



E-COMMODITIES HOLDINGS LIMITED

易大宗控股有限公司

(formerly known as Winsway Enterprises Holdings Limited 永暉實業控股股份有限公司)

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 1733



SAFETY &
ENVIRONMENT
PROTECTION



EMPLOYEE
CARE



CHARITIES AND
COMMUNITY



INTEGRITY
MANAGEMENT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017





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I. ABOUT E-COMMODITIES

1. CORPORATE PROFILE

E-Commodities Holdings Limited (the “**Company**” or “**E-Commodities**”, together with its subsidiaries, the “**Group**”) was established in September 2007. It has established branches and offices in Hong Kong, Singapore, Japan, Beijing and Brisbane, Australia. It was listed on the Hong Kong Stock Exchange on 11 October 2010.

With its business expansion and diversified development since its establishment, E-Commodities has not only become one of the major PRC coking coal importers, but also engaged in logistics and other services for the importation of iron ore, petrochemical products and non-ferrous metals. It has successfully established a comprehensive closed loop system of integrated industrial chain with a combination of various sectors including purchasing, processing, logistics, sales and finance. By virtue of a network of a wide range of suppliers and end-users, optimized logistics facilities, and extensive management experience in bulk commodities, the platform that E-Commodities provides well-rounded services for each segment of the relevant bulk commodities value chain. Target users include mine owners, highway and railway transportation operators, warehousing service providers, clearance declaration and custom clearance agents, shipping agents, financing providers, end-users and others.



I. ABOUT E-COMMODITIES



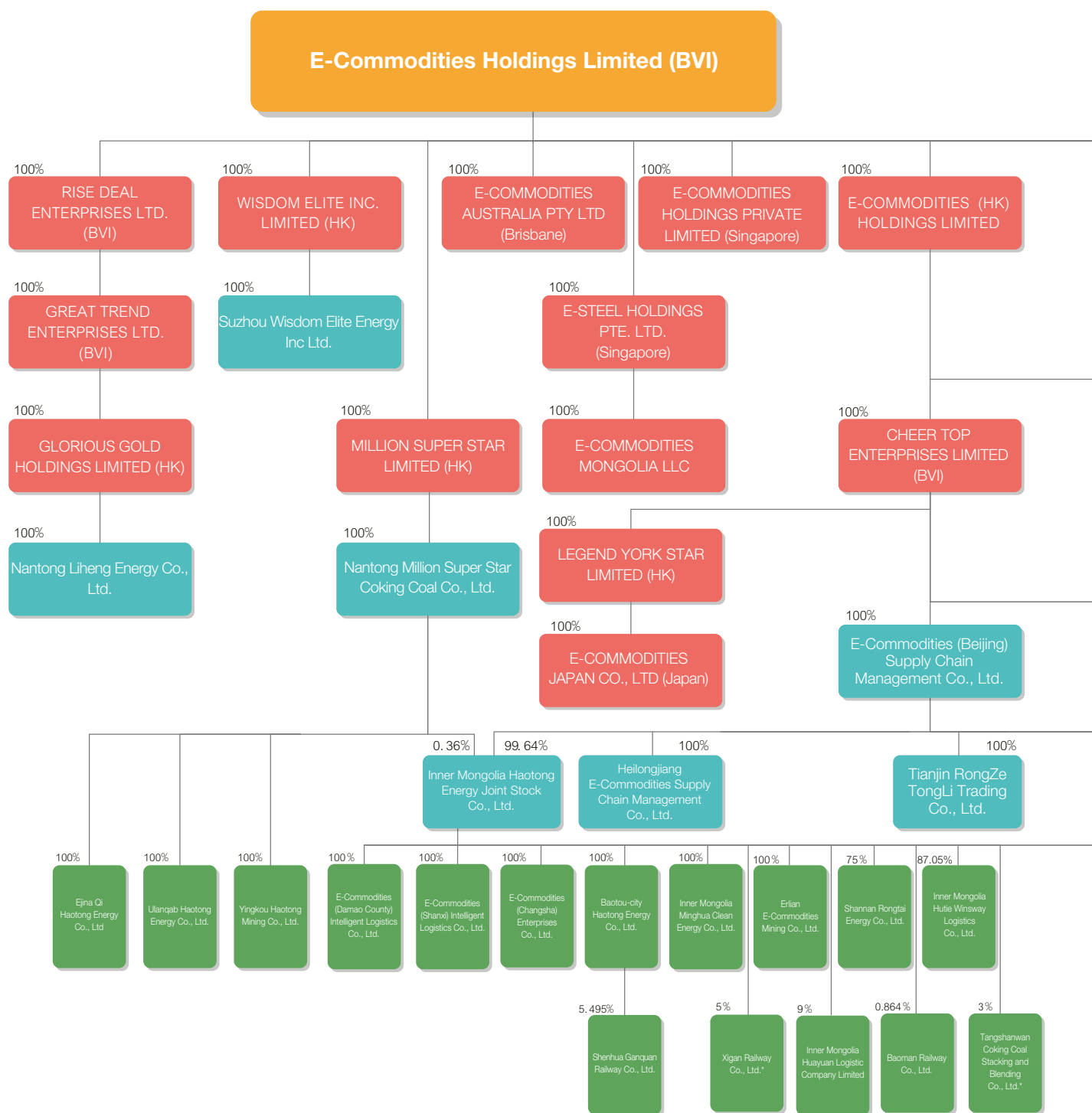
2. DEVELOPMENT VISION

- To combine five major segments of supply chain trading, supply chain logistics, raw material washing, supply chain finance and Internet intelligent platform to establish the linkage between the Company's various segments and to bring synergistic advantages;
- To achieve a combination of information flow, commodities trading flow, and capital flow to make commodity trade easier by collecting, integrating and analyzing the data of various aspects of the commodity supply chain;
- To achieve the joint development and best interests of the shareholders and staff of the Company under the guidance of core values of "Simplicity", "High-efficiency", and "Contribution".

