

2017[🌱]

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



阅文集团 
CHINA LITERATURE

China Literature Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 772





OUR MISSION IS TO
CREATE VALUE FOR WRITERS
AND TO
BRING LITERATURE TO PEOPLE

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OVERVIEW

SCOPE OF THIS REPORT

China Literature Limited (“We” or the “Company”, stock code: 772) hereby issues the Environmental, Social and Governance (“ESG”) Report for the year ended 31 December 2017 (the “reporting period”) to address our management measures and practices in terms of product responsibilities, environmental protection, employee care, supply chain management, operations in compliance and community investment in 2017. We will focus on ESG issues that are of interest to stakeholders.

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

ESG STRATEGIES

As a leading online literature platform, we are fully aware that improvement of environmental and social performance can have a material impact on the sustainability of our operations. We have integrated ESG considerations into our corporate operation strategy as guidance on daily business operations.

We embrace the principle of sustainability, provide employees with favorable working environment, contribute to the society, and uphold development principle of integrity and regulatory compliance. We have established internal response mechanism to assess our ESG performances as our key business performance indicators.

We conduct our ESG strategy in dimensions as detailed below:

1) Product responsibilities

Promote intellectual property (“IP”) rights protection

Cultivate excellent writers, provide healthy and quality works

Protect users’ rights, interests and privacy

2) Environmental protection

Practise green operation, protect the environment and conserve resources

3) Workplace

Provide training and development opportunities

Create favorable working environment

Promote occupational health and safety

OVERVIEW

4) Supply chain management

Regulate procurement activities to reduce environmental and social risks in the supply chain

5) Anti-corruption

Uphold operations in compliance with laws and regulations and abide by business ethics

6) Community investment

Engage in public welfare activities to improve positive social benefits

We put premium on stakeholder communication and have multiple effective communication channels to understand their expectations and needs on our ESG performance, which serve as important reference when developing our ESG strategy.

Our ESG strategy requires the participation of all of our product platforms and employees, and support from the industry and society. We will continue to place more emphasis on the role of ESG strategy in the Company's development, encourage all stakeholders to participate and supervise the implementation of our ESG strategy.

Going forward, we will continue to enhance our corporate governance system and integrate environmental and social considerations into our operations. We will closely cooperate with our stakeholders with the aim of promoting sustainable development of the Company and the industry.



PRODUCT RESPONSIBILITIES

We comply with the Copyright Law of the People's Republic of China, Regulation on Internet Information Service, Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other applicable laws and regulations on IP rights, content review, consumer rights and interests protection and privacy protection, and fully implement product responsibilities and legal obligations of the Company.

PROTECTION OF IP RIGHTS

As a copyrighted digital reading platform and original online literature incubator that pioneers the industry, we stress the importance of the protection of IP rights. We have established a dedicated IP team that is responsible for the internal management of copyright and combating copyright infringement.

We have adopted an "Integrated Copyright" management mode to enforce our copyright development and protection, which enables us to manage the otherwise fragmented work such as copyright achievement and license in systematic data-processing way, thus improving online literature copyright management efficiency and providing online writers and partners with the most timely and professional legal support and comprehensive copyright services.

We have established a litigation and right protection team to combat piracy and infringement of copyrights, so as to prevent interests of the Company and writers from being violated.

Besides, we actively participate in public affairs and events related to copyrights protection, including participating in copyrights protection seminars and establishment of industry standards. We co-founded the China Online Literature Copyright Union, which issued the Online Literature Discipline Convention to create a better environment for industry development.

CONTENT REVIEW

The information and content of our product lines are subject to the scrutiny of our content review team following relevant review standards and procedures that adopt both auto control and manual review, so as to remain healthy and positive, prevent and eliminate the publication of unhealthy information including information that violates national laws, regulations or morality, vulgar information, or information that plagiarizes or infringes on copyright.

The information and content of all our websites are subject to automatic screening and filtering mechanism such as automatic key words filtering, off-topic posts prevention system filtering, and monitoring and filtering of abnormal content posting, in addition to manual routine review mechanism and manual random inspection mechanism, so as to prevent unhealthy and malicious information to the extent possible.

Besides, we engage users in website content supervision and provide various channels for them to report inappropriate information such as customer service hotlines and whistleblower channels on all websites. We timely respond to, fully review and correctly deal with user reporting to ensure that information on our websites are healthy and positive.

PRODUCT RESPONSIBILITIES

CULTIVATE GOOD WRITERS

We have established robust and comprehensive training system for veteran, intermediate and novice writers. In terms of online training, we embrace the new e-learning pattern by employing our own platforms, new media etc. and inviting experienced editors to share writing tutorials; in terms of off-line training, we have arranged various online writer trainings and set up China Literature Star College Creation Base in collaboration with colleges and universities. During the reporting period, we trained hundreds of writers off-line.

