



洛 阳 玻 璃 股 份 有 限 公 司

LUOYANG GLASS COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

H Share Stock Code: 1108

A Share Stock Code: 600876

# 2018

ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT

# Environmental, Social and Governance Report

## ABOUT LUOYANG GLASS

Luoyang Glass Company Limited (“**Luoyang Glass**”, the “**Company**”) (Stock Code: 01108 (H shares), 600876 (A shares)) is a company whose A shares and H shares are listed in Shanghai and Hong Kong, respectively.

Luoyang Glass Company Limited, incorporated on 6 April 1994, issued overseas listed foreign H shares which were listed on the Stock Exchange of Hong Kong Limited on 29 June 1994 and ordinary A shares denominated in RMB which were listed on the Shanghai Stock Exchange on 29 September 1995. As the first company realizing commercial production of ultra-thin float glass products in China, the Company has accumulated leading knowledge system and processing experience during operation and production for over 10 years. The Company possesses a number of proprietary intellectual property rights and core technologies. The Company has successively won various accolades including “National Quality Award for Float Glass – Silver Award (國家浮法玻璃質量獎-銀質獎)”, “Gold Invention Award (金質發明獎)”, “National Consumer Trustworthy Product (全國消費者信得過產品)”, “Well-known Trademark (馳名商標)” and “National Science & Technology Progress Award (first class) (國家科學技術進步一等獎)”.

Aiming to build itself into an innovation-performance-based, resource-conserving, environment friendly and socially responsible enterprise, and adhering to the core conception of “smart use of resources to serve the industrial construction”, the Company fosters the core value of “Innovation, Performance, Harmony and Responsibility”, striving for and making contribution to the harmonious, healthy and sustainable development among the Company and environment, the Company and its employees, the Company and the society.

The year 2018 was full of opportunities and challenges for Luoyang Glass. During the reporting period, the Company continued following the management principles of “integration and optimization, quality improvement and benefit increase” and insisted on operation policies of “price stabilization, quantity assurance, cost reduction, receivables collection, inventory control, adjustment”. On this basis, the Company maintained stable production and operation with progresses so as to achieve the goals and tasks of the year. During the reporting period, the Company successfully produced ultra-thin float electronic glass with a width of 0.12mm, once again setting a world record for industrialized production with float technology. During the reporting period, the Company smoothly achieved significant asset restructuring, through which the Company increased new energy glass business on the basis of its existing information display glass business. The restructuring broadened the scope of application of the Company’s new glass products, diversified product categories and customer base. With the expansion of the size of and the improvement of the quality of the assets of the Company, it is expected to further enhance the stability and sustainability of future business development, and enhance profitability and overall competitiveness.

Going forward, Luoyang Glass will follow the orientation of technology and product innovation, build core competitive strength and focus on advancing high-quality development to become a pioneer and leader in the new glass industry.

# Environmental, Social and Governance Report

## STEADILY PROMOTING ENVIRONMENTAL PROTECTION AND RESOURCES CONSERVATION

As at the end of the reporting period, the Company has six glass production bases, including 6 wholly-owned subsidiaries and 1 controlled subsidiary. Its glass production lines are distributed in six cities in three provinces, namely Henan, Anhui and Jiangsu.

The main products of the Company belong to key basic materials in the upstream of the relevant industry chain, which are in line with the requirements of the industrial policies and technical improvement. Its product are mainly distributed across 18 provinces (or municipalities directly under the central government) including Guangdong, Zhejiang, Jiangsu, Anhui, Henan, Hebei and Shanghai.

During the reporting period, the Company successfully completed assets acquisition by issuance of shares, acquiring three new energy photovoltaic glass companies (i.e. Tongcheng New Energy, Hefei New Energy and Yixing New Energy). At present, the Company has two major business segments, namely information display glass segment and new energy glass segment.

The information display glass segment mainly produces ultra-thin electronic glass substrate. It currently has three wholly-owned subsidiaries, including CLFG Longhai Electronic Glass Limited ("**Longhai Glass**") and CLFG Longmen Glass Co. Ltd. ("**Longmen Glass**") in Luoyang City, Henan; and Bengbu China National Building Materials Information Display Materials Company Limited ("**Bengbu CNBM Information Display**") in Bengbu City, Anhui.