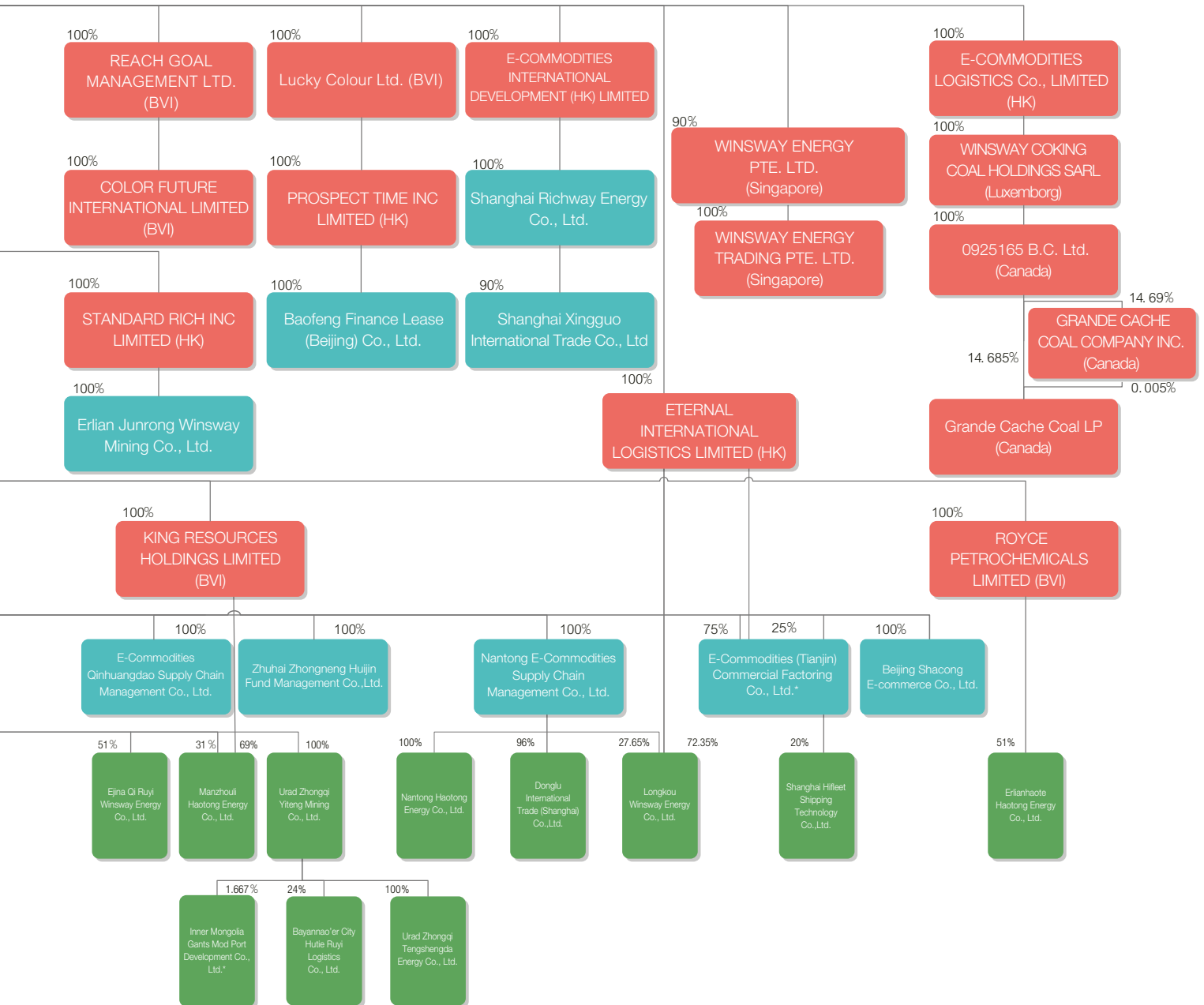


I. ABOUT E-COMMODITIES

3. GROUP STRUCTURE (AS OF 30 JUNE 2018)



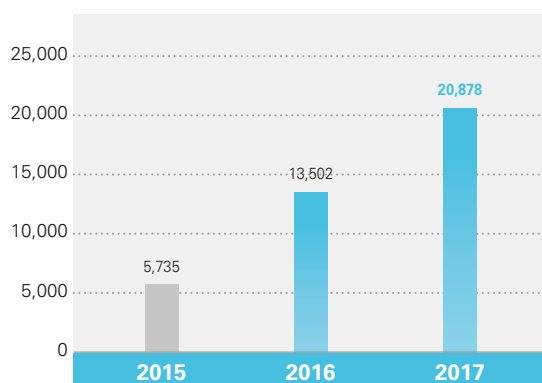
I. ABOUT E-COMMODITIES



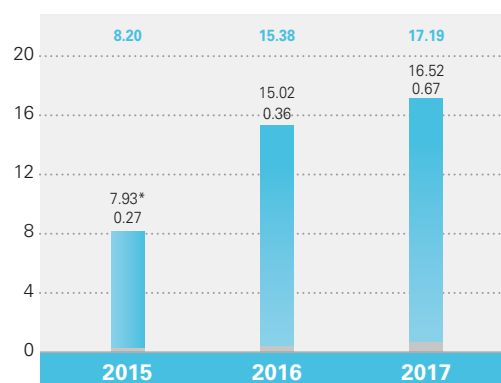
I. ABOUT E-COMMODITIES

4. KEY FINANCIALS

Revenue (in HK\$ million)



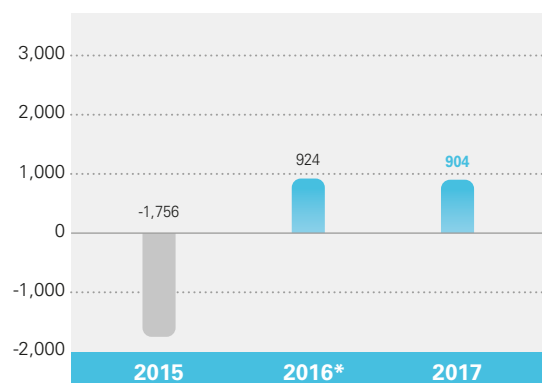
Supply Chain Trading Volumes (million tonnes)



* GCC-produced coal is not included in the coal sales volumes for 2015.