RESPOND TO USERS' FEEDBACKS

We place great emphasis on every complaint and suggestion from our users. To better respond, we have set up a set of complaint handling mechanism where front-line employee is responsible for understanding the situation and preliminary handling, second-line employee is responsible for identifying and resolving the issue, and call-back employee is responsible for customer satisfaction survey and follow-ups. For major grievances, we engage relevant departments of the Company to conduct investigation and make a summary based on the result for the purpose of improving internal procedures and deterring similar incidents from occurring.

USERS' PRIVACY PROTECTION

To protect the privacy of users' private data is one of our important missions. We have incorporated applicable legal and regulatory requirements on privacy protection into our internal compliance policies to protect user information in the process of information collection, transmission, storage, demonstration and retrieval. We employ data encryption to prevent data from being intercepted or tapped when transmitted and use the mask when displaying users' real information (mobile numbers, ID numbers, etc.), so as to protect users' real information. We have set up strict limit of access to storage and retrieval of user information database.

To ensure that our users understand how we protect their personal information, we publish our privacy protection policies on our product websites and in-app products.

ENVIRONMENTAL PROTECTION

GREEN OPERATION

We recognize the importance of environmental protection and conservation of resources for our sustainable development. To fulfill this concept, we comply with all applicable environmental protection laws and regulations including Environmental Protection Law of the People's Republic of China and have implemented a number of energy-saving, water-saving and emission reduction measures to enhance energy efficiency, save energy and water, as well as reduce emissions to the extent possible:

- ❖ Prioritize on purchasing and using energy-saving office facilities;
- ❖ Adopt environmental friendly vehicles and improve vehicles' maintenance and management;
- ❖ Regular maintenance on water consuming equipment and avoid leakage;
- ❖ Put up energy and water saving signs to improve employee environmental awareness.

ENVIRONMENTAL KEY PERFORMANCE INDICATORS ("KPI")

Below are the environmental KPI during the reporting period. Unless otherwise specified, such data covers our office buildings in Shanghai, Beijing (warehouses included) and Suzhou.

1) Emissions

Total greenhouse gas ("GHG") emissions (Scopes 1 and 2) (tonnes)	1,294.79
Direct GHG emissions (Scope 1) (tonnes)	129.63
Including: Petrol (tonnes)	129.63
Energy indirect GHG emissions (Scope 2) (tonnes)	1,165.16
Including: Electricity purchased (tonnes)	1,165.16
Total GHG emissions per employee (tonnes per employee)	0.87
Total GHG emissions per floor area (tonnes per square metre)	0.07
Total non-hazardous waste (tonnes)	107.97
Total non-hazardous waste per employee (tonnes per employee)	0.07

Note:

1. Due to the business nature, our significant GHG emissions are direct GHG emissions derived from petrol consumption (Scope 1) of vehicles for business and shipping purposes and energy indirect GHG emissions derived from purchased electricity consumption (Scope 2).
2. The GHG inventory includes carbon dioxide. GHG emissions data is presented in carbon dioxide equivalent and is based on the "Guidelines of the Greenhouse Gas Emissions Accounting and Reporting for the Public Building Operation Enterprises" issued by the National Development and Reform Commission of China.
3. Non-hazardous waste arising from our operation mainly includes domestic waste, disposed devices and waste books. Domestic waste is disposed by the property management company. Waste books are recycled and reused. Disposed devices are recorded and handled by the administration department for recycling or disposing. To further reduce non-hazardous waste, we adopts the paperless office platform to reduce paper photocopy and printing, and encourage practices of printing on both sides and reuse of waste paper, so as to avoid unnecessary paper waste.
4. The hazardous waste arising from our operation is limited, mainly includes waste toner cartridge and waste ink cartridge from printing equipment at office buildings. Waste toner cartridge and waste ink cartridge have no material impact as they are collected and disposed of by printing suppliers, so KPI A1.3 total hazardous waste produced is not disclosed in this report.

ENVIRONMENTAL PROTECTION

2) Use of Resources

Total energy consumption (MWh)	2,120.66
Direct energy consumption (MWh)	530.20
Including: Petrol (MWh)	530.20
Indirect energy consumption (MWh)	1,590.46
Including: Electricity purchased (MWh)	1,590.46
Total energy consumption per employee (MWh per employee)	1.42
Total energy consumption per floor area (MWh per square metre)	0.12
Running water consumption (tonnes)	17,712.72
Running water consumption per employee (tonnes per employee)	13.00

Note:

1. Total energy consumption is worked out by the data of electricity and petrol with reference to the Annex I Fossil Fuel Coefficients in the "Guidelines of the Greenhouse Gas Emissions Accounting and Reporting for the Public Building Operation Enterprises" issued by the National Development and Reform Commission of China.
2. Our water resources come from municipal water supply. Water fees in Suzhou office buildings are borne by the property management company, so data on running water consumption and running water consumption per employee reported here only covers Shanghai and Beijing (warehouses included).
3. KPI A2.5 total packaging material used for finished products is not applicable to us, as we do not use packaging materials during operation.

