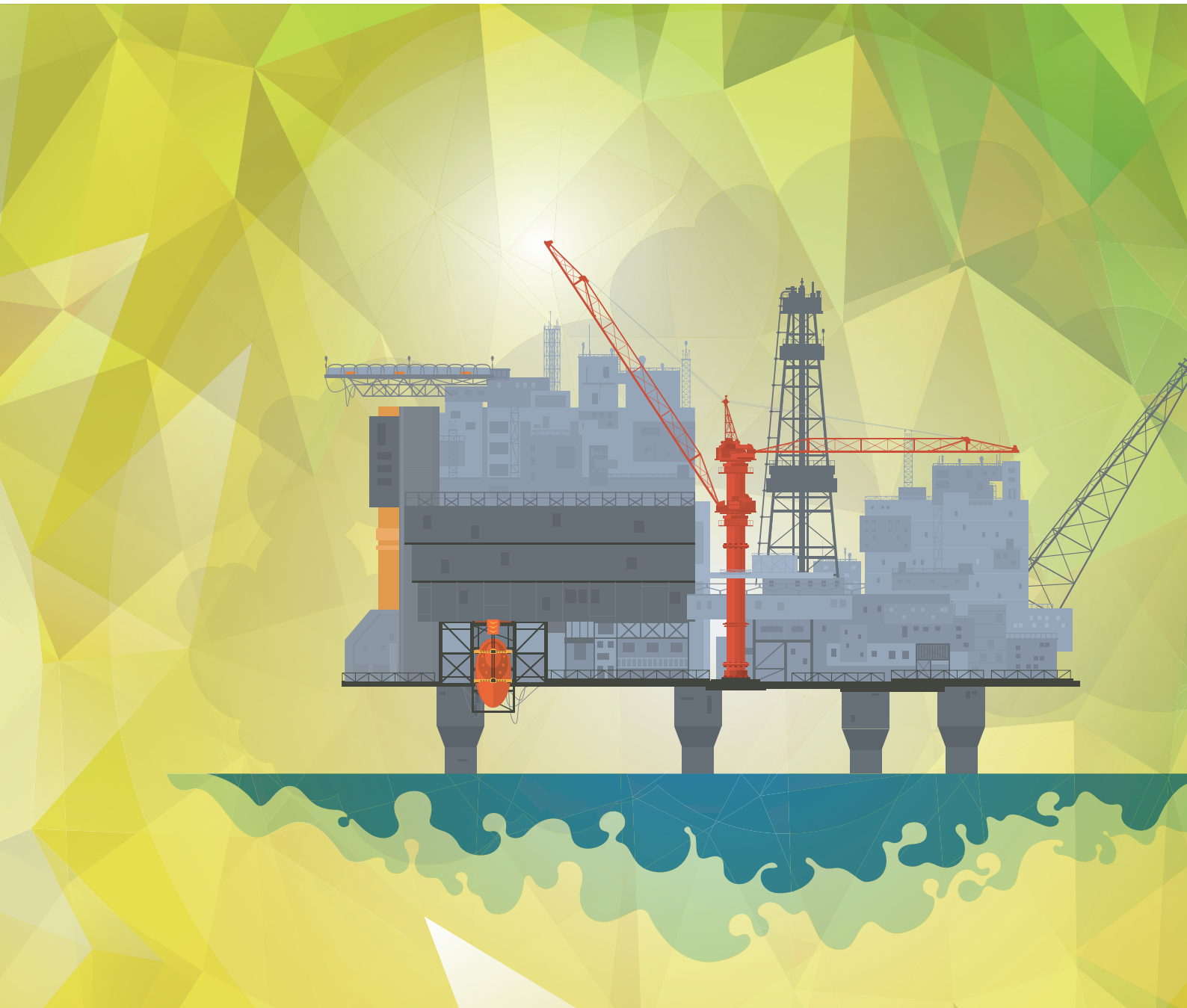




SILVER GRANT INTERNATIONAL
INDUSTRIES LIMITED

銀建國際實業有限公司

股份代號 Stock code: 171



Environment, Social and Governance Report **2018**

ESG REPORT

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ESG REPORT

About The Group

Silver Grant International Industries Limited (currently known as Silver Grant International Holdings Group Limited) (the “Company” together with its subsidiaries, hereinafter referred to as the “Group” or “we” or “us”) mainly operates businesses including petrochemical products business, property leasing and investment. The principal locations of operation are the People’s Republic of China (the “PRC”) and Hong Kong Special Administrative Region (“Hong Kong”).

Sales and provision of processing services for petrochemical products (“Petrochemical Business”)

- Sales and provision of processing services for petrochemical products in Taizhou

Property Leasing

- Holding property for investment and leasing purpose in Hong Kong and Beijing

Investment

- Strategically investment in certain PRC enterprises, which are principally engaged in the training on the spot and futures markets, energy technology.

Regarding the sales and provision of processing services for petrochemical products, the Group’s subsidiary, Tai Zhou United East Petrochemical Company Limited (“TZ United East”) and the Group’s associated company — Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited (“Zhong Hai You Qi”) reached a joint production agreement in 2017.



Through joint production arrangements, the purpose of centralising the processing of resources, reducing logistics costs, consolidating complimentary advantages and enhancing the economics of scale and synergy effect is achieved.

The Group has commenced the merger and restructure of its two operating entities in Taizhou, namely TZ United East and Zhong Hai You Qi in the fourth quarter of 2018. For the time being, the merger and restructure is still in progress.

ESG REPORT

About the Report

The Group is pleased to present the 2018 Environmental, Social and Governance Report (the “Report”) to summarise the Group’s policies, measures and performance on the key environmental, social and governance (“ESG”) issues.

Reporting Period

The reporting period of the Report is from 1 January 2018 to 31 December 2018.

Reporting Scope

The Report covers the following businesses of the Group’s subsidiaries:

- Petrochemical Business, which is the core business of the Group, in Taizhou City, Jiangsu Province, the PRC. The main operating premise is factory
- Property leasing and investments businesses¹ in Hong Kong and Beijing City, the PRC. The operating premises are offices.

The Group will continue to enhance internal data collection procedures and gradually expand the reporting scope. If the scope and boundaries of the specific contents vary, they are noted in the relevant section of the Report.

