



粤海制革

GUANGDONG TANNERY LIMITED

粤海制革有限公司

Stock Code: 01058

2019

ENVIRONMENTAL, SOCIAL  
and GOVERNANCE REPORT



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## I. ABOUT THIS REPORT



The board of directors (the “Board”) of Guangdong Tannery Limited (the “Company”) is pleased to present this Environmental, Social and Governance (hereinafter called “ESG”) Report (the “Report”) of the Company and its subsidiaries (collectively as the “Group”). This Report summarizes the ESG policies, sustainability strategies, management approach, initiatives and performance adopted by the Group.

The Report covers the sustainability strategies, policies and performances in the ESG aspect of the investment holding, the processing and sale of leather businesses of the Group for the year ended 31 December 2019. The Report is disclosed pursuant to the “comply or explain” provisions of the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). The relevant provisions and details are set out at the end of the Report.

The Board is responsible for the Group’s ESG strategic formulation and reporting, evaluating and determining the Group’s ESG-related risks, as well as ensuring that appropriate and effective ESG risk management measures and internal control systems are in place, and reporting the performance in this aspect. In order to determine the ESG reporting scopes, we have undergone discussion with each management personnel and identified the environmental, social and governance items concerned by major stakeholders and the Group, and assessed their importance to them, so as to choose those comparatively more important ESG items for disclosure in this Report.



## II. STAKEHOLDERS' ENGAGEMENT

The Group is committed to maintaining the sustainable development of its business as well as providing supports to environmental protection and the communities in which it operates. We maintain close contacts with our stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc. and strive to balance their opinions and interests through constructive communications in order to determine the directions of our sustainable development. We assess and determine our ESG risks, and ensure that the relevant risk management and internal monitoring systems are operating effectively. The following table shows the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectation and concern	Management response
Government/ regulatory authorities	<ul style="list-style-type: none"> <li>➤ Compliance in laws and regulations</li> <li>➤ Fulfill tax obligation</li> <li>➤ Cooperate with national development strategy</li> <li>➤ State-owned assets preservation and appreciation</li> <li>➤ Safe Production</li> </ul>	<ul style="list-style-type: none"> <li>➤ Uphold integrity and compliance in operations</li> <li>➤ Pay tax on time, and in return contributing to the society</li> <li>➤ Establish comprehensive and effective internal control system</li> <li>➤ Actively implement the national development strategy</li> <li>➤ Fully implement the safety production responsibility system</li> </ul>
Shareholders/ investors	<ul style="list-style-type: none"> <li>➤ Return on investment</li> <li>➤ Information transparency</li> <li>➤ Corporate governance policies</li> <li>➤ Anti-corruption/fraud</li> </ul>	<ul style="list-style-type: none"> <li>➤ Management possesses relevant experience and professional knowledge to ensure business sustainability</li> <li>➤ Ensure transparency and effective communications through regular publication of information on the websites of HKEX and the Company</li> <li>➤ Make every effort to improve internal control and risk management, and establish anti-fraud system</li> </ul>
Employees	<ul style="list-style-type: none"> <li>➤ Labor rights</li> <li>➤ Career development</li> <li>➤ Compensation and welfare</li> <li>➤ Health and workplace safety</li> </ul>	<ul style="list-style-type: none"> <li>➤ Set up contractual obligations to protect labor rights</li> <li>➤ Encourage employees to participate in continuous education and professional trainings to improve their abilities</li> <li>➤ Establish a fair, reasonable and competitive remuneration scheme</li> <li>➤ Focus on occupational health and safety</li> <li>➤ Continuously identify, monitor and eliminate hazards in the plant</li> </ul>



## II. STAKEHOLDERS' ENGAGEMENT (Continued)

Stakeholders	Expectation and concern	Management response
Customers	<ul style="list-style-type: none"> <li>➤ Diversified, high quality products and services</li> <li>➤ Timely delivery</li> <li>➤ Reasonable price</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continuously provide diversified, high quality products and services for customer's satisfaction</li> <li>➤ Establish an effective and efficient green supply chain</li> <li>➤ Formulate comprehensive quality assurance process and recall procedures</li> <li>➤ Ensure proper discharge of contractual obligations</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>➤ Stable demand</li> <li>➤ Win-win cooperation</li> <li>➤ Corporate reputation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ensure proper discharge of contractual obligations</li> <li>➤ Establish policies and procedures in supply chain management</li> <li>➤ Maintain long-term relationship</li> <li>➤ Select suppliers with due care</li> <li>➤ Fair, open and impartial bidding process</li> </ul>
Community	<ul style="list-style-type: none"> <li>➤ Environmental protection</li> <li>➤ Reduce greenhouse gas emissions</li> <li>➤ Reduce waste generation</li> <li>➤ Effective resource utilization</li> <li>➤ Community participation</li> <li>➤ Economic Development and community employment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Attend to climate change issues</li> <li>➤ Continuously invest resources in environmental protection</li> <li>➤ Actively innovate environmental protection technology</li> <li>➤ Strengthen energy conservation and emission reduction management</li> <li>➤ Encourage employees to actively participate in charitable activities and voluntary services</li> <li>➤ Maintain good and stable financial performance, business growth and create job opportunities</li> </ul>



### III. MATERIALITY MATRIX

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and continuously assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business development is in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

		Materiality Matrix		
		Low	Medium	High
Importance to Stakeholders	High	<ul style="list-style-type: none"><li>◆ Anti-discrimination</li><li>◆ Protecting human rights</li></ul>	<ul style="list-style-type: none"><li>◆ Talent management</li><li>◆ Staff training and promotion opportunity</li><li>◆ Staff compensation and welfare</li></ul>	<ul style="list-style-type: none"><li>➤ Customers’ satisfaction</li><li>➤ Product quality and safety</li><li>➤ Suppliers management</li><li>◆ Occupational health and workplace safety</li><li>◇ Application of clean production and green products</li></ul>
	Medium	<ul style="list-style-type: none"><li>➤ Community participation</li></ul>	<ul style="list-style-type: none"><li>➤ Anti-corruption/Fraud</li><li>➤ Community employment</li><li>◇ Greenhouse gas emissions</li><li>◇ Use of energy</li></ul>	<ul style="list-style-type: none"><li>➤ Operational compliance</li><li>➤ Customers’ privacy protection</li><li>◇ Exhaust air emission</li><li>◇ Sewage discharge</li></ul>
	Low	<ul style="list-style-type: none"><li>◆ Preventive measures for child and forced labor</li></ul>	<ul style="list-style-type: none"><li>◇ Water resources utilization</li><li>◇ Discharge of non-hazardous wastes</li></ul>	<ul style="list-style-type: none"><li>◇ Use of raw materials</li><li>◇ Discharge of hazardous wastes</li></ul>
		Low	Medium	High
		Importance to the Group		
		◇ Environmental	◆ Employee	➤ Operation



## IV. ENVIRONMENTAL PROTECTION

The Group strictly abides by national laws and regulations on environmental protection, including the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", "Law of the People's Republic of China on the Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", "Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise", "Energy Conservation Law of the People's Republic of China" and the requirements and standards of the local government. In order for all levels of the Group to better understand the importance of impact on the environment, we continue to adopt various policies, measures and actions to reduce the carbon footprint, thereby reducing the adverse impact of the enterprises' business activities and employees' personal lives on the environment. Relevant information will be described in detail in the "Management of Emissions" and "Management of Resources Utilization" sections below.

