

# Pizu Group Holdings Limited

比優集團控股有限公司

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Environmental, Social and Governance Report (2020/21)

30 June 2021

## CONTENTS

|   |    |
|---|----|
| ABOUT THIS REPORT.....                                    | 3  |
| INTRODUCTION .....  | 3  |
| STAKEHOLDER ENGAGEMENT.....                               | 4  |
| ESG GOVERNANCE .....                                      | 6  |
| A. ENVIRONMENTAL ASPECTS .....                            | 7  |
| A1. EMISSIONS .....                                       | 7  |
| A2. USE OF RESOURCES .....                                | 10 |
| A3. ENVIRONMENT AND NATURAL RESOURCES .....               | 12 |
| A4. CLIMATE CHANGE.....                                   | 12 |
| B. SOCIAL ASPECTS .....                                   | 21 |
| EMPLOYMENT AND LABOUR PRACTICES .....                     | 21 |
| B1. EMPLOYMENT .....                                      | 21 |
| B2. HEALTH AND SAFETY .....                               | 23 |
| B3. DEVELOPMENT AND TRAINING.....                         | 24 |
| B4. LABOUR STANDARDS.....                                 | 25 |
| B5. SUPPLY CHAIN MANAGEMENT .....                         | 26 |
| B6. PRODUCT RESPONSIBILITY.....                           | 26 |
| B7. ANTI-CORRUPTION .....                                 | 28 |
| B8. COMMUNITY INVESTMENT.....                             | 29 |
| ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX..... | 31 |

## **ABOUT THIS REPORT**

Pizu Group Holdings Limited (the “Company”), together with its subsidiaries (the “Group”), is pleased to present this Environmental, Social and Governance Report (the “Report”) to provide an overview of the Group’s management of significant issues affecting the operations, including environmental, social and governance (“ESG”) issues. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

## **PREPARATION BASIS AND SCOPE**

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) – “Environmental, Social and Governance Reporting Guide” and has complied with the “comply or explain” provisions in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group – manufacturing and sale of explosives and provision of blasting operation and related services, as well as the mine development business in the PRC and Tajikistan. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken the initiative to formulate policies, record relevant data as well as implement and monitor measures. This Report shall be published both in English and Chinese on the websites of the Stock Exchange and of the Company. Should there be any discrepancy between the English and the Chinese versions, the English version shall prevail.

## **REPORTING PERIOD**

This Report demonstrates our sustainability initiatives during the reporting period from 1 April 2020 to 31 March 2021.

## **CONTACT INFORMATION**

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email at [info@pizugroup.com](mailto:info@pizugroup.com).

## **INTRODUCTION**

The Group is principally engaged in manufacturing and sale of explosives and provision of blasting operation and related services, as well as the mine development business in the PRC and Tajikistan.

The Group acknowledges the significance of effective sustainability practices to achieve business excellence and enhance capabilities for long-term competitiveness. The Group is committed to operating in a manner that is economically, socially and environmentally sustainable while balancing the interests of our various stakeholders and fostering a positive impact on the society. The sustainability strategy of the Group is based on the compliance with the applicable legal requirements, principle of sustainability and opinions from stakeholders. The Group has established and implemented various policies to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

## STAKEHOLDER ENGAGEMENT

The Group understands the success of the Group’s business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group’s activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group’s roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders’ insights, inquiries and continuous interest in the Group’s business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group’s key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

| Stakeholders                            | Issues of concerns  | Engagement channels   |
|---|---|---|
| <b>Government and Market Regulators</b> | <ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Proper tax payment</li> <li>• Promotion of regional economic development and employment</li> </ul>           | <ul style="list-style-type: none"> <li>• On-site inspections and checks</li> <li>• Research and discussion through work conferences, work reports preparation and submission for approval</li> </ul>  |
| <b>Shareholders and Investors</b>       | <ul style="list-style-type: none"> <li>• Return on the investment</li> <li>• Information disclosure and transparency</li> <li>• Protection of interests and fair treatment of shareholders</li> </ul> | <ul style="list-style-type: none"> <li>• Annual general meeting and other shareholder meetings</li> <li>• Annual reports, interim reports, ESG reports, announcements and website</li> <li>• Meeting with investors and analysts</li> </ul> |
| <b>Employees</b>                        | <ul style="list-style-type: none"> <li>• Safeguard the rights and interests of employees</li> <li>• Career development opportunities</li> <li>• Health and safety</li> </ul>                          | <ul style="list-style-type: none"> <li>• Conferences</li> <li>• Trainings, seminars, briefing sessions</li> <li>• Cultural and sport activities</li> <li>• Emails and instant messaging systems</li> </ul>                                  |
| <b>Customers</b>                        | <ul style="list-style-type: none"> <li>• Safe and high-quality services</li> <li>• Stable relationship</li> <li>• Information transparency</li> <li>• Business ethics</li> </ul>                      | <ul style="list-style-type: none"> <li>• Website and published financial reports</li> <li>• Emails</li> <li>• Visits and meetings</li> </ul>  |

| Stakeholders                          | Issues of concerns   | Engagement channels  |
|---------------------------------------|--|--|
| Suppliers and Partners                | <ul style="list-style-type: none"> <li>• Long-term partnership</li> <li>• Honest cooperation</li> <li>• Fair and open</li> <li>• Risk reduction</li> </ul> | <ul style="list-style-type: none"> <li>• Business meetings, phone calls, interviews</li> <li>• Regular meetings</li> <li>• Review and assessment</li> <li>• Tendering process</li> </ul> |
| <b>Peer and Industry Associations</b> | <ul style="list-style-type: none"> <li>• Experience sharing and cooperation</li> <li>• Fair competition</li> </ul>   | <ul style="list-style-type: none"> <li>• Site visits</li> </ul>  |
| <b>Public and Communities</b>         | <ul style="list-style-type: none"> <li>• Community involvements</li> <li>• Social responsibilities</li> </ul>  | <ul style="list-style-type: none"> <li>• Volunteering</li> <li>• Charity and social investments</li> </ul>   |

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 20 of the GEM Listing Rules) and the guidelines of Global Reporting Initiative (“GRI”).

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

**Step 1: Identification – Industry Benchmarking**

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 20 of the GEM Listing Rules).

**Step 2: Prioritization – Stakeholder Engagement**

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects to be covered.

**Step 3: Validation – Determining Material Issues**

- Based on the discussion with key stakeholders and internal discussion among the management, the Group’s management ensured all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2021, those important ESG areas to the Group were discussed in this Report.

## ESG GOVERNANCE

### Board's oversight of ESG issues

#### *Board's overall vision and strategy in managing ESG issues*

The board of directors ("Board") has a primary role in overseeing the management of the Group's sustainability issues. During the year, the Board and the ESG Working Group spent significant time in evaluating the impact of ESG-related risks on our operation and formulating relevant policy in dealing with the risks. The oversight of the Board is to ensure the management to have all the right tools and resources to oversee the ESG issues in the context of strategy and long-term value creation.