Reporting Basis

The Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Main Board Listing Rules”) – “Environmental, Social and Governance Reporting Guide” issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and complies with the “comply or explain” provision. The Report summaries ESG performance of the Group in a simplified manner.

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group’s relevant policies. A complete content index is appended to the last chapter hereof for quick reference. The Report is prepared and published in both Chinese and English. In the event of contradiction or inconsistency, the Chinese version shall prevail.

Information and Feedbacks

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to send them via email to the following address: cs@silvergrant.com.hk

¹ The properties owned by the subsidiary in Beijing are managed by third-party company. Therefore, the Report does not cover related content and data.

ESG REPORT

ESG Management Approach

The Group is committed to sustainable development and devoted to fulfilling its social responsibilities. The Group strongly believes that environmental protection is a paramount issue in modern society. With an objective to make every possible contribution in mitigating the climate change phenomena, the Group is determined to set a role model by incorporating the concept of environmental protection in every single business cycle. The Group aims to provide truthful disclosure about the Group's engagement in environmental protection and social responsibilities related tasks. The Group will integrate environmental protection and social issues into its business and daily operations regardless of hierarchical levels and will expect to see gradual improvements annually in reducing emissions and fulfilling social responsibilities.

The senior management of the Group works closely with other relevant departments to facilitate the ESG reporting process so as to report the initiatives implementation status and the performance indicators of the business units. The Board of Directors is responsible for the evaluation and determination of the Group's ESG-related risks and ensuring that the Group has established an applicable and effective system to manage and internally control ESG-related risks.

Stakeholder Engagement

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. Stakeholders can express their opinions on ESG through various channels. The relevant stakeholders of the Group and their engagement channels are as follows:

ESG REPORT

Stakeholder Engagement *(Continued)*

Stakeholder	Issues of concern	Engagement Channels
Government	<ul style="list-style-type: none"> • To comply with law • Proper tax payment • Safe production and comply with emission standards • Promote regional economic development and employment 	<ul style="list-style-type: none"> • Inspection from the government department • Meetings with government and related organisations • Annual, quarterly and interim reports and other published information
Shareholders and Investors	<ul style="list-style-type: none"> • Low risk • Return on investment • Information disclosure and transparency • Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • Annual and interim result announcements • Annual, quarterly and interim reports and other published information • Website of the Company and the Stock Exchange, respectively
Employee	<ul style="list-style-type: none"> • Working environment • Career development opportunities • Self-actualisation • Health and safety 	<ul style="list-style-type: none"> • Training • Monthly working briefing sessions • Departments and groups meetings • Cultural activities
Client	<ul style="list-style-type: none"> • Comply with laws and high-quality services • Stable relationships • Information transparency • Integrity • Business ethics 	<ul style="list-style-type: none"> • The Group's promotion material • Email and customer service hotline • Product Quality Monitoring Report
Supplier	<ul style="list-style-type: none"> • Fair competition • Quality and price • Supplier evaluation 	<ul style="list-style-type: none"> • Procurement agreement/emails and phone communication • Tending management system • Supplier conference • Site visit
Peer industries	<ul style="list-style-type: none"> • Experience sharing • Cooperation • Fair competition 	<ul style="list-style-type: none"> • Conference meeting • Exhibitions • Corporate events • The Group's website
Community	<ul style="list-style-type: none"> • Community involvement • Social responsibilities 	<ul style="list-style-type: none"> • Donations • Job opportunities

ESG REPORT

Materiality Assessment

The Group identifies issues for disclosure in the Report through materiality assessment. By considering the dependence and influence on the Group of the stakeholders and the availability of resources for the Group, the management has identified key stakeholders and conducted a survey with them. They have expressed their opinions and recommendation on the sustainability issues related to the Group's operation via a survey.

Consolidating the results of internal assessment and the survey, the Group has compiled the materiality matrix (refer to the diagram below). We determine the extent of disclosure for issues in the Report based on the importance of the issue to the business and the stakeholders.

Materiality Matrix			
Importance to the stakeholder	High	<ul style="list-style-type: none"> • Non-Hazardous Wastes Management • Intellectual Property Protection • Complaint Handling 	<ul style="list-style-type: none"> • Air Pollutant Emissions • Hazardous Wastes Management • Environment and Natural Resources • Water Resources • Employment Right and Labour Standards • Occupational Health and Safety • Development and Training • Product Health and Safety • Product/Service Quality Management • Consumer Data Protection and Privacy • Anti-Corruption
	Low	<ul style="list-style-type: none"> • Use of Packaging Materials • Advertisements and Labelling • Community Contribution 	<ul style="list-style-type: none"> • Carbon Emissions • Energy Management • Supply Chain Management
		Low	High
		Importance to the business	

ESG REPORT

Environmental Aspects

Emissions

The Group has been attaching great attention to the side effects and hidden risks brought by its production operations to the environment and ecosystem. The Group endorses environmentally-responsible measures in all its business operations by strictly adhering to environmental rules and regulations set by local authorities, including the Law of Environmental Protection of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Pollution from Environmental Noise, Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the PRC on Conserving Energy and the Law of the PRC on Appraising Environmental Impacts and Environmental Protection Tax Law of the PRC. Emission from petroleum business has complied with Emission Standard of Pollutants for Petroleum Refining Industry (GB 31570-2015) and established management system related to environmental protection including “Petroleum Industry Environmental Protection Management System”, “Petroleum Industry Environmental Monitoring Management Regulations” and “Petroleum Industry Sewage Management Regulation”. During the reporting period, there was no case of non-compliance with the mentioned laws and regulations mentioned above.

The factory implements strict preventive measures to minimise and mitigate negative environmental effects induced by the operations, such as emissions, sewage disposal, waste handling and energy consumption. The factory voluntarily suspended production for a repair and maintenance for a few months during the reporting period, which is reflected from the key performance indicators.

The major emission from office operations under property leasing and investment businesses is the greenhouse gas. We implement energy-saving measures in the offices to scale down electricity consumption and greenhouse gas emissions. The Group also adopts policies to encourage recycling habits and the use of environmentally-friendly stationery, as well as other effective procedures to save paper and energy in order to maximise the utility of materials and reduce waste.