The Group's main emissions come from the production process of the Xuzhou tannery production plant. The tannery industry handles large quantity of animal solid wastes and corrosive chemical raw material with strong acid and alkaline. Most of the production processes are carried out in water which increases the possibility of polluting the environment. Faced with the current strict national environmental policies and global warming, environmental protection is undoubtedly one of the important issues of the Group's operational strategy. Accordingly, we formulate the "Environmental Protection Management System" that meets the needs of enterprise development for meeting the requirement of environmental protection laws and regulations formulated by the state, using the environmental resources effectively and systematically and enabling effectiveness assessment. The results will bring opportunities for future environmental protection projects. We have set up the environment and safety centre in the factory to centrally supervise and monitor environmental protection work, to implement the relevant national environmental laws, regulations and policies and to provide appropriate staff training to ensure that each employee has sufficient knowledge of national policies. Besides, the environment and safety centre works with the production department to promote cleaner production, demanding use of harmless, non-toxic or low-toxicity raw and auxiliary materials as priority, assuring that environmental protection facilities and production facilities operate synchronously to ensure all kinds of emissions have been effectively treated and discharged, and strictly monitor and evaluate all sewage discharge unit. The "Administrative Measures for Environmental Pollution Incidents" is implemented to deal with different kinds of emergent environmental pollution incidents. We investigate and analyze environmental pollution incidents in accordance with the handling procedures of "Emergency Plan for Production Safety Incidents", report the incident to relevant government departments in a timely manner, and shall not conceal or do anything that harms the interests of the public, the community, the Group and the stakeholders.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 1. Management of Emissions

#### *Management of Atmospheric Emissions*

The Group always complies with the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution” and aims at improving the quality of the atmospheric environment within the plant. Internal policies and procedures are established with reference to the state’s “Measures for Environmental Surveillance” and adhere to control the source of pollution in order to ensure that the air emissions by the plant meet the national emission standards.

The exhaust air and greenhouse gas generated by the Group are mainly come from the production plant in Xuzhou with two major sources. One of the sources comes from production procedures such as dust generated during the grinding process, volatile organic compounds (VOCs) produced during the tinting process, greenhouse gas generated when burning natural gas and using electricity, etc. Another source is the order waste meat inside the waste storage area and the hydrogen sulfide odor gas produced by the sewage treatment plant.

During the grinding process, the Group uses cloth bags to collect and compress dust in piles in order to reduce the possibility of dust fluttering in the air. The pigments used in the tinting process must be supplied by qualified and reputational vendors who meet the national standards so as to reduce unnecessary emissions due to the use of substandard products. In addition, the installation of VOCs treatment facilities in the plant can further reduce the greenhouse gas emissions into the atmosphere. Besides, we strictly require all workers handling tinting process to wear gas masks or disposable masks for occupational health and safety purpose. In order to further reduce greenhouse gas emissions in the production process and to comply with the national environmental protection policy, we replaced coal with natural gas as fuel in 2017. Although natural gas is a relatively cleaner energy, it also produces greenhouse gases. Therefore, the Group installed steam pipes in the factory area. When the steam supply is sufficient, the Group purchases steam as a substitute energy from suppliers to reduce the greenhouse gases generated by burning natural gas. The waste meat scrap and waste fur storage zone is built with cover, using rain cloth and located far away from the living area so as to prevent the smell from spreading to the entire plant and the surrounding environment. The Group strictly monitors the hydrogen sulfide odor gas from the sewage treatment plant and designates maintenance personnel to regularly inspect and repair the production facilities and equipment so as to reduce their chance of failure and gas pollution.



VOCs photooxidation catalytic equipment in Xuzhou plant



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 1. Management of Emissions (Continued)

#### *Management of Atmospheric Emissions (Continued)*

In accordance with the requirements on pollution prevention and implementation plan of the Suining County Government, the Group's Xuzhou plant carries out low-nitrogen combustion transformation for natural gas boilers to reduce the nitrogen oxides generated during the combustion of natural gas and further improve the quality of the atmospheric environment. We also entrust professional testing organizations to test the exhaust gas discharged from the plant in accordance with the requirements of the local environmental protection department. The test results are in line with the national "Integrated Emission Standard of Air Pollutants". For details of the greenhouse gas data generated by the Group's use of steam, natural gas and electricity, please refer to the "Steam and Natural Gas Conservation", "Gasoline and Diesel Conservation", and "Electricity Conservation" sections below.



Natural gas boiler after low-nitrogen combustion transformation

#### *Management of Sewage*

The sewage generated by the Group in its operations mainly includes domestic sewage from the office and sewage containing chromium and sulfur from the production process. Domestic sewage is directly discharged to local sewage treatment plants through main pipes. Sewage containing sulphur and chromium is produced in the unhairing and tanning processes respectively. The sewage is transported through separate pipes to different sewage collection tank in the plant. After multiple sedimentations and biological or chemical treatments, sewage which meets national discharge standards is discharged to the local sewage treatment plant directly for further treatment, and finally discharged to the sea through the North Jiangsu pipe network. The sewage containing chromium and sulfur is converted from hazardous sewage to non-hazardous sewage after various treatments, and complies with national discharge standards. Hence, the Group does not have any hazardous sewage discharged.

For handling sewage containing chromium and sulfur, the Group strictly complies with the "Law of the People's Republic of China on the Prevention and Control of Water Pollution" issued by the Ministry of Ecology and Environment, and implement various measures in accordance with the "Measures for Environmental Surveillance", "Measures for Automatic Surveillance of Pollution" and "Self-monitoring Technology Guidelines for Pollution Sources — Leather and Fur Making Industry", setting up sewage treatment station and online automatic monitoring system in the plant. The National environmental authorities can monitor the emission of ammoniacal nitrogen and chemical oxygen demand data in our plant at any time through the information publishing platform. The environment and safety centre conducts multi-sample testing of sewage outlets in the plant regularly and keeps record as the basis for management purposes, the testing content includes pH value, color, suspended solids, biochemical oxygen demand, total chromium, hexavalent chromium, total nitrogen, total phosphorus, sulfide and chloride, etc. Relevant data will be uploaded to the information publishing platform for monitoring purposes by the environmental protection department.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 1. Management of Emissions (Continued)

#### *Management of Sewage (Continued)*

During the reporting period, due to failure of the online monitoring equipment, the uploaded data appeared abnormal. As such, the Jiangsu Provincial Environmental Protection Department found that there was excessive emission of ammonia-nitrogen substances during its online monitoring. But as a matter of fact, no any excessive sewage had been discharged by the plant. We immediately arranged maintenance for the relevant equipment. In addition, the Group also entrusts qualified companies to conduct sewage testing every quarter.

The Group strictly regulates the workflow of the production plant. The power equipment department and the environment and safety centre repair and maintain the sewage treatment facilities periodically to ensure that the production and environmental protection facilities function properly. All employees have to attend the “Three-Level safety training” to ensure that all newly hired employees possess the required professional knowledge and skills to operate the production and environmental protection facilities so as to be able to work safely and to prevent environmental pollution caused by improper use of facilities. In addition, we have conducted constant job training, pre-shift meetings and post-holiday resume training to guide and evaluate the production line employees on equipment operating skills and instill environmental protection knowledge for employees to strengthen their technical and environmental awareness, and reduce the sewage generation. We built cover at the sewage treatment station, set up multiple liquid-solid separation devices and regularly cleaned the sewage pipes to prevent the fur residue from clogging the drainage pipes and causing sewage overflow and to reduce the chance of sewage pollution. As the production volume has increased due to the increase in the business volume entrusted by customers, resulting in an increase of approximately 14,987.00 tonnes<sup>1</sup> or 3.27%<sup>1</sup> from previous year. The Group’s non-hazardous sewage discharged during the reporting period was 473,880.00 tonnes.