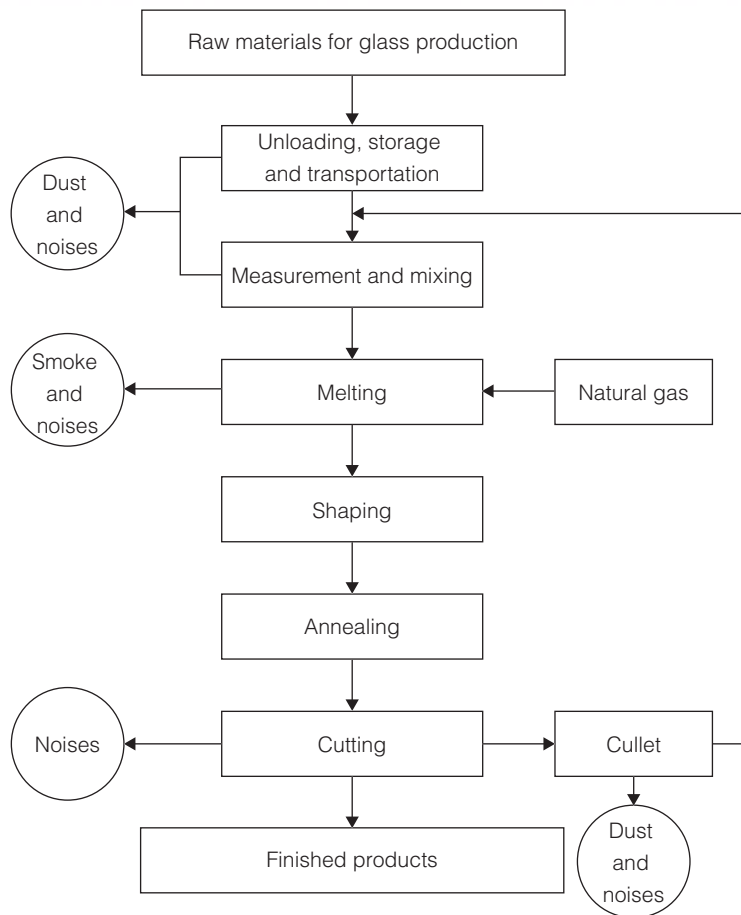
The new energy glass segment mainly produces photovoltaic original glass and its further processed products. It currently has 3 wholly-owned subsidiaries and 1 controlled subsidiary, including Puyang China National Building Materials Photovoltaic Materials Company Limited ("**Puyang CNBM Photovoltaic Materials**") in Puyang County, Henan; CNBM (Tongcheng) New Energy Materials Co., Ltd.\* ("**Tongcheng New Energy**") in Tongcheng City, Anhui; CNBM (Hefei) New Energy Co., Ltd.\* ("**Hefei New Energy**") in Hefei City, Anhui and CNBM (Yixing) New Energy Resources Co., Ltd ("**Yixing New Energy**") in Yixing City, Jiangsu.

# Environmental, Social and Governance Report

## ENVIRONMENTAL PROTECTION

Glass production process has the feature of uninterrupted production. Therefore, the Company has been fully implementing energy conservation and emission reduction, cyclic utilization and ecological protection to minimize the impact of production on the environment.

- Glass production process and analysis on major pollutants





# Environmental, Social and Governance Report

- Greenhouse gas emitted from the manufacture facility and in the manufacture process of the Company mainly includes burning of fuel, oxidation of carbon powder of raw material, decomposition of carbonate raw material, emissions from purchased net electricity and other manufacture process.

## Data on Greenhouse Gas Emission of Luoyang Glass for 2016 – 2018

	2018	2017	2016
Total annual CO <sub>2</sub> emission for the year (tCO <sub>2</sub> )	<b>633,344.86</b>	126,225.67	183,104.19
Total emission from burning of fossil fuel	<b>355,064.70</b>	65,493.34	109,731.83
Emission from oxidation of carbon powder of raw materials	<b>47.74</b>	60.35	106.99
Emission from decomposition of carbonate raw material	<b>93,216.75</b>	9,420.38	13,256.99
Emission from use of purchased net electricity	<b>185,015.67</b>	51,251.60	60,022.61

## Data on Greenhouse Gas Emission from Production Lines for 2018

	Total annual CO <sub>2</sub> emission for the year (tCO <sub>2</sub> )	Total emission from burning of fossil fuel (tCO <sub>2</sub> )	Emission from oxidation of carbon powder of raw materials (tCO <sub>2</sub> )	Emission from decomposition of carbonate raw material (tCO <sub>2</sub> )	Emission from use of purchased net electricity (tCO <sub>2</sub> )
Total	633,344.86	355,064.70	47.74	93,216.75	185,015.67
Longhai Glass	3,059.92	–	–	–	3,059.92
Longmen Glass	68,007.19	42,234.59	30.80	6,826.33	18,915.47
Bengbu CNBM Information Display	55,595.65	27,384.44	16.94	1,735.87	26,458.40
Tongcheng New Energy	169,089.00	120,898.00	–	18,880.00	29,311.00
Hefei New Energy	186,516.20	90,081.50	–	38,183.70	58,251.00
Yixing New Energy	151,076.90	74,466.17	–	27,590.85	49,019.88