Air Pollutants

The major air pollutants generated from the factory are nitrogen oxides (NO_x), sulphur oxides (SO_x), particular matter (PM) and volatile organic compounds (VOCs). Other operating premises do not have significant air pollutant emissions, and only a small amount of emissions come from company vehicles.

ESG REPORT

Environmental Aspects *(Continued)*

Air Pollutants *(Continued)*

By combining closed production method with advanced technologies and equipment, the factory's production process is in line with the clean production principle as well as the circular economy concept. The technical conditions of the factory conform to the current national standards. Special equipment (refers to equipment with significant hazards and impact on the safety) and safety accessories have been tested and qualified. Pumps and other equipment are properly sealed and with regular maintenance to avoid leakages. The factory has implemented the following measures to reduce air pollutant emissions:

Air pollutant	Mitigation Measures
Nitrogen oxides (NOx)	<ul style="list-style-type: none"> Renovated the catalytic flue gas denitrification facility and operated in parallel with the main unit in October 2018 to increase the nitrogen oxide removal rate in the flue gas and reduce the nitrogen oxides concentration to 60 mg/m³ or less Installed low nitrogen burner for process burner
Sulphur oxides (SOx)	<ul style="list-style-type: none"> Installed of flue gas online monitoring system and catalytic flue gas desulphurisation facilities, which adopted sodium-based desulphurisation The sulphur-containing gas volatilised in the sour water storage tank is collected by a closed system, and the hydrogen sulphide is recovered through the solvent adsorption tower and sent to the sulphur device to recover the sulphur to prevent direct discharge through the breathing valve. Use desulphurised fuel when using process heating furnace Implementation of exhaust gas treatment for the combustion oven of the sulphur device In July 2018, an alkali spray system was installed along the exhaust gas outlet pipe to the chimney of the sulphur exhaust gas incinerator. When the incinerator starts, stops or under abnormal conditions, the sulphur dioxide concentration of the exhaust gas can be maintained and reduced to 100 mg/m³ or less
Volatile Organic Compounds (VOCs)	<ul style="list-style-type: none"> Established an integrated monitoring and control system for VOCs to monitor and identify the leakage points of VOCs and reduce fugitive emission Adopted the mechanically sealed oil storage tank to improve sealing performance and reduce the oil gas leakage
Others	<ul style="list-style-type: none"> The sewage treatment plant, biological aerated filter (BAF) and air flotation equipment are all used to recover exhaust gas in a closed environment. The tail gas is emitted after alkaline cleaning and activated carbon treatment.

ESG REPORT

Environmental Aspects *(Continued)*

Air Pollutants *(Continued)*

Air pollutant emission data are as follows:

Air Pollutants ²	2018 tonnes	2017 tonnes
Petrochemical Business		
Nitrogen oxides (NOx)	57.02	165.63
Sulphur oxides (SOx)	3.27	61.30
Particulate Matter (PM)	8.99	36.89
Volatile Organic Compounds (VOCs)	66.25	N/A
Property Leasing and Investment Business³ – Hong Kong		
Nitrogen oxides (NOx)	0.0124	0.0135
Sulphur oxides (SOx)	0.0001	0.0001
Particulate Matter (PM)	0.0009	0.0010

In 2018, the air pollutant emissions from the petrochemical business was reduced. The reduction would be related to the voluntary suspension of production by the factory for several months. There was no significant change in emissions regarding the property leasing and investment business.

² The emission data comes from the self-monitoring record and are estimated based on the “How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs” from the Stock Exchange. Emissions data may differ from actual emission, and we will strive to improve the accuracy of the data.

³ There was no air pollutant emission in the business unit in Beijing.

ESG REPORT

Environmental Aspects (Continued)

Greenhouse Gas (“GHG”)

The Group is committed to taking positive action to tackle climate change and is dedicated to reducing the risk in the most efficient way for society. The Group is taking action to reduce greenhouse gas emissions in its operations. Energy saving initiative is mentioned in the section “Use of resources”.

The factory regularly monitors and accounts for greenhouse gas emissions in accordance with the notice of the National Development and Reform Commission of the PRC, the “Interim Measures for the Management of Carbon Emissions Trading”, and the “Corporate Greenhouse Gas Accounting Methods and Reporting Guidelines (Trial)”. The greenhouse emissions of each business unit are as follows:

Greenhouse Gas Emission	2018 tonnes CO ₂ -equivalent	2017 tonnes CO ₂ -equivalent
Petrochemical Business		
Scope 1 ⁶	159,457.79	262,454.99
Scope 2 ⁷	195,449.50	151,077.07
Total	354,907.29	413,532.06
Intensity (per tonnes of crude oil and raw oil processed)	0.58	0.35
Property Leasing and Investment Business — Beijing		
Scope 1	-	-
Scope 2 ⁸	331.86	369.97
Total	331.86	369.97
Intensity (per sq.m)	0.21	0.24
Property Leasing and Investment Business — Hong Kong		
Scope 1	30.35	32.59
Scope 2	24.38	26.62
Total	54.73	59.21
Intensity (per sq.m)	0.09	0.11

In 2018, the scope 1 emission reduction regarding the petrochemical business was due the reduction in the greenhouse gases generated from industrial processes (such as flare combustion and catalyst charring). The reduction in production volume caused the amount of steam generated from the production process to fall at the same time, so it was necessary to increase the amount of purchased steam for production, resulting in an increase in the scope 2. There was no significant change in greenhouse gas emissions related to property leasing and investment business.

⁴ The calculation of the Group’s GHG emission is made reference to “Greenhouse Gas Protocol Corporate Accounting and Reporting Standard”. The calculation of the emission from petrochemical business is made reference to the related guidelines in the “Corporate Greenhouse Gas Accounting Methods and Reporting Guideline (Trial)” – National Development and Reform Commission of the PRC (NDRC). The calculation of emission from property leasing and investment business is made reference to “2011–2012 Regional Power Grid Average CO₂ Emission Factors in China” – NDRC, “How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs” – the Stock Exchange, “2018 Sustainability Report” – The Hong Kong Electric Investments and “2018 Sustainability Report” – The Hong Kong and China Gas Company Limited.

⁵ Some of the data in 2017 are restated due to the change in data collection methods.