The Group’s non-hazardous sewage discharged during the reporting period are as follows:

	2019 (Tonnes)	2018 (Tonnes)
<b>Non-hazardous sewage</b>		
Total	473,880.00	458,893.00
Intensity <sup>2</sup>	244.60	281.28

*Notes:*

- 1 The water level of sewage tank in the local sewage treatment plant was abnormal in certain months of 2018 and 2019, leading to the discharge readings of sewage tank in Xuzhou plant being higher than the actual situation. Therefore, the data for these months were estimated based on on-site observations.
- 2 Emission intensity is based on every 10,000 square feet of leather produced.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 1. Management of Emissions (Continued)

#### *Management of Solid Wastes*

The Group has been complying with the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes” and has formulated “Measures for Management of Solid Wastes” to regulate hazardous and non-hazardous solid or semi-solid wastes generated from operations. The commissioner of the environment and safety centre regularly and randomly inspects each production unit, reports to the management any potential hazards of the production plants and proposes remediation plans. The environment and safety centre and the engineering department coordinate in evaluating the environmental impacts of all new, expansion or reconstruction projects. Environmental factors are taken into account in preparing the development plan so as to reduce the solid waste produced during and after the construction. In addition, the Group’s professional team optimizes and improves the production process continuously and takes the “Clean Production” attitude actively. We wish to promote technological exchanges internationally in the future for product quality enhancement, to raise our competitiveness and to reduce the negative impact on the environment.

#### *Management of Hazardous Solid Wastes*

The Group’s hazardous waste is mainly chromium sludge. It is precipitated in the sewage collection tank after treatment of sewage containing chromium. Chromium is a toxic and harmful heavy metal, and therefore we use different pipes to separate sewage containing chromium from other sewage to prevent environmental pollution caused by leakage of sewage containing chromium. In order to reduce the transportation volume of chromium sludge, the sewage containing chromium is treated until the discharge standard is reached. The chromium sludge is then reused in the production process after acid dissolution, hydrolysis, filtration processes, etc., and the reuse rate is up to 90%.



Independent pipe for transferring sewage containing chromium



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 1. Management of Emissions (Continued)

#### *Management of Solid Wastes (Continued)*

##### *Management of Hazardous Solid Wastes (Continued)*

The Group strictly complies with the national “Standard for Pollution Control on Hazardous Waste Storage”, “Administrative Measures for the Transfer of Hazardous Wastes” and other relevant laws and regulations, and manages the remaining chromium waste liquid residues that cannot be recycled according to the internal “Measures for Management of Solid Wastes”. We have set up a warehouse for storing chromium waste liquid residues in the plant, and the relevant warehouse has taken measures to prevent scattering, loss, and leakage, etc. The environment and safety centre regularly inspects the warehouse, and handle the abnormalities found in accordance with the emergency system of the plant to prevent the further spread of pollution. The warehouse manager shall record the chromium waste liquid residues entering and leaving the warehouse in detail. For the disposal of chromium waste liquid residues, the environment and safety centre must report to the State Environmental Protection Bureau and apply for the transfer of hazardous waste, and entrust recyclers holding “Permit for Operation of Dangerous Wastes” to transfer the hazardous waste. As the Environmental Protection Bureau closely monitors the situation during the transfer of chromium waste liquid residues from the plant to the designated settlement location, thus we need to report the weight of waste, transfer routes, driver information, etc. to the Environmental Protection Bureau to ensure that they will not be dumped illegally and cause environmental pollution.

During the reporting period, the Group has cleaned the chromium slag contained in the chromium sewers of the plant, therefore, the amount of hazardous solid wastes generated increased by approximately 0.70 tonnes or 2.69% compared with the previous year, and a total of approximately 26.69 tonnes of hazardous solid wastes were generated.



Storage site of dangerous wastes in Xuzhou plant

The amount of hazardous solid wastes produced by the Group during the reporting period are as follows:

	2019 (Tonnes)	2018 (Tonnes)
<b>Hazardous solid wastes:</b>		
Total	26.69	25.99
Intensity <sup>1</sup>	0.01	0.01

Note:

<sup>1</sup> Emission intensity is based on every 10,000 square feet of leather produced.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 1. Management of Emissions (Continued)

#### *Management of Solid Wastes (Continued)*

##### *Management of Non-Hazardous Solid Wastes*

The Group advocates materials recycling to reduce waste generation. Wastes including pallets, barrels, etc. can be reused in the production process after disinfection. At the same time, the packaging wastes (such as rain-cloth wastes, iron drum wastes, paper tube wastes, packaging bag wastes, etc.) of the raw materials are sold to relevant units to increase the number of repeated use of the packaging materials and reduce the waste generation. The Group will also hand over the by-products generated in the production process to the local power supply companies for incineration as fuel for power generation, and further use of these non-hazardous wastes. The remaining non-recyclable non-hazardous wastes (such as rubber pipe wastes, steel wastes, tire wastes, steel tile wastes, etc.) will be sorted and stored in designated areas, and handled by qualified recyclers.



Storage site of non-hazardous solid wastes

The amount of non-hazardous solid wastes produced by the Group during the reporting period are as follows:

	2019 (Tonnes)	2018 (Tonnes)
<b>Non-Hazardous solid wastes:</b>		
Total <sup>1</sup>	5,187.06	9,612.87
Intensity <sup>2</sup>	2.68	5.36

*Notes:*

- The Group did not compile statistics on the amount of non-hazardous wastes generated in 2018, but estimated its amount based on the actual transshipment amount. During the reporting period, in order to further understand the actual amount of non-hazardous solid wastes generated by the Group, the Xuzhou plant started to count the relevant data and set up a ledger. The above data mainly include non-hazardous solid wastes generated in the daily operation of the Xuzhou plant, such as sludge, skin wastes, fur slag, chemical barrels, plastic wastes, card board wastes, etc. As the transshipment volume in 2018 and 2019 are similar, the total amount of non-hazardous solid wastes in 2019 is lower than that of last year. It is believed that this was due to the high estimate of last year, and it may also be the result of the Group's waste reduction measures.
- Emission intensity is based on every 10,000 square feet of leather produced.

### Compliance

During the reporting period, the environmental department of Suining County inspected the environmental protection facilities in the Xuzhou plant and found the problem regarding the management of exhaust gas and sludge. The rectification work related to the inspection will be described in detail in the "The Environment and Natural Resources" section below.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 2. Management of Resources Utilization

In order to comply with the “Cleaner Production Promotion Law of the People’s Republic of China”, the “Energy Conservation Law of the People’s Republic of China” and related laws, regulations and policies on resource conservation, the production departments and offices of the Group actively take various resource reduction measures in accordance with the requirements of the “Environmental Protection Management System”, pay attention to the publicity and education of environmental protection, energy conservation and emission reduction knowledge. We carry out timely environmental protection education and training to continuously improve employees’ awareness on environmental protection. Every employee is required to understand the importance of resources conservation, hoping that they can make full use of resources, maximize their effectiveness and eliminate wastage.