(Note: Data in the table are calculated in accordance with the Calculation Method and Report Guide on Greenhouse Gas Emission for the PRC Manufacturers of Sheet Glass (Trial) (《中國平板玻璃生產企業溫室氣體排放核算方法與報告指南(試行)》 issued by the National Development and Reform Commission.)

# Environmental, Social and Governance Report

- Major pollutants generated from the production process: dust-laden gases, and smoke, noise, waste water and solid waste emitted from furnaces.

**Data on Major Pollutants Emitted of Luoyang Glass for 2016 – 2018**

	2018	2017	2016
Waste gas (0'000 standard cubic meters)	<b>225,606</b>	57,461	84,270
SO <sub>2</sub> (Ton)	<b>94.954</b>	49.00	49.90
NO <sub>x</sub> (Ton)	<b>646.504</b>	145.97	429.50
Granule (Ton)	<b>40.405</b>	8.26	14.30
Waste water (Ton)	<b>764,538</b>	143,730	288,518
COD (Ton)	<b>39.068</b>	2.94	7.20

**Data on Major Pollutants Emitted from Production Lines for 2018**

	Waste gas (0'000 standard cubic meters)	SO <sub>2</sub> (Ton)	NO <sub>x</sub> (Ton)	Granule (Ton)	Waste water (Ton)	COD (Ton)
Total	225,606	94.954	646.504	40.405	764,538	39.068
Longmen						
Glass	45,510	18.408	85.908	6.695	96,744	3.048
Bengbu CNBM						
Information						
Display	50,736	33.992	347.026	14.713	53,819	1.230
Tongcheng						
New Energy	35,384	15.316	110.508	3.431	504,095	28.569
Hefei New						
Energy	56,909	18.476	103.062	12.872	–	0.798
Yixing New						
Energy	37,067	8.762	–	2.694	109,880	5.423

(Note: During the reporting period, newly constructed and renovated project in progress of the Company included the ultra-white solar thermal materials project of Puyang Photoelectric Material and the technical renovation project on cold repair of the information display ultra-thin substrate production line of Longhai Glass. As at the end of the reporting period, relevant production lines have yet to be completed.)

# Environmental, Social and Governance Report

## Legal Compliance

The Company earnestly follows out environmental protection-related laws and regulations and strictly abides by the specialized standards in relation to environmental protection, energy conservation and comprehensive utilization of resources issued by the state and local governments. The relevant laws and regulations include: Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》, taking effect on 1 January 2015); Law of the People's Republic of China on Environmental Effects Assessment (《中華人民共和國環境影響評價法》, taking effect on 1 September 2003); Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》, taking effect on 1 September 2000); Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》, taking effect on 1 June 2008); Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》, taking effect on 1 March 1997); Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》, taking effect on 1 April 2005); Law of the People's Republic of China on Promoting Clean Production (《中華人民共和國清潔生產促進法》, taking effect on 1 January 2003).

The Company rigorously implements standards on pollutant discharges and improves its monitoring and discharge reduction system to ensure standard discharge and clean production. The following standards are implemented:

- Wastewater: to follow the Integrated Wastewater Discharge Standard (《污水綜合排放標準》)(GB 8978-1996) Class I in respect of pH, COD, SS, BOD5, NH3-N, petroleum and other relevant pollutants;
- Exhaust: to follow the Emission Standard of Air Pollutants for Electronic Glass Industry (《電子玻璃工業大氣污染物排放標準》) (GB29495-2013) and the Emission Standard of Air Pollutants for Sheet Glass Industry (《平板玻璃工業大氣污染物排放標準》) (GB26453-2011) in respect of NOx, SO2 and atmospheric particulates;
- Noise: to follow the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》) (GB 12348-2008).

# Environmental, Social and Governance Report

## Systematic Management

The Company has established a panel and assigned professionals to lead the work on energy conservation and emission reduction according to relevant laws and regulations. All key managers concerned have obtained professional credentials.