⁶ Scope 1: The direct emission from the business operations owned or controlled by the Group, including the emission from the Group’s vehicle fleet, fuel combustion, and industrial process.

⁷ Scope 2: The “indirect energy” emissions from the internal purchased electricity, heat and steam consumption by the Group

⁸ As the heating supply was charged based on construction area, the actual consumption was not able to be obtained and the related emission was not included.

ESG REPORT

Environmental Aspects *(Continued)*

Sewage Handling

In terms of sewage handling, the factory strictly adheres to the “Law of the PRC on the Prevention and Control of Water Pollution”, “Regulations on Management of Economical Use of Urban Water” and internal policies “Petrochemical Industrial Water Management System” and “Petrochemical Sewage Management”. The types of sewage included industrial sewage (e.g. wastewater with oil) produced from petrochemical business and through daily employee consumption. There is no significant production of sewage for property leasing and investment business. To ensure sewage discharged meets the emission requirements, we have adopted “Sewage Management Regulation” and implemented several measures to reduce the sewage discharge:

- Sewage treatment plants of capacity 100m³/hour are built in the factory to handle sewage produced by each tank. Treated sewage that meets the third-grade requirement of the “Integrated Sewage Discharge Standards (GB8978-1996)” is delivered to the sewage management company for central processing.
- Sour water stripping tower of capacity 40 tonnes/hour is built in the factory for treating sulphur-containing sewage and recover sulphur, treated sewage is reused
- Apply sewage diversion principle to control and reduce sewage discharge level;

The discharge volume of the sewage and its pollutants for petrochemical business are as follow:

Sewage	2018 <i>tonnes</i>	2017 <i>tonnes</i>
Discharge Volume	339,150	411,374

Sewage Pollutant ⁹	2018 <i>tonnes</i>	2017 <i>tonnes</i>
Chemical Oxygen Demand (COD)	16.96	127.53
Nitrogen Ammonia	2.71	4.73
Total Phosphorus	0.10	0.08
Total Ammonia	N/A	9.87
Total Nitrogen	5.09	N/A
Suspend Solids	N/A	55.54
Petroleum	0.80	1.18
Sulphur Oxides	N/A	0.11
Volatile Phenol	65.11	0.02

⁹ The sewage pollutant emission volume in 2017 was estimated based on the monitoring report of the factory. It may deviate from the actual emission.

ESG REPORT

Environmental Aspects *(Continued)*

Sewage Handling *(Continued)*

During the reporting period, the factory entrusted the college and engineering company to transform the existing sewage treatment plant, strengthen the anaerobic tower and transform the Fenton system, and increase the number of integrated high-efficiency clarification equipment. The wastewater treatment process is optimized according to the sewage treatment process of sewage regulation, air flotation, Fenton oxidation, anaerobic, biological aerated filter, and high-efficiency sedimentation tank and dephenolisation system (including activated carbon adsorption). The project was started in May 2018 and was fully put into trial operation at the end of September. Through commissioning, the quality of sewage discharge can stably meet the special limit of indirect discharge of “Pollutant Discharge Standard of Petroleum Refining Industry (GB31570-2015)” and standards required by the local sewage treatment plant.

Solid Waste Handling

The Group abides by the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste in handling the disposal of solid wastes. Solid wastes generated mainly are hazardous wastes, including oil sludge, wasted catalysts and wasted alkali residue. The factory and other operating premises for other businesses did not aware of significant non-hazardous waste production. The Group stores hazardous wastes in the warehouse and delivers them to professional hazardous waste management companies regularly for proper treatment. The transfer of hazardous wastes strictly follows the “Administrative Measures for Hazardous Waste Transfer Manifests”. The solid wastes generated by the factory are as follow:

Solid Wastes Category	2018 tonnes	2017 tonnes
Wasted catalyst/waste hydrogenation catalyst	649.20	248.58
Waste alkali residue	319.90	62.58
Oily sludge/oily waste/waste oil residue	447.58	15.38
Waste activated carbon, waste oil barrel	33.22	N/A
Nickel-containing wasted catalyst	90.26	N/A
Total	1,540.16	326.54
Intensity (per tonnes of crude oil and raw oil processed)	0.0025	0.0003

In 2018, the amount of waste generated increased significantly, which would be related to the disposal of old materials during the maintenance and repairing of the factory.

ESG REPORT

Environmental Aspects *(Continued)*

Noise Pollution Handling

The Group strictly abides by the Law of the PRC on Prevention and Control of Environmental Noise Pollution. In order to minimise the impact of noise on employees and the surrounding environment, the Group installed sound insulation barriers at the boundary of the factory area, installed mufflers and other devices at noise sources such as circulating water pump and air compressor stations.

Use of Resources

Petrochemical business is one of the energy-intensive industries. Large amounts of resources are required for daily operations, including, electricity, fossil fuel and water etc. The Group has implemented a series of policies and procedures. The Group does not have packaging material consumption.

Electricity Consumption

The Group promotes environmental protection in daily operation. The factory has implemented the following measures: “TZ United East Energy Management System”, “TZ United East Public Construction Management System”, “TZ United East Water Management System” and “TZ United East Water Management Regulations”. The factory strictly abides by regulations relating to energy consumption, including the Law of the PRC on Conserving Energy and internal policy “Petrochemical Limited Energy Resources Management System”. The operations of machinery in factory areas and the use of electrical appliances during office hours are the main sources of electricity consumption.

The Group understands that electricity consumption indirectly affects greenhouse gas emissions and attaches great importance to energy conservation and emission reduction. The Group strengthened energy conservation promotion in department and group meetings, such as reminding employees to turn off lights and control air conditioning temperature to enhance employees’ awareness of saving electricity.

The factory uses steam turbines instead of electric motors to work with surplus steam to save electricity. In addition, the “Energy Consumption Analysis Report” is compiled monthly, and technical analysis meetings are held to analyse energy consumption changes, discuss problems and propose improvements. We stepped up production management, reduced the number of “deep leaks” on the installation site, and required regular inspections by employees to immediately report any leakage.