#### *Energy Conservation*

##### *Steam and Natural Gas Conservation*

Steam and natural gas are mainly used in production lines for running production equipment. Steam used by the Group is either acquired from suppliers or generated from burning natural gas in the plant. The use of steam itself does not produce any greenhouse gas, but steam is produced by burning fuel, resulting in greenhouse gas and exhaust air emissions. Therefore, we have adopted various measures to save the use of steam and natural gas. In 2018, we installed thermostatic steam trap in steam pipe networks and equipment. Condensates, air and non-condensing gas are emitted automatically and the trap can prevent leakage of steam. In this year, the Group has continued to strengthen the maintenance of steam pipes and wrapped the pipes with aluminum sheet and thermal insulation cotton to save energy, thus reducing heat loss and natural gas usage. The pipeline valve is shut off when natural gas is not in use. The equipment department is required to report the volume of steam and natural gas to the finance department monthly, and explain the reason in case the actual consumption exceeds the budgeted amount. The equipment department regularly inspects and repairs natural gas and steam pipes to avoid unnecessary waste caused by leakage. Leakage of natural gas also poses safety problems.

During the reporting period, the Group has actively responded to the government’s environmental policy of using clean energy. As the cost of acquiring steam from suppliers was lower than that of burning from natural gas, therefore we purchased steam to use in each production process instead of using natural gas and thereby reducing the use of natural gas. As a result, natural gas consumption has decreased significantly by approximately 459,449.11 cubic meters (m<sup>3</sup>) or 92.08% compared to the previous year, with a total consumption of approximately 39,517.00 cubic meters of natural gas. Steam consumption has increased by approximately 6,509.64 tonnes or 48.86% from the previous year, with a total consumption of approximately 19,834.00 tonnes of steam.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 2. Management of Resources Utilization (Continued)

#### *Energy Conservation (Continued)*

##### *Gasoline and Diesel Conservation*

Gasoline and diesel are mainly used in vehicles for office use and warehouse forklifts. Drivers must plan their routes in advance when using vehicles for office use. If passengers travel to the same or close destinations, they will be arranged to use the same vehicle to reduce petrol and diesel consumption. Regular repair and maintenance of vehicles was conducted to improve energy efficiency, and to reduce extra fuel use and exhaust air emission resulting from the failures of vehicle's part. During the reporting period, the Group has consumed approximately 17.48 tonnes of gasoline and approximately 33.89 tonnes of diesel, a decrease of approximately 0.16 tonnes or 0.91% and a decrease of 3.52 tonnes or 9.41% from the previous year.

During the reporting period, the Group's energy consumption and Scope 1 greenhouse gas emissions data are as follows:

	2019		(Restated) <sup>2</sup> 2018 <sup>2</sup>	
	Fuel consumption	Carbon dioxide equivalent emissions (Tonnes)	Fuel consumption	Carbon dioxide equivalent emissions (Tonnes)
Natural gas	39,517.00 m <sup>3</sup>	72.37	498,966.11 m <sup>3</sup>	913.84
Gasoline	17.48 Tonnes	64.23	17.64 Tonnes	64.83
Diesel	33.89 Tonnes	107.55	37.41 Tonnes	118.50
<i>Total emission of the Group</i>		<i>244.15</i>		<i>1,097.17</i>
<i>Emission intensity of the Group<sup>1</sup></i>		<i>0.11</i>		<i>0.67</i>

Note:

- 1 Emission intensity is based on every 10,000 square feet of leather produced.
- 2 Last year's comparative figures are restated to conform with the current year's presentation.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 2. Management of Resources Utilization (Continued)

#### *Electricity Conservation*

The Group focuses on the design of the production plant and places the machineries and transportation systems in the safest and the most convenient location to reduce energy use. The administration department, environment and safety centre, and human resources department work together to formulate energy management policies, promote energy management work, increase production efficiency and save electricity, thereby reducing energy loss and enhancing profitability. Since certain production process needs to be operated at high temperature environment, large ice cubes are placed inside the production plant to replace the use of air conditioners which generates greenhouse gas as well as to reduce indoor temperature and the chance of employees suffering from heatstroke. Besides, the Group has set up a series of energy saving measures in the production plant and office. For example, using natural light, adjusting the light by means of zoning control, switching off electrical appliances such as lights, electric fans, air-conditioners, computers, etc. during noon break and after work, and prohibiting random switching on and off of production machineries.

During the reporting period, the Xuzhou plant has added two sets of VOCs waste gas treatment equipment and the production volume of the entrusted processing business has increased. The equipment department had replaced 210 sets of lighting lamps in the walkways, production units and office buildings of the plant with LED lamps, and conducted frequency conversion transformation for some electricity facilities and equipment that operate 24 hours a day. These measures have increased the efficiency of electricity consumed and effectively reduced the consumption of electricity. Therefore, the electricity consumption of the Group increased slightly by about 19.65 MWh or 0.28% compared with the previous year, and the total electricity consumption was about 7,103.22 MWh.

During the reporting period, the Group's electricity consumption and Scope 2 greenhouse gas emissions data are as follows:

	2019		2018	
	Energy consumption	Carbon dioxide equivalent emissions (Tonnes)	Energy consumption	Carbon dioxide equivalent emissions (Tonnes)
Electricity	7,103.22 MWh	5,715.22	7,083.57 MWh	5,727.64
Steam <sup>1</sup>	19,834.00 Tonnes	N/A <sup>1</sup>	13,324.36 Tonnes	N/A <sup>1</sup>
<i>Total emission of the Group</i>		<i>5,715.22</i>		<i>5,727.64</i>
<i>Emission intensity of the Group<sup>2</sup></i>		<i>3.42</i>		<i>4.08</i>

Notes:

1 Steam is generated from burning wood, plants, biomass fuels or other energy sources in boiler; while the fuel burning process produces exhaust air (such as sulfur dioxide, nitrogen oxides, dust, etc.) and greenhouse gases. The Group started purchasing steam from suppliers from 2018. As the suppliers were unable to provide the types and composition of the fuel used for producing the steam and such information will affect the calculation of emission factors for exhaust air and greenhouse gases. The Group does not have the necessary information to calculate the greenhouse gases and exhaust air emissions, and therefore, we do not disclose relevant data in this report.

2 Emission intensity is based on every 10,000 square feet of leather produced.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 2. Management of Resources Utilization (Continued)

#### *Water Conservation*

The water used by the Group is provided by the Government, and mainly for the production of leather and daily general usage. During the reporting period, although we did not face any problems regarding water supply, we have actively adopted various measures to educate our staffs to save water from daily life. The Group clearly understands the importance of water resources for production, construction and living needs. In order to establish proper attitude towards the use of water in the factory and enhance environmental awareness of employees, the Group has posted water saving sign at prominent places to remind employees of controlling the water flow when washing hands, minimizing tap water flow and switching off the tap after use. The equipment department reduces water pressure, inspects water facilities, hidden water pipes and internal water supply systems, etc., regularly, and repairs damaged water tanks, water taps and other water supply facilities in a timely manner in order to prevent water leakage and unnecessary wastage. The equipment department also need to keep properly all inspection and repair record. We also monitor the consumption of each water outlets in the entire plant area, conduct statistics and analyzes the water consumption data to identify departments or production units with high water consumption, so that targeted remediation plans can be formulated and implemented to eliminate unnecessary water consumption.