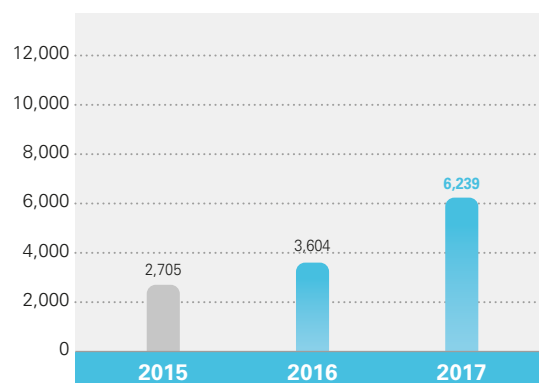
■ Coal ■ Other

Adjusted Net Profit (loss) (in HK\$ million)

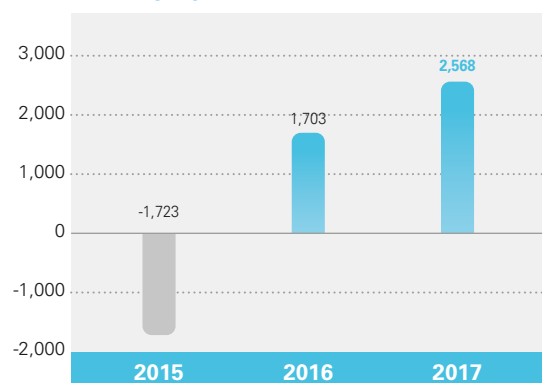


* In 2016, net profit was HK\$2,872 million, excluding the gain on debt restructuring, adjusted net profit in 2016 was HK\$924 million.

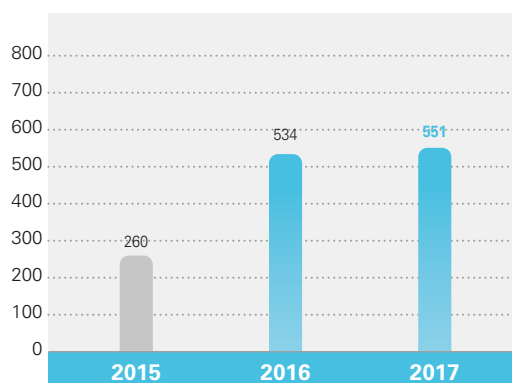
Total Assets (in HK\$ million)



Total Equity (in HK\$ million)



Cash Balance (in HK\$ million)

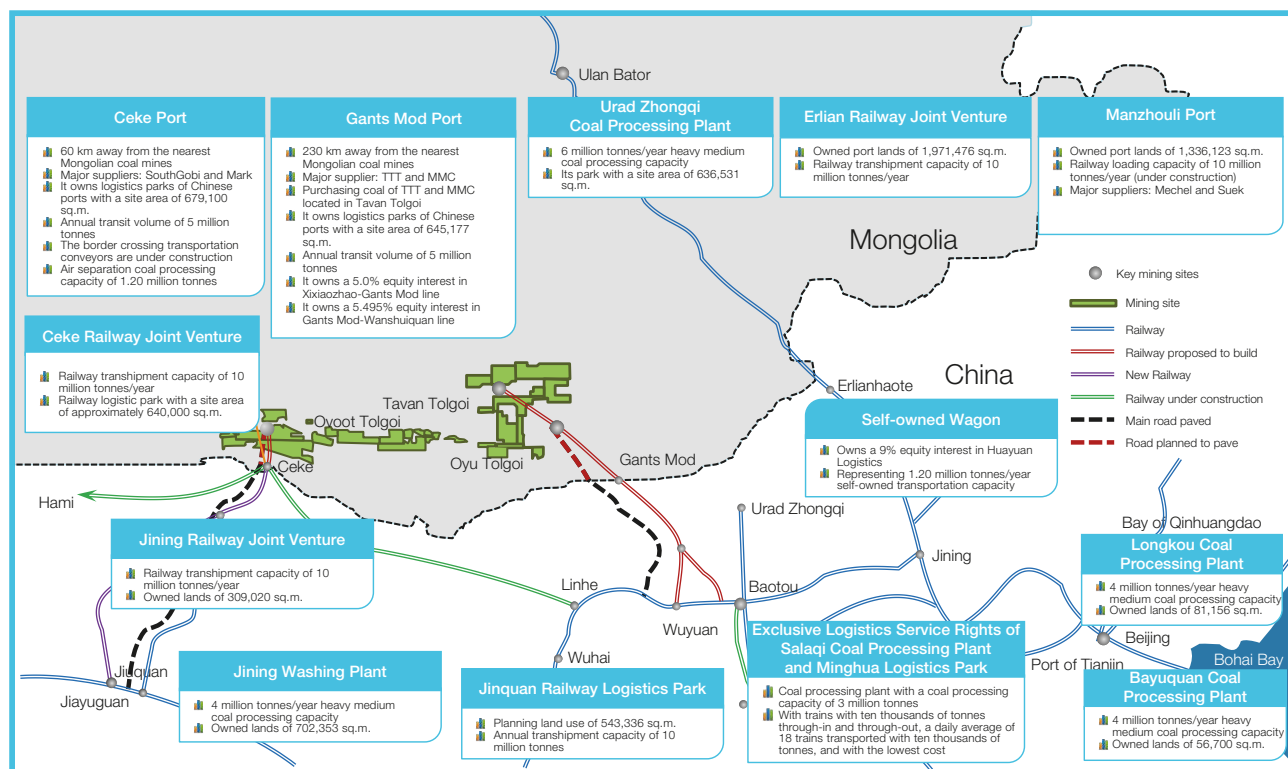


I. ABOUT E-COMMODITIES



5. ASSETS FOOTPRINT

The Company deployed boundary crossing facilities, strategic land reserves and efficient infrastructure, including logistics parks, railway parks, transshipment lines, railway equity, railway stations, self-owned wagons and coal processing plants, at and along the Sino-Mongolian border crossing to client-side.