#### *ESG Working Group*

To demonstrate our commitment to transparency and accountability, our Group has established an ESG Working Group, which has clear terms of reference that set out the powers delegated to it by the Board. We highly value the opinions of each stakeholder and treat them as the cornerstone for the development of the Group. During the reporting period, the ESG Working Group consisted of 20 members.

The ESG Working Group is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group. Different ESG issues are reviewed by the Working Group at the meetings, which holds quarterly. During the reporting period, the ESG Working Group and the management reviewed the ESG governance and different ESG issues.

#### *Board's ESG management approach and strategy for material ESG-related issues*

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, materiality assessment is conducted each year. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has evaluated the materiality and importance in ESG aspects through the steps: (1) material ESG area identification by industry benchmarking; (2) key ESG area prioritization with stakeholder engagement; and (3) validation and determining material ESG issues based on results of communication among stakeholders and the management.

Hence, this can enhance understanding of their degree and change of attention to each significant ESG issue, and can enable us to more comprehensively plan our sustainable development work in the future. Those important and material ESG areas identified during our material assessment were discussed in this Report.

### Board review progress against ESG-related goals and targets

The progress of target implementation and the performance of the goals and targets should be closely reviewed from time to time. Rectification may be needed if the progress falls short of expectation. Effective communication about the goals and target process with key stakeholders such as employees is essential, as this enables them to be engaged in the implementation process, and to feel they are part of the change that the company aspires to achieve.

Setting strategic goals for the coming three to five years enables the Group to develop a realistic roadmap and focus on results in achieving the visions.

Setting targets requires the ESG Working Group to carefully examine the attainability of the targets which should be weighed against the company's ambitions and goals. During the year, our Group set targets on an absolute basis.

## **A. ENVIRONMENTAL ASPECTS**

The Group is committed to continuously improving the environmental sustainability of its businesses and ensuring that environmental consideration remains one of the keys focuses in fulfilling its obligations to both the environment and community. Recognising the potential impacts of its businesses on the environment, the Group has established relevant emission reduction and energy saving initiatives to manage the emissions and minimise environmental impacts of its operations.

The Group strictly complies with the relevant environmental laws and regulations in the PRC, including the Environmental Protection Law of the PRC. During the reporting period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to air and greenhouse emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

### **A1. EMISSIONS**

The Group acknowledges its responsibility to reduce emissions. The Group has implemented a policy of "Environmental Facilities Operation and Management" to monitor and manage the emissions generated during the Group's operations. The Group has also appointed relevant personnel to ensure its emission level meets the relevant national standards.

#### **Air Pollutants Emission**

The air pollutants emitted by the Group mainly come from fuel consumption during factory operations and vehicle use. It is crucial to implement emission control measures to reduce the environmental impacts and protect the health of employees. The Group strives to mitigate the generation of nitrogen oxides, sulfur dioxide and particulate matters. The Group has adopted different technologies to reduce the amount of air pollutants emitted.

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.

Furthermore, 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 increase in the air pollutant emission in 2021 was mainly attributable to the increase in production activities of civil explosives and blasting services activities during the year. During the reporting period, the air pollutants emission was as follows:

| Air Pollutants Emission            | Unit | 2021      | 2020      |
|------------------------------------|------|-----------|-----------|
| Nitrogen oxides (NO <sub>x</sub> ) | kg   | 10,456.33 | 9,124.28  |
| Sulfur dioxide (SO <sub>2</sub> )  | kg   | 29,506.21 | 18,286.81 |
| Particulate matter (PM)            | kg   | 570.28    | 523.32    |

### Greenhouse Gas (“GHG”) Emission

GHG is considered as one of the major contributors to the climate change and global warming. Fuel and electricity consumptions account for a major part of the Group’s GHG emission. The Group places great emphasis on improving energy efficiency and reducing energy consumption to minimise its GHG emission. The Group has adopted energy saving initiatives that will be further elaborated in the section “Use of Resources” of this Report.

Besides, 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. Moreover, the Group has planted trees, flowers and grass in the office, production and surrounding areas to increase vegetation coverage, thereby improving the air quality of surrounding areas and absorbing greenhouse gases. As a PRC subsidiary engaged in non-ferrous metals and precious metal mining business was acquired in October 2020, its early stage development and production activities led to an increase in the GHG emission in 2021 during the year.

During the reporting period, the GHG emission was as follows:

| GHG emission           | Unit   | 2021      | 2020                  |
|------------------------|--|-----------|-----------------------|
| Scope 1 <sup>1</sup>   | tonnes of CO <sub>2</sub> e                        | 4,197.45  | 3,211.11              |
| Scope 2 <sup>2</sup>   | tonnes of CO <sub>2</sub> e                        | 27,306.35 | 2,046.81              |
| Total GHG emission     | tonnes of CO <sub>2</sub> e                        | 31,503.80 | 5,257.92 <sup>3</sup> |
| GHG emission intensity | tonnes of CO <sub>2</sub> e/area in m <sup>2</sup> | 0.09      | 0.11                  |

<sup>1</sup> Scope 1: Direct emissions from sources that are owned or controlled by the Group.

<sup>2</sup> Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group.

<sup>3</sup> Scope 3: The year 2020 figures have been restated as the latest electricity emission model was adopted for the subsidiaries in the PRC and Tajikistan.



## **Wastewater**

The Group strives to effectively regulate the discharge of wastewater with the implementation of measures to monitor the pollutant level of wastewater. The Group has also installed devices in the discharging pipes to regularly monitor the water quality so as to ensure the discharge of wastewater meets the relevant national standards. The Group also conducts regular maintenance for sewage treatment facilities to ensure efficient operations. 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.

## **Hazardous and Non-hazardous Wastes**

The Group recognizes the importance to handle the wastes properly in order to minimize the impacts on the environment. The hazardous wastes mainly consist of waste batteries, waste lamps, waste ink cartridges, expired or used medicines in labs, etc., and are stored in a separate location and handled with due care and processed by qualified waste disposal service providers.

For the non-hazardous waste, it is generated from the Group's office operation and production. The Group engages qualified recycling companies to perform waste disposal. The Group strived to reduce the production of solid waste in all aspects of its operation. Raw material barrels are collected and reused in cooperation with the factories.

The Group strives to reduce the amount of waste generated and strengthen the environmental awareness of employees by introducing waste reduction initiatives as follows:

- Double-sided printing is encouraged.
- Employees are encouraged to reuse stationery such as used envelopes.
- Communication by electronic means, such as emails, is promoted.
- Wasted electrical and electronic equipment, such as computers, are donated to charity organizations or recycled by recycling companies.
- Recycling bins are installed to collect recyclables, such as wasted papers and plastics.
- Employees are educated on protecting the work environment through on-the-job training.

