management from identifying hidden dangers to rectification and acceptance inspection to ensure the normal operation of protective facilities. Contractors would be required to sign a safety construction agreement before entering our factories. The agreement would clearly stipulate the safety and environmental code of conduct that the contractor shall observe, to remind the relevant personnel of the matters that need attention in the Group's workplaces.

Safety Training The Group has provided regular safety training for employees, which covers the duties of blasting personnel, basic knowledge of commonly used blasting equipment, loading, unloading and transportation of blasting equipment, storage and preservation of blasting equipment, proper use and warehousing (in and out) of blasting equipment, return-to-warehouse management, electric blasting, prevention and handling of misfire, regulations on safety management of civil explosives, and explosion safety procedures. Only employees that have passed the relevant assessments would be allowed to take on safety-sensitive work.

The Group would conduct targeted safety training based on safety accidents that have happened in the industry or in the surrounding areas. We would also require the project department and blasting site team to submit a post-blasting summary report for relatively high-risk operations. A series of occupational safety and health promotional activities organized every year, including "Safety Month", creation of promotional slogans, purchase of promotional brochures, and award contests have helped strengthen employees' safety awareness. The Group has designated June of each year to be the "Safety Production Month" and has regularly arranged fire drills to ensure all employees are familiar with the fire escape routes.

The Group has complied with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other relevant occupational safety and health laws. During the reporting period, there were no major work-related injuries or deaths of employees within the Group, nor were there any cases of violating any laws related to occupational health and safety.

3.2.3 Development and Training

The sustainable development of the Group is dependent on a professional and competitive team of employees. In light of this, the Group has actively encouraged employees to broaden their horizons and tap into their personal potentials, putting their strengths into their work positions to continuously add value to themselves and the development of the Group.

Employee Training New employees would receive induction training, technical training and job training for special types of work before taking up their posts. The Group would also regularly organize retraining to allow employees to refresh and deepen their understanding of their job requirements. Appropriate training opportunities would be provided periodically where employees could take external training, attend special lectures, take full-time study or receive training on job rotation or transfer in hopes of preparing employees to take on the future developments of the Group.

Mentor Policy The Group has set up a targeted mentoring policy to support and accelerate employees’ growth by having competent senior employees give one-on-one mentoring to inexperienced employees. This would help employees understand the Company’s policies and culture as soon as possible and deepen their sense of belonging to the Company. Meanwhile, the Group has also encouraged employees to attend vocational skills training and would provide subsidies according to technical levels.

During the reporting period, the percentage of employees trained within the Group and the average number of training hours per employee are as follows:

Gender/type of employment	Average percentage of employees trained	Average training hours per employee
Male	100%	24
Female	100%	24
Senior management	100%	24
Middle management	100%	24
Supervisor	100%	24
General staff	100%	24

3.2.4 Labor Standards

Compliance with the local labor laws is the basic labor standard of the Group. During the recruitment process, the Group has strictly followed the national minimum working age limit and has undertaken to hire only candidates over the age of 18 in order to protect children’s rights to safety and healthy growth. Relevant identification information would be checked and photocopied during the on-boarding procedure. The Group has always arranged work for each week in strict accordance with the requirements on working hours under the Labor Law. Employees have been allowed to take three days of paid leave of absence each month in an effort to maintain work-life balance. Due to the uniqueness of the Group's products and services, and capacity constraints, we have never experienced overproduction, overtime work, overcapacity and overstaffing in the production process, thus no employees were ever forced to work overtime. In the event that employees need to work overtime in the future, we would provide reasonable overtime allowance to compensate employees at all levels according to the Group's overtime compensation policy.

During the reporting period, there were no cases of child labor or forced labor within the Company.

3.2.5 Supply Chain Management

To strengthen the supply chain management, the Group has selected its suppliers based on a strict criteria. All purchases of bulk raw materials are carried out by means of tendering. The purchase process is led by the enterprise management department and supervised by relevant executives to ensure that the purchasing decisions conform to the principles of fairness, openness and impartiality.