II. SAFETY AND ENVIRONMENT PROTECTION

E-Commodities is committed to safe production and environment protection, treasures precious lives of people and natural environmental resources, and implements safe and green sustainable development concept in each step of its production and operation processes. In 2017, the Group established an integrated system comprising pre-event identification and assessment, in-progress inspection and review and post-event evaluation to improve the standard of daily management and allow risks to be controlled from the source, thus strengthening the Group's sustainable development capabilities and propelling it to become a world-class enterprise in the comprehensive bulk commodities trading industry.

1. ESTABLISHMENT AND OPERATION OF HSE SYSTEM

The Company places great importance on the production safety of staff involved in production. It has been advocating and adhering to the concept of safe and healthy development, and established a safety management department and environmental protection department when the Company was founded. As the Company develops, the Health, Safety and Environmental Committee ("HSE Committee") was officially established by the Board of Directors of the Company in 2012 to implement the HSE management model, so as to further increase safety management standards, staff working environment and environmental protection standards. By the end of 2017, it has been in operation for six years. We have implemented our health and safety management system and policies in accordance with the standards of GB/T28001-2011 Occupational Health and Safety Management System, GB/T24001-2015 Environmental Management System and GB/T33000-2016 Guidelines of China Occupational Safety and Health Management System, and ensured their content and comprehensiveness are in compliance with the relevant laws and regulations, such as *Safety Law of the People's Republic of China ("PRC")* and *Law of the PRC on the Prevention and Control of Occupational Diseases*. The HSE system has gradually improved since its adoption and has significantly enhanced the safety and environmental protection awareness of staff at each level. Since the operation of the HSE system, no material safety accident, material environmental protection accident or occupational health accident has occurred in the Company.



1.1 Safety production policy

Safety first, prevention-focused, human-oriented and integration of prevention and governance

II. SAFETY AND ENVIRONMENT PROTECTION



1.2 Safety control model

With the annual HSE objectives and requirements as drivers, the Company has adopted various safety indicators as key performance indicators and guided each subsidiary entity in conducting a breakdown of responsibilities for different levels. Responsibility pledges were signed level by level to assign the indicators to person in charge. According to the principles of “person-in-charge is the one with responsibility” and “business management and production management must encompass safety management”, the department heads at each level take primary responsibility for safety production, which will strengthen the requirements to leaders at all levels on full responsibility for safety, operation, fire-fighting, occupational health, transportation, public security and environmental protection affairs of each unit at the Company's level.



II. SAFETY AND ENVIRONMENT PROTECTION



1.3 Daily management

The Company has proactively carried out staff trainings and emergency plan drills, and strengthened inspection of the Company and self-inspection in each entity. The Company has also rectified potential dangers detected from daily inspections by adopting the closed-loop management model of PDCA.

In 2017, the Company increased its investment in safety management and established the safety inspection supervision and management mechanism in its Mongolia business division. In addition, it improved the safety awareness of all staff in respect of the safety control of coal washing infrastructure, and conducted a top down inspection focusing on the elimination of potential dangers.



II. SAFETY AND ENVIRONMENT PROTECTION



1.4 Safety production target and completeness

There were no material safety accidents or occupational health accidents during 2016 and 2017. Details are set out in the following table:

| No. | Type of Indicator | Indicator | Unit | 2016 | 2017 | Expectation Value |
|-----|---|---|--------|------|------|-------------------|
| 1 | Production (inclusive of occupational health and safety) | Fatality in the course of production | person | 0 | 0 | 0 |
| 2 | | Serious injury in the course of production | person | 0 | 0 | 2 |
| 3 | | Slight injury in the course of production | person | 2 | 0 | ≤10 |
| 4 | | Accident related to large equipment | person | 0 | 0 | 0 |
| 5 | | Explosion of pressure vessel (inclusive of boiler) | person | 0 | 0 | 0 |
| 6 | | Identified occupational disease (inclusive of occupational poisoning) | person | 0 | 0 | 0 |
| 7 | Fire safety management | Explosion accident of inflammable materials (fire and explosion accident in production) | case | 0 | 0 | 0 |
| 8 | Public health safety | General and food poisoning | case | 0 | 0 | 0 |
| 9 | | Outbreak of infectious diseases of Class I and Class II | time | 0 | 0 | 0 |
| 10 | Transportation safety management | General and traffic accident | case | 0 | 0 | 0 |
| 11 | Safety education and training | Rate of three-tier safety education | 100% | 100% | 100% | 100% |
| 12 | Safety inspection and rectifications of potential danger | Monthly safety inspection at Company's level and completion rate of rectification | 100% | 100% | 100% | 100% |

There were no material safety and occupational health accidents during 2016 and 2017. The key works of the Company on the health and safety of employees in 2017 were focused on safety education and training, conducting safety activities, strengthening emergency drills, clarifying safety responsibility and system improvement, carrying out safety self-checks and safety inspections in the Group's companies, establishing safety inspection normalization, stepping up efforts in handling potential dangers and inspecting on the effect of rectification, effectively conducting chemicals management, and special operation safety management.



II. SAFETY AND ENVIRONMENT PROTECTION

2. ENVIRONMENT PROTECTION

The Company has always adhered to the concept of environmentally friendly and harmonious development in operations to constantly enhance the environmental protection management standard. To prevent and control pollution and to reduce the emission of pollutants, we strictly abide by the Environmental Protection Law of the PRC, Atmospheric Pollution Prevention and Control Law of the PRC, Water Pollution Prevention and Control Law of the PRC, Law of the PRC, on the Prevention and Control of Environment Pollution Caused by Solid Wastes, Law of the PRC, on Prevention and Control of Pollution from Environmental Noise and Cleaner Production Promotion Law of the PRC. We have conducted environmental impact assessments and ancillary construction of environmental protection equipment and facilities pursuant to the requirements of the State on environmental protection. In recent years, with the increasingly strict requirements for environmental protection, the Company also upgraded the environmental protection projects by improving coal warehousing and transportation methods.