ESG REPORT

Environmental Aspects (Continued)

Oil Gas Consumption

The consumption of oil and gas in the factory is mainly from the production process. In order to reduce the amount of resource consumption, employees regularly inspect the production facilities to identify leaks in a timely manner. We also modified the device air compressor by replacement of the gas turbine blades to improve production efficiency. The energy consumption of each business units are as follows:

Energy Type	2018 MWh	2017 ¹⁰ MWh
Petrochemical Business		
Natural Gas	23,747.89	14,165.48
Refinery Dry Gas	187,968.37	135,879.65
Diesel	524.74	213.20
Petrol	389.67	361.83
Purchased electricity	97,105.46	121,252.32
Purchased Steam	321,050.83	166,101.17
Total	630,786.96	437,973.64
Intensity (per tonnes of cruel oil and raw oil processed)	1.04	0.38
Property Leasing and Investment Business – Beijing¹¹		
Purchased electricity	375.28	418.38
Total	375.28	418.38
Intensity (per sq.m)	0.24	0.27
Property Leasing and Investment Business – Hong Kong		
Petrol	54.44	59.45
Purchased Electricity	30.29	33.65
Purchased Towngas	3.51	0.92
Total	88.24	94.02
Intensity (per sq.m)	0.16	0.17

In 2018, the overall energy consumption of the petrochemical business increased. It was because of the significant increase in the use of diesel fuel from mobile sources and purchased steam. There was no significant change in the energy consumption regarding the property leasing and investment business.

¹⁰ Some of the data in 2017 are restated due to the change in the data collection method.

¹¹ As the heating was charged based on construction area, the actual consumption was not able to be obtained and the related energy consumption was not included.

ESG REPORT

Environmental Aspects *(Continued)*

Water Consumption

The types of water used in the factory mainly are running water and desalinated water, drinking water and water for cleaning. There is no significant water consumption for property and leasing business. Water is sourced from third-party suppliers and recycled rainwater and sewage, and there are no significant problems in obtaining applicable water sources. The factory attaches great importance to the importance of water resources to operations, and formulates internal regulations such as “Petrochemical Industrial Water Management System” and “Petrochemical Sewage Management Regulations”.

In order to improve water consumption efficiency, the factory has implemented various measures:

- Rainwater harvesting system and drainage system are installed to collect rainwater. Processed rainwater is stored in a water tank for circulation;
- Condensate harvesting system is installed for recycling water vapour produced from production devices, the recycling rate reaches 250 tonnes/hour
- The treated cooling water and acidic water are used as circulating cooling water, boiler supplementary water and other uses.
- Regularly overhaul equipment to maintain water efficiency

In addition, we posted announcements and water conservation slogans in the office to encourage employees to save energy and water.

The water consumption for each business is as follows:

Water Type	2018 tonnes	2017 tonnes
Petrochemical Business		
Desalted water ¹²	114,905.60	315,464.00
Fresh water ¹³	1,095,889.00	1,429,091.00
Tap water ¹⁴	67,740.00	65,250.00
Total	1,278,534.60	1,809,805.00
Intensity (per tonnes of crude oil and raw oil processed)	2.10	1.55
Property Leasing and Investment Business — Beijing		
Total	3,673	4,152
Intensity (per employee)	166.95	159.69
Property Leasing and Investment Business — Hong Kong		
Total	166	42
Intensity (per employee)	13.38	2.21

¹² Desalted water is used in hydration reaction and boiler.

¹³ Fresh water is used in cooling and washing device.

¹⁴ Tap water is used in domestic activity, wet air cooler and laboratory.

ESG REPORT

Environmental Aspects *(Continued)*

Water Consumption *(Continued)*

In 2018, the overall water consumption in petrochemical business reduced. Regarding the property leasing and investment business, the water consumption of the properties owned by subsidiaries in Hong Kong increased. However, it only accounts for a small proportion of the total water consumption of the business.

The Environment and Natural Resources

The Group pays great attention to environmental issues and natural resources utilisation. The Group places great emphasis on the greening of its operation surroundings, with 23% of the total factory areas already covered in green. The Group does not only instil its employees with energy-saving awareness, but it also encourages them to actively engage in tree planting programs organized by trade unions of foreign investment companies.

The Group's paper consumption mainly comes from office operations. The Group places a high priority on environmental protection ideas like resources utilization, encourages emission reduction and economical use of natural resources. The Group established and strictly enforced internal policy "Paper Consumption Plan and Paper Saving Measures", taking several measures as follows:

- Establish a paper consumption plan, submit the plan at the beginning of the year, perform quarterly paper consumption statistics, and perform analysis on planned and actual paper usage. Except for documents that require physical printing, all other documents such as notices, reports, meeting minutes and job plans will be stored as electronic copies and circulated through a network;
- Except for documents that require formal documentation or will be presented to customers, all other documents printed using the Group's printer or photocopier machine will be in double-sided;
- Set up a dedicated recycle box for paper, and regularly liaise with the paper recycling company regarding recycling matters.

ESG REPORT

Social Aspects

The Group is committed to maintaining a high level of corporate social governance as it is important for the group in constructing a safe and healthy work environment as well as establishing product quality and social credibility. In the meantime, the Group devotes itself to preserve the sustainable development of its business and community. To promote this business model, the group exhibits prudence in managing its operations and is cautious in executing decisions made by the management team.

Employment and Labour Practices

Employment

The Group believes that employees are the most important asset of a business. As the business grows, sustainable human capital becomes crucial, especially in attracting and retaining talented employees. The Group strictly abides by the labour laws and regulations in the PRC and Hong Kong, including: Labour Law of the People's Republic of China, Employment Promotion Law of the PRC, Labour Contract Law of the PRC, Social Insurance Law of the PRC, Employment Ordinance, the Sex Discrimination Ordinance and the Race Discrimination Ordinance in Hong Kong to ensure that employees are provided with reasonable remuneration and benefits and prevent child labour and forced labour. During the reporting period, the Group did not aware of any issues of non-compliance.

The Group's human resources department reviews and updates relevant company policies constantly in accordance with the latest laws and regulations regularly. The Group's subsidiaries have established various policies, including "Remuneration Management Regulation", "Employee Attendance and Vocation Management", "Employees' Parental Leave Management", "Resignation Management", "Performance Appraisal Management" and "Annual Leave Management".

Remuneration and dismissal, recruitment and promotion

The Group hires new employees based on individual's work experiences, expected abilities in performing duties, personal background, market remuneration benchmarks for the position, budget as well as other relevant criteria. The Group is keen on attracting and retaining high-calibre workforce, allowing them to achieve targets under a fair, respectful and faithful environment.