The Group would ask suppliers to provide quality, environmental, and occupational health and safety certifications for review of their reputation and assessment of their commitment to social responsibility.

The Group has established a code of conduct for the suppliers, including requiring suppliers to ensure that the packaging of products is intact and to prevent environmental pollution caused by packaging damage. The Group has also required suppliers to use environmentally friendly vehicles, if possible, for product transportation to reduce vehicle exhaust emissions. To ensure that the performance of all suppliers continuously meet the requirements of the Group, we have appointed quality inspectors to inspect all raw materials entering our factories, and convened relevant department heads to discuss, review and assess all qualified suppliers each year.

As at the period end, the Group had 48 suppliers of raw and auxiliary materials, all of which are from Mainland China.

3.2.6 Product Responsibility

The Group has been committed to providing quality products and services to its customers, and strived to work together with customers to build long-term relationships.

Management Systems The Group has established a comprehensive production management system where the entire production process, from raw materials used to semi-finished products and to finished products is strictly monitored by the quality department. Only products that have passed all tests and quality checks would be delivered to customers. All products delivered would be accompanied by a quality certificate for identification. Since 2010, the main subsidiaries of the Group have successfully obtained the ISO9001 Quality Management System Certification, which is excellent recognition for their quality management.

Quality Inspection The Group has set up physical and chemical analysis laboratories to carry out different forms of tests and sampling inspections such as sympathetic detonation, explosive grading and detonation velocity to assess the quality and safety of products. The Group has also regularly sent samples to the National Civil Explosive Quality Inspection Center for testing in order to ensure that products leaving the factory meet the relevant specifications and safety requirements.

Excellent Construction At the construction site where blasting is performed, we would exercise vigilance in the vicinity of the blasting process and would never use expired or unqualified detonators or explosives in order to ensure safety. After completion of the blasting, we would perform a post-explosion inspection to check whether the blasting has achieved the expected effect.

Product Information, The content of the Group's bilingual brochure has been strictly reviewed and verified by all departments, so as to ensure that all information received by customers on the Group's products and services is accurate and all aspects of product promotion are in compliance with the law. In addition, the Company would gather with sales personnel and sales assistants periodically to require them to improve product services and master product-related knowledge. The labels on our products have Chinese and English descriptions to help customers understand the correct use of our products.

Customer Feedback The Group has established Measures for Management of Product Quality Accidents whereby whenever customer feedback on quality is received, the sales personnel of the supply and marketing department would promptly communicate with the customer concerned, and the quality control leading group would supervise and follow up on the quality accident and implement preventive, corrective and improvement measures to prevent the recurrence of product defect. When it is confirmed that a recall is needed, we would assist the customer to go through legal transportation procedures with the government. The Group would regularly conduct customer satisfaction surveys using questionnaires and make follow-up calls to better understand customers' opinions on the Group's products and services.

Privacy Protection To protect customer information from being leaked, the Group promises not to use customers' personal information without authorization. Customer information would be used only for record-keeping purposes and would be kept by special personnel. Access to such information would be subject to the approval of the general manager.

During the reporting period, the Company did not receive any complaints from customers concerning our products or services.

3.2.7 Anti-corruption

Having business integrity is the responsibility of a company. The Group has, therefore, adopted a series of measures to ensure the efficiency and integrity of its operations, and rejects corruption.

Strict Supervision The Group has set up an internal audit team according to the Anti-fraud Management Measures to carry out close supervision. In compliance with the guidelines and supervision requirements for anti-fraud work laid out in the Anti-fraud Management Measures, relevant divisions have regularly carried out assessments on corruption risk within the Company and held at least one anti-corruption briefing each year. Meanwhile, the Company have engaged an independent third-party accredited agency to audit the Company's finances every year. The Group has set up a whistle-blowing hotline and email for employees and stakeholders to report cases involving corruption and fraud.