II. SAFETY AND ENVIRONMENT PROTECTION



2.1 Development of clean materials

E-commodities is vigorously developing advanced coal washing and processing technology, tracking the change of coal quality starting from the raw coal mining stage. The coal washing and allocation center can make good allocations in advance to ensure long-term supply of high-quality coking coal for steel mills.

- The coal washing and allocation centers located in Yingkou, Longkou, Jining, and Salazie provide coals of 4 million tonnes each, and the coal washing and allocation center located in Tengshengda provide coals of 7 million tonnes, with a total annual output of 23 million tonnes. There are many land reserves in those coal washing and allocation centers, which provide the ability to readily expand capacity.
- Most plants were established after 2010 using the lump coal sizing system, coarse slime sizing system and floatation sizing system. Each plant matches the most suitable processing technology to achieve the highest clean coal washing ratio and the lowest processing cost according to the different types of coals from Mongolia and Shanxi and oversea coals.



II. SAFETY AND ENVIRONMENT PROTECTION



2.2 Cross-border transportation of container

In order to thoroughly address pollution issues caused by coal transportation, loading and unloading, and warehousing processes at Sino-Mongolian ports, to improve the efficiency of transit, to increase cross-border transit transportation volumes, and to promote the transformation of transit transportation at Sino-Mongolian ports, E-commodities has made a strategic plan for a series of environmental initiatives in respect of cross-border, transit cargo transport and warehousing since 2016 and took the lead in implementing container cross-border transportation business at the Gants Mod port.

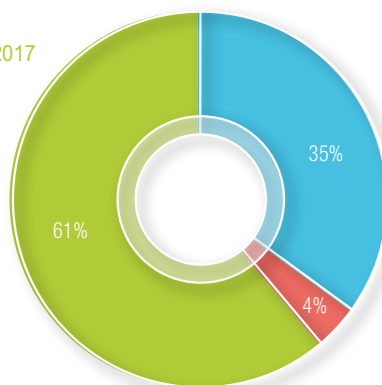


Advantages of container transportation

| | |
|----------------------------------|--|
| Environmental protection | <ul style="list-style-type: none"> Using Container transportation for bulk loading cargo containerized transportation, pithead packing, and destination unpacking. Coal in the container will not fall out during transportation thus resolving the problem of dust pollution from coal transportation, loading and uploading and warehousing |
| Reducing the transportation loss | <ul style="list-style-type: none"> Closed transportation Fully closing the area from mine pithead to the domestic bonded area, so as to greatly reduce the transportation loss |
| Real-time location | <ul style="list-style-type: none"> Conducting an inspection on the position and status of container, realizing the safety supervision in the whole transportation process, and improving clearance efficiency. |
| Pendulum transportation | <ul style="list-style-type: none"> Making full use of container resources to optimize the layout of transportation, so as to improve the profits and reduce costs for upstream and downstream enterprises |
| Multimodal transportation | <ul style="list-style-type: none"> Multimodal transportation by road, railway and sea can avoid losses caused by multiple loading and unloading of goods, so as to achieve optimal performance |

From January to December, 2017, a total of 1,433 railway freight trains were delivered, amounting to 5,212,759 tonnes, including 883 containers with 3.1689 million tonnes.

The proportion of each type of railway transportation from January to December 2017



■ Gondola cars (in ten thousand tonnes) ■ Large trains (in ten thousand tonnes) ■ Containers (in ten thousand tonnes)

II. SAFETY AND ENVIRONMENT PROTECTION



2.3 Improvement of working environment

The Company has always been committed to improving the staff working environment. In recent years, it has constantly cleaned and improved the exterior appearances of plant to develop an environmentally friendly enterprise with landscaped view, which has changed the impression of people towards traditional energy production enterprises. The beautification of the working environment enables the staff to enjoy work both physically and mentally with commensurate benefit in overall quality.



II. SAFETY AND ENVIRONMENT PROTECTION



2.4 Zero-emission of pollution

Through technological innovation and cooperating with the “Thirteenth Five-year” Plan for Ecological Environment Protection, Opinions on Further Strengthening the Treatment of MSW Incineration, the “Thirteenth Five-year” Plan for Renewable Energy Development, Water Pollution Prevention and Control Law (draft revision) and various environmental protection policies, the Group adhered to the latest policy trends, seized opportunities for development and actively advocated sustainable development.

No harmful gas or greenhouse gases emissions were involved in the production processes by the Company;

Non-hazardous waste generated in the course of coal washing is mainly household garbage, which amounted to 19.5 tonnes in 2017, which was centrally collected by the plants and delivered to the waste treatment stations designated by the government.

Water, dust, noise and solid waste are possible pollutants in the course of coal washing. Currently, the Company has already achieved the target of zero-emission of industrial pollution. Details are set out in the following table:

