



E HALL

# CONTENTS

### Page

A.	About this Report	2
В.	Environmental Protection	3
	1. Emissions Management	4
	2. Use of Resources	6
C.	Workplace Quality	7
	1. Talent Selection	7
	2. Staff Remuneration and Welfare	7
	3. Staff Training	8
	4. Staff Health and Occupational Safety	8
D.	Operational Practices	10
	1. Supply Chain Management	10
	2. Product Responsibility	11
	3. Anti-corruption	11
<b>E</b> .	Community Involvement	12
F.	Sustainability and Actions Targets for 2017	16



#### **REPORT PROFILE**

This is the first Environmental, Social and Governance ("ESG") Report for Guangnan (Holdings) Limited and its subsidiaries (collectively the "Group" or "We"). This report covers the financial year ended 31 December 2016 and provides information about the Group's policies and actions for major business in the manufacturing and sales of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and foodstuffs trading. Since property leasing business accounted for less than 1% of the Group's revenue, this report does not cover this business.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

To comply with the disclosure obligations set out in the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock of Exchange of Hong Kong Limited, the Group started to report the ESG information commencing from this financial year to demonstrate our commitment to meet the expectations of our stakeholders. Credibility and honesty are the essence of our operations, we commit to provide high-quality products to our customers; to create value for our shareholders/investors; to contribute to the society as a responsible corporate citizen. We will continue promoting the sustainable development strategy, adopting environmental friendly policy, fulfilling civic responsibility, committing growth of the talent so as to strike for harmonious social development by optimising our business practices, putting efforts on environmental protection, investing to our community and talents development.

We welcome any comments and suggestions on this report as well as our performance in sustainability development.

# B. Environmental Protection

The process of producing tinplate products and coating/printing might impact the environment to some certain extent, including release of electroplating waste water, exhaust air and noise. With the importance attached to environmental pollution and protection by the society, the government and various industries, the governments of various countries have recognized saving the environment is critical to our survival and sustainability in the future. We implement environmental protection and energy conservation policy to gain trust from the society and public and demand our employees to learn and strictly follow the rules and regulations as well as the Company's policies and procedures in environmental protection and to take various initiatives to control, reduce, avoid and eliminate producing pollutants. A lot of natural resources such as electricity, fuel oil, natural gas and water etc., are used in the production process, we adopt various measures to effectively save energy, strengthening recycling of resources and introducing advanced equipment to optimize waste treatment. Through this report, we wish to show our efforts made in providing our people a desirable workplace; preserving a sustainable ecological environment; while creating economic values, preventing and minimizing pollutions in production. We hope that more industrial and commercial enterprises, non-governmental organizations and the general public will take part in protecting the environment. Let us work together to give our home clear water and blue sky again.



During the reporting period, the Group had no significant impact on the environment and natural resources. Below are some of our approaches in environmental protection:



#### EMISSIONS MANAGEMENT

We set up the Environmental Protection Management Committee responsible for daily management and monitoring of the corporate efforts in this area; conducting environmental test; promoting clean production; implementing the ISO 14000 system; formulating environmental long-term strategy, monitoring the treatment of sewage, exhaust air, greenhouse gases as well as solid wastes handled by various departments and factories. We monitor pollution sources, promote and educate our staff to increase their environmental protection awareness, and take this seriously as part of our production management.

#### 1. Sewage Discharge

In order to meet the discharge standard for sewage treatment, we closely monitor the chromium level and the pH value of sewage. Discharge of plating bath solutions (including tinplating solution, recovery liquid, chromeplating solution, passivation solution, etc.) during the tinplating production process is not allowed unless an application is made three days in advance and an approval is obtained from the Environmental Protection Management Committee. The sewage volume and quality is monitored real-time by setting up facilities at the electroplating sewage discharge outlet and the readings are transmitted to the environmental protection authority. We test the quality of water everyday and submit our self-monitoring program to the environmental protection authority for record. The authority also performs test randomly two times each quarter. We will continue improving our production techniques, strive to develop and utilize sewage recycling mechanisms to save water resources and to reduce sewage discharge with an aim to eliminate sewage completely.



#### 2. Exhaust Air and Greenhouse Gases Emission

The emissions of exhaust air and greenhouse gases in the production process are controlled and monitored in accordance with the latest emission standards so as to meet the emission standards. Each production department is responsible for the management, repairs and maintenance of the facilities, and keeping operational records. We test the exhaust air and greenhouse gases once every quarter, and the self-monitoring program are submitted to the environmental protection authority for record. To reduce the impact to the environment, we actively using the techniques of recycling exhaust air as well as utilizing residual heat and pressure.