To improve the remuneration, benefits and punishment system of employees, the Group sets up employee basic remuneration management system. Remuneration packages are designed based on individuals' position, work experiences, duties and performance. The Group also provides the employee with social insurance, housing funds and business travel insurance etc. At the same time, the termination of any employment contract must be based on reasonable and legitimate reasons. The Group strictly prohibits any unfair or unreasonable dismissal.

The Group also assesses employee performance monthly with reference to the status of job completion and implementation of policies of each department to ensure that staffs are recognised by the Group with regard to their working efforts and contributions.

ESG REPORT

Social Aspects *(Continued)*

Employment and Labour Practices *(Continued)*

Employment *(Continued)*

Working hours and holidays

The working and rest hours for employees are arranged in accordance with local employment laws and stipulated in the employment contract. In addition to statutory holidays, employees also enjoy holidays such as maternity leave, marriage leave, paternity leave and compassionate leave etc.

Equal opportunities, diversity and anti-discrimination

The Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in terms of all human resources and employment decisions, for instance, training and promotion opportunities, as well as hiring, performance evaluation and payroll calculation processes irrespective of their race, religion beliefs, skin colour, nationality, age, disability or any other non-job related factors in all business units.

Other benefits and welfare

Talents are ultimately important for the Group's business development. The Group established an effective communication system between management and employees to motivate them, enhance their cohesiveness, and ensure that their needs are being heard, respected and taken care of. Available communication methods include inter-company phone system, e-mail, notice board, and instant messaging software. Smooth communication between employees and management is beneficial for the Group to make comprehensive decisions and implement effectively, meanwhile fostering a closer employer-employee relationship. To create a sense of belonging for the employees, the Group engages them through regular group activities.

Health and Safety

The Group is committed to providing employees with a safe and healthy work environment and establishing safety contingency regulations in compliance with all relevant laws and regulations in the PRC and HK, including the Production Safety Law of the PRC, Law of the PRC on Prevention and Control of Occupational Diseases, Regulation of Work-Related Injury Insurance, Occupational Safety and Health Ordinance etc. Relevant subsidiaries have formulated internal policies and strictly implemented internal guidelines and regulations like "Workplace and Occupational Hygiene Monitoring Regulations", "Occupational Health Monitoring and Management Procedures for each Labour Unit", "Categorised Occupational Diseases Danger Factor List", "Standards and Procedures of Safety Equipment Management for each Labour Unit" and "Occupational Health Monitoring Technology Procedures" etc. During the reporting period, the Group did not aware of any issues of non-compliance.

ESG REPORT

Social Aspects *(Continued)*

Employment and Labour Practices *(Continued)*

Health and Safety *(Continued)*

To ensure production and operation safety management measures are in place for preventing job-related hazards, the Group urges employees to be conscientious at work. The Group strives to provide a clean, smoke-free, healthy and safe working environment for all employees while instilling healthy and safety awareness among them. The Group imposes stricter health and safety rules in the production plan areas than in the office. To safeguard employees' personal safety and health, the Group enforces stringent exposure limits on harmful substances, sets up occupational diseases warning signs, establishes operating procedures for each job and standardises safety equipment management procedures for each labour unit.

The Group also provides occupational health and safety training, as well as position-specific emergency management training, machine handling safety training and dangerous material handling the training, etc. to employees. The Group's subsidiary also has taken related measures to secure a safe and healthy working environment. For instance, various safety checks are performed regularly, on-site visit, safety and environmental protection meetings, emergency drills are conducted from time to time to improve employees' capability to respond to an emergency. Operational staff and management personnel receive health check every year and every two years respectively.

Development and Training

The Group places a high priority on the employees' career development and continuous professional development training will be provided to employees whenever necessary. The Group provides a corresponding training program in different subsidiaries respectively. We arrange training for employees at Taizhou Administration of Work Safety Training Centre, Administration of Quality and Technology Supervision Centre, Taizhou Human Resource and Social Security Bureau Physical Exercise Training Centre and Yangzi Petrochemical Training Centre. Job-related skill training is provided to employees of different position regularly. The Group also used online training platforms like OA platform and Taizhou administration of work safety simulation training platform for employees to carry out online learning and training.

The Beijing subsidiaries will formulate annual training plans and execute them on a yearly, quarterly or monthly basis in different forms, levels and modes. Management training is organised at company level and professional training organized by professional technical committees, on-the-job training and employee caring skills training provided by various departments. In addition, staffs with certificates attend external review training on a regular basis.

ESG REPORT

Social Aspects *(Continued)*

Employment and Labour Practices *(Continued)*

Labour Standards

The Group strictly abides by the Labour Law of the PRC, Provisions on the Prohibition of Child Labour, the Law of the PRC on the Protection of Minors and other related labour laws and regulations to prohibit any child and forced labour employment. Human Resources Department is responsible for the reviewing of the applicants' personal information in accordance with relevant laws and regulations and labour management procedures to ensure the age of the employee are in line with the regulatory requirement. A face-to-face meeting with new employees is arranged before their job commencement to ensure no forced labour. During the reporting period, the Group did not employ any child labour nor forced labour.

Operating Practices

Supply Chain Management

Petrochemical Business

The main suppliers of the Group's petroleum business are the members of the supplier repository of Sinopec, China National Offshore Oil Corporation and China National Petroleum Corporation. The Group established the following criteria for selecting suppliers, including compliance with the national and industry standards, good credibility, accredited by a quality management system, favourable services, reasonable pricing and satisfactory business performance. Priority will be given to well-performing suppliers included in the supplier repository mentioned above, and suppliers with unique technology recommended by Institute of design will be considered at second priority. The Group will require suppliers to provide documents including business license, account opening permit, quality assurance certificates, repository acceptance certificate, credit proof and environmental safety certificate before selecting a supplier to ensure its compliance with national and industry standards. Then, a primary evaluation process following by a further thorough assessment by the procurement department will be conducted for all recommended suppliers before being qualified as the official supplier of the Group.