During the reporting period, the Group 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 was no case of violating environmental laws and regulations during the year. The decreases in the hazardous wastes amount and the non-hazardous wastes amount generated in 2021 were mainly attributable to the effective implementation of waste reduction policy by the Group during the year. The hazardous and non-hazardous wastes generated by the Group were as follows:

| <b>Waste generated</b>        | <b>Unit</b>     | <b>2021</b> | <b>2020</b> |
|-------------------------------|-----------------|-------------|-------------|
| Hazardous waste generated     | tonnes          | 0.06        | 0.07        |
| Hazardous waste intensity     | tonnes/employee | 0.01        | 0.01        |
| Non-hazardous waste generated | tonnes          | 123.41      | 134.33      |
| Non-hazardous waste intensity | tonnes/employee | 0.16        | 0.23        |

## **A2. USE OF RESOURCES**

The major resources used by the Group are fuel, electricity and water. With the implementation of the Group’s “Energy Resources Control Procedures”, the Group aims to promote resources saving by implementing energy and water efficiency initiatives and motivating its employees to participate in resources conservation activities.

### **Energy Consumption**

Electricity and fuels account for the Group’s major energy consumption. In view of the scarcity of energy, the Group has advocated various energy conservation strategies. For example, streetlamps in the factory area of the Group, hot water systems in the dormitories, canteen and washrooms are all driven by solar energy, increasing the use of renewable energy, 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.

In addition, the temperature of air-conditioning in offices is maintained at an energy efficient level at around 25 degrees Celsius. An energy-saving mode is set on computer when they are not in use for a long period of time. We also require all office equipment and production machinery to be switched off when leaving work. Furthermore, we use more energy-efficient vehicles to transport blasting materials and used more energy-efficient rigs for drilling to reduce the consumption of fossil fuels in factories and production sites. The increase in energy consumption in 2021 was mainly due to the increase in electricity consumed during early stage development and production activities of the newly acquired PRC subsidiary which was engaged in non-ferrous metals and precious metal mining business during the year. During the reporting period, the energy consumption was as follows:

| Energy Consumption              | Unit                       | 2021      | 2020      |
|---------------------------------|----------------------------|-----------|-----------|
| Purchase electricity            | MWh                        | 33,497.70 | 2,114.48  |
| Liquified Petroleum Gas (“LPG”) | MWh                        | 12.11     | 752.39    |
| Diesel                          | MWh                        | 1,335.77  | 2,448.94  |
| Petrol                          | MWh                        | 1,744.01  | 1,168.31  |
| Coal                            | MWh                        | 9,974.39  | 6,168.27  |
| Total energy consumption        | MWh                        | 46,563.98 | 12,652.39 |
| Energy consumption intensity    | MWh/area in m <sup>2</sup> | 0.13      | 0.25      |

### Water Consumption

Water is another important resource used by the Group during its operations. The Group endeavours to conserve water effectively. Employees are reminded to turn off the water taps after used. In case of water leakage from pipes, it is fixed promptly to avoid unnecessary wastage of water. During the year, in light of the effective implementation of water saving policy by the Group, the amount of water consumption slightly reduced.

During the reporting period, the water consumption was as follows:

| Water consumption           | Unit                                   | 2021   | 2020   |
|-----------------------------|--|--------|--------|
| Water consumption           | m <sup>3</sup>                         | 19,690 | 20,142 |
| Water consumption intensity | m <sup>3</sup> /area in m <sup>2</sup> | 0.06   | 0.40   |

## Packaging Materials

The major packaging materials used in our manufacture business in the PRC are paper, plastic, metal and fabric. As a replacement of paper during the production process, the plastic consumption increased in 2021 and the paper consumption decreased accordingly. The decrease in the metal consumption is mainly due to the effective implementation of metal usage management policy by the Group during the year. During the reporting period, the consumption of packaging materials is as follows:

| Packaging materials consumption | Unit   | 2021   | 2020   |
|---------------------------------|--------|--------|--------|
| Paper                           | tonnes | 71.07  | 340.69 |
| Plastic                         | tonnes | 113.12 | 108.44 |
| Metal                           | tonnes | 5.48   | 16.67  |
| Fabric                          | tonnes | 7.01   | N/A    |

## A3.ENVIRONMENT AND NATURAL RESOURCES

With the aforementioned measures to reduce emissions, waste generation and resources consumption, the Group strives to enhance environmental sustainability and minimise its impacts on the environment and natural resources. Besides, the Group has established a “Pollution Accident Management” session under the policy of “Environmental Facilities Operation and Management System”. In case of any accident of pollution, emergency plans will be formulated immediately and the case will be reported to the relevant authorities to reduce the environmental impacts to the minimal.

## A4.CLIMATE CHANGE

### Governance

Our group addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group’s ESG Working Group. Our ESG Working Group provides effective governance for integrating and addressing ESG issues, including climate change, within our business.

The ESG Working Group is responsible for approving operational emissions targets for the Group and commissioning an ESG benchmarking, as well as gap analysis exercise to identify gaps in both disclosure and policy relative to best practice standards. Moreover, the ESG Working Group works closely with the Group’s different operation departments, with an aim to develop consistent and enhanced approaches on addressing ESG risk issues and report to the management.

## Strategy

Climate change risk forms part of our overall risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters. We assess the overall level of risk by taking into consideration a range of diverse risk factors across the many categories in our product or services range. This diversity of risk is combined with our business strategy and broad geographic footprint helps us distribute risk and provide protection against the impacts of short-term climate change effects. Our products and services continue to provide protection for people in our communities against weather and heat-related disease. Besides, we continue to explore opportunities to engage our business partners and encourage them to develop climate resilience and reduce their operational carbon footprint by taking into consideration of different climate-related scenarios, including a “2°C or lower scenario” through the following steps:

### **Step 1: Set Future Images Assuming Climate Change Effects**

As climate change measures proceeds, there is a possibility that the industry will be exposed to substantial changes, such as stricter policies including the introduction of and increases in carbon pricing, as well as advances in technology and changes in customer awareness. In light of these climate change effects, based on the International Energy Agency (“IEA”) scenarios and others, we developed multiple future images as the external environment that will surround our Group.

With regard to the IEA scenarios, we put focus on the 2°C scenario (2DS) and pictured future images in case where climate change measures do not progress and where such measures progress further “Beyond 2°C scenario”.

### **Step 2: Consider the Impacts**

We considered the impacts on our Group for each of the future images developed in Step 1. We believe that it will be possible to expedite carbon dioxide reduction effects in our society.

With regard to the effects on raw material procurement and production, introduction of and increases in carbon pricing is anticipated in accordance with the global advance of climate change measures, leading to the possibility of higher raw material procurement and production costs.

On the other hand, in the case where climate change measures are not adequate throughout society, production interruptions and supply chain disruptions are likely to increase as a result of higher frequency and intensification of natural disasters such as flooding.