Based on the environmental protection policies of the state and taking into account problems identified in the course of practical implementation, the Company has formulated and improved the management system of environmental protection, which covers the management of aquatic environment and atmospheric environment, prevention and control of the noise, environmental monitoring, environmental protection in construction projects and pollution treatment as well as the inspection and assessment systems. Meanwhile, the Company disseminated the importance of environmental protection throughout the Company to consistently improve the environmental awareness and resource saving consciousness of the staff. The subsidiaries of the Company engaged competent third-party monitoring agencies to monitor the wastewater, waste gas and noise on a regular basis. The production lines of Longmen Glass and Hefei New Energy have been equipped with on-line pollutant source detection facilities to detect the flow velocity, temperature and pressure of fume, SO<sub>2</sub>, NO<sub>x</sub>, particulate matters, etc. During the reporting period, the subsidiaries of the Company formulated their respective Contingency Plan for Environmental Emergency ("Contingency Plan") in light of the production process, pollutant generation aspects and environmental risk analysis and in accordance with the relevant provisions under the Administrative Measures on Contingency Plan for Environmental Emergency (《突發環境事件應急預案管理辦法》) and the National Environmental Emergency Plan (《國家突發環境事故應急預案》). They also filed the Contingency Plan with local environmental protection authorities as required. Meanwhile, emergency drills concerning contingent environmental events were carried out as scheduled. During the reporting period, no material contingent environmental events occurred.

The Company earnestly implemented the national, provincial and municipal environmental protection policies and regulations, and actively responded to the 13th Five-Year Plan for National Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》), the Comprehensive Work Plan on Energy Conservation and Emission Reduction of the State Council for the "13th Five-Year" Period (《國務院“十三五”節能減排綜合性工作方案》), the Plan for Energy Conservation and Emission Reduction (2016–2020) (《節能減排規劃(2016–2020年)》) and other relevant industry policies. Under the guidance of green development and the premise of ensuring the fulfillment of the various emission standards in a stable manner, the Company follows through the new enterprise growth path featuring low energy consumption, high efficiency, less emissions and recycling. The Company aims to promote its environmental protection capacity and achieve sustainable development through strict management, continuous improvement, and management innovation. Major measures include:

- All production lines are fueled by natural gas and further reduction of energy consumption and pollutant discharge are achieved by improving combustion methods, thus implementing clean production.
- The Company strengthens operation and management of environmental protection facilities for desulfurization, denitration and dedusting to ensure sound operation conditions of the environmental protection facilities, guarantee high efficiency of desulfurization, denitration and dedusting and reduce emission of SO<sub>2</sub>, NO<sub>x</sub> and smoke dust. In 2018, all the pollutant treatment facilities in the production lines of the Company were under normal operation, and the discharge concentration from each discharge outlet fulfilled the corresponding pollutant discharge standards.



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- The Company takes a range of measures to reduce utilization of natural gas, cut the cost of fuel and decrease emission of SO<sub>2</sub> and NO<sub>x</sub>. Relevant measures included the adoption of oxygen-enriched combustion technology, improvement in the air vent of the combustion fan, hot repair for the regenerator, heat preservation for the furnace wall and reasonable adjustments of certain parameters in the manufacturing processing.
- The Company attaches importance to the reuse of water resources. It collects wastewater from the waste heat boiler, stores such in the circulating reservoir consisting of sedimentation pond, regeneration pool, absorbent device as well as other facilities and then reuses them in the fume dedusting and desulfurization system of the melting furnace. Besides, the Company applies a full guard coolant water system to the melting furnace, which only takes a small amount of water feed. In 2018, it achieved the recycling of 691,200 cubic meters of water.

## Comprehensive Treatment

Major treatment measures and recycled utilization approaches include:

- Furnace fumes are disposed through the combination of the electronic precipitator, the denitrification reactor, the semi-dry process for desulfurization and the bag filter.
- For the dust generated from glass breaker system and the compounding system, a bag filter is used for collection and further treatment of such dust.
- For noise treatment, the Company selects and uses facilities with low noise design and made rational distribution of noise sources (for example, to position all intense noise sources such as the freezing units, emergency generator, air compressor and vacuum pump in airtight workshops and to emplace cooling towers with encircling sound arresters on the rooftop of the power house) to scale down effects of noises from the production facilities on the surroundings as far as possible.
- Wastewater is treated through the process of equalization, sediment neutralization treatment and cycling. The reclaimed wastewater is reused for water supply in the ambient temperature cooling system. In addition, cooling water used in the freezing units and air compressors is all recycled to reduce waste of water resources.
- The solid wastes mainly consists of the dust collected by the bag filter, faulty glass substrate (semi-finished products and finished products), culled refractories and obsolete packaging materials, for which the recycled utilization measures include: to reuse the dust of compound and dust of ladle addition feeder collected by bag filters in production; to reuse all faulty glass substrates in production; to send used packing materials of chemicals back to the suppliers for recycling and common packaging materials to reclamation depot.