During the reporting period, due to the increase in the business volume of the Xuzhou plant for processing fur into blue skin and two-layer blue skin for customers, a large amount of water resources were required for the process of water immersion, leaching, acid pickling and tanning. However, due to the technical transformation of five sets of fur filter machines and the frequency conversion of circulating water pumps, the water resources of the relevant processes can be reused and effectively used to further reduce water consumption. The equipment department also strengthens the management of pipe leakage and employees actively support our water conservation measures. Therefore, the Group used a total of approximately 284,229.47 tonnes of water in the year, which was only a slight increase of approximately 714.47 tonnes or 0.25% from the previous year, while the water consumption intensity decreased by approximately 27.07 tonnes<sup>1</sup> from the previous year.



Fur filter machine after technical conversion



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 2. Management of Resources Utilization (Continued)

#### *Water Conservation (Continued)*

The Group's water consumption during the reporting period are as follows:

	2019 (Tonnes)	2018 (Tonnes)
<b>Water resources</b>		
Total	284,229.47	283,515.00
Intensity <sup>1</sup>	146.71	173.78

*Note:*

1 Consumption intensity is based on every 10,000 square feet of leather produced.

#### *Paper Conservation*

The Group advocates green office policy and paper conservation to reduce waste production. Employees are encouraged to "think before print", to carefully consider which file to print before printing, to establish an electronic filing system, to distribute and read documents in electronic format, to set double-sided printing as default, to use lighter weight paper and to recycle the single-sided used papers, old envelopes and packaging materials. Waste papers are collected in recycling bin and handled by qualified recyclers. During the reporting period, the Group consumed approximately 0.79 tonnes of paper, representing a decrease of approximately 0.02 tonnes or 2.47% from the previous year.

### Compliance

During the reporting period, the Group did not involve in any confirmed non-compliance incidents relating to resource usage that have a significant impact on the Group.



## IV. ENVIRONMENTAL PROTECTION (Continued)

### 3. The Environment and Natural Resources

The Group has been established for more than 20 years at a leading position in the industry by persistently supporting the concept of “Compliance and Integrity Operation”, possessing rich experience in environmental protection management and continuously improving the tanning technology. The Group made investments each year in the facilities for prevention and control of pollution, new technology development, and kept on improving the environment within the plant. The Group will continue to pay close attention to environmental protection related laws, regulations and measures, and strictly abide by the internal environmental protection management system to ensure compliance with laws and regulations. We take the national environmental protection development plan as our blueprint, raise the environmental awareness at all levels within the Group and let everyone to realize the deteriorating global environmental situation, and hope to have more industrial and commercial enterprises, social organizations and general public participating in environmental protection projects and working together to improve environment and build a better world, and to promote its sustainable development.

During the reporting period, when the environmental protection department of Suining County inspected the Xuzhou plant of the Group, it was found that the plant had no environmental protection facilities for the waste gas generated by the sewage treatment facilities and the normal temperature raw skin warehouse, and the stinky smell generated by the sludge storage site has not been equipped with environmental protection facilities. It also failed to provide testing reports of malodorous pollutants and VOCs treatment facility exhaust gas. The plant has carried out part of the rectification work in accordance with the rectification notice of the environmental protection department, such as covering the sewage treatment tank with lid and setting up exhaust treatment facilities, adding waste gas collection system for raw leather warehouse, entrusting third-party professional testing companies to inspect the VOCs treatment facilities in the plant, and the testing results are in line with the “Integrated Emission Standard of Air Pollutants”, and entrusting licensed waste recyclers to recycle the sludge, thereby reducing the corrupt stinky smell generated by the sludge storage site. However, the remaining part cannot be carried out due to environmental factors, for example, if some sewage ponds are closed, a closed space will be formed so that harmful gases cannot be discharged in time, and employees working in the closed sewage ponds pose a potential safety hazard. In addition, due to the lack of local industrial waste disposal units and the nearly saturated disposal sites, the industrial sludge piled in the plant has not been completely cleaned up. The Xuzhou plant is discussing feasible plans with the environmental protection department, and will closely monitor and supervise the progress of the rectification work to ensure that the plant handles all kinds of emissions and wastes in compliance with regulations and eliminates the hidden dangers of major pollution to the environment.

The Group will continue to increase investment in different environmental protection projects, to re-visit and identify the sources of wastes produced in operation, to evaluate the impact on the environment for use of resources and to enhance the environmental-friendly facilities and ancillary equipment, and continue to strengthen the control measures in the “Internal Control Manual” to deal with social responsibility risks, including the promotion of cleaner production, energy conservation and emission reduction, extensive use of energy-saving products, and the economical use of office resources. Through effective ways such as publicity and education, we constantly improve employees’ awareness of environmental protection and resource conservation, fulfill social responsibilities and obligations in the process of business development, and achieve coordinated development of the enterprise, society and environment.



## V. EMPLOYMENT AND LABOR PRACTICES

The Group regards employees as its most core and most valuable asset, adheres to the “people-oriented” governance philosophy, and is deeply aware that talents play a key role in the sustainable and long-term development of the business. To this end, we have developed a set of comprehensive human resource management systems. The human resource policy covers aspects such as remuneration, rewards, professional ethics, training and welfare. We are committed to creating an equal, non-discriminatory, harmonious and safe working environment. With the goal of mutual respect and building good relationships with employees, we encourage employees to innovate, be flexible and value commitments, and fulfill our mission of providing customers with quality products and services. The Xuzhou plant has set up the chairman’s mailbox, which is managed by the chairman himself. The purpose is to strengthen the communication between the Company and employees, encourage employees to actively make suggestions for the Company’s construction and development, and help employees solve problems in order to improve the Company’s management standard and promote the harmonious and healthy development of the Company. In addition, we provide commensurate salary, various benefits and training courses that are helpful for personal career development, creating favorable conditions for us to attract, retain and reward talents. We also pay attention to the work, life, physical and mental health of our employees. By organizing various after-work activities, we can enrich the lives of our employees and enhance the cohesion of the team in the Company.



Chairman's mailbox set up in Xuzhou plant

### 1. Talent Selection

During the recruitment process, the Group has always adhered to the concept of “full utilization of talents, full usage of talents, and the matching of talents and vocations”. The Group is a fair opportunity employer and respects personal privacy, so that it has established and implemented fair treatment policy. The appropriate candidates would be selected based on their morality, knowledge, abilities, working attitude and job requirements, and regardless of their age, gender, ethnic group, religious affiliation, nationality or marital status. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination. Xuzhou plant has been supporting the rehabilitation plan for people with disabilities. During the reporting period, it has recruited a number of employees with physical disabilities and assigned them with appropriate job duties based on their ability and skills so that they can earn their living.

### 2. Labor Standards

The Group cherishes human rights and focuses on protecting labor rights. Pursuant to applicable labor laws and regulations, we prevent any application with unlawful identity by checking the identification documents of the applicants in our hiring process. The working hours of employees must comply with relevant local labor laws and regulations. Employees’ consent and voluntary cooperation for working overtime are required, and the employees are compensated in accordance with the labor laws and regulations. We strictly prohibit forced and child labor. During the reporting period, the Group had complied with the laws and regulations and did not hire any applicant under the legal working age or forced labor.



## **V. EMPLOYMENT AND LABOR PRACTICES (Continued)**

### **3. Compensation and Welfare**

The Group attracts and retains quality staff with competitive remuneration packages. The Group benchmarks the up-to-date remuneration data in the industry and strives to establish a fair, reasonable and competitive remuneration scheme. Employee's salary levels are determined based on knowledge and skills, experience and education level as required by each position. The Group implements a distribution system combining position salary and performance bonus. In order to enhance quality of work and competency of employees, we conduct periodic performance appraisal and fairly assess the bonuses, salaries increment and/or promotion recommendations based on a number of criteria (working experience, seniority, knowledge and skills, performance, contribution, etc.). The basic employee benefits include salary, bonuses, etc. Other benefits include job subsidies, overtime subsidies, overtime meal allowance, wedding gifts, staff quarters, hospital and medical care and general health checkups, etc.