#### 3. Noise

We have strict control and management of sounds produced by equipment during our production process. The production facility is noise-reduced, sound and vibration-proofed. The management, repairs and maintenance of the production equipment is responsible by a specific department in order to ensure that the noise level is within the national standards. We test the noise once every quarter.

#### 4. Solid Wastes

Solid wastes produced during the production process mainly include recyclable wastes, non-recyclable wastes and hazardous wastes. Recyclable wastes are recycled as much as possible and non-recyclable wastes are handed over to qualified environmental authorities for treatment. For hazardous wastes produced during the production process, we handled in accordance with the national requirements.

#### Hazardous Wastes

(1) Chromium residue

Highly corrosive chromium residues in sewage after treatment will precipitate at the bottom of the sewage pool and removed and taken away by transportation companies accredited by the environmental protection authority. Transportation of chromium residues should be reported to the local environmental protection authority. Information about the weights and packaging of the residues, the vehicles registration, name of drivers, frame number, etc. are all recorded in the system and the transportation process is strictly monitored. The vehicles carrying the chromium residues should follow a predetermined route from the factories to the processing center. Upon arrival, the residuals are weighted and stored before finishing the monitoring process. We keep on improving the treatment mechanism to reduce the chromium level in sewage and aiming at eliminating emissions.

(2) Other hazardous wastes

The responsible department and user units strictly comply with the relevant laws and regulations, and technical specifications and processes when using, transporting and storing the hazardous substances, and to take necessary protective measures to prevent environmental pollution.

#### Non-hazardous Wastes

For non-hazardous wastes such as packing materials, we focus on integrated utilisation and recycling, or adopt "waste control by waste itself" principle to reuse and reduce pollutants, encourage and support the exploration of different ways of recycling.



#### **USE OF RESOURCES**

In order to comply with the Energy Conservation Law of the People's Republic of China, the Energy Conservation Regulations of Guangdong Province and the other relevant regulations and policies, our energy management team is responsible for establishing the corporate energy saving plan and energy management system, co-ordinating, managing and monitoring the performance as well as eliminating any waste in use of resources.

#### 1. Procurement of Energy Supplies

Selection and procurement of energy supplies including energy consumption equipment is made by the user units based on the energy conservation principle. User units pick products and equipment listed on the "recommended energy conservation mechanical and electrical equipment (products) catalog" and are prohibited from using products and equipment listed on the "high energy consumption mechanical and electrical equipment (products) catalog".

#### 2. Power Consumption

1 Each production department should reasonably schedule their production plans to consolidate production and strictly control the production frequency so as to maximize the production capacity for each run while using the high power consumption equipment and to reduce the electricity cost per each produced unit.	2 Use of iodine tungsten lamps and incandescent lamps are restricted. We promote and encourage using efficient energy-saving lamps. If there is adequate illumination at the plant during the day time, electric lighting should not be used.
3 Use of air-conditioners in offices is restricted to seasonal and temperature changes. If the room temperature does not exceed 30°C or humidity does not exceed 80%, The air-conditioners must not be turned on. Air-conditioning temperature setting should not be lower than 26°C. All air-conditioners should be turned off after work or the room is non-occupied for more than half an hour. Doors and windows are not allowed to stay open when air-conditioners are on.	4 In order to save electricity, lighting, electric fans, computers and other electrical equipment should be switched off when they are not attended for a long time.

#### 3. Use of Fuel and Natural Gas

Procurement, storage and volume measurement of fuel and natural gas are handled by the Purchasing, Storage and Transport Department. The requisition and use of fuel and natural gas are strictly controlled and the warehouse staff check all requisition details, including the types and quantities, prior to distribution. Motor vehicles follows the fuel consumption guideline to use fuel. In order to prevent environmental pollution caused by fuel leakage and enhance the thermal efficiency of natural gas, user departments are responsible for repairs and maintenance and regular inspection of the equipment and transportation pipelines.

#### 4. Use of Water

We use water from tap water, cooling tower water, deionized water and soft water, etc. User departments regularly check their water facilities, pipes, taps, etc. within their area, to avoid water leakage. We remind employees to be conscious in water saving and promptly notify the maintenance department in case of pipelines and valves damage.

#### 5. Use of Steam

Our Production Technical Department is responsible for steam supply and coordination, and responsible for daily inspection, and repairs and maintenance works. User departments are responsible for the inspection, repairs and maintenance of steam pipes and measuring instruments. Steam is used according to our predetermined standard. Residual heat and condensed water are collected and recycled for reuse. Heat insulation layers are installed to boilers, steam pipes, valves, flanges and steam facilities to maintain the surfaces at an appropriate temperature.