# Environmental, Social and Governance Report

## PROACTIVELY FULFILLING CORPORATE SOCIAL RESPONSIBILITY

In the light of the core value of “innovation, performance, harmony and responsibility”, the Company proactively undertakes the corporate social responsibility based on the demands of stakeholders including the staff, customers, business partners, the community, the media and so forth.

### Safeguarding Rights and Interests of the Staff

The Company respects and preserves the internationally accepted human rights conventions and labor standards, resolutely eliminates forced labor, protests against discrimination of any kind and sternly prohibits and resists the use of child labor. It recruits new staff in an open, fair and just manner, enforces equal pay for equal work and respects the privacy of the staff.

- The Company protects the staff's legal entitlements to the labor rights and performance of labor obligations in strict compliance with Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and relevant laws and regulations.
- The Company has entered into labor contracts with the staff and performed duties thereunder according to the laws. All employees have signed a contract with the Company. The Company pays in full the social insurances concerning pension, medicare, unemployment, work-related injuries and maternity to ensure the staff's treatment of social insurances in line with relevant national, provincial and local provisions.
- The Company has adopted the paid annual leave system for the staff and provides overtime pay for the work beyond legal working hours according to relevant provisions including Regulations of Paid Annual Leave of Employees (《職工帶薪年休假條例》).
- The Company unremittingly consummates the corporate democratic management system with the congress of employee representatives as the fundamental form, and reports to and receives reviews from the employee representatives on the annual production and operation as well as material matters of the Company through the congress of employee representatives. The Company has established labor unions at all levels to cope with issues of the staff in relation to expression of demands, conflict settlement and other aspects, thus guaranteeing the staff's rights for participation, knowledge and supervision.
- The Company lays emphasis on quality improvement and skill trainings for workers at the production line. It actively carried out “Model Work Innovation Workshop” and established platforms for the growth of “craftsman” to reinforce their passion in and devotion to the work. In 2018, it conducted learning activities across the whole Company to “improve quality and skills” and held a total of 172 trainings with 4,751 participants.
- The Company carries on the “Heart-warming” themed activities. In 2018, it visited 48 employees of the Company and distributed subsidies of RMB75,000.
- The Company has preserved the staff's rights of occupational safety and health and arranged physical examination for all of its employees for free. Besides, the Company has exercised the special labor protection for female employees and recorded a full coverage of physical examination according to relevant stipulations including the Law on Protection of Rights and Interests of Women (《婦女權益保護法》).
- The Company organizes various cultural and recreational activities to enrich the cultural life of employees after work. The Company hosted a series of grand activities such as the “New Year Celebration”, the “Mountaineering Competition on Women's Day” and the “Flower Viewing Activities for Model Workers”.

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## Production Safety

In light of the safety principle of "Safety First, Prevention Foremost and Comprehensive Treatment", in addition to ever-increasing efforts to the day-to-day safety monitoring and management, the Company attends to the work relating to "targeted management of safety", "identification of material latent hazards", "establishment and rehearsal of the responsive system for material incidents" and "hierarchical control over danger sources (sites)" aiming for the achievement of safety in essence and the comprehensive improvement of production safety. In 2018, the Company recorded no accident in production throughout the year.

- The Company has established rigorous management systems, operation standards and responsive plans for production safety to strengthen the production safety accountability system and implement targeted management of production safety. Meanwhile, the Company has executed the Contract on Production Safety Obligations (《安全承包責任書》) in light of the overall control target of the safety work.
- The Company has strengthened the prevention and control of incidents and the hierarchical monitoring and control over danger sources (sites) by implementing progressive control and management in view of the nature and perniciousness of the danger sources (sites). The Company also arranges regular inspection on danger sources (sites) at different levels for each month, assigns full-time safety officer for daily in-process inspection from district to district, collects feedback receipts for latent hazard rectifications, designates separate principals for different projects to push forward relevant rectifications with the prescribed time limit and carries out on-site post inspections. Thanks to the foregoing, the Company has made the danger sources (sites) manageable, within reach and under control, thus effectively preventing the occurrence of material incidents.
- The Company has established the responsive rescue systems and mechanisms for material incidents and highlights investment in production safety to ensure full implementation of various safety measures. Professionals are arranged to make amendments to the responsive rescue plan in a timely manner and corresponding rehearsals are organized for each year in production units subordinate to the Company where there are concentrated danger sources, and the routine rehearsals were also improved.
- The Company strengthened institutional construction to consolidate the fulfillment of standards on safety production. In 2018, the Company revised and improved the Management System of Fire Prevention Safety, the Management System of Professional Health, the Management System of Production and Safety Accidents, the Responsibility System of Safety Production, the Management System of Safety Training and Education, the Management System of Safety Inspection and Hidden Hazards Inspection and Treatment and other systems. Longhai Glass, Hefei New Energy, Tongcheng New Energy, Bengbu CNBM Information Display and other production subsidiaries of the Company have completed the fulfillment of standards on safety production. Longmen Glass has passed the reexamination on the replacement of the Class-II certificate on the fulfillment of standards on safety production.
- The Company strictly follows the safety training system and requires qualification certificates for personnel of special positions. Through regular trainings, the Company improved the safety quality of the heads, managers and professional safety managers of the Company and its subsidiaries and they are equipped with the corresponding safety knowledge and management capacities for the production and operation activities to prevent significant accidents and guarantee the safety of employees.

