

# 2016

Environmental, Social and Governance Report

譚木匠控股有限公司\*

CARPENTER TAN HOLDINGS LIMITED

( INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY )

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# Environmental, Social and Governance Report

## INTRODUCTION

This is the first Environmental, Social and Governance (the “ESG”) report prepared by the Group in accordance with the requirements of Appendix 27 Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. This ESG report covers the period from 1 January 2016 to 31 December 2016 and is intended to give an insight into the approach adopted and actions taken by the Group regarding its operations and sustainability that have implication for the Group and the interest to stakeholders. The terms used in this ESG report have the same definitions as those in the Group’s 2016 Annual Report, unless otherwise defined.

The ESG report of the Group has been presented into two major subject areas, environmental and social. Each subject area will have various aspects to disclose regarding the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Reporting Guide.

The Group understands the importance of the ESG report and is committed to making continuous improvements in corporate social responsibility in our business in order to better meet the changing needs of an advancing society. The first ESG report of the Group will present general disclosure of required aspects in policies, initiatives, performance and compliance. The Group will continue to optimize and improve the disclosure requirements.



# Environmental, Social and Governance Report

## THE GROUP

Carpenter Tan Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 20 June 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 29 December 2009. The principal place of business is Building 10, Shang Island, No. 7 Dongchangzhong Road, Jurong City, Jiangsu Province, the People’s Republic of China (the “PRC”).

The Company and its subsidiaries (collectively the “Group” or “Carpenter”) adhere to the spirit of craftsman and strive to making every piece of product the best. We have developed from a small-scale wooden products manufacturing enterprise to a professional group which is principally engaged in (i) design, manufacture and distribution of small size wooden handicrafts and accessories, including wooden combs, wooden mirrors, wooden box set and other wooden accessories and adornments, under the brand name of “Carpenter Tan”; (ii) the operation of a franchise and distribution network primarily in the PRC; and (iii) the operation of retail shops for direct sale of the Group’s products in Hong Kong. We hope to achieve its business objectives and create value to shareholders/investors through optimizing operation management, business strategies, environmental protection, talent development and community investment, and simultaneously minimizing our impact on the environment in our operation, and devote to utilize resources efficiently for the sustainable development of the globe, human being and our business.

The Group has established the corporate philosophy of “Honesty, Work and Happiness” at the beginning of its history.





# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION

We always care about the issues relating to environmental protection and have been actively promoting “Green Action” throughout the country for a number of years. Besides, we focus on strengthening the measures in environmental protection to comply with the relevant local laws and regulations and implement the environmental policy. The primary principle is to prevent pollution, along with management and control measures in promoting clean production and controlling pollutants. We educate our staff to understand the significant impact of our behavior on the environment, and raise their awareness on environmental protection, hoping that they use and conserve natural resources efficiently. Through this report, we would like our shareholders and other stakeholders to know that we dedicate in creating economic value, and at the same time, avoid and reduce pollution during the manufacturing process, and devote to create better living environment and sustainable global ecological environment. We hope more industrial and commercial enterprises, social welfare organizations and general public to participate in protecting the environment, and we can see the clear water and blue sky again.

Our key measures in environmental protection are as follows:



### *Management of Emissions*

We have established environmental protection control procedures, and set up the Risk Control Centre to monitor the implementation of environmental protection measures by various departments. Each production division prepares and implements the environmental protection plan within their management scope in order to prevent environmental pollution incidents. In case of abnormal emissions detected in production, immediate measures will be taken to avoid pollution from spreading and timely reporting to management is required for coordinating emergency actions. During the reporting period, we obtained the ISO14001:2015 Certification in Environmental Management.

