



China Yu Tian Holdings Limited
中國宇天控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8230

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT
2017

Environmental, Social and Governance Report

1 General

1.1 The Group's Principal Activities and Scope of this Report

The Group's principal business during the reporting period is the manufacture and sale of industrial coated products as well as design and assembly of coated glass production equipment. Further information about the Group's principal business is available in Management Discussion and Analysis of the Group's 2017 Annual Report.

During the reporting period, the Group employed 260 full-time staff.

This report covers the Group's material environmental and social impacts during the period from 1 January to 31 December 2017.

This report covers operations of all the Group's principal subsidiaries set out in Note 12 of the Group's consolidated financial statements for the year ended 31 December 2017 included in the Group's 2017 Annual Report.

1.2 The Group's Stakeholders and Stakeholder Engagement

The Group's stakeholders are entities or individuals that can reasonably be expected to be significantly affected by the Group's activities, or whose actions can reasonably be expected to affect the ability of the Group to implement its strategies or achieve its objectives.

The Group's principal stakeholders include shareholders, loan and debt holders, customers, employees and suppliers. The Group's other stakeholders include government agencies, regulatory bodies, trade associations, public medias and local communities etc.

When making decisions about the content of this report, as well as our approach to a topic with material environmental and social impacts, the Group's management considered the reasonable expectations and interests of the Group's stakeholders, an understanding of which was obtained through engaging our stakeholders.

Our engagements with the principal stakeholder include our annual general meeting of the shareholders, interactive web page for investor relations, regular meetings with our loans and debts providers, on-going customer satisfactory surveys, standing customer feedback and complaint channels, regular employee interviews and job satisfaction surveys, and regular meetings and communications with our suppliers. Our understanding of the reasonable expectations and interests of other stakeholders of the Group is mainly obtained through ad hoc communications with them and monitoring of the public media.

Environmental, Social and Governance Report

2 Environmental Aspects

2.1 Emissions

Greenhouse gases (GHG) include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and fluorinated gases, including hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). GHG emissions are a major contributor to climate change.

According to a 2014 report of Intergovernmental Panel on Climate Change (IPCC), 76% of the global GHG emissions was CO₂, 16% was CH₄, 6% was N₂O and the remaining 2% was fluorinated gases. The principal sources of CO₂ emissions are burning of fossil fuels (coal, natural gas, and oil), solid waste, trees and wood products, and also as a result of certain chemical reactions (e.g. manufacture of cement). The principal sources of CH₄ emissions are agricultural activities, waste management and biomass burning. The principal sources of N₂O emissions are agricultural activities and biomass burning. The principal sources of fluorinated gases emissions are industrial processes and refrigeration.

According to the 2014 IPCC report, the electricity and heat production and other energy related sector accounted for 35% of the global GHG emission; agriculture, forestry and other land use accounted for 24%; industries that involving burning fossil fuels on site, involving chemical, metallurgical, and mineral transformation processes, and involving waste management activities accounted for 21%; the transportation sector accounted for 14%; and the remaining 6% came from onsite energy generation and burning fuels for heat in buildings or cooking in homes.

Other air pollutants mainly include gaseous sulfur oxides (SO_x) and nitrogen oxides (NO_x), which have adverse effects on climate, ecosystems, air quality, habitats, agriculture, and human and animal health. Sulfur dioxide (SO₂) and nitrogen dioxide (NO₂) are normally used as the indicators for the larger groups of sulfur oxides and nitrogen oxides respectively. The principal sources of SO₂ emissions are from fossil fuel combustion at power plants and industrial facilities, and by cars, trucks, buses and other transportation means. The principal sources of N₂O emissions are agricultural activities and biomass burning.

The Group's principal business operations do not involve activities that directly emit GHG or other air pollutants. The Group's GHG emission through fuel consumption of vehicles is not material. The Group indirectly emits GHG or other air pollutants principally through its' electricity and heat consumptions and transportation activities during its business processes to produce and deliver products to customers and in the Group's general administration. The Group's efficient use of electricity, heat and transportation would contribute to combating global climate change through reducing GHG emission, improving health conditions for workers and local communities through reducing emission of air pollutants.

Environmental, Social and Governance Report

2 Environmental Aspects (Continued)

2.1 Emissions (Continued)

To mitigate the impact of Group's environmental footprint, it is the Group's policy to minimize its indirect emission of GHG and other air pollutants through controlling the electricity and heat consumptions, as well as local and long distance travelling of business executives, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency of electricity, heat and fuel consumptions, and considers the existing policy appropriate.