# Environmental, Social and Governance Report

## Safeguarding the Rights and Interests of Suppliers, Customers and Consumers

The Company has long been devoted to establishing the strategic partnership with suppliers and distributors featuring smooth communication, sincere cooperation and mutual benefit and providing support for the development of suppliers and distributors with good faith, high-quality products and superior services so as to safeguard the rights and interests of suppliers, customers and consumers.

- The Company standardizes the management of suppliers, chooses excellent suppliers as cooperative partners in the supply chain and establishes long-term strategic cooperation relationship with them. It implements the concentrated purchasing through tender, and improves the fairness and justice of the supplier assessment systems so as to create a healthy competition environment for suppliers. In addition, the Company also designates professional technicians in production to provide technical instructions and services for suppliers for free so as to ensure qualified incoming raw materials as needed.
- In adherence to survival in virtue of quality and development through innovations, the Company energetically pushes ahead for stronger quality consciousness and increasingly improving quality management systems so as to provide high-quality products and services for customers and consumers. The Company has been improving the quality management systems covering each process from incoming raw materials to factory-gate products to make sure the in-process quality control. Paying consistent attention to the concerns of customers, the Company has made full use of various effective approaches to launch activities for collecting and analyzing information on customer satisfaction, and has formulated corrective measures based on helpful opinions or recommendations of customers and implemented the same into specific departments for timely rectifications. As a result, customer satisfaction has been increasing year by year.
- The Company devotes efforts to the troubleshooting as well as the marketing and application of process technology to enlarge its product lines, raise the product quality and promote technology innovation in the industry. In 2018, Bengbu CNBM Information Display Materials successfully produced ultra-thin float electronic glass with a width of 0.12mm, once again setting a world record for industrialized production with float technology; Hefei New Energy vigorously launched the development and trial production of CIGS silk-screen glass, ultrathin photovoltaic cover plate glass, and ultra-thin double glass back glass; Tongcheng New Energy produced the new pear blossom-shaped glass products used for greenhouses in smart agriculture; the light, thin and high transparent photovoltaic glass project of Yixing New Energy has been completed and put into production, which developed mirrored single-suede black plate glass with a thickness of 2.0mm or less and achieved bulk supply.
- In 2018, 29 new national patents were applied, of which 23 were granted.

# Environmental, Social and Governance Report

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## **Public Relations**

The Company and its subsidiaries proactively fulfill their corporate social responsibility for the communities in which they operate and have established good relationship with the communities. A safe and healthy environment has been created for such communities in terms of traffic safety, personal safety and public health. The Company upholds harmonious neighborhood, fair exchange and mutual respect.

The Company resolutely opposes to commercial bribery and industrial monopoly and proactively participates in protection of fair market competition in the principle of building a fair, just and open market competition environment to improve economic operation efficiency, safeguard consumers' interests and social public interests, and promote the healthy development of the industry.

Regarding payment of taxes according to laws as the most basic requirement for fulfilment of social responsibility and repaying the society, the Company has always faithfully declared tax and made timely payment of taxes.

In operating activities, the Company follows the principle of voluntariness, fairness, honesty and credibility, complies with social morality and business ethics, takes the initiative to accept the supervision and inspection by government departments and regulators, and attaches importance to the supervision and comments of the public and news media for the Company.