The Group pays attention and makes reference to the supplier assessments made by the three main oil and gas companies as well as relevant negative news and media reports in the supplier selection process. The Group will, once verified, revoke the supplier's qualification due to severe violation of regulations or a material deviation of quality. The Group will maintain a list of alternate suppliers. Besides that, to maintain high supplier quality, the Group's procurement department will lead a fair and comprehensive assessment to evaluate suppliers in terms of their compliance with externally and internally imposed regulations annually.

ESG REPORT

Social Aspects *(Continued)*

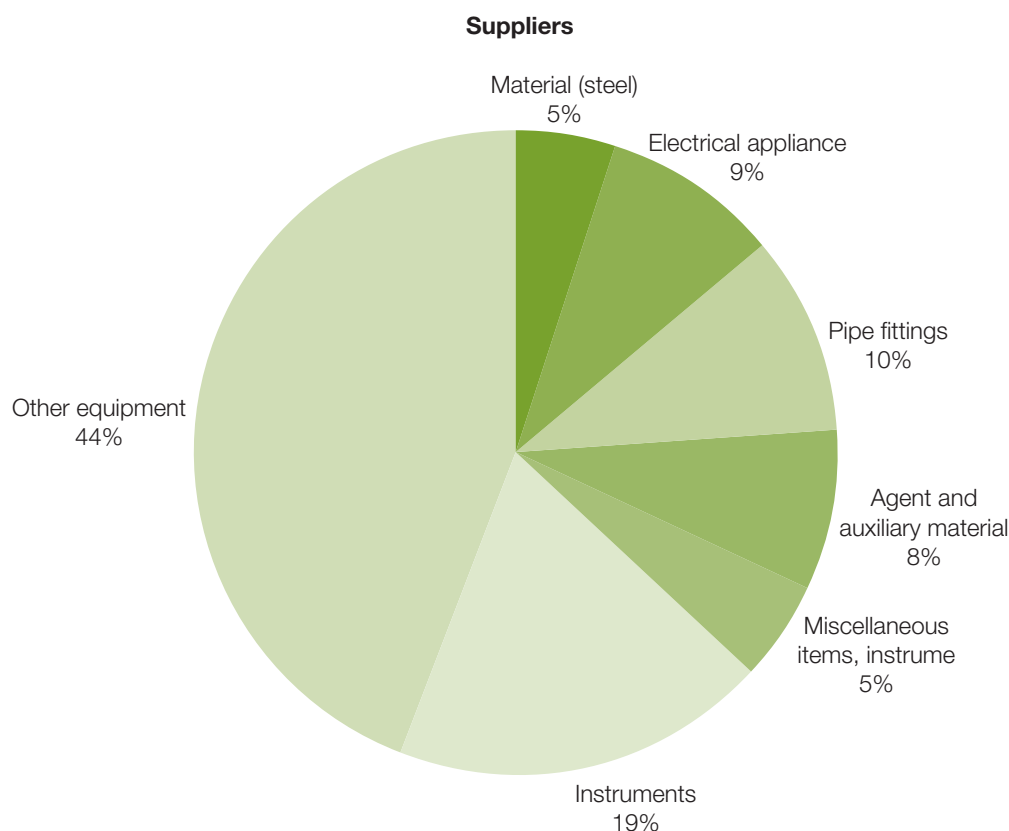
Operating Practices *(Continued)*

Supply Chain Management *(Continued)*

Petrochemical Business (Continued)

The Group did not establish framework agreements and all current supplier contracts are in single contract form. To maintain the relationship with suppliers, the Group abides by the contract and performs regular quality tracking inspection on major equipment. The Group will contact the supplier immediately and request for rectification or replacement if ordinary quality issues are identified; if a severe quality deviation is noticed, the Group will cancel the purchase order, revoke the supplier's contract and seek for compensation of damages or any losses caused by the deviation of quality.

During the reporting period, there were 451 suppliers for the petrochemical business. All of them are from the PRC, providing the Group material (steel), electrical appliance, pipe fittings, agent and auxiliary material, miscellaneous items, instruments and other equipment.



ESG REPORT

Social Aspects *(Continued)*

Operating Practices *(Continued)*

Supply Chain Management *(Continued)*

Property Leasing and Investment Business

Environmental and social risks are the main factors to be considered when the Group is screening suppliers for the property and investment business. The related subsidiaries obtained ISO9001 Quality Management System, ISO14001 Environmental Management System or OHSAS18001 Occupational Health and Safety Management System accreditation in the early years, and were accredited with energy management system during the year 2016. With environmental and social risks as the major concerns, the Group gives higher priority to suppliers who complied with laws and regulations and has favourable operation record or highly reputable brand. In addition, the Group maintained a qualified suppliers list and an alternate suppliers list to ensure the accuracy of suppliers' information and ensure timely communication. Qualified suppliers are required to comply with the conditions stipulated in the Group's supplier and contractor evaluation and management procedures and provide a business license and enterprise qualification. In the meantime, an annual evaluation will be conducted. The basis of the evaluation includes:

- Whether the products and services provided by the supplier or contractor conforms with the national regulations and other requirements;
- Whether the supplier or contractor meets the requirements stated in the current quality management, environmental management and occupational health and safety management policies;
- Whether the quality of products and services provided by the supplier or contractor agrees with the requirements laid down in the contract.

The Group strictly adheres to internal policies like procurement control procedures, supplier and contractor evaluation and management procedures and maintained a long-term relationship with its suppliers. These are reflected in the following aspects:

- Reduce supply-related risk in accordance with quality, environment, occupational health and energy management system;
- Comply with the Group's financial management policy timely settle with suppliers;
- Conduct regular suppliers' evaluation; communicate with suppliers on a timely basis

ESG REPORT

Social Aspects *(Continued)*

Operating Practices *(Continued)*

Supply Chain Management *(Continued)*

Property Leasing and Investment Business (Continued)

The Group normally enters into a long-term agreement with suppliers; suppliers who have no transaction history with the Group for 12 consecutive months will be recorded in the alternate supplier list. Suppliers will have to provide a quality guarantee for certain products involving quality, environmental management and occupational safety and health issues such as household electrical appliance and electronic accessories. To mitigate supply-related risks, the Group compares the prices of similar products offered by different suppliers, explicitly states the price of similar products during the inventory management process and requires suppliers to provide a formal document whenever the market condition changes resulting in price adjustment. In terms of sourcing, the Group's strategy to source similar products from both official and alternate suppliers can help to minimize the risk of insufficient supplies. When annual supplier evaluation reveals that the goods and services provided by a specific supplier/contractor was not able to fulfil the contract requirements and will cause substantial effects to the company, the Group will not renew the contract for all underperforming suppliers.