WORKPLACE

EMPLOYEE TRAINING

Improvement of employee competency is key to safeguarding the achievement of enterprise development. We put premium on employee training and have invested adequate resources and energy to create various internal and external training opportunities. Employees are encouraged to involve in these trainings taking their actual needs into consideration. During the reporting period, we arranged thousands of hours of trainings for the employees.

We established China Literature Academy which upholds the slogan of “Learning to be a better self”. We engage a wide array of external experts on one hand and build in-house trainer team on the other hand, so as to offer different work and life training programs catering to needs of employees at each stage of career:

- ❖ **Induction:** to acquaint employees with rules, regulations and corporate culture of the Company, we provide induction for every new employee. In particular, we adopt one-to-one mentorship for fresh graduates, enabling them to quickly adapt to the Company’s culture and working environment with the help of the experienced employees and managers assigned as career mentor.
- ❖ **Specialized training:** we arrange specialized trainings based on features of different positions.
- ❖ **General training:** to enhance employee competency in an all-round manner, we arrange workplace skillset training to help them obtain the general skills that facilitate their job performing.
- ❖ **Management training:** we arrange management training to enhance employees’ management skills.

RECRUITMENT

Our employment practice complies with the Labor Law of the People’s Republic of China, the Labor Contract Law of the People’s Republic of China, Provisions on Prohibition of Child Labor and other applicable laws and regulations (including but not limited to those which prohibit child and forced labor). We verify the education background, job experience and professional background of the candidates to ensure that we hire suitable candidate in accordance with the job requirements. We uphold the principle of equality during the recruitment process and do not discriminate on the grounds of gender, age, nationality, ethnicity, religious belief, sexual orientation or family status, etc. We had around 1,600 employees as at 31 December 2017 with male-female ratio being approximately 1:1.

During the reporting period, we were titled 2017 Fast Growing Employer by [dajie.com](#), and 2017 China Internet Leading Employer of Best Recruitment Program by [lagou.com](#).

COMPENSATION

We offer competitive compensation benefits to attract and retain talent. The bonus is performance-based and ensured to reward employees with high performance.

WORKPLACE

BENEFITS

We hope that employees can strike a good work-life balance, and maintain a leave scheme that allows them to enjoy statutory leaves and holidays including annual leave, marriage leave, funeral leave, maternity leave, paternity leave, sick leave, etc. Employees are also entitled to extra annual leave that accrues based on length of service.

Besides, we offer commercial health and accident insurance to employees apart from basic social insurance.

We show our care for the well-being of our employees by various means. For example, we offer festival gifts or bonus; celebrate special occasions of our employees (e.g. wedding, childbirth, birthday, etc.); carry out employee activities (e.g. festival activities, team building activities and family day activities); set up various associations (e.g. basketball association, football association, badminton association, movie association, girl association, etc.); provide annual medical checkups for parents of employees that serve for more than 3 years, and so forth.

WORKING HOURS

We adopt standard working hour system which provides that an employee should work 8 hours per day. Employees must be compensated or given days-off for overtime work after internal approval.

PROMOTION

Advocating the principle of “Progressive promotion based on employee application depending on practice areas”, employees may apply for promotion during their interim and year-end performance reviews, if they satisfy the requirements. The promotion review process is fair, open and transparent and our employees will receive feedbacks and opinions. To cater to different development needs, we set up management and expertise career channels with robust career path.

EMPLOYEE DEPARTURE

We handle employee departure (whether by resignation or dismissal) strictly in accordance with labor contracts and applicable laws and regulations. We arrange an exit interview with each of the departing employees to understand the reasons for his/her departure and welcome any suggestions for improvement of the Company.

OCCUPATIONAL HEALTH AND SAFETY

In strict compliance with all applicable laws and regulations on safety and health including Law of the People's Republic of China on Prevention and Control of Occupational Diseases, we encourage healthy work style, strive to provide a comfortable working environment for our employees and ensure their mental and physical health and safety.

There are well-established security and fire prevention systems at workplace. In addition, we make efforts to ameliorate working environment and conduct regular disinfection and cleaning.

We arrange annual medical checkups for employees and organize a range of fitness sessions such as traditional Chinese health therapy and neck and shoulder massage.