## **GIVING TOP PRIORITY TO ENHANCEMENT OF CORPORATE GOVERNANCE**

The Company is proactively committed to achieving and maintaining high standard of corporate governance and constantly improving corporate governance. A decision and operation system has been established based on the Articles of Association and mainly structured with the general meeting, the Board, the Supervisory Committee and the management to improve various internal management systems. An internal control and prevention system has been built, with risk management as the start, clear division of responsibility as the core, improved institutional construction as the guarantee and process streamlining and standardizing as the basis. The standardization and implementation of corporate internal control system reasonably guarantee the legality and compliance of the Company's operation and management, assets safety, authenticity and completeness of financial report and relevant information, improvement of operating efficiency and effects, and promotion of the realisation of the Company's development strategy.

## **Compliance with Corporate Governance Code**

The Company has adopted the principles under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.



# Environmental, Social and Governance Report

## Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions set out in Appendix 10 to the Listing Rules.

Having made specific enquiry by the Company, all Directors and supervisors have confirmed that they had fully complied with relevant requirements of the Model Code for Securities Transactions during the reporting period.

As at 31 December 2018, none of the Directors, supervisors or senior management of the Company and their connected persons to the knowledge of the Directors had any interest nor short position in the shares, underlying shares or debentures of the Company or its associated corporations which was required to be entered in the register of interest kept by the Company pursuant to section 352 of the Securities and Futures Ordinance.

The changes in shareholdings and remuneration of the existing and resigned Directors, supervisors and senior management during the reporting period are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in the annual report.

## Board

The Board convenes meetings on a regular basis and also calls upon irregular meetings depending on actual conditions. During the reporting period, the Board convened 20 meetings and all Directors proactively attended the meetings in person or by way of communication. The attendance of Board meetings and the meetings of special committees in 2018 is set out in the section headed "Corporate Governance" in the annual report.

As at the end of the reporting period, the eighth session of the Board was composed of eight Directors, including three executive Directors, i.e. Mr. Zhang Chong, Mr. Ma Yan and Mr. Wang Guoqiang; one non-executive Director, i.e. Mr. Xie Jun; and four independent non-executive Directors, i.e. Mr. He Baofeng, Mr. Ye Shuhua, Mr. Liu Tianni and Mr. Jin Zhanping.

During the reporting period, Mr. Ni Zhisen resigned from the positions as an executive Director, the general manager of the Company and a member of the Strategic Committee under the Board on 21 November 2018 due to work rearrangement. Mr. Liu Tianni retired from the positions as an independent non-executive Director of the Company, the chairman of the Compliance Committee under the Board, a member of the Audit Committee and a member of the Rumination and Review Committee due to term expiration.

In accordance with the Articles of Association of the Company, the ninth session of the Board was elected at the 2019 first extraordinary general meeting convened on 4 March 2019. The ninth session of the Board comprises 11 Directors, of which there are five executive Directors, namely Mr. Zhang Chong, Mr. Xie Jun, Mr. Ma Yan, Mr. Wang Guoqiang and Mr. Zhang Rong; two non-executive Director, namely Mr. Ren Hongcan and Mr. Chen Yong; and four independent non-executive Directors, namely Mr. Jin Zhanping, Mr. Ye Shuhua, Mr. He Baofeng and Ms. Zhang Yajuan. At the first meeting of the ninth session of the Board convened on 5 March 2019, Mr. Zhang Chong and Mr. Ma Yan were elected as the chairman and the vice chairman of the ninth session of the Board, respectively. The personal information of relevant Directors are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in the annual report.

# Environmental, Social and Governance Report

## Members of the ninth session of the Board of the Company and composition of special committees

<b>Committees</b> <b>Members of the Board</b>	<b>Strategic Committee</b>	<b>Nomination Committee</b>	<b>Remuneration and Review Committee</b>	<b>Compliance Committee</b>	<b>Audit Committee</b>
<b>Executive Directors</b>					
Mr. Zhang Chong (Chairman)	Chairman	Member	Member		
Mr. Xie Jun (Deputy Chairman)	Member			Member	
Mr. Ma Yan (General Manager, Chief Financial Officer)	Member				
Mr. Wang Guoqiang (Deputy General Manager)					
Mr. Zhang Rong (Deputy General Manager)					
<b>Non-executive Directors</b>					
Mr. Chen Yong	Member				
Mr. Ren Hongcan					
<b>Independent Non-executive Directors</b>					
Mr. Jin Zhanping	Member	Chairman			
Mr. Ye Shuhua			Chairman		Member
Mr. He Baofeng		Member			Chairman
Ms. Zhang Yajuan			Member	Chairwoman	Member

## Special Committees of the Board

Five special committees under the Board of the Company are established, i.e. the Audit Committee, the Strategic Committee, the Nomination Committee, the Remuneration and Review Committee and the Compliance Committee. Each of them fulfilled their duties according to the working rules of such committees, concretely and effectively helped the Board to perform the duties as set out in Appendix 14 D3.1 to the Listing Rules.