# Environmental, Social and Governance Report

## *Management of Exhaust Air and Greenhouse Gas Emissions*

In order to comply with the relevant laws and regulations and meet the local government's emission standards of air pollutants, we have established environmental protection control procedures to control and monitor the emissions of exhaust air and dust. During the year, we have obtained the air pollutant emission permit from local government and discharge particulate matter, sulfur dioxide and nitrogen oxides following the requirement. To minimize the generation of exhaust air and dust, we established stringent safety production procedures in the production division. We also installed cyclone and baghouse dust filtration system; and ventilation and exhaust facilities to ensure that the exhaust and dust are diluted and discharged effectively. We assigned designated staff to clean up the dust after precipitation daily and have them stored in specified location pending for collection by the qualified agents. We regularly clean the pipes of the dust removal system to maintain its effectiveness. We strengthen the maintenance of the fuel machineries and vehicles to ensure that the fuel can be fully combusted and avoid producing large amount of exhaust gas.

## *Management of Sewage*

In order to comply with the relevant laws and regulations and meet the local government's emission standards of sewage, we have established environmental protection control procedures to control and monitor the production of domestic sewage. All sewage direct discharge into water environment and farmland are forbidden; and they should go through the municipal sewage pipe network. During the year, we have obtained the sewage discharge permit from the local government and discharge sewage that meets the concentration requirements in pH value, suspended particulate, chemical oxygen demand, ammonia nitrogen, animal and vegetable oil within the effective period. The wastes residue and sewage from factory in Wanzhou must be precipitated, filtered, and separated before emission and being transported. We are striving for developing water loop circulation techniques, conserving water and minimizing sewage discharge with an ultimate target of no sewage emission.

## *Management of Disposal of Solid Wastes*

To comply with the relevant laws and regulations, we have established relevant policies and procedures in managing the disposal of solid wastes. We reduce the generation of solid wastes through production process and recycle the solid wastes whenever applicable. We collect solid wastes by category and have them processed centrally. Non-recyclable wastes are handled by qualified agents and hazardous wastes are handled according to the regulations' requirement.





# Environmental, Social and Governance Report

## *Hazardous Wastes*

Our hazardous wastes include oil wastes, waste paints, solvents, thermometers, batteries, fluorescent tubes, waste toner and ink cartridges, etc. We follow the requirements of the local laws and regulations to have the hazardous wastes clearly labelled, categorized and processed centrally; and stored in specified location. Hazardous wastes collection boxes are placed at production plant, warehouse and office areas. The Administrative and Personnel Department and Wanzhou Factory office deliver the collected wastes to the designated qualified agents of the government for processing.

## *Non-hazardous Wastes*

Non-hazardous wastes include recyclable and non-recyclable wastes. We formulate relevant policies and procedures for non-hazardous wastes recycling and external processing. Wastes such as woodchips, tiny wood and wood scraps are placed centrally and delivered to qualified recycling company for further processing or utilization when the wastes have reached certain quantity level. Non-recyclable wastes are centrally stored in waste warehouse/garbage station and delivered using closed circulation method to avoid loss and leakage, and unauthorized disposal in transit is prohibited. Solid wastes from our canteen is collected and stored centrally, and further processed by the local neighborhood committee.



## *Management of Resources Utilization*

To comply with the relevant laws and regulations in resources conservation, use of water, electricity and fuel are controlled as long as the production and office operations are not negatively impacted. All uses outside business are prohibited. Craft Equipment Division set up water, electricity and fuel consumption indicators. The level of energy consumption is reviewed and assessed quarterly, and corresponding measures will be taken in the case of excessive consumption or wastage.

# Environmental, Social and Governance Report

## *Management of Use of Electricity*

In order to effectively conserve and use electricity, we established policies and procedures to restrict the selection of energy-efficient equipment, electrical appliances and lighting for use in production and office areas. Empty running of equipment, unreasonable electric power distribution, etc. are strictly prohibited. Electrical equipment, including lighting, air-conditioners, electric fans, etc. are turned on according to need during office hours, and staff are encouraged to have them switched off when not in use or when they go off duty. Use of air-conditioners are restricted to room temperature of 29℃ or above in summer; and the temperature should not set below 26℃. While in winter times, air-conditioning can be used for room temperature of 10℃ or below; and cannot set above 20℃. We strengthen the maintenance and inspection of electrical equipment to keep them in the best condition so as to use electricity effectively.