SUPPLY CHAIN MANAGEMENT

We attach supreme attention to managing environmental and social risks of our supply chain. We have formulated relevant policies which provide that our procurement employees must adhere to the principle of being fair, equal and open and follow the 8 Don'ts¹ code of conduct. For external suppliers, we focus on whether they operate in conformity with laws and regulations, and have formulated supplier code of conduct which require the suppliers to:

- ❖ Comply with laws and regulations on anti-trust, fair trade, anti-corruption, environmental protection, etc. of the territory they operate in;
- ❖ Comply with business practices, uphold integrity and honesty, protect IP rights, respect confidentiality, and commit no bribery;
- ❖ Deliver on the commitment for human rights and work equality, prohibit use of child and forced labor, and provide free of harassment and discrimination working environment;
- ❖ Provide safe and healthy working environment and abide by all applicable laws and regulations on safety and health.

We normally ask for price quotations from at least three vendors. Other factors including service quality and technical capabilities of the vendors will be taken into consideration when selecting vendors. Suppliers are subject to background check on registration record at the industrial and commercial bureau, legal conformity, authorization, etc. before being approved. Relevant documents will be recorded when conducting purchasing activities.

To ensure service quality of suppliers, we collect opinions from departments that use or maintain purchased services and evaluate suppliers' performance in terms of delivery time, product quality, service quality, etc. as meaning reference for procurement. For suppliers with unsatisfactory performance, we may discuss with them on the remedial steps, to be taken by them to improve their service quality. Suppliers that practise bribery, breach confidentiality, or fail to be honest will be disqualified and put on the blacklist of the Company.

¹ Don't leak Company's secrets or commercial secrets; don't make comments or opinions that may cause adverse impact on the Company; don't designate vendors; don't be compensated from procurement activities; don't accept invitation to meals or entertainments in relation to procurement; don't take profits and commissions from vendors; don't reimburse expenses from suppliers that shall be personally borne; don't make requests irrelevant to work.

ANTI-CORRUPTION



We implement the strictest laws and ethical standard throughout the operation and comply with Anti-Unfair Competition Law of the People's Republic of China, Company Law of the People's Republic of China and other applicable laws and regulations combating bribery, extortion, fraud and money laundering, and adopt an attitude of zero tolerance in relation to corruption in any form.

We prohibit employees from commitment of bribery and breach of law in any form. If any of these activities, which are regarded as red line, are spotted, the employee found and proven to have committed such activity shall be subject to immediate dismissal. In the event that the activity violates any relevant laws or regulations and meets the standard of case filing, the employee shall be transferred to the judicial department.

We provide multiple whistleblowing channels and how we should deal with such concerns. We also encourage employees to lodge reports on any suspected breach of the red line and secure the complete confidentiality of reported content and the identity of the whistleblowers.

When a report is received or any activity in breach of the red line is detected, the risk control and internal audit department will handle the independent investigation immediately. After an investigation has been completed, the result will be reported to the internal audit committee for resolution.



COMMUNITY INVESTMENT

We are committed to creating social benefits and giving back to the society in different ways in the course of business development. During the reporting period, we conducted the following activities by leveraging the advantage of our own platforms in culture circulation:

1) CHINA READING FOR ALL

On April 23, 2017, the 22nd World Book Day, we launched the inauguration for 2017 China Reading for All event in collaboration with Hunan TV. We donated 112,500 books to Hunan Rural Library Program at the ceremony.

2) REALISTIC ESSAY CONTEST

Well-known original literature websites of our product lines jointly hosted the 2nd Realistic Essay Contest with almost the theme of Write a Spirit, Convey the Power. We collected over 8,300 essays from more than 6,700 contestants and signed almost 240 pieces of works. This event provided supports in terms of creation and promotion and contributed to continuous social and cultural development and prosperity.

3) SUPPORT FOR THE ESTABLISHMENT OF CHINA CREATIVE WRITING CENTER AFFILIATED TO SHANGHAI UNIVERSITY

We donated RMB 1 million to Shanghai University Education Development Foundation to support the establishment of China Creative Writing Center and entered into an agreement with Shanghai University to set up the first online literature creative writing master program in China with the aim to jointly cultivate creative writing masters. It gives full play to university creative writing education in promoting innovation industry, expanding channels to cultivate Chinese online writers and pushing ahead online literature education.

4) COLLABORATION WITH SHANGHAI INSTITUTE OF VISUAL ARTS

We donated RMB 1 million to Shanghai Institute of Visual Arts to jointly create the first novel (or literature) art major in China with a view to injecting fresh momentum to literature and fostering future writers.

CONCLUSION



Looking forward, we will continue to practise sustainability, fulfill corporate social responsibilities and strive to make greater progress in sustainable development.

We will take more effective measures to build the best platforms for the users. We will make endeavors to enlarge and empower the online literature ecosystem, offer user experience of better quality, stick to green operation practices, build diversified workplace environment and corporate culture, conform to the strictest business code of conduct, and involve ourselves more intensively in contributing to the society. We believe that it will give a major impetus to the simultaneous growth of our economic, environmental and social performance.

Finally, we would like to express our gratitude to all of our stakeholders for their complete confidence in us.

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