| Item | Treatment Method |
|-------------------|--|
| Industrial sewage | <ul style="list-style-type: none"> Underground water and rainwater are used without use of domestic water: adopting dense medium coal processing technology while using recycled water-saving model for production water. In 2017, fresh water consumption was $66.8 \times 10^4 \text{ m}^3/\text{a}$ and the recycled water consumption was $725.9 \times 10^4 \text{ m}^3/\text{a}$, and water recycling rate was 90.5%; the remaining water was consumed through evaporation after passing into clean coal and no waste water was discharged; The domestic sewage was 21t/d. After treatment in septic tanks and precipitation, the water flows into the soakaway pit outside the plant; the precipitate will be cleared regularly by neighbouring farmers and used as fertilizer; ash sluicing water from heating boilers is recycled after precipitation rather than being discharged. |
| Noise pollution | <ul style="list-style-type: none"> The equivalent noise level in day and night is in the range of 36.1~58.3LeqdB(A), which complies with the Emission Standard for Industrial Enterprises Noise at Boundary, and hence there was no noise pollution. |
| Dust | <ul style="list-style-type: none"> A raw coal shed was constructed for incoming raw coal and a closed dedusting system is adopted in the process of belt conveying and crushing of raw coal. Only periodical cleaning and coal dust recycling are necessary. There is no discharge outlet; there was a wind-proof and dust-controlling wall with a height of 15 meters built at the stock yard, and sprinklers have been installed. The maximum concentration value of unauthorised emissions at boundary was $0.821 \text{ mg}/\text{m}^3$, which complied with the Integrated Emission Standard of Air Pollutants; In 2017, the Company continued to adopt closed body container transportation in the whole transportation process for raw coal, which reduces dust dissipation problems. |
| Solid waste | <ul style="list-style-type: none"> Industrial solid waste mainly includes gangue, coal sludge, boiler slag and domestic waste. In 2017, the outputs of gangue and coal sludge were $10.5 \times 10^4 \text{ t}/\text{a}$ and $30.7 \times 10^4 \text{ t}/\text{a}$, all of which were sold; the boiler slag of 410t/a was used to fill ditches or for road fill; the output of domestic waste was approximately 19.5t/a, which was centrally collected by the plants and delivered to the waste treatment stations designated by the government. |

II. SAFETY AND ENVIRONMENT PROTECTION



2.5 Use Of Resources

We aim for the adequate, reasonable and efficient use of energy resources. We do our best to eliminate inefficiencies and as much as possible, use energy-efficient equipment and apply innovative energy-saving technologies.

We have established energy-saving management programs aiming at energy saving, reduction of consumption, reduction of environmental pollution and increasing economic efficiency, and have implemented various procedures for optimizing energy consumption and reducing electricity consumption.

To conserve energy, we have implemented green lighting in the workplace. This involves using energy-saving light bulbs in our offices and manufacturing facilities and utilizing natural light if possible. Furthermore, we encourage our employees to switch off the lighting and air-conditioning systems in the areas of the workplace that are not being used and to switch off the computers, printers and other office equipment at the end of the daily work in developing energy-saving habits among our employees.

We carry out regular inspections of our equipment to ensure trouble-free operation and the safe usage of electricity in the workplace. Furthermore, through the monitoring of our monthly electricity consumption and the overseeing of the operation of lights by a designated employee for each department, it is ensured that our electricity consumption is in line with our electricity management goals. In 2017, for optimizing efficiency of energy usage and reduction in electricity consumption, the Group implemented improvements in equipment and technology in certain workshops according to the needs of production, such as sound control lights used in the corridors of offices and dormitories, to enhance the electricity consumption efficiency. The annual electricity consumption in 2017 was 62×10^6 kWh.

The Group has no problems in sourcing water. The Group implements water resources management measures such as diversion of clean water and sewage, rain and sewage diversion, production wastewater and domestic sewage segregated collection and pre-treatment. All wastewater is reused after advanced treatment by the plant's sewage treatment station, and is mainly used for vehicle washing, water spraying for dust reduction in the storage yard, as well as ground washing, road sprinkling, and green watering, etc. to achieve zero discharge of wastewater. In 2017, fresh water consumption was $66.8 \times 10^4 \text{m}^3$.

The raw materials and products of the company are bulk materials, which are transported by container and without packaging materials.

The Company's business activities have no significant material impact on the natural environment.

II. SAFETY AND ENVIRONMENT PROTECTION



2.6 The HSE of industry and service:

1. Product Quality

The Group has been constantly improving the traditional industrial structure, extending the industrial chain and promoting industry trends towards greenness, intelligence and high-end orientation. With regard to product quality, the Group has specially established a technical supervision department, actively promotes quality control (QC) group activities and implements product quality management throughout the entire operation and the transportation process. As product quality and safety are critical to our business, the Group has established a Product Quality and Safety Committee. The internal management committee is responsible for the quality and safety of the Group's products and for taking action to address and resolve any product quality issues if necessary. In 2017, no products of the Group were required to be recovered due to safety issues.

The Group strictly abides by the Advertising Law of the PRC, the Trademark Law of the PRC and other relevant laws and regulations regarding health and safety, advertising, labelling and remedial measures for the products and services provided by the Group. In accordance with the Group's actual situation, it has formulated the Process of Quality Verification and Procedures of Product Recovery and the Procedures of Process Quality Control and (Semi) Finished Product Monitoring Control, to ensure that the products meet the requirements of production. For example, to improve the whole process of chemical inspection, it strictly implements inspection procedures of products entering and leaving the factory; it resolutely identifies the causes of any major quality accidents and investigates the responsibility of relevant departments and responsible persons; it provides a good after-sales service, establishes and maintains a return visit system to seek customers' comments on product quality, performance, etc, establishes customer profiles and continuously improves and tracks the quality of products and services.

2. Intellectual Property Rights Protection

The Group strictly abides by the Patent Law of the PRC and the Anti-Unfair Competition Law of the PRC. An intellectual property rights management system has been established to provide for the orderly conduct of scientific research. This has been established in line with the protection of intellectual property rights, the management of scientific research funds, the confidentiality of information and the consolidation of these aspects with an internal control system and risk management requirements. During the Reporting Period, the Group did not receive any incidents of violations of the regulations related to the provision and the use of the Group's products and services which had a significant impact on the Group.

II. SAFETY AND ENVIRONMENT PROTECTION



With regard to product services and complaints, the Group has established pre-sales consulting, sales and after-sales service systems to regulate the processing of any customer complaints and to further improve the processing efficiency of customer complaints. In the face of customer complaints, responsible personnel are required to deal with the problem at the very first instance, and feedback is quickly provided to customers. The Group has always adhered to a customer-first principle. No litigation (relating to the health and safety of products and services which might have had a significant impact on the Group's productions and operations) commenced during the Reporting Period.