Since the Group's operations do not involve those activities that directly emit GHG and other air pollutants, the laws and regulations governing direct GHG and other air pollutants emissions have no impact to the Group.

2.2 Discharge of Wastes

Wastes are considered hazardous if they may pose a substantial harm to human health or the environment when improperly treated, stored, transported. They are usually toxic, corrosive or persistent in the environment. Examples include wastes with a high content of chemicals or heavy metals, such as discarded vehicle batteries, plating wastes, pesticides, paints, solvents, fluorescent bulbs, lubricant oil, lead, mercury or zine etc.; biological waste such as microbiological, animal, human blood and blood products; and radioactive wastes.

The Group does not discharge hazardous wastes. Water discharged before and after coating of glass is non-hazardous. The Group discharges other non-hazardous wastes in the forms of papers, packaging, plastics and sewage water etc., during its business processes to produce and deliver products to customers and in the Group's general administration. The Group's efficiency in reduction of waste discharge and opting for disposal methods that reuse or recycle the discharged wastes would contribute to conservation of the environment.

To mitigate the Group's environmental impacts, it is the Group's policy to minimize the generation of wastes and to select disposal methods or contractors that reuse or recycle the Group's non-hazardous wastes, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in waste reduction and the method of waste disposal, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with environmental laws and regulations in respect of waste disposals.

During the year under review, the Group discharged approximately 3 metric tons of paper, 5 metric tons of packaging and 8 metric tons of plastics, which was estimated from total costs incurred and average cost per metric ton of paper, packaging and plastics purchased or consumed respectively. The Group's discharge of sewage water was not material. Wastes were handled by the local government agencies or management companies of the premises where the operations were located.

Environmental, Social and Governance Report

2 Environmental Aspects (Continued)

2.3 Use of Energy, Water and Other Natural Resources

2.3.1 Use of Energy

The Group consumes energy in the forms of electricity consumed and fuels purchased from external suppliers, mainly during its business processes to produce and deliver products to customers and in the Group's general administration. The Group's efficient use of energy and opting for renewable energy sources would contribute to combating global climate change.

To mitigate the impact of Group's environmental footprint, it is the Group's policy to minimize consumption of electricity and fuels during its business processes, and to select electricity suppliers which use renewable sources of solar, wind or hydro energy etc., so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in the consumption of energy and the use of renewable energy, and considers the existing policy appropriate.

During the year under review, the Group consumed approximately 2,820,000 kWh of electricity, which was estimated from total electricity cost incurred and average cost per kWh, equivalent to approximately 5,382 kWh per million RMB of revenue generated.

2.3.2 Use of Water

The Group obtains water from public utilities, and consumes water mainly during its business processes to produce and deliver products to customers and in the Group's general administration. The Group does not withdraw water directly from the ecosystem and has no operation in water-stressed area. The Group's efficient use of water would contribute to preserving local communities or indigenous peoples' access to fresh water.

To mitigate the Group's impact on fresh water resources, it is the Group's policy to minimize water consumption and maximize the use of recycled water during its business processes, and to avoid select water suppliers which withdraw water from sources that have high biodiversity value, have been proclaimed as conservation areas, or of great important to local communities or indigenous people, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in the consumption of water and the use of re-cycled water, and considers the existing policy appropriate.

During the year under review, the Group consumed approximately 45,000 kilolitres of water, which was estimated from total costs incurred and average cost per kilolitres of water consumed, equivalent to approximately 85.88 kilolitres per million RMB of revenue generated. The Group did not encounter any issue in sourcing water fit for its purpose.

Environmental, Social and Governance Report

2 Environmental Aspects (Continued)

2.3 Use of Energy, Water and Other Natural Resources (Continued)

2.3.3 Use of Other Natural Resources

Natural resources are considered renewable if they are replenished by the environment over relatively short periods of time or are almost of unlimited supply. Examples include solar, wind, forests, biomass and most plants and animals. Natural resources are considered nonrenewable resources if cannot be easily replenished by the environment or of limited supply. Examples include most minerals, metal ores, fossil fuels, natural gas and groundwater.

The Group consumes renewable natural resources mainly in the forms of paper and nonrenewable natural resources in the forms of glass, metal and plastic purchased from external suppliers, mainly during its business processes to produce and deliver products to customers and in the Group's general administration. The Group's efficient use of natural resources and opting for recycling, reusing or reclaiming materials, products, and packaging would contribute to the conservation of natural resources.