## *Management of Use of Water*

Only water-saving appliances are allowed for water facilities. Water tap should be turned off after use. Running, overflowing, dripping and long flowing water are avoided; and timely reporting of problems found to the Equipment Division is required in order to avoid wastage of water resources.

## *Management of Use of Paper*

We want to build a digitized office and make good use of our online system. Issue of general notices and data transfer should be done through the computer network. Printing and photocopying should be avoided as far as possible, and both side of papers should be used. Office Division is responsible for monitoring the paper quantity used; Administrative Department and Office Division are jointly responsible for collecting and recycling used papers. Waste cartons are recyclable; an example of its use include containing finished goods pending for packaging.

## *Management of Use of Timber*

The major raw material used in production is timber, which is procured by our purchasing department in the factory. We monitor closely the production process, provide professional training to workers so as to minimize sub-standard semi-finished and finished goods. Sub-standard goods are repaired to avoid timber wastage. We strengthen our warehouse management; each warehouse is equipped with thermometers, hygrometers and fire sprinkler systems, etc., and timber is covered with thin film to ensure that timber is kept dry and safe from mechanical and chemical injuries.





# Environmental, Social and Governance Report



## Environment and Natural Resources

We are committed to reduce our production and operation impacts on the environment and natural resources; and established the related policies and procedures (please refer to "Management of Emissions" above for details). We focus on the environmental education and advocacy among staff. Various resources saving measures are implemented to raise the awareness of our people to understand the importance of resource conservation. They are encouraged to make full use of resources, to maximize their effectiveness and to avoid wastage of resources (please refer to "Management of Resources Utilization" above for details).

## Compliance

During the reporting period, the Group did not have any significant impact or non-compliance incidents relating to environmental protection.

## EMPLOYMENT AND LABOR PRACTICES

In order to provide our people a comfortable and harmonious work place and a well-established management system; we formulate our human resources strategies based on the Group's long term development plan and the best interests of our employees in creating an internal harmonious company culture. Employees are valuable resources to us. We always concern the health of our staff and promote work-life balance by organizing regular leisure and training activities to enrich their life; enhance their technical skills and to promote team cohesion. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges. We have established comprehensive recruitment, appraisal and promotion procedures to provide our people with career development opportunities; and hope that our employees can cherish and promote the corporate culture development; and to keep on making progress.

# Environmental, Social and Governance Report

## Talent Selection

The Group follows the principles of “fair, open, equal and merit-based competition” in the hiring process. We give priority to outstanding internal candidates for transfer or promotion prior to external hiring for filling job vacancies. We establish formal policies and clear procedures for staff recruitment, employment and dismissal, in a way to comply with relevant laws and regulations, preserve the mutual legal rights and interests of the employer and employees; and to promote sound development of the labor relations. During the recruitment process, all applicants have equal opportunities and job requirements are used as the selection standards, and they are not considered or rejected because of gender, nationality, religious belief and references. They are also not discriminated against due to disability, age, gender, race, social class, marital status, appearance, birth place, religion or nationality. We have recruited about 40% of staff with physical disabilities and they are assigned to work based on their ability and skills. We provide equal opportunities to employees in providing benefits, promotion, performance appraisal, training and personal development. Staff character, knowledge, ability and technical skills, etc. are the only factors that we will consider. We want to work with our employees together to develop and to create a win-win situation.

## Labor Standards

We respect human rights and strictly prohibit any unethical hiring practices, including child labor and forced labor in the workplace. Policies and procedures are established to comply with the relevant labor laws and regulations. During the recruitment process, we obtain and review the identity documents of the applicants and never hire any applicant under the legal working age. The work hours of staff are in line with the relevant local labor laws and regulations. Staff consent for working overtime is needed so as to prevent forced overtime work; and they are compensated in accordance with the requirement of the local laws and regulations.