3. Privacy Protection

The Group attaches importance to protect the privacy of itself and its customers. The Group has implemented a strict confidentiality policy on the personal data of customers and it requires employees that possess confidential information to sign confidentiality agreements with the Group. During the Reporting Period, there were no complaints regarding violations of customer privacy in the Group.

III. EMPLOYEE CARE

1. STAFF OVERVIEW

As at the end of 2017, the Group had 254 regular staff (including all domestic and overseas enterprises). Currently, the Company has formed a multiple talents team consisting of management personnel, professional technicians and operation skilled talents.



- The Company has continuously adhered to a human-oriented policy, strictly following the Labour Law of the PRC, Labour Contract Law of the PRC and analogous laws and regulations of host countries to respect and protect the various lawful rights and interests of our staff. The Company forbids all forms of workplace discrimination, and there is no child labour or forced labour. In the process of conducting external recruitment and admission procedures, the age of workers is strictly checked. Meanwhile, we strictly prohibit forced labor by means of violence, threats or illegal restrictions on personal freedom, and respect the rights of all workers in accordance with the law.
- The rate of entering into written labour contract of staff is 100%.

Details of the overview of staff are set out in the following table:

| Category | Number of staff | Percentage | Category | Number of staff | Percentage |
|----------------------------|------------------------|------------|-------------------------------|-----------------|------------|
| Age | | | Educational Background | | |
| Below 35 (exclusive of 35) | 189 | 74.70% | Diploma and below | 103 | 41.30% |
| 35 to 45 (exclusive of 45) | 32 | 12.60% | Undergraduate | 103 | 39.80% |
| 45 and above | 33 | 12.70% | Master and above | 48 | 18.90% |
| Gender | Number of staff | | Percentage | | |
| Male | 123 | | 48.40% | | |
| Female | 131 | | 51.60% | | |

III. EMPLOYEE CARE



2. EMPLOYEES' RIGHTS, INTERESTS AND DEVELOPMENT

We have always offered equal employment opportunities and reasonable remuneration and welfare benefits, as well as protecting and preserving the lawful rights and interests of our staff.

- We have improved the training systems, expanded the development potential of our staff, and sought to inspire initiative and creativity of our staff and facilitated their individual growth.
- We respect the political, economic, social and cultural rights of our staff and their basic rights in work. We also have developed a healthy and safe working environment so as to help our staff achieve work and life balance to the maximum extent, and strive to improve the development of both the Company and the staff.
- We have fully paid the social insurance for all regular staff in a timely manner, and paid commercial accident insurance for all staff to eliminate the staff's fears and worries on accessibility to medical treatment, retirement and child birth. Through this, we can effectively ensure the vital interests of all staff.

*only applicable to Mainland China; overseas enterprises pay insurance for staff in accordance with the local regulations.

III. EMPLOYEE CARE

- We provide various welfare benefits to our staff, such as providing staff welfare on Mid-Autumn Day, National Day and Spring Festival, awarding female staff on Women's Day, employee health examinations and a long-term incentive scheme.
- As at the end of 2017, the Group had held various training programs totaling 1,866 hours with 1,048 participants.

| 2017 | | |
|----------------------------------|--------------|---------------------|
| Training Courses | No. of hours | No. of participants |
| Safety Training | 750 | 558 |
| Management & Leadership Training | 715 | 344 |
| Professional Skills Training | 401 | 146 |
| Total | 1,866 | 1,048 |

3. CULTURAL LIFE

We advocate positive and healthy working and living styles and have created a harmonious, progressive and vibrant corporate culture through holding a wide range of cultural and sports activities for our staff.

- We organized a family day activity at “Dao Xiang Hu” in June 2017 to carry out team building and various recreational and sports activities, which brought people closer together and provided mind and body relaxation.
- We organized the second Ritan Walk event in October 2017. We took advantage of the leisure time between walks to strengthen our fitness and enhance team interaction.

III. EMPLOYEE CARE



4. STAFF FEEDBACK

In recent years, the Company continued to implement the communication plan of “Face-to-Face with Senior Management”, pursuant to which the executive directors and vice president of the Company were open to listening to the inner thoughts of our staff through participating in one-on-one interviews and giving feedback, so as to continuously improve the internal management standards of the Company. Through this activity, many staff expressed their devotion and gratitude to the Company:

- “I cherish this platform provided by the Company very much. I’d like to succeed together with the Company.”
- “Due to the busy work everyday, I usually have dinner and live in the plant. I am very busy, but I still feel satisfied.”
- “I am deeply attached to the Company. I get along very well with my colleagues and leaders, and hope to continue doing a good job and making progress with the Company.”
- “The leaders are friendly and respectful to our front-line staff.”
- “We have a highly engaged internal team with excellent atmosphere, and we help each other.”
- “I experienced the ups and downs with the Company. Although the business has ups and downs, the Company never delays the payment of wages even in it’s most difficult time.”
- “The boss always treats employees like family. This culture has been passed on in the Company.”



IV. CHARITIES AND COMMUNITY

The sustainable development of the Company relies on the support and influence of the communities of the areas in which we operate. We have helped the community residents improve employability skills and reduce poverty through creating employment opportunities and carrying out skill trainings, with a view to making a contribution to the development of the local economy and society in remote areas.

1. CONTRIBUTION TO LOCAL ECONOMY

- We follow the related labour laws of the areas in which we operate, establish labour systems that comply with the local requirements, proactively provide employment opportunities to the local residents where we operate and promote the local tax revenue. At the end of 2017, the Company directly or indirectly employed a total of 739 staff in Inner Mongolia region. The Company has greatly increased efforts to select and train the outstanding local talents, and it formulated a technical management reserve talent training plan in the Mongolian business division.