### **Step 3: Respond to the Strategies**

Our Group will begin promoting the reduction of non-renewable energy in our daily operation. This strategy will allow for flexible and strategic responses to each demand for the regions where the emission factors of purchased electricity consumptions are high. By promoting real carbon emissions reductions throughout the world through these types of initiatives, we are working to achieve zero carbon emission in our business.

We minimize carbon emissions through comprehensive energy-saving and introduction of renewable energy. With respect to renewable energy in particular, we have set a new target, achieve a reduction rate for purchased electricity in coming few years.

With regard to the ongoing confirmation of the suitability and progress of the Group's strategies, we believe that we will have opportunities for stable funding and sustainable increase in corporate value through appropriate information disclosure, dialogue with institutional investors and other stakeholders.

## **Risk Management**

Our Group identifies the climate change related risks or to test the existing risk management strategies under climate change with the aid of risk assessment. Hence, the areas where new strategies are needed can be identified.

The risk assessment takes a standard risk-based approach using national data, local information and expert knowledge, which can identify how climate change may compound existing risks or create new ones.

The risk assessment is conducted through the following steps:

### **Step 1: Establish the context**

- Objective/goal
- Scale
- Time frame
- Climate change scenario for most climate variables and sea level

### **Step 2: Identify existing risk (past and current)**

- Identify the record of occurrence of climatic hazard in the past in the area
- Risk management strategies in place to tackle future occurrence of the hazard

### **Step 3: Identify future risk and opportunities**

- Explore climate change projections for the selected time frame(s) and emission scenario(s)
- Identify potential hazards
- Investigate whether any existing risk from Step 2 may get worse under future projected changes
- Identify new risks that can emerge under future projected changes

### **Step 4: Analyze and evaluate risk**

- Identify a set of decision areas or systems (i.e., geographical areas, business operation, assets, ecosystems, etc.) that has the potential to be at risk in future

As outlined within the Governance section above, the Group has robust risk management and business planning processes that are overseen by the board of directors in order to identify, assess and manage climate-related risks. The Group engages with government and other appropriate organizations in order to keep abreast of expected and potential regulatory and/or fiscal changes.

We continue to raise awareness of climate change in regard to monitoring of carbon and energy footprint in our daily operation. However, there remains gaps in understanding how such climate risks and opportunities may impact our operations, assets and profits. Our Group assesses how the business addresses climate change risks and opportunities and takes the initiative to monitor and reduce their environmental footprint.

### **Significant Climate-related Issues**

During the reporting period, the significant climate-related physical risks and transition risks, which have impacted and/or may impact our Group, as well as the steps taken to manage these risks, were as follows:

| Detailed description of risks  | Financial Impact   | Steps taken to manage the risks   |
|--|--|---|
| <b>Physical Risk</b>   |  |   |
| <p>Acute physical risks</p> <ul style="list-style-type: none"> <li>• Increased severity and frequency of extreme weather events such as cyclones and floods, which may damage our plants.</li> <br/> <li>• Increased likelihood of drought, may vulnerable to water stress.</li> <br/> <li>• Increased likelihood and severity of wildfire. Financial loss occurs as the production plants cannot work.</li> </ul> | <ul style="list-style-type: none"> <li>• Operating cost and maintenance cost increase</li> <br/> <li>• Revenue decreases</li> <br/> <li>• Revenue decreases</li> </ul> | <ul style="list-style-type: none"> <li>• Elevated the dwells in the mines and installed floodgates in designated areas in preparation for increased risk of flooding.</li> <br/> <li>• Planned to adopt scenario analysis to disclose an organization's planning under future scenarios, most notably one with in a 2°C scenario.</li> <br/> <li>• Monitored and updated climate data closely and regularly, and issued early warnings timely.</li> <br/> <li>• Strengthened the HSE (Health, Safety, Environment) management.</li> </ul> |

| Detailed description of risks  | Financial Impact   | Steps taken to manage the risks  |
|--|--|--|
| <p>Chronic physical risks</p> <ul style="list-style-type: none"> <li>• Extreme variability in weather patterns. Frequent extreme weather events such as heat waves may affect the facilities' operations, while the utilities become frozen under cold waves, which may affect the operations of the mines as well.</li> </ul>   | <ul style="list-style-type: none"> <li>• Revenue reduces from decreased production capacity</li> <li>• Maintenance cost increases</li> <li>• Operating cost increases</li> </ul> | <ul style="list-style-type: none"> <li>• Planned improvements, retrofits, relocations, or other changes to facilities that may reduce their vulnerability to climate impacts, and increases climate resilience in long term.</li> <li>• Installed cooling facilities to ensure the facilities operate safely, and adopted warming facilities for the utilities.</li> </ul> |
| <p>Transitional Risk</p>   |  |  |
| <p>Policy risk</p> <ul style="list-style-type: none"> <li>• The government will introduce more stringent environmental and safety regulations, the metal mines, factories and production sites for explosive products have to upgrade the safety facilities, and maintain the noise generation as well as the impacts of the mining activities to water quality.</li> <li>• International, domestic, and regional treaties and agreements restricting greenhouse gas emissions, may result in high expenditure for the company.</li> </ul> | <ul style="list-style-type: none"> <li>• Compliance cost increases possibly</li> <li>• Operating cost increases</li> </ul>   | <ul style="list-style-type: none"> <li>• Paid close attention to the latest policies, regulations and treaties, and avoiding any increase of the company's cost and expenditure due to non-compliance.</li> <li>• Monitor the updates of the relevant laws and agreements, to avoid the unnecessary increase in cost and expenditure due to non-compliance.</li> </ul>     |



| Detailed description of risks  | Financial Impact   | Steps taken to manage the risks  |
|--|--|--|
| <p>Legal risk</p> <ul style="list-style-type: none"> <li>Exposure to litigation risk. We have to adapt the tightened law and regulations issued by the government due to climate change. For example, the wastewater and noise treatments of the metal mines, factories and production sites of explosive products are required to fulfil more environmental regulations. Our Group is exposed to the risk of litigation once we fail to obligate the new rules.</li> <li>Enhanced emissions-reporting obligations. We may have to spend much time on fulfilling the ESG reporting standards to comply with the new regulation.</li> </ul> | <ul style="list-style-type: none"> <li>Operating cost increases</li> <li>Operating cost increases</li> </ul>   | <ul style="list-style-type: none"> <li>Monitored the updates of environmental laws and regulations and implemented wastewater audit in advance.</li> <li>Monitored the updates of environmental laws and regulations and implemented GHG emissions calculations in advance.</li> </ul> |
| <p>Technology risk</p> <ul style="list-style-type: none"> <li>Transition to low-carbon economy, such as implementing the energy saving strategies and low-carbon production will increase the company's technical innovation costs, and the scale of the new business model will affect the company's development strategy.</li> </ul>   | <ul style="list-style-type: none"> <li>Capital investment in technology development increases</li> <li>Research and Development (R&amp;D) expense increases</li> </ul> | <ul style="list-style-type: none"> <li>Increased the investment in technological innovation and vigorously developed low-carbon and energy saving technologies.</li> </ul>   |