# Environmental, Social and Governance Report

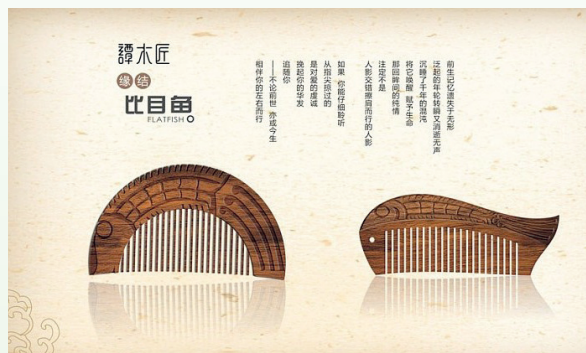
## Staff Compensation and Welfare

In order to attract and retain quality staff, we establish competitive remuneration scheme. Staff salaries are set according to their knowledge, skills, experiences and educational background against their corresponding work requirements. Basic remuneration of employees includes salary, overtime pay, performance bonus and so on. Employees are entitled to retirement benefits subject to the local labor laws and regulations. Staff in Mainland China participate in the social security scheme including the “five insurance and housing provident fund” and Hong Kong staff participate in mandatory provident fund scheme. Employees are entitled to holidays such as leave, sick leave, marriage leave, funeral leave, maternity leave, work injury leave, etc. We also provide other staff benefits such as body checks, work shuttle services, meals subsidy, festival gifts/cash and so on.

We want our people to have a comfortable, beautiful and green environment work place; therefore, we plant a lot of trees, build pavilion and lotus pond for staff to take rest. Besides, employees can play basketball, badminton, table tennis, and go to reading rooms during leisure time. For the purpose of ensuring our staff are healthy physically and mentally, and fulfilling their growing cultural and entertainment needs, our labor union organizes various recreational activities like photography, card games, hiking, fishing, ball games, etc. on an irregular basis. We also hold activities for exchange of technical skills when needed. During the year, disabled staff participated in the regional table tennis competition and won the award. These activities not only enriched staff’s spare time, strengthened the relationship among them, but also can enhance team cohesion.

## Development and Training

Administrative Centre is responsible for preparing training plan to align with the corporate development strategies and the departmental human resources needs, and helping staff to understand the internal policies and procedures, job duties, corporate culture and values, and development strategies; enhancing their knowledge and management skills; improving their ability and performance; caring about their career development; and raising their enthusiasm and building team spirit. New hires must participate in pre-employment training and pass the assessment. The training topics include corporate culture, business, work-related rules and regulations, organizational structure, welfare and work safety, etc. (please refer to “Health and Safety” below for details of work safety). During the reporting period, on top of providing our new hires with pre-employment training and the regular work safety training, we also organized outdoor outreach programs. Staff participating in such training programs are able to improve teamwork and to enhance staff cohesion through team activities.



# Environmental, Social and Governance Report



## Health and Safety

In order to consistently implement the principle of safe production and occupational health, and to comply with the relevant laws and regulations, we have established various policies and procedures to strengthen our management and to make sure that we provide a safe, joyful and healthy working environment to our employees. To align with the Work Safety Law of the People's Republic of China and to ensure safety of our staff and properties, we have established a Safety Management System led by the Leaders in charge, including the Production Safety Leader, Technical Equipment Leader and Safety Officer as the core members; set up comprehensive safety control measures and clearly define the staff job responsibilities. During the reporting period, we obtained the GB/T28001-2011 idt OHSAS 18001:2007 Certification in Occupational Health and Safety Management.

We give a lot of attention to fire safety in our factory and established guidelines in this area. Warehouse, production plants and offices are equipped with fire facilities, including fire sprinkler system, fire extinguishers, fire hose, etc. which are maintained regularly by external professional company. "No smoking and fire" signs are posted at the easily noticeable places at the entrance and inside the production plants; motorcycles and vehicles are required to park in specified location; key areas like transformer and power supply room, and flammable and explosive materials warehouse are closely monitored to reduce the risk of fire. We have established volunteer fire brigade and medical team which are equipped with fire extinguishers, fire hose, helmet, medical equipment, etc. We appoint external experts to conduct fire drills for our volunteer fire brigade and medical team at least two times a year. We also organize annual fire drill so as to raise our employees' awareness in fire safety.