# C. Workplace Quality

We always believe that employees are our most important partners, recruitment and retention of talent play a key role in our sustainable development. We devote to create a non-discriminatory, equitable, harmonious and safe work place; provide attractive remuneration packages and offer promotion opportunities to our staff; and provide various training to fully develop our staff's personal and professional talents and lay the foundation for their future career development. We are more concerned about the work life and health of employees. We organize regular training and cultural and sports activities, such as shuttlecock kicking, sports competitions, etc. to promote work-life balance and team cohesion.

#### TALENT SELECTION

Integrity and high standard of requirements are our corporate culture. We also encourage continuing learning, reflecting, communicating, innovating and competing. We are committed to build up a high quality and high efficiency team that a front ranking professional company needed. We protect employees' human rights, privacy and prohibit undue discrimination. We select employees following the principles of fairness, impartiality and honesty and using knowledge, ability, integrity, physical fitness and job requirements as standard selection criteria. We provide equal opportunities to employees regardless of their disability, age, sex, race, religion or nationality. We value the development of each employee, provide them a platform for self-enhancement and career development and create a fair and equitable working environment. We strictly prohibit unethical hiring, including child labor and forced labor.

#### STAFF REMUNERATION AND WELFARE

We have established a comprehensive remuneration management manual and a competitive compensation system in order to achieve strategic objectives. Basic remuneration of staff includes fixed salary, variable wages, position subsidies, overtime allowances, working meals, paid holidays, etc. Staff in the Mainland China participate in the social security scheme including the "five insurances and housing provident fund" and Hong Kong staff participate in mandatory provident fund scheme. In addition, we provide other benefits, such as in-patient medical protection, body check allowances and various subsidies.



#### **STAFF TRAINING**

In compliance with the Labor Law of the People's Republic of China and catering for the Company's development with career development plan of our employees, we have established policies and procedures in this area and prepared a wellconsidered training plan, through internal and external training programs. Induction orientation for new hires introducing our corporate culture, businesses, their job scope, operational safety, etc. (Please refer to the "Staff Health and Occupational Safety" below for more details about operational safety). To enhance the professional knowledge and skills of technical staff, we also arrange specific training to them, such as apprenticeship in production factories. Employees identify and plan for their training needs according to the job requirement and their education background; and to follow the direction and guidelines from their superiors.





## STAFF HEALTH AND OCCUPATIONAL SAFETY

In order to prevent and eliminate the occurrence of accidents in tinplating business and to protect our employees and property's safety, we always have our people in mind, demanding full participation and continuous improvement; and established policies and procedures for various preventive measures and a comprehensive and integrated management system in production. According to our safety training management measures, staff are required to receive three-level safety training, including company level, department level and team level and various practical training and pass the test, prior to putting into work. All employees (including general manager) have to participate

in the safety training and being assessed at least once every year. New hires must join the orientation training covering our policies and procedures and safety training before their department-specific training. A three-day, three-level safety training is conducted annually to all existing staff and staff knowledge are assessed around their job scope. In addition, there is a regular comprehensive annual safety training and a daily safety inspection arranged by the Safety Production Office. They sample check the staff safety education files; perform routine and comprehensive checks to ensure our workplace safety. Staff of special work types like electricians, stoves workers, welders, etc., must possess valid licence and passed examinations recognized by the Nation before they are allowed to work.

## Workplace Quality

In accordance with the "Laws of the People's Republic of China on Prevention and Control of Occupational Diseases" and other laws and regulations, we establish and optimize our occupational health management system to protect our staff's health and their rights. We provide workers with safety protection supplies that meet the national standards and also monitor and educate our staff to use and wear as required. In case that any of the occupational hazardous factors as listed out on the Occupational Diseases Catalog exists in the workplace, we follow our policies and procedures to monitor and manage the identified threats, establish safe operating procedures, set up staff occupational health surveillance files and organize staff to undergo required body checks.



For the fresh and live foodstuffs business, in order to keep our staff as well as their properties safe and to prevent casualties, we have established safety production management system. Employees must go through safety production assessment prior to work and all existing staff need to take an annual assessment. Our Safety Production Management Team is responsible for inspecting the safety measures in our workplace, to ensure our staff work under a safely environment.



#### SUPPLY CHAIN MANAGEMENT

We have established a supply chain management system and we encourage our employees, suppliers, customers and other business partners to report any incidence involving violations of laws or regulations through different channels. During the reporting period, there is no violation of laws and regulations found.