| Detailed description of risks   | Financial Impact   | Steps taken to manage the risks  |
|---|--|--|
| <p>Market risk</p> <ul style="list-style-type: none"> <li>Public attention to climate change may facilitate market preference for low-carbon products and services, thereby affecting the demand for civil explosives products and blasting service, as well as mineral materials and non-ferrous metals. The company's capital expenditure may increase and strategic growth opportunities may reduce.</li> <li>The rapid development of unconventional oil and gas resources, alternative energy, new energy and new products may bring competitive pressure on the company.</li> <li>Price level decreases resulting from the cutthroat competition of the foreign resources and overcapacity, which may bring competitive pressure on the company.</li> </ul> | <ul style="list-style-type: none"> <li>Revenue decreases from decreased demand for goods and the decrease in production capacity</li> <li>Operating cost increases</li> <li>Production cost increases</li> </ul> | <ul style="list-style-type: none"> <li>Continuing to pay attention on new trends, clean production, unit cost reduction and efficiency enhancement.</li> <li>Vigorously developing strategies to save energy and reduce consumptions, to enhance the high-quality sustainable development of mines.</li> <li>Incorporated climate-related considerations into the investment decision-making process, and increased investment in new and alternative energies.</li> </ul> |

| Detailed description of risks  | Financial Impact   | Steps taken to manage the risks   |
|--|--|---|
| <p>Reputational risk</p> <ul style="list-style-type: none"> <li>A low-carbon image is an important indication of the influence of multi-national companies and a major concern of stakeholders. If the company fails to meet its low-carbon development goals or fails to meet such goals by the expected routes and measures, its reputation and image may be affected adversely.</li> <li>Litigation related to climate may affect the company's reputation and image.</li> <li>Enterprise standardization, green and low-carbon factories for explosive products and metal mines have become the important external influential labels of the company. If the company's development fails to achieve the goal, or the road to achieve the targets is not as expected, the self-reputation and image may be affected.</li> </ul> | <ul style="list-style-type: none"> <li>Revenue decreases from decreased demand for goods</li> <li>Operating costs increases</li> </ul> | <ul style="list-style-type: none"> <li>Accelerated low-carbon transition, enterprise standardization of the company, as well as the development of green mine.</li> <li>Extended external communication and participation.</li> <li>Improved level and transparency of ESG information disclosure.</li> </ul> |

During the reporting period, the primary climate-related opportunities and the corresponding financial impacts were as follows:

| Detailed description of opportunities  | Financial Impact  |
|--|---|
| <p>Resource efficiency</p> <ul style="list-style-type: none"> <li>Use of more efficient modes of transport</li> <li>Use of more efficient production and distribution processes</li> <li>Use of recycling</li> <li>Reduce water consumption</li> </ul> | <ul style="list-style-type: none"> <li>Operating cost reduces through efficiency gains and cost reductions</li> </ul> |

| Detailed description of opportunities   | Financial Impact   |
|---|--|
| <b>Energy source</b> <ul style="list-style-type: none"> <li>• Use of lower-emission sources of energy</li> <li>• Use of supportive policy incentives</li> <li>• Use of new technologies</li> <li>• Shift toward decentralized energy generation</li> </ul>                            | <ul style="list-style-type: none"> <li>• Operating cost reduces through use of lowest cost abatement</li> <li>• Returns on investment in low- emission technology increases</li> </ul>   |
| <b>Products and services</b> <ul style="list-style-type: none"> <li>• Development of climate adaptation and insurance risk solutions</li> <li>• Ability to diversify business activities</li> <li>• Development of new products or services through R&amp;D and innovation</li> </ul> | <ul style="list-style-type: none"> <li>• Revenue increases through new solutions to adaptations needs, such as insurance risk transfer products and services</li> </ul>  |
| <b>Markets</b> <ul style="list-style-type: none"> <li>• Access to new markets</li> </ul>  | <ul style="list-style-type: none"> <li>• Revenue increases through access to new and emerging markets</li> </ul>   |
| <b>Resilience</b> <ul style="list-style-type: none"> <li>• Participation in renewable energy programs and adoption of energy-efficiency measures</li> <li>• Resource substitution or diversification</li> </ul>   | <ul style="list-style-type: none"> <li>• Market valuation increases through resilience planning, such as infrastructure, land and buildings</li> <li>• Reliability of supply chain and ability to operate under various condition increases</li> <li>• Revenue increases through new products and services related to ensuring resiliency</li> </ul> |

### Metrics and Targets

Our Group adopts the key metrics to assess and manage climate-related risks and opportunities. The energy consumption and greenhouse gas (GHG) emissions indicators are the key metrics used to assess and manage relevant climate-related risks where we consider such information is material and crucial for evaluating the impact of our operation on global climate change during the year.

Our Group strives to track our energy consumption and greenhouse gas emissions indicators regularly to assess the effectiveness of emission reduction initiatives, as well as set targets to contribute our effort to have minimal impact on global warming. The details are described in the sections A1: “Emissions” and A2: “Use of Resources” of this Report. Our Group has adopted absolute target to manage climate-related risks and opportunities and performance.

## **B. SOCIAL ASPECTS**

### **EMPLOYMENT AND LABOUR PRACTICES**

#### **B1. EMPLOYMENT**

The Group believes employees are valuable assets and the foundation for success and development of the Group. The Group strives to maintain a safe and equal working environment for our employees, provide development opportunities and promote employee health and well-being. The Group has established a set of human resources management policies in accordance to the Labour Law of the PRC, the Labour Contract Law of the PRC and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The Group's human resources management policies cover the Group's standards in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare.