To mitigate the impact of Group's operations to natural resources, it is the Group's policy to minimize wastage in consumption of natural resources during its business processes, to select suppliers which use recycled or reused materials, and to reclaim packaging from customers for recycling or reuse, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in the consumption of natural resources and the practices of recycling/reuse of materials, and considers the existing policy appropriate.

2.4 Impact on Biosphere

Biodiversity is important for ensuring the survival of plant and animal species, genetic diversity, and natural ecosystems, which in turn contributes directly to local livelihoods and sustainable development.

The Group does not have operations located in or adjacent to protected areas or areas of high biodiversity value, and the Group is not engaged in activities that have significant adverse biodiversity impacts, such as species reduction or habitat conversion.

Environmental, Social and Governance Report

3 Social Aspects

3.1 Customer Health and Safety

The consumers' right to safety is defined by Consumers International, a world federation of consumer groups, as the right to be protected against products, production processes and services that are hazardous to health or life. The Guideline for Consumer Protection issued by United Nation also recognizes the right of access to non-hazardous products as one of the core consumer rights. Various laws and regulations administered by government agencies and voluntary standards advocated by non-government organizations are in place to ensure product safety.

The Group's customers are industrial entities. The Group is indirectly and remotely associated with the ultimate consumers of goods making use of the Group's products. The Group's impact to individual consumer's health and safety is limited.

3.2 Marketing and Labelling

Customers have right to access to accurate and adequate information of the products and services they obtained from the Group, mainly through marketing communications and product labeling. Fair and responsible marketing communications, as well as access to accurate and adequate information about the composition of products, and their proper use and disposal, can help customers to make informed choices.

The Group has the duty to respect customers' right to be informed. The Group's competence and adherence to relevant laws, regulations and standards would contribute to the protection of customers' right to be informed.

To mitigate the Group's exposure to marketing and labelling issues, it is the Group's policy that all marketing materials should not overstate products' performance or make unsubstantiated claims, and all product labels or services descriptions should adhere to all applicable laws, regulations and standards.

The Board is responsible to monitor and evaluate the Group's effectiveness in protecting customers' right to be informed, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of product marketing and labelling.

3.3 Customer Privacy

Various laws and regulations administered by government agencies and voluntary standards advocated by non-government organizations are in place to protect personal information and promote individuals' right to privacy.

The Group's customers are industrial entities. The Group is indirectly and remotely associated with the ultimate consumers of goods making use of the Group's products. The Group's impact to individuals' privacy is limited.

Environmental, Social and Governance Report

3 Social Aspects (Continued)

3.4 Employment

The Group's relationship with employees is a legal relationship which confers rights and obligations to both parties, and is subject to applicable labor or employment laws and regulations. Conditions of work specified in an employment contract normally include compensation, working time, rest periods, holidays, disciplinary and dismissal practices, maternity protection, the workplace environment, and occupational health and safety etc.

The Group has the duty to respect employees' rights set out in the employment contracts as well as in relevant labour and employment laws and regulations. The Group's competence and adherence to contractual obligations, relevant laws, regulations and standards would contribute to the protection of employees' rights.

To mitigate the Group's exposure to labor issues, it is the Group's policy that all the employees' rights set out in the employment contracts as well as in relevant labour and employment laws and regulations should be upheld, and to ensure that all the employees are adequately remunerated, in the sense that their remunerations are sufficient to meet their basic needs, and to provide them with some discretionary income.

The Board is responsible to monitor and evaluate the Group's effectiveness in protecting workers' employment rights, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of labor and employment.

3.5 Employee Health and Safety

Employees' right to a healthy and safe workplace is widely recognized and various laws and regulations administered by government agencies and voluntary standards advocated by non-government organizations are in place to protect employee health and safety. Employee health and safety impacts can arise over the use of unsafe equipment, machinery, processes, and practices. They can also arise with the use of dangerous substances, such as chemical, physical and biological agents.

The Group is exposed to employee health and safety issues mainly in its production processes. The Group's competence and adherence to relevant laws, regulations and standards would contribute to the protection of employees against health and safety impacts.

To prevent employee health and safety impacts, it is the Group's policy to require staff at all levels to always be alert of health and safety concerns in the workplace, report and communicate all health and safety concerns in the workplace on a timely basis, and adhere to all applicable safety laws, regulations and standards.

The Board is responsible to monitor and evaluate the Group's effectiveness in ensuring employees' health and safety, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of employees' health and safety.