According to the local labor laws and regulations, the Group provides social security benefits for all employees. We pay various social insurance fees (endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident fund for employees in the mainland business, as well as contributions to mandatory provident fund schemes for employees in Hong Kong. We handle dismissal and compensation in accordance with the applicable laws and regulations.

We value the health of our employees and encourage everyone to maintain work-life balance, establish working hours of employees and protect their rights about rest and vacation in accordance with local labor laws. All employees are entitled to rest days and statutory leave days (such as annual leave, sick leave, marriage leave, maternity leave, bereavement leave, work-related injury leave, etc.). In addition, we are very concerned about the physical and mental health of employees, and organize different types of after-work activities for them, including visits to the Photo Exhibition of 70th anniversary of the founding of China and the Huaihai Battle Memorial Hall, etc., with the hope of promoting cohesion among employees, the sense of belonging of employees and reducing the work pressure of employees.

### **4. Development and Training**

The Group is fully aware that a high-quality team is the core competitiveness of an enterprise and plays an important role in the sustainable and long-term development of the Group. Therefore, we have always regarded talent training as one of the core tasks of the Group, and introduced a competition mechanism through strict employment systems, standards and procedures. We hope to discover and cultivate professional talents, as well as encourage employees to continue their education and lifelong learning. In addition to meeting the business development needs of the Group, we also hope to improve the quality, vocational skills and knowledge of employees through continuous training and establish a positive working attitude for employees. New domestic employees must participate in induction training, which aims to introduce corporate culture, industry knowledge, organizational structure, rules and regulations, operational safety, and pre-job training (for details, please refer to the "Health and Safety" section below). Before employees are transferred, they must receive pre-transfer professional training, until they can meet the requirements of the post. For those with outstanding performance in the training, in addition to the recognition announcement, appropriate rewards can be given according to the situation. Those who fail to meet the standard, their training period can be extended appropriately. We encourage all employees to receive external education and training in their spare time, without affecting their duties as a major premise.



## V. EMPLOYMENT AND LABOR PRACTICES (Continued)

### 4. Development and Training (Continued)

The Group provides on-the-job training for its employees in Hong Kong. The human resources department together with the supervisors of each department introduce the corporate culture, industry knowledge and job responsibilities to new staff. Professional staff, such as finance managers are required to participate in external training held regularly by professional bodies in the form of seminars. The trainings received during the reporting period include listing rules, finance, accounting, etc.

### 5. Health and Safety

The Group always puts health of its employees and safe working environment as priority, and occupational injury prevention and avoidance are especially important. To comply with the "Law of the People's Republic of China on Safety Production" and relevant local laws and regulations, the Group has established safety and production management system, a safety production committee and a safety production office. All levels of management and employees must clearly understand their safety responsibilities, sign safety production responsibility letters level by level, and perform safety duties strictly in accordance with the safety production responsibility statement. In addition, the Group has also formulated "Administrative Measures against "Three Violations"" to strengthen its work on safety management. Employees who violate the laws and regulations in respect of production, command and labor disciplines are warned and, where required, to undergo safety retraining to avoid safety accidents and injury to employees.

The Group strives to provide safety training to its employees. New hire must receive a 3-level safety training (company level, department level and team level) prior to putting into work. In addition, we regularly organize comprehensive annual safety training activities, for example, safety production training before the Spring Festival and Ching Ming Festival holidays, post-holiday resume production safety training, safety operation training, operation standard training, collection and usage of sulfuric acid training, quality training, and hazard source training. During the reporting period, we organized "Safe Production Month" and "Safe Production Walkathon" activities. With the theme of "preventing risks, investigating hidden dangers, and curbing accidents", it aims to enhance employees' safety awareness, promote the construction of enterprise safety culture, and further establish a stable foundation for safe production. The content of the activity includes all active employees participating in a three-day 3-level safety education and training in the whole plant to assess the general knowledge of their positions, learning the "Safe Production Law" and the internal "Safe Production Management System", organizing safety education activities for dangerous chemicals such as sulfuric acid and acetone, and toxic gases such as hydrogen sulfide, engaging professional training institutions to conduct fire safety education and training for employees, and organizing cadres and employees to watch safety production education videos to improve their awareness and vigilance of safety incidents. Employees of special types of work (such as electricians, electric welders, boiler operators, forklift operators, etc.) must receive relevant professional safety knowledge training and obtain qualification certificates issued by government departments in order to hold these positions.



Photos of safety education activities for hazardous chemicals and toxic gases such as hydrogen sulfide



## V. EMPLOYMENT AND LABOR PRACTICES (Continued)

### 5. Health and Safety (Continued)

In order to implement the safety production policy of "Safety First, Precaution Crucial", we identify major hazard sources, conduct risk assessments for potential major accidents and propose corrective measures to eliminate the risks of the occurrence of safety accidents. Safety personnel regularly inspect each production unit in accordance with company requirements and safety operating procedures, and urge employees of each production unit to conduct safety inspections of production posts, conduct regular fire inspections every day to check whether the fire protection equipment and fire safety signs are intact and eliminate remaining fires. The power equipment group is responsible for the maintenance and daily inspection of various facilities and equipment. For the hidden dangers discovered during the inspection, we will put forward rectification advices, report to the management in a timely manner, supervise the implementation of the rectification plan, and record the details of the inspection and rectification. When hidden dangers are found to be dangerous to employees and affect personal safety, we immediately take emergency measures to suspend relevant operations and evacuate employees from the operations. During the reporting period, we have carried out the identification and risk assessment of hazards in 2019, comprehensively investigate potential safety hazards, update the list of hazard sources, classify and manage various risks, propose preventive measures, and notify all employees of the list of hazard sources and related preventive measures. In addition, we provide employees with electrical safety training and related hidden trouble investigation, and strengthen safety management work before the advent of summer and flood season, implement high temperature and flood prevention hidden trouble investigation, prepare materials for high temperature prevention and flood prevention, and set up emergency precautions during high temperature and flood seasons. Due to multiple safety incidents in other plants in Suining County, we have implemented different measures in response to the local government's notice to strengthen safety production to further strengthen the safety production in the plant, including increasing the number of daily safety inspections in the plant, organizing safety production training, and inviting local fire departments to hold fire safety knowledge related lectures.



Photos of fire drill for all people



## V. EMPLOYMENT AND LABOR PRACTICES (Continued)

### 5. Health and Safety (Continued)

The Group sets up an occupational health management policy pursuant to the requirements of the "Law of the People's Republic of China on Safety Production", the "Law of the People's Republic of China on Prevention and Control of Occupational Diseases" and relevant local laws and regulations to protect its employees' health, rights and interests. Protective equipment (such as masks, earplugs, uniforms, protective shoes, sawdust, etc.) that meets the national standards, together with the guideline for use, is provided to its employees. In order to improve the monitoring and management of hazardous factors, take appropriate measures to eliminate or control risks, and ensure that employees work in a safe environment, we entrust professional testing companies to comply with the standards of chemical hazards and physical factors in the "Occupational Exposure Limits for Hazardous Agents in the Workplace", and conduct inspection and evaluation of occupational disease hazards at each production position in the plant. Most of the positions are in line with the standard, and the positions that do not meet the standard include scratch and repair position, vibration machine operation position and oil return operation position in the tinting unit, operation position of water squeezing machine in the dyeing unit, operation position of the softening machine and the resurgence operation position in the crust unit. We are planning to implement the recommendations of professional testing companies in the coming year, such as the installation of effective exhaust facilities, the installation of noise reduction, sound elimination and noise reduction equipment, the education of employees' occupational safety knowledge, and the regular provision of occupational health physical examinations for employees in special positions.