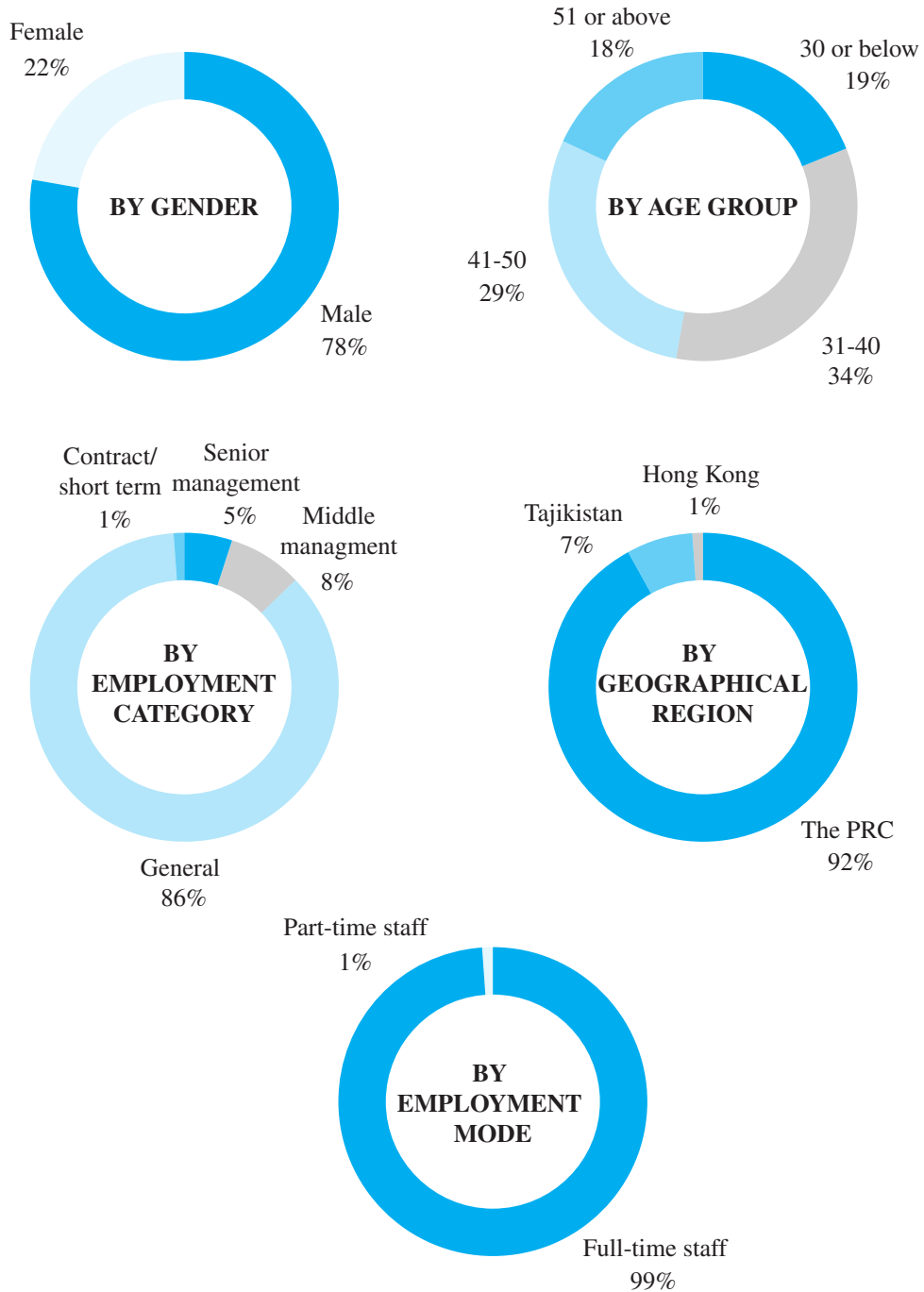
The Group provides equal opportunity in all aspects of employment and prohibits discrimination or harassment against any individual on their gender, age, nationality, marital status, disability, race, colour, religion and any other characteristics protected by applicable laws. The Group's employees receive wages higher than the local minimum wage.

Since its establishment, employees are provided with social insurances, including social endowment insurance, unemployment insurance, work injury insurance, maternity insurance and medical insurance. Employees are also entitled to various benefits including marriage leave, compassionate leave, maternal leave as well as statutory holidays.

Since 2019, the Board has adopted the Scheme to recognise and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Scheme is subjected to administration of the Board and the trustee in accordance with the rules of the Scheme and the Trust Deed.

During the reporting period, the Group was not aware of any material non-compliance with the relevant laws and regulations regarding employment and labour practices in the PRC, Hong Kong and Tajikistan.

As at 31 March 2021, the employee compositions by gender, employment type, age group, geographical region and employment mode were as follows:



<sup>4</sup> The data for year 2020 employee composition by employment mode was not available.

The employee turnover rate during the reporting period by gender, age group and geographical region are as follows:

| Turnover rate                   | 2021 | 2020             |
|---------------------------------|------|------------------|
| <b>By gender</b>                |      |                  |
| • Male                          | 17%  | 10%              |
| • Female                        | 13%  | 10%              |
| <b>By age group</b>             |      |                  |
| • 30 or below                   | 23%  | 12%              |
| • 31-40                         | 14%  | 11%              |
| • 41-50                         | 11%  | 10%              |
| • 51 or above                   | 21%  | –                |
| <b>By geographical location</b> |      |                  |
| • The PRC                       | 16%  | 11%              |
| • Hong Kong                     | 18%  | –                |
| • Tajikistan                    | 36%  | –                |
| <b>By employment mode</b>       |      |                  |
| • Full-time staff               | 16%  | N/A <sup>5</sup> |
| • Part-time staff               | –    | N/A <sup>5</sup> |
| Overall                         | 16%  | 10%              |

## B2. HEALTH AND SAFETY

The Group places the highest priority on securing the health and safety of its employees. The Group continuously monitors and manages matters related to occupational health and safety so as to ensure strict compliance with the relevant laws and regulations in the PRC, Tajikistan and Hong Kong, including the Production Safety Law of the PRC, the Fire Control Law of the PRC and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

### Workplace Safety

The Group places great emphasis on the safety of machinery and equipment. The Group conducts regular maintenance on the machinery and equipment to ensure they are in good condition. Operators are required to obtain relevant licenses and should be familiar with the operation of the machines before working on sites. In order to safeguard personal safety, employees are required to wear personal protective equipment when working on sites and equip with safety belts when working at height.

<sup>5</sup> The data for year 2020 turnover rate by employment mode has not been recorded by the company.

## Safety Training and Education

The four major subsidiaries of the Group have established occupational health and safety management systems, and have successfully obtained the OHSAS18001 certification. Safety training is crucial to enhance employees' safety awareness in order to mitigate the risk of work-related injury. The Group has established a "Safety Training Management System" and required contractors and construction units to carry out safety trainings. The Group reminds employees the importance of safe operation by posting safety warning signs and safety banners in the workplace, setting up safety knowledge column and distributing safety leaflets. The Group also provides training for employees who are the first time to use the protective equipment to ensure the protective equipment are properly used and maintained so as to protect the safety of employees. Besides, the Group organises safety drills with all operation units in order to ensure employees are prepared to respond in the event of emergency.

In addition, the Group actively participates in safety training activities organised by the government and industry authorities. During the reporting period, the Group was not aware of any material non-compliance with the relevant safety laws and regulations in the PRC, Hong Kong and Tajikistan. There was no work-related fatality (2018: nil, 2019: nil) and lost day due to work injury (2018: nil, 2019: nil) occurred during the year.

## B3. DEVELOPMENT AND TRAINING

The Group believes the knowledge, skills and capabilities of its employees are vital to the Group's continued business growth and success. Hence, the Group provides trainings for employees in accordance with the Group's training system to enhance their requisite knowledge and skills in discharging their duties. The training programs offered can be mainly divided into internal and external trainings.