The work and meetings of the special committees in 2018 are set out in the section headed "Corporate Governance" in the annual report.

# Environmental, Social and Governance Report

## **Risk Management and Internal Control**

The Board is responsible for the risk management and internal control system and the review of the effectiveness thereof. The Supervisory Committee supervises the establishment and implementation of internal control by the Board.

The Audit Committee of the Board is responsible for reviewing the Company's financial position, implementation and effects of internal control system, and risk management and control as well as the communication, supervision and inspection in respect of internal and external audit of the Company.

The management is in charge of organizing and leading the daily operation of risk management and internal control and the Audit Department of the Company is responsible for the specific implementation, supervision and inspection of the risk management and internal control system. The Company has engaged WUYIGE Certified Public Accountants LLP. to audit effectiveness of internal control of annual financial statements of the Company, who presented the audit report and disclosure.

The Board, through the Audit Committee, reviewed the adequacy and effectiveness of the Company's risk management and internal control. It prepared the Report on Comprehensive Risk Management of Luoyang Glass Company Limited for 2019. It organized and conducted comprehensive monitoring and evaluation for the internal control management system of 8 functional departments and 4 important subsidiaries in accordance with the Measures for Management of Internal Control Evaluation and the Plan on Implementation of Self Evaluation for 2018, and prepared the Report on Evaluation of Internal Control for 2018 of Luoyang Glass Company Limited. On 30 March 2019, the report was published on the websites of the Hong Kong Stock Exchange, Shanghai Stock Exchange and the Company.

## **Relationship with Shareholders**

The Board considers that it is very important to engage in effective communication with shareholders, strengthen management of investor relations and facilitate them to have an understanding of the Company's business and development prospects. The Company strengthened communications among its investors via investors exchange meetings, performance presentations, interactive internet platforms, etc. and highly valued the creation of harmonious relations among investors. Questions brought up by investors were timely replied to. Secretariat of Board of Directors appointed a special person to answer consulting phone calls from investors and receive their emails as well as reply to their questions and inquiries. The specially appointed person also received visiting investors and assisted them in conducting researches. The Company's files, annual reports, half-year reports, quarterly reports, temporary announcements, circulars, etc. were publicized on the website of the Company so that shareholders and other investors could obtain updated information about the Company.

The Company respects and protects legal rights of medium and small investors. The Articles of Association sets out that, shareholders shall participate in making major decisions of the Company by exercising the voting rights at the general meetings; While convening the general meeting, the Shareholders individually or jointly holding more than 10% shares of the Company, have right to request the Board to convene the extraordinary general meeting; the Shareholders individually or jointly holding more than 3% (including 3%) of the shares of the Company are entitled to submit a proposal in writing to the Company.

The Company operates independently, has sole decision-making right for operations and does not depend on any controlling shareholders and their connected enterprises.

# Environmental, Social and Governance Report

During the reporting period, the Company convened the 2017 annual general meeting and 2 extraordinary general meetings. Information on the general meetings of the Company in 2018 and inquiry index are as follows:

Session	Date	Inquiry index on the website on which the resolutions are publicized	Date of disclosure
2018 First Extraordinary General Meeting	27 April 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> 、 <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	27 April 2018
2017 Annual General Meeting	20 June 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> 、 <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	20 June 2018
2018 Second Extraordinary General Meeting	17 September 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> 、 <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	17 September 2018

## Auditors' Remuneration

The Audit Committee of the Board is responsible for check of the independence of external auditors and the non-audit work undertaken by them. WUYIGE Certified Public Accountants LLP was appointed as the external auditors for the year upon approval by Shareholders at the 2017 Annual General Meeting. The auditors' remuneration is set out in the section headed "Significant Events" in the annual report.

## Company Secretary

During the reporting period, the Company Secretary was Mr. Ip Pui Sum from Sum, Arthur & Co. in Hong Kong. The Company Secretary reported corporate governance to the Chairman, ensured smooth information exchange among Directors and between Directors and Shareholders, and complied with the policies and procedures of the Board. In 2018, Mr. Ip accepted no less than 15 hours of professional training to update his skills and knowledge.

Mr. Wu Zhixin, Secretary to the Board, serves as the principal liaison of the Company with the Company Secretary. For her detailed contact information, please refer to the section headed "Company Profile" in the annual report.

May 2019