Procurement Policy The Group has established a clear open tender policy to prevent corruption and bribery in procurement activities. To protect the interests of the Company's shareholders and customers, all purchases of bulk raw materials, fuels, auxiliary materials, main materials needed for infrastructure or technological transformation projects, or purchases for which the Company's top executives have decided that an open tender is needed, would be carried out by tender. To minimize the possibility of malpractice, the Group has clarified the approval authority of personnel at all levels in the Company's contract management system.

Employee Training The Group's employee handbook has laid out the anti-fraud management measures and has detailed description of avoiding conflict of interest. The Group would also arrange training for employees on corruption prevention and anti-fraud measures. All employees were required to strictly comply with anti-corruption and bribery prevention regulations, and business ethics. The Group has a zero-tolerance policy for any form of corruption or bribery. We have also formulated a policy for declaration of conflicts of interest. If an employee has any direct or indirect conflict of interest with the business of the Company or its subsidiaries, the employee would need to report to the Board of Directors of the Group.

During the reporting period, the Group has strictly complied with laws related to anti-corruption and bribery prevention, such as *Regulations of the People's Republic of China for Suppression of Corruption*, and there were no cases of violating anti-corruption laws and regulations.

3.2.8 Community Investment

To contribute to the balanced development of society, the Group has continuously looked for opportunities to cooperate with community groups and has committed to support those in need and underprivileged groups.

The Group has paid close attention to the needs of the surrounding communities. After suffering a drought in the Urad Rear Banner and Urad Middle Banner, we have taken the initiative to donate one million RMB to the local government to help with drought relief. We also implemented a one-on-one assistance policy. For example, we helped two villages in Inner Mongolia subscribe to newspaper and purchase fertilizers and other raw materials for crops. Last year, we held a number of charitable activities with the local trade union, including giving assistance to workers in difficult situations and to their children, and offering female employees physical check-ups for the examination of the uterus, mammary glands and other gynecological items.

Since 2012, the Group has set up the Sheng'an Foundation for Poverty Alleviation to help college students and families in poverty and patients with major diseases. In addition, the Company has set up a voluntary fire brigade, organized a voluntary tree planting activity each year, periodically helped neighboring communities build roads and drill wells, and carried out activities to collect clothes, books and other supplies for donation to children in poor mountainous areas, making significant effort to play an active role in volunteering in large charity activities.

The Group is committed to gathering opinions and suggestions from various social groups and continuing to seek appropriate opportunities to give back to the community. The Group shall continue to take initiative to connect with the community in an effort to contribute to the sustainable development of society.

4. Awards and Achievements

During the reporting period, the Group received a number of awards and achievements, including:

Name of award / achievement	Issuing organization	Awarding date
Endless Love Rescuers Banner	CPC Urad Rear Banner Committee, People's Government of Urad Rear Banner	June 2018
Ankang Cup Knowledge Competition	Qipanjing Development Zone Management Committee	June 2018
Advanced Grassroots Party Organization	Committee of the CPC Urad Rear Banner Industrial Park	July 2018
Advanced Party Organization	Qipanjing Development Zone Party Working Committee	July 2018
Urad Rear Banner 2018 3rd "Yili Cup" Company Staff Basketball Competition	Committee of the CPC Urad Rear Banner Industrial Park	September 2018
National Unity and Progressive Creation Event Model Unit	Promotion Department of CPC Urad Rear Banner Committee, United Front Department of the CPC Urad Rear Banner Committee, Urad Rear Banner Bureau of Ethnic and Religious Affairs	October 2018
2018 Citywide Advanced Collective for Flood Control and Rescue Work	CPC Bayannur Committee/Bayannur People's Government	November 2018

5. Reference Information

- 2006 IPCC Guidelines for National Greenhouse Gas Inventories
- China's Regional Grid Baseline Emission Factors 2017
- China Energy Statistical Yearbook 2017