- Our investment in Inner Mongolia region has directly promoted the development of the local economy. Each subsidiary of the Company paid tax in accordance with the law, which greatly increased local revenue. Total tax paid to Inner Mongolia region was HK\$192,809,000 in 2017.

2. CHARITY EVENTS

The Company also aided and empathised with staff in difficulties, urgently helped staff with urgent difficulties, provided what the staff in difficulties needed, helped sick staff and their family members and actively carried out activities, such as expression of sympathy and solicitude by the Labor Union and donations to charities, to convey love and warmth as appropriate.



V. INTEGRITY MANAGEMENT



The Company strictly complied with business ethical standards, upheld a high standard of corporate governance, and fully complied with relevant laws and regulatory provisions, which were the preconditions for maintaining and protecting the long-term benefits of the Company and its shareholders. We firmly believe that a superior corporate governance system helps maintain the high transparency of the Company and establish a solid foundation for the business development of the Company. In order to better achieve the target of corporate governance, ensure the optimization of various reporting contents, and maintain smooth operations of the internal monitoring mechanism, the Company has established organizations including an audit committee, the remuneration committee, the nomination and corporate governance committee and the health and safety and environmental committee.

1. COMPLIANCE WITH LAWS AND REGULATIONS

- a rate of 100% of material contracts reviewed by legal specialists
- a rate of 100% of internal regulations and systems reviewed by legal specialists
- a periodical audit on the internal controls of the Company carried out by KPMG

2. BUSINESS ETHICS

In order to strengthen the discipline of business ethics and avoid conflicts with stakeholders, the Company issued Conflicts of Interest Policies and Anti-fraud Policies to regulate the relationships between staff and stakeholders such as the Company, customers, business partners, competitors, supervisors and other staff and ensure that the staff follow the principle of maximizing the interests of the Company and treating all stakeholders fairly. The Company is entitled to take corresponding disciplinary measures, including termination of labour relations if any act prohibited by such policies occurs.

All forms of bribery, extortion and fraud are prohibited in the Company, and the relevant content of personal business ethics is specifically emphasized and updated in the newly revised employee handbook. In addition, having established the supervisory department, the CEO of the Group will serve as the head of the supervision department. The senior supervisor supervises each business division and subsidiaries, receives and handles complaints and reports, and seeks to completely eradicate any violations of laws and regulations and behaviors damaging the Company's interests.



V. INTEGRITY MANAGEMENT

3. WIN-WIN DEVELOPMENT

The Company adhered to mutual trust cooperation, strengthened communication with upstream and downstream enterprises and suppliers in various manners and transmitted concepts and values of simplicity, efficiency and dedication to cooperative enterprises to achieve win-win development. In 2017, the Company's contract fulfillment rate reached 100%.

The Company has an improved risk control system and has strict requirements for the qualifications of suppliers and cooperative enterprises. It is necessary to review the business license, account opening permit and relevant national license (such as dangerous chemicals business license), annual audit, and financial statements, etc of its suppliers and cooperative enterprises. In the event of significant changes in the shareholders, legal person or financial condition of suppliers, the entry qualifications must also be re-examined.

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| Subject Areas, Aspects, General Disclosures and KPIs | | |
|--|---|---------------------------|
| “Comply or explain” Provisions | | Disclosure in this Report |
| A. Environmental | | |
| Aspect A1: Emissions | General Disclosure | page 16 |
| | Information on: | |
| | (a) the policies; and | |
| | (b) compliance with relevant laws and regulations that have a significant impact on the issuer | |
| | relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | |
| | <i>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</i> | |
| | <i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i> | |
| | <i>Hazardous wastes are those defined by national regulations.</i> | |
| | KPI A1.1 The types of emissions and respective emissions data. | |
| | KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | KPI A1.5 Description of measures to mitigate emissions and results achieved. | |
| | KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | |

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| Subject Areas, Aspects, General Disclosures and KPIs | | | |
|--|---|---|--|
| “Comply or explain” Provisions | | | Disclosure in this Report |
| Aspect A2: Use of Resources | General Disclosure | | page 17 |
| | Policies on the efficient use of resources, including energy, water and other raw materials. | | |
| | Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc. | | |
| | KPI A2.1 | Direct and/or in direct energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | |
| | KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | |
| | KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | |
| | KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | |
| Aspect A3: The Environment and Natural Resources | KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | page 12 to page 14 and page 16 to page 17 |
| | General Disclosure | | |
| | Policies on minimising the issuer’s significant impact on the environment and natural resources. | | |
| | KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | |

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| Subject Areas, Aspects, General Disclosures and KPIs | | |
|--|--|---------------------------|
| “Comply or explain” Provisions | | Disclosure in this Report |
| B. Social | | |
| Employment and Labour Practices | | |
| Aspect B1: Employment | <p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p> | page 20 |
| Aspect B2: Health and Safety | <p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p> | page 20 |
| Aspect B3: Development and Training | <p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i></p> | page 21 to page 22 |

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| “Comply or explain” Provisions | | Disclosure in this Report |
| Aspect B4: Labour Standards | <p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labour.</p> | page 20 |
| Operating Practices | | |
| Aspect B5: Supply Chain Management | <p>General Disclosure</p> <p>Policies on managing environmental and social risks of the supply chain.</p> | page 26 |
| Aspect B6: Product Responsibility | <p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p> | page 18 to page 19 |

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| Subject Areas, Aspects, General Disclosures and KPIs | | |
|--|--|---------------------------|
| | "Comply or explain" Provisions | Disclosure in this Report |
| Aspect B7: Anti-corruption | <p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p> | page 25 |
| Community | | |
| Aspect B8: Community Investment | <p>General Disclosure</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p> | page 24 |

VII. FEEDBACK

Thank you for reading the report! Your comments and suggestions will help us make continuous improvement on the contents of the report and drive E-Commodities to make corresponding contribution to the progress and harmonious development of society in the process of growing together with stakeholders.

Comments and suggestions are welcome and can be addressed to: e-comm@e-comm.com







E-COMMODITIES HOLDINGS LIMITED
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