Training is important in ensuring safe work environment and occupational health. We provide all staff with production safety training. New staff are required to attend and get pass in examination after a 3-level safety training, including company level, department level and team level, before they are assigned to jobs. Production team provides daily training to remind staff about production safety issues. We also provide all staff with occupational health and safety education to help them understand our corporate production approach and continuous improving their awareness of occupational health and safety. Staff of special work types, such as electricians, welders, drivers, boiler workers, must possess valid licence from the government authority before they are allowed to operate the machines. We are equipped with rescue drugs and equipment according to the actual situation and in locations where poisoning, injury and other incidents may occur. Machine operators are required to inspect the equipment and facilities daily; and to report abnormalities to the relevant department for immediate repair arrangement. We also set up annual maintenance and repair plan for critical equipment to ensure that they are kept in good condition and to control risk and prevent safety incidents from happening.



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We care so much about our people's health and set up working hours and holiday systems in compliance with the national requirements. In principle, staff working overtime must be voluntary and do no harm to their health. According to needs by job positions, workers are provided with safety production tools like earplugs, masks, goggles, gloves, etc. and such supplies should be used correctly as required. We do not allow and will not assign our minor staff (above legal working age) to handle tasks relating to toxic, hazardous, excessive physical labor or dangerous type of works. We also provide pre-employment body check for the new hires, and periodic body checkup every two years thereafter in order to prevent occupational disease.

## *Compliance*

During the year, the Group did not have significant non-compliance incidents relating to employment and labor practices.

## OPERATING PRACTICES

### *Supply Chain Management*

We have established policies and procedures in supply chain management for employees, suppliers, customers and other business partners to report any violations of laws and regulations when people are performing their duties for the Group. During the reporting period, the Group did not have significant issues relating to violations in this respect.

To strengthen the supply chain management, we have established an assessment system for selection at the preliminary stage or as backup and continued engagement of suppliers. We have also set up a "qualified supplier list". Samples are required for purchases from new suppliers and a small quantity is ordered and tried before a normal quantity order is placed. Samples are retained for keeping records. We have stringent procurement and control procedures over procurement contracts processing from preparation, amendment and approval, and execution of the contracts. This is to ensure that suppliers' and our interests are appropriately protected, and also procurements are executed as scheduled; and to prevent unnecessary disputes or to get all disputes occurred can be solved timely. We have strict requirements for division of labor in respect of contract signing as well as supervision and operation of inspection of goods received. We require the suppliers of products or services to possess recognized qualifications and with good internal control system, stable quality, on-time delivery, offering reasonable price, comply with laws and regulations and have the required professional skills and qualities. As such, we can ascertain that the suppliers selected are competitive and qualified products and services are provided. We will keep reviewing the supervision and management process of our existing supply chain system with an aim to keep high efficiency in the operation of raw materials sourcing, transportation, logistics, production and waste treatment, control product quality and satisfy the requirements in ESG, including business ethics and product standards for protection of consumer's health, etc. to avoid acts that may harm the legal interests of each party.



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## Product Responsibility

We have formulated policies and procedures to monitor the product quality and customer service processes, maintain communication with customers, understand and meet the customer needs and expectation, and make continuous improvements. During the reporting period, we obtained the GB/T19001-2008/ISO9001:2008 and ISO9001:2015 Certification in Quality Management and standardized the product quality assurance process. We set up Quality Management Division and established guidelines for inspection work in each production process and provide professional training to our quality assurance personnel to inspect and accept raw materials and to monitor the production process; so as to ensure that the quality of finished goods and raw materials are up to standard; and the production procedures are properly controlled. If the customers have issues about our products and services; or the deliverables are unable to meet their needs; they can give feedbacks or lodge complaints through various channels like by phone, email, facsimile, interview, etc. via our after-sales service. Our customer service personnel will take appropriate action promptly and assign a designated staff to follow up with the customer until the issue is satisfactorily settled. During the reporting periods, we are not aware of any material violations or litigation regarding our products.