### 1. Internal trainings

The internal trainings include orientation training, skills training and attitude training. The orientation training is provided for newly recruited employees. It covers the Group's corporate culture, development history and management practices to familiarise the new employees with the Group's background and strengthen their sense of belongings. The skills training and attitude training are provided to employees based on the Group's development plan and the needs of respective departments.

### 2. External trainings

The external trainings include various training courses organised by external institutions and field trips for management staff or professional personnel.



During the reporting period, the detailed breakdown of the percentage of employees trained by gender and employee category is as follows:

| Percentage of employees trained | 2021 | 2020 |
|---------------------------------|------|------|
| <b>By gender</b>                |      |      |
| • Male                          | 75%  | 83%  |
| • Female                        | 25%  | 17%  |
| <b>By employment category</b>   |      |      |
| • Senior management             | 5%   | 4%   |
| • Middle management             | 11%  | 12%  |
| • General staff                 | 83%  | 84%  |
| • Contract/short term staff     | 1%   | –    |

During the reporting period, the detailed breakdown of the average training hours completed by each employee is as follows:

| Average training hours (hours/employee) | 2021  | 2020  |
|---|-------|-------|
| <b>By gender</b>                        |       |       |
| • Male                                  | 23.21 | 7.19  |
| • Female                                | 36.89 | 14.46 |
| <b>By employment category</b>           |       |       |
| • Senior management                     | 16.15 | 6.47  |
| • Middle management                     | 28.72 | 8.96  |
| • General staff                         | 26.42 | 8.40  |
| • Contract/short term staff             | 30.67 | –     |

#### **B4. LABOUR STANDARDS**

The Group strictly emphasises on the prohibition of engaging child labour and forced labour and fully complies with the relevant laws and regulations in the PRC and Hong Kong, including the Labour Law of the PRC, Provisions on the Prohibition of Using Child Labour and the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong). The Group has formulated the “Prohibition of Child Labour Recruitment and Remedies Procedures” on managing the prohibition of child labour. Regarding the prevention for child labour, candidates are required to present their identity proof for age verification during recruitment process.

In case of any child labour engaged, the child labour will be stopped from working immediately. The Group will provide medical checks for him/her and bring him/her back home. To prevent reoccurrence, the Group will investigate the cause of misuse of child labour and formulate corrective plans.

During the reporting period, the Group was not aware of any material non-compliance with relevant laws and regulations related to recruitment of child labour or forced labour practices.

## **OPERATING PRACTICES**

### **B5. SUPPLY CHAIN MANAGEMENT**

The Group's supply chain includes a range of suppliers to provide production materials and components for facilities and machineries. In order to ensure a fair, standardised and transparent tendering process, the Group has developed a set of standard procurement and tendering procedures. Tenderers are required to provide relevant information including safety production permits and qualification certificates, for the purpose of inspection.

The Group has selected its suppliers based on a set of 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 will request 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 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. All suppliers must comply with all the applicable laws and regulations. If any contravention is found, the supplier relationship will be terminated.

At the end of the reporting period, the Group had 65 suppliers (2020: 48 suppliers) of raw and auxiliary materials, in which 63 of the suppliers are from Mainland China, and one of each is from Kyrgyzstan and Uzbekistan.

### **B6. PRODUCT RESPONSIBILITY**

The Group attaches great importance on maintaining the quality of our products and providing safe services to our customers. The Group is in strict compliance with the relevant laws and regulations in the PRC and Hong Kong, including the Production Safety Law of the PRC, the Trademark Law of the PRC and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

**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 are accompanied by a quality certificate for identification. Since 2010, the main subsidiaries of the Group have successfully obtained the ISO 9001 Quality Management System Certification, which is an excellent recognition for their quality management.

### **Quality Control and Safety 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. In addition, during the reporting period, the Group made a donation of RMB500,000 to the Inner Mongolia Sheng'an Blasting Technical Research Institute to support the research and innovations of blasting technologies.

**Excellent Construction** – At the production sites where blasting is performed, we will exercise vigilance in the vicinity of the blasting process and will never use expired or unqualified detonators or explosives in order to ensure safety. After completion of the blasting, we will 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 will arrange meetings 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 will promptly communicate with the customer concerned, and the quality control leading group will 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 will assist the customer to go through legal procedures with the government. The Group will regularly conduct customer satisfaction surveys by using questionnaires and make follow-up calls to better understand customers' opinions on the Group's products and services.

### **Customer Data Protection and Privacy**

The Group acknowledges the importance to safeguard and protect customer personal data. The Group has established a confidentiality policy to raise the awareness of confidentiality of employees. Employees are required to sign a confidentiality agreement and fully abide by the guidance on prohibiting any unauthorised disclosure of confidential information.

During the reporting period, the Group was not aware of any material non-compliance with the relevant laws and regulations in relation to the customer data protection and privacy in the PRC and Hong Kong.

## **B7. ANTI-CORRUPTION**

The Group is committed to upholding high standards of business ethics and integrity in the conduct of the Group’s businesses and operations. The Group strictly adheres to all the relevant laws and regulations, including the Anti-Unfair Competition Law of the PRC, Regulations of the People’s Republic of China for Suppression of Corruption, the Anti-Money Laundering Law of the PRC and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong).

For external management, the Group strives to promote a fair and just commercial competition to achieve win-win situation with external business partners. For internal management, the Group has adopted a policy of “Anti-corruption Management System” and conveys its firm stance against corruption and fraud to our employees. Employees are prohibited from soliciting or accepting cash, banquets, gifts, rebates, commissions or other forms of bribing benefits from customers, potential customers or business partners. The Group provides trainings towards anti-corruption for new employees and existing employees.

The Group has established various communication channels, including phone (a whistle-blowing hotline), email and mail, for employees and stakeholders to report on observed and suspected case of non-compliance and questionable practices involving corruption and fraud. Relevant department is assigned to conduct inspections, handle employee grievance and report the matters of suspected misconduct.

For procurement policy, the Group has established a clear open tender policy to prevent corruption and bribery in procurement activities. 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.

During the reporting period, no legal case concerned with corruption practices was brought against the Group.

In addition, the Group provided training sessions of anti-corruption to the directors and staff. During the year, the detailed breakdown of the number of employees trained by gender and employee category is as follows:

| Anti-corruption training      | Number of employees | Number of training hours |
|-------------------------------|---------------------|--------------------------|
| <b>By employment category</b> |                     |                          |
| • Director                    | 5                   | 15                       |
| • Senior management           | 10                  | 32                       |
| • Middle management           | 21                  | 69                       |
| • General staff               | 152                 | 511                      |
| <b>Total</b>                  | 188                 | 627                      |

## COMMUNITY

### B8. COMMUNITY INVESTMENT

The Group is constantly aware of the needs of community and takes up its corporate responsibility to contribute to the society. The Group has adopted a “Corporate Investment Policy” and actively participated in local community activities. The Group focuses on the living standards of community, cultural projects, education and development and labour cooperation. The Group also encourages its employees to dedicate their time and skills to supporting local communities with the aim to create a harmonious society.