### Compliance

During the reporting period, the Group did not involve in any confirmed non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group.



## VI. OPERATING PRACTICES

### 1. Supply Chain Management

The Group conveys its concern on environmental issues to its suppliers and business partners, and expects them to reach the standards that meet with our expectations. We also serve to maintain long-term, stable strategic cooperative relationships with leading suppliers, and co-develop with its suppliers on the basis of equality and win-win situation. We adhere to assessing the quality and ethical standards of its business partners based on a number of criteria, including their attitudes towards environmental and social issues, prior to entering into contracts. The Group established stringent internal rules and policies in vendor evaluation and management, covering sourcing and selection of new vendors, renewal of existing vendors, and preparing an "approved vendor list". When selecting new suppliers, the Group assesses the supplier's corporate background, qualifications, production scale, management system, production equipment, etc. based on the information obtained during the qualification review, and then evaluates them as a qualified or unqualified supplier. The person in charge of each material usage department conducts an annual review for suppliers based on material quality, delivery status, service quality and price level, and classifies suppliers according to the scoring criteria to determine whether we can continue to cooperate with suppliers or need to reduce or suspend purchasing from suppliers. There is proper segregation of duties from signing of contracts with suppliers to goods or service acceptance so as to ensure that the suppliers possess the required qualifications and professional skills, adopt good internal management system, stable quality, on-time delivery, comply with laws and regulations, etc. This is to ensure that the Group's suppliers are competitive and are able to provide good quality products and services. The Group has established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business parties to report violations of laws or regulations by taking advantages of one's position. During the reporting period, the Group did not receive any reports on matters of significant relating to violations in this respect.

### 2. Product Responsibility

The Group commits to providing good quality and safe products, not only to satisfy the customers' basic requirement, but also to meet our internal production efficiency, effectiveness and quality control targets. Therefore, the Group formulates the "Internal Control System of Quality Center". The quality center is responsible for monitoring and testing the quality of raw materials, crust, blue skins and finished products. Raw material suppliers need to provide testing data to ensure that their quality meets national standards in accordance with the "Guidelines for Quality Inspection of Finished Products", we strengthen the technical training of testing personnel and improve their technical level and sense of responsibility to ensure that they can effectively monitor the quality of products. If unqualified products are found during the testing process, the marketing center and the production center must notify the warehouse in writing that the unqualified products cannot be placed in the warehouse to avoid accidentally selling the unqualified products to the customers. The testing laboratory under the China Leather Research Institute randomly tests part of the Group's products annually, and all the products are produced and delivered with a qualified test report.



## VI. OPERATING PRACTICES (Continued)

### 2. Product Responsibility (Continued)

If customers have product quality issue or the products fail to satisfy their requirements such as peeling off, crack of leather surface, etc., they can approach the Group's after-sales services. In order to better understand customer requirements and continuously improve our products, we regularly consult customers' opinions and suggestions through visits, questionnaires and telephone calls in accordance with the "Customer Satisfaction Survey Management System", to identify the cause of customer dissatisfaction and provide solution in time, hoping to improve the quality of products and services.

Confidentiality is one of the Group's core values. The Group has established "Customer Information Management System" to ensure our employees handle customers' information diligently and confidentially, and formulated clear guidelines to monitor the use and management of customer files to prevent leakage of customer information. For any confidential information obtained through business relationships, all employees are strictly prohibited to disclose any information to cooperation vendors or third parties without proper authority unless there is a legal or professional right or duty to do so. If such information has to be accessed due to business relationships, employees must provide the purpose and reason for the inspection and inspect only after obtaining approval.

During the reporting period, the Group's ecological cattle leather products obtained the "Green Leaf Certification" issued by a professional inspection agency, proving that the ecological cow leather has met the European Union's "Registration, Evaluation, Authorization and Restriction of Chemicals Act" (English abbreviation "REACH"<sup>1</sup>). Relevant ecological cattle leather products can be used for infants and young children leather products. During the reporting period, the Group did not involve in any confirmed non-compliance incidents relating to product and service responsibilities that have significant impact on the Group, and received no complaints about breaches of customer privacy and loss of information.



Photo of Green Leaf Certification

Note:

- 1 REACH is an indicator set by the European Union to restrict the production and use of multiple chemicals to reduce the potential negative impact of chemicals on human health and the environment.



## VI. OPERATING PRACTICES (Continued)

### 3. Anti-corruption

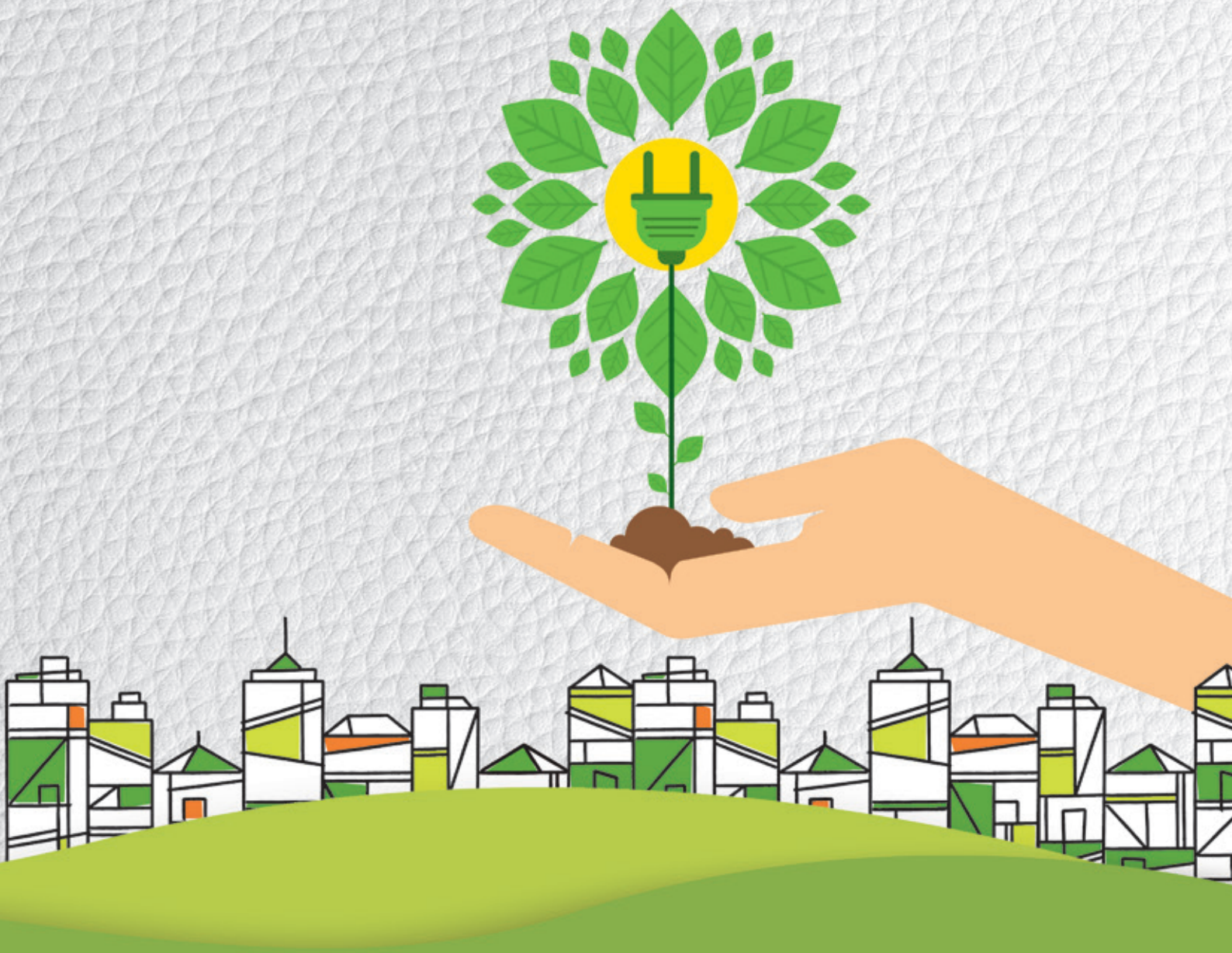
Maintaining a working environment with high ethical standard is one of the Group's core values. We have adopted a zero-tolerance approach for all kinds of corruption, bribery and extortion situation. Therefore, the Group established "Human Resources Management Policy" and "Staff Manual" to restrict the behavior of all employees and set strict penalty towards the collection of and accepting bribes or other illegal interests, and all employees are required to build up a habit of complying with policies and procedures in order to preclude any bribery or bribery accepting behaviour. Employees who are in breach of the company's code of conduct are disciplined or dismissed. We set up a comprehensive disciplinary monitoring system to cover the operation and production processes. Therefore, the "Rules for Discipline Inspection and Supervision Reporting" was formulated and we have established channels, including mailbox and hotline, for whistleblowers to submit reports of suspected personal interests in carrying out one's job duties, briberies, extortion, frauds, money laundering and other illegal acts. The Group handles such reports in absolute confidence and is determinant in combating corruption and contributes in building an uncorrupted society. During the reporting period, there was no litigation of corruption involving the Group or its employees.