Product Responsibility

The Group's idea about petrochemical related products is to pursue perfection, develop new markets through outstanding technologies, improve efficiency with proper management practices and establish a role model for professional services. The Group strictly abides by laws and regulations related to petrochemical product stipulated by regulatory authorities and internal policies, including the Law of the PRC on Work Safety, the Law of PRC on Standardization and the Law of the PRC on Product Quality. All products must meet the national standards, for instance, automobile diesel (GB19147-2013), automobile petrol (GB17930-2013), propylene (GB/T7716-2002), propane (GB/T22026-2008), industrial isobutane (GB/T19465-2004) and n-butane (GB/T22024-2008). During the reporting period, the Group did not aware of any issues of non-compliance.

Product Health and Safety, Labelling

The Group has established an extensive product quality assurance and safety mechanism, with quality inspection centre responsible for routine laboratory analysis and technical operations department in-charge of monitoring product standards and quality. The quality inspection centre performs sampling analysis in accordance with the analysis frequency specified by technical operations department and will upload the analysis results to the mass transfer system. Occasional sampling or product container sampling analysis will be performed by the quality inspection centre upon receiving instruction from the control room or marketing department.

ESG REPORT

Social Aspects *(Continued)*

Operating Practices *(Continued)*

Product Responsibility *(Continued)*

Product Health and Safety, Labelling (Continued)

The Group strictly complies with the standards of products. After inspection, the container of the product is sealed for sale. Before selling and deliver the product to the customer, the quality is checked again to ensure the quality is up to standard. After packing of product, third-party inspection is required. The Group has established strict examination measures and set a target for product quality indicator at the beginning of every month. Award will be given to the related department according to the month-end product quality performance. Moreover, a conference about production technology analysis is carried out monthly to discuss the measures to upgrade the production technology, strengthen the production management and establish strict product standard.

Due to the business nature of petrochemical operations, the Group places a high emphasis on product label classification. In accordance with the national regulations and industry standards, the Group has already set up relevant manuals and policies including a “List of Hazardous Chemical Substances (2015 version)”, “Hazardous Goods Classification And Serial Number”, “Publicity Rules Regarding The Classification And Toxicity Of Chemical Products”, “Rules Related To Safety Labels Of Chemical Substances” and instructional manual for safe use of chemical products to ensure the safety and traceability of the products.

Complaint Handling

The Group exercises prudence in handling customers’ feedback and complaints. The sales representatives under the marketing department logistics team collect customers’ complaints as well as feedbacks and pass them to the sales director for documentation and reporting purposes. The Group established a marketing services team formed up by all department heads to handle complaints within 24 hours. The marketing services team will consolidate the feedbacks and provide improvement suggestions for the management team. During the reporting period, no related complaints regarding product health and safety were noticed.

Customers’ Data Protection and Privacy

The Group strictly adheres to Consumer Protection Law of the PRC, Personal Data (Privacy) Ordinance and Consumer Council Ordinance in Hong Kong and relevant regulations in protecting customers’ information and privacy. The Group has hired a professional company to be in charge of the storage and management of customer sensitive data. Access controls are in place to prevent sales representatives from accessing information that is not related to their positions. During the reporting period, the Group did not receive any complaints regarding breaches of customer privacy or theft of customer information.

ESG REPORT

Social Aspects *(Continued)*

Operating Practices *(Continued)*

Anti-corruption

The Group has consistently maintained the highest ethical standards. The Group strictly adheres to the laws and regulations relating to anti-corruption and bribery as set out by the government in the PRC and Hong Kong, including Anti-Money Laundering Law of the PRC, Article 274 of Criminal Laws of the PRC (related to blackmail), Interim Provisions on Banning Commercial Bribery, Prevention of Bribery Ordinance and Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance. During the reporting period, the Group did not have any material non-compliance and corruption related litigation in this respect.

All employees must adhere to Employees' Handbook which prohibits them from obtaining, accepting or providing bribes as well as any other form of interests. It also sets out how employees should deal with conflict of interest. All managers are also required to communicate with their staff and convey a good corporate governance culture. To prevent the employee from involving in bribery, extortion, fraud and money laundering, the following measures are adopted:

- Established relevant management manuals including "The Company's Leading Cadres To Report Personal Matters Management Rules", "The Implementation of Clean and Honest Party Conduct Accountability System", and "Corporate supervision and management system" to strengthen the management and supervision of the party members and leading cadres, and encourage them to be clean and honest;
- Established "Reward and Punishment Management Regulations", and convey it to every existing employee. Provided regular ethical education to key management personnel and staff to enhance their self-restraint ability;
- Set up public corruption report mailbox and check its situation on a regular basis;
- Set up a monitoring group especially for the investigation of whistle-blowing issues. Once evidence is found, we will report to the higher discipline inspection department or the public security department.

Community

Community Investment

The Group places great emphasis on maintaining the sustainable development of its business and belonging community. The Group's subsidiaries respond to the head quarter's call for community development actively and have received various awards as a result of the remarkable contribution. The Group advocates the concept of people-oriented management and actively participates in community services activities. It also promotes the economic development of the local community by providing job opportunities.

ESG REPORT

The Stock Exchange of Hong Kong “ESG Reporting Guide” Index

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement
Subject Area A. ENVIRONMENTAL		
Aspect A1 Emissions		
General Disclosure	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	Emissions
KPI A1.1	The types of emissions and respective emissions data	Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions
Aspect A2 Use of Resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per meal)	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not relevant to the Group's business
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	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	The Environment and Natural Resources

ESG REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement
Subject Area B. SOCIAL		
Employment and Labour Practice		
Aspect B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
Aspect B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	Labour Standards
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of supply chain	Supply Chain Management
Aspect B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility/ Issues relating to advertising did not have significant impact on the Group's businesses

ESG REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement
Aspect B7 Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption
Community		
Aspect B8 Community Investment		
General Disclosure	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	Community Investment



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