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 neighbouring 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 donated approximately RMB3.96 million (2020: RMB1.76 million) to different charities and organisations in the PRC during the reporting period. The detail donation information is as below:

| Donees  | Amount (RMB) |
|---|--------------|
| Ministry of Health, Tajikistan  | 3,541,131    |
| Inner Mongolia Wulatehouqi Sheng’an Foundation for Poverty Alleviation<br>(內蒙古烏拉特後旗盛安愛心濟困基金會) | 220,000      |
| Wulatehouqi Sports Centre Stadium (烏拉特後旗體育運動中心)   | 200,000      |

## Awards and Achievements

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  |

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

| Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs) |  | Sections   | Pages |
|---|--|--|-------|
| <b>A. Environmental</b>   |  |  |       |
| A1: Emissions   |  |  |       |
| General Disclosure  |  | “Emissions”  | 7     |
| KPI A1.1  | The types of emissions and respective emissions data   | “Emissions – Air Pollutants Emission”  | 8     |
| KPI A1.2  | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity                              | “Emissions – Greenhouse Gas Emission”  | 8     |
| KPI A1.3  | Total hazardous waste produced and, where appropriate, intensity   | “Emissions – Hazardous and Non-hazardous Wastes”                             | 10    |
| KPI A1.4  | Total non-hazardous waste produced and, where appropriate, intensity   | “Emissions – Hazardous and Non-hazardous Wastes”                             | 10    |
| KPI A1.5  | Description of measures to mitigate emissions and results achieved   | “Emissions – Air Pollutants Emission”, “Emissions – Greenhouse Gas Emission” | 7-8   |
| KPI A1.6  | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved                          | “Emissions – Hazardous and Non-hazardous Wastes”                             | 9-10  |
| A2: Use of Resources  |  |  |       |
| General Disclosure  |  | “Use of Resources”   | 10    |
| KPI A2.1  | Direct and/or indirect energy consumption by type in total and intensity   | “Use of Resources – Energy Consumption”                                      | 11    |
| KPI A2.2  | Water consumption in total and intensity   | “Use of Resources – Water Consumption”                                       | 11    |
| KPI A2.3  | Description of energy use efficiency initiatives and results achieved  | “Use of Resources – Energy Consumption”                                      | 10-11 |
| KPI A2.4  | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | “Use of Resources – Water Consumption”                                       | 11    |
| KPI A2.5  | Total packaging material used for finished products and, if applicable, with reference to per unit produced                            | “Use of Resources – Packaging Materials”                                     | 12    |

| Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs) |  | Sections  | Pages |
|---|--|---|-------|
| <b>A3: The Environment and Natural Resources</b>                                  |  |   |       |
| General Disclosure  |  | “The Environment and Natural Resources”   | 12    |
| KPI A3.1  | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them                     | “The Environment and Natural Resources”   | 12    |
| <b>A4: Climate Change</b>   |  |   |       |
| General Disclosure  |  | “Climate Change”  | 12-15 |
| KPI A4.1  | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them | “Climate Change”  | 15-20 |
| <b>B. Social</b>  |  |   |       |
| Employment and Labour Practices   |  |   |       |
| <b>B1: Employment</b>   |  |   |       |
| General Disclosure  |  | “Employment”  | 21    |
| KPI B1.1  | Total workforce by gender, employment type, age group and geographical region  | “Employment”  | 22    |
| KPI B1.2  | Employee turnover rate by gender, age group and geographical region  | “Employment”  | 23    |
| <b>B2: Health and safety</b>  |  |   |       |
| General Disclosure  |  | “Health and Safety”   | 23    |
| KPI B2.1  | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year                                       | No work-related fatality occurred in each of the past three years including the reporting year. | N/A   |
| KPI B2.2  | Lost days due to work injury   | No lost day due to work injury was occurred during the reporting year.                          | N/A   |
| KPI B2.3  | Description of occupational health and safety measures adopted, how they are implemented and monitored   | “Health and Safety”   | 23-24 |
| <b>B3: Development and Training</b>   |  |   |       |
| General Disclosure  |  | “Development and Training”  | 24    |
| KPI B3.1  | The percentage of employee trained by gender and employee category   | “Development and Training”  | 25    |
| KPI B3.2  | The average training hours completed per employee by gender and employee category  | “Development and Training”  | 25    |



| Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs) |  | Sections   | Pages |
|---|--|--|-------|
| <b>B4: Labour Standards</b>   |  |  |       |
| General Disclosure  |  | “Labour Standards”   | 25    |
| KPI B4.1  | Description of measures to review employment practices to avoid child and forced labour  | “Labour Standards”   | 25-26 |
| KPI B4.2  | Description of steps taken to eliminate such practices when discovered   | “Labour Standards”   | 26    |
| <b>Operating Practices</b>  |  |  |       |
| <b>B5: Supply Chain Management</b>  |  |  |       |
| General Disclosure  |  | “Supply Chain Management”  | 26    |
| KPI B5.1  | Number of suppliers by geographical region   | “Supply Chain Management”  | 26    |
| KPI B5.2  | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored | “Supply Chain Management”  | 26    |
| <b>B6: Product Responsibility</b>   |  |  |       |
| General Disclosure  |  | “Product Responsibility”   | 26    |
| KPI B6.1  | Percentage of total products sold or shipped subject to recalls for safety and health reasons  | The Group currently does not disclose on this indicator.         | N/A   |
| KPI B6.2  | Number of products and service related complaints received and how they are dealt with   | “Product Responsibility – Quality Control and Safety Management” | 27    |
| KPI B6.3  | Description and practices relating to observing and protecting intellectual property rights  | The Group currently does not disclose on this indicator.         | N/A   |
| KPI B6.4  | Description of quality assurance process and recall procedures   | “Product Responsibility – Quality Control and Safety Management” | 27    |
| KPI B6.5  | Description of consumer data protection and privacy policies, how they are implemented and monitored   | “Product Responsibility – Customer Data Protection and Privacy”  | 27-28 |

| Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs) |  | Sections   | Pages |
|---|--|--|-------|
| <b>B7: Anti-corruption</b>  |  |  |       |
| General Disclosure  |  | “Anti-corruption”  | 28    |
| KPI B7.1  | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case | No concluded legal case regarding corrupt practices was noted. | N/A   |
| KPI B7.2  | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored  | “Anti-corruption”  | 28    |
| KPI B7.3  | Description of anti-corruption training provided to directors and staff  | “Anti-corruption”  | 28    |
| <b>Community</b>  |  |  |       |
| <b>B8: Community Investment</b>   |  |  |       |
| General Disclosure  |  | “Community Investment”   | 29    |
| KPI B8.1  | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)   | “Community Investment”   | 29-30 |
| KPI B8.2  | Resources contributed (e.g. money or time) to the focus area   | “Community Investment”   | 29-30 |