## VII. COMMUNITY INVESTMENT

The Group is a responsible tax payer and spares no effort in easing local employment pressure. The Group pays the “five insurance and housing provident fund” for mainland employees, contributes to the mandatory provident fund scheme for Hong Kong staffs, and assists its staff to make good plans for their retirement life. The Group has operated its factory in mainland China for over 20 years and is one of the pillar industries in that area, exercising good practices in its business operation and actively promoting green energy-saving and environmental-friendly concepts. Besides we have been regarded as a role model for the industry, contributing to social stability and building a harmonious community.





## VIII. VISION OUTLOOK

As a good corporate citizen, the Group strives to strike a balance between achieving the corporate missions and business objectives, and fulfilling social responsibility. We will continue to focus on and allocate resources to environmental protection, employee care, product quality and community investment which are important to the sustainable development of the Group.

The Group will endeavor to comply with the stringent laws and regulations of environmental protection, strengthen energy conservation and emission reduction, reduce energy consumption, make good use of renewable resources, and establish an environmental protection and resource conservation monitoring and evaluation system in accordance with the requirements of the government's clean production system, with the hope of achieving the long-term goal of low-carbon economy and circular economy. Therefore, the Group allocates resources and undertake various environmental improvement projects, including improving exhaust air, sewage and solid wastes treatment facilities. We will also put employee satisfaction and production safety as our top priority, and attract more talents on technical and management fronts through ensuring occupational safety and a competitive remuneration scheme. As for product quality and customer service, we will continue to invest resources for product improvement so as to conform with the environmental protection requirements. At the same time, we are committed to fulfilling our social responsibility by participating in charitable activities and promoting the community's sustainable development.

The Group aspires to become a respectable enterprise. Going forward, the Group serves to enhance its business performance through the implementation of sustainable development strategies and the creation an image of an environmental-friendly and economical company, to generate more meaningful long-term value for the enterprise and its stakeholders.





## IX. ENVIRONMENTAL DATA AND PERFORMANCE SUMMARY

	Unit	2019	(Restated) <sup>5</sup> 2018
<b>Greenhouse gases emission ("GHG")</b>			
<b>Scope 1<sup>1</sup></b>			
Total	Tonnes	244.15	1,097.17
Intensity <sup>4</sup>	Tonnes	0.11	0.67
<b>Scope 2<sup>2</sup></b>			
Total	Tonnes	5,715.22	5,727.64
Intensity <sup>4</sup>	Tonnes	3.42	4.08
<b>Total exhaust air emissions</b>			
Nitrogen oxides	Kilograms	894.60	1,005.36
Sulfur oxides	Kilograms	1.00	1.07
Particulate matters	Kilograms	59.36	66.41
<b>Hazardous wastes<sup>3</sup></b>			
<b>Solid wastes generated:</b>			
Total	Tonnes	26.69	25.99
Intensity <sup>4</sup>	Tonnes	0.01	0.01
<b>Non-hazardous wastes</b>			
<b>Sewage discharged<sup>3</sup>:</b>			
Total	Tonnes	473,880.00	458,893.00
Intensity <sup>4</sup>	Tonnes	244.60	281.28
<b>Solid wastes generated:</b>			
Total	Tonnes	5,187.06	9,612.87
Intensity <sup>4</sup>	Tonnes	2.68	5.36
<b>Packaging materials used for finished products:</b>			
Total	Tonnes	32.01	23.39
Intensity <sup>4</sup>	Tonnes	0.01	0.01



## IX. ENVIRONMENTAL DATA AND PERFORMANCE SUMMARY (Continued)

	Unit	2019	(Restated) <sup>5</sup> 2018
<b>Energy and water consumption</b>			
<b>Electricity:</b>			
Total	MWh	7,103.22	7,083.57
Intensity <sup>4</sup>	MWh	4.25	5.05
<b>Natural gas:</b>			
Total	Cubic meters	39,517.00	498,966.11
Intensity <sup>4</sup>	Cubic meters	24.73	355.64
<b>Gasoline:</b>			
Total	Tonnes	17.48	17.64
Intensity <sup>4</sup>	Tonnes	0.01	0.01
<b>Diesel:</b>			
Total	Tonnes	33.89	37.41
Intensity <sup>4</sup>	Tonnes	0.01	0.02
<b>Steam:</b>			
Total	Tonnes	19,834.00	13,324.36
Intensity <sup>4</sup>	Tonnes	12.41	9.50
<b>Water:</b>			
Total	Tonnes	284,229.47	283,515.00
Intensity <sup>4</sup>	Tonnes	146.71	173.78

*Notes:*

- 1 Scope 1 refers to the Group's business direct GHG emissions, including combustion of diesel, gasoline and natural gas.
- 2 Scope 2 refers to the Group's business indirect GHG emissions as arisen from the consumption of purchased electricity.
- 3 The sewage containing chromium and sulfur generated from production is converted from hazardous sewage to non-hazardous sewage after treatment and meeting the national emission standards. Hence, there is no hazardous sewage discharged.
- 4 During the reporting period, the Group's principal activities were processing of leather and providing subcontracting business for its customers. For the subcontracting process business during the year, the business from fur process to finished leather have been added, and the process is basically the same as the leather