Our tinplating business has a strict procurement management system to control the quality of products and services from suppliers, to evaluate and control the selection of new suppliers, to annually assess current suppliers, to compile a "qualified suppliers list" and maintain a supplier database. We believe that strict control on raw material procurement is crucial to producing quality products. To ensure that suppliers are competitive and that the goods and services provided to us are with high quality, we have a detailed division of duties from contract signing to inspecting goods received. We require the suppliers of goods and services possess recognized qualifications and a good internal control system, stable quality, deliver on-time, good compliance on laws and regulations and have the required professional skills and quality, etc.

There is also a procurement management system for our fresh and live foodstuffs business. Suppliers selection is strictly assessed and controlled. We use qualified suppliers in Mainland China to ensure that the fresh and live foodstuffs are safe, meet the required standards and able to satisfy our customers' need.

In the period ahead, we will continue monitoring the operation of our existing supply chain system including raw materials selection, transportation and logistics, production and waste treatment to maintain operating efficiencies, control the products quality and ensure the products safety in compliance with various requirements in ESG, like business ethics and products standards in the protection of consumer health.



#### **PRODUCT RESPONSIBILITY**

We devote in providing quality and safe products for tinplating business. To satisfy customer requirements, we invest in research and development of new technologies and products; strictly control and monitor product quality; and established a sound customer service system.

Our fresh and live foodstuff business also has strictly control over tally and quality to ensure higher quality, safety and hygiene of foodstuffs supplied to customers. Staff of our Fresh Meat Processing must follow our internal policies and procedures. Qualified hygiene supervisors are appointed following the requirement of Food and Environmental Hygiene Department. The hygiene supervisors and designated managers strictly carry out their job duties in this area. Our staff also coordinate with the on-site quality controllers from the business partner to monitor the entire operation to ensure fresh meat quality.

During the reporting period, the products of the Group did not involve in any major violations of laws and regulations.

#### **ANTI-CORRUPTION**

"Credibility, Integrity and Efficiency" are our core corporate culture; "Ethics and Integrity" are our foundation of management, we are committed to build up the moral value and code of conduct for each of our employee which the professional ethics and skills that a front ranking professional company needed. We strictly monitor the all-rounded discipline assessment and put it in depth to the production and operating processes. We established channels, including

mailbox and hotline, to ensure the reporting of suspected personal interest in carrying out one's job duties, briberies, extortion, frauds, money laundering and other illegal acts in absolute confidence. We shall keep on improving our whistleblowing system and are determinant in combating corruption and contribute in building a corruption-free society.

During the reporting period, there was no litigation case of corruption involving our Group and our employees.

# **E** Community Involvement

We pay attention to our corporate image and act as a responsible corporate citizen contributing to the society. We organize internal donation activities for supporting the victims suffering from natural disasters at Yunnan, Gansu and other regions. We have been donating monies to the "Charity Miles" campaign in Zhongshan City for years. We care for our retired staffs and we also organize visits, donations and subsidies to employees who are in need. For example, we organized visits to the poverty in Lianzhou Shijiaochun.



### Community Involvement

We are a responsible tax payer and spare no effort in easing local employment pressure. We assist our staff to make good plans for their retirement life. We run our business following good practices, we actively promote green energy-saving and environmental friendly concepts. We set up a role model for the industry, and to some certain extent, we have contributed to social stability and building a harmonious community.



Visit the poverty in Lianzhou Shijiaochun



HONOURS AND CERTIFICATIONS

2016 Manufacturing Companies in Guangdong Province

247

out of

Top 500



## **AWARD 2016**

2016 Guangdong Famous Trademark Certificate

**GUANGNAN (HOLDINGS) LIMITED** 





2016
 The Water-saving Enterprise
 in Zhongshan city

## 2016

The Leading Enterprise of the decade in Zhongshan Torch Development Zone



We shall strengthen our ESG performance in 2017 with the following plans and operational targets:

- Plan/Target	Important points		
To optimize existing ESG systems and procedures	<ul> <li>Review the system of collecting ESG information including its completeness and accuracy</li> <li>Establish key performance indicators for environmental protection and set priorities and time table for key performance indicators of other ESG aspects</li> <li>Strengthen communication with stakeholders (including investors, suppliers, customers and society), collect stakeholders' concerns and then conduct in-depth analysis.</li> </ul>		
To update policies and procedures of human resources, occupational health and safety, talent development and training and environmental protection, etc.	<ul> <li>T Enhance our rules compliance and best practice standards in environmental, social contribution and governance.</li> <li>T Address opportunities and risks associated with strategic issues, improve management efficiency and employee relationships.</li> </ul>		