## Anti-corruption

We firmly believe fairness, honesty and integrity are the important commercial assets of the Group. We formulate policies and procedures, and rewards and punishment mechanism to provide rules for employees' conduct, to bring the discipline inspection and supervision work in the production and operation process, to ensure reporting directly by phone to Human Resources Department and the Chief Executive Officer in strict confidentiality of cases of obtaining personal interests in carrying out one's job duties, bribes, extortion, frauds, money laundering in breach of policies, regulations and laws. We are determinant in combating corruption and contribute to building a clean society. We establish Code of Ethics and Business Conduct (the "Code") requiring our business partners to sign commitment letter to confirm their compliance, including their staff, with the Code so as to maintain a simple, transparent, clean and fair co-operation relationship. During the reporting period, there was no legal action against the Group and our employees for corruptions.





# Environmental, Social and Governance Report

## INTELLECTUAL PROPERTY RIGHTS

We have always attached importance to the safeguard and protection of our intellectual property rights. The Group has established an internal control system to manage its intellectual properties, including the administration of trademarks and patents. The Group would sign a confidentiality agreement with its employees at the time of their signing of employment contract, with detailed specifications on the employee's scope, obligations and responsibilities with regard to confidentiality, as well as the relevant cease-of-employment arrangements.

## COMMUNITY INVESTMENT

Contributing to the society is our mission. We actively participate in charitable activities, beautify the environment, and support rehabilitation plan for people with disabilities. We organize regular "Love Day" activities like visiting elderly homes and helping people in need. We grow a lot of plants and trees in our factory area, to go green in the city, and open part of our park to the public. We have been supporting the rehabilitation plan for people with disabilities; about 40% of our employees this year are having physical disabilities; we have installed necessary facilities and assign them with appropriate job duties based on their ability and skills, hope that they can support themselves.

Ever since the establishment of the Group, we are a responsible tax payer and offer job opportunities to ease the local employment pressure. We have our staff in different territories participating in retirement plan, helping them to prepare and plan for their retirement. We have maintained good manufacturing operation, actively promoting environmental protection and to achieve good development order; and to some certain extent, we have contributed to social stability and building a harmonious community.



# Environmental, Social and Governance Report

## HONOR AND CERTIFICATION

- ISO14001:2015 Certification in Environmental Management
- GB/T28001-2011 idt OHSAS 18001:2007 Certification in Occupational Health and Safety Management
- GB/T19001-2008/ISO9001:2008 Certification in Quality Management
- ISO9001:2015 Certification in Quality Management
- "Innovation Competition Activities: Outstanding Grass-roots Labor Union Organization" Award by the General Labor Union of Wanzhou
- "Three People and Three Family Activities: Outstanding Individuals" Award by the General Labor Union of Wanzhou
- "Keep Silent: Helping each other in occupational safety Outstanding Individuals" Award by the General Labor Union of Wanzhou
- "Branded Products of Chongqing" Certificate from the Branded Products Association of Chongqing
- "Outstanding Grass-roots Party Organization" Plaque Award by the Regional Committee of Wanzhou

## SUSTAINABLE DEVELOPMENT AND TARGET ACTIONS FOR 2017

In 2017, the Group has the following targets and action plans to strengthen the ESG performance: -

Plan/Target	Focus
To optimize existing ESG system and procedures	<ul style="list-style-type: none"><li>• To examine the completeness and accuracy of the existing ESG data collection procedures</li><li>• To establish key performance indicators (KPIs) in environmental protection; and to prioritize and set up timetable for establishing the KPIs for other ESG aspects</li><li>• To continue engaging the stakeholders (including investors, suppliers, customer and community); and to collect their concerns through daily operations</li></ul>