Environmental, Social and Governance Report

3 Social Aspects (Continued)

3.6 Employee Training and Development

Employee training and development refer to programs aiming at upgrading employee skills to equip employees in a fast changing work environment. More skilled and well trained employees enhance the Group's human capital and contribute to employee satisfaction, which correlates strongly with improved performance.

The Group has the duty to assist employees in their career advancement. The Group's investment in training and development contribute to employee satisfaction and career advancement.

To promote employee satisfaction, it is the Group's policy to provide employees with sufficient in-house or external training hours, and require that all employees are regularly appraised through performance and career development reviews.

The Board is responsible to monitor and evaluate the Group's effectiveness in ensuring employees' training and development, and considers the existing policy appropriate.

3.7 Child and Forced Labor

Child labor is work that deprives children of their childhood, their potential and their dignity and that is harmful to their physical or mental development, including by interfering with their education. Organizations are normally not allowed to hire children below the age of 15 for full-time work, and children under the age of 18 for works which are likely to harm the health, safety or morals of children.

Forced labor refers to all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily. Indicators of forced labor can include withholding identity papers, requiring compulsory deposits, and compelling workers, under threat of firing, to work extra hours to which they have not previously agreed. Debts can also be used as a means of maintaining workers in a state of forced labor.

The Group has the duty to eliminate child and forced labour since they are serious violations of fundamental human rights. The Group's avoidance in engaging child or forced labor is to meet a legitimate expectation of the society.

To avoid violation of fundamental human rights, it is the Group's policy to strictly prohibit all forms of child labor and forced labor, and no employees should be required to work extra hours involuntarily.

The Board is responsible to monitor and evaluate the Group's effectiveness in eliminating child and forced labour, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of child and forced labor.

Environmental, Social and Governance Report

3 Social Aspects (Continued)

3.8 Supplier Assessment

The Group might be indirectly involved with environmental or social impacts as a result of its business relationships with its suppliers.

The Group not only has the duty not to be involved in negative environmental and social impacts directly in the Group's own activities, but also a duty not to indirectly induce or encourage negative environmental and social impacts in the Group's supply chain. The Group's assessment of suppliers' actual or potential environmental and social impacts contributes to minimum those impacts in the supply chain.

To prevent negative environmental and social impact in the Group's supply chain, it is the Group's policy that a supplier's record of non-compliance with environmental and social laws, regulations and standard is one of the key considerations for accepting or continuing business relationship with the supplier.

The Board is responsible to monitor and evaluate the Group's effectiveness in preventing negative environmental and social impacts in Group's supply chain, and considers the existing policy appropriate.

3.9 Anti-corruption

Corruption refers to practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. Corruption is broadly linked to negative environmental and social impacts, such as damage to the environment, abuse of democracy, misallocation of government investments, and undermining the rule of law.

The Group is expected by the marketplace, international norms, and stakeholders to demonstrate its adherence to integrity, governance, and responsible business practices. The Group's resistance to corruption contributes to minimum those negative environmental and social impacts linked to corruptions.

To prevent negative environmental and social impacts linked to corruption, it is the Group's policy that all forms of corruption such as bribery, extortion, illegal inducement, offering or accepting disallowed gifts, kickbacks or other advantages etc. and money laundering are strictly prohibited, and all employees of the Group must comply with all applicable anti-corruption laws and regulations.

The Board is responsible to monitor and evaluate the Group's effectiveness in preventing corruption, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of anti-corruption.

Environmental, Social and Governance Report

3 Social Aspects (Continued)

3.10 Local Community

Local communities refer to persons or groups of persons living and/or working in any areas that are economically, socially or environmentally impacted (positively or negatively) by the Group's operations. The local community can range from persons living adjacent to the Group's operations, to those living at a distance who are still likely to be impacted by these operations. Due to the heterogeneous nature of local communities, vulnerabilities of local communities with differentiated nature to the Group's operations are specific and distinct.

The Group is expected by the society to anticipate and avoid negative impacts on local communities. The Group's timely and effective stakeholder identification and engagement process is important to help the Group understand the vulnerability of local communities to the Group's activities.

To prevent negative environmental and social impacts to local communities, it is the Group's policy that staff at all levels to always be alert of potential impacts of the Group's activities to the local communities, report and communicate all concerns or complaints over the impacts of Group's activities to the local communities on a timely basis.

The Board is responsible to monitor and evaluate the Group's effectiveness in preventing negative environmental and social impacts to local communities, and considers the existing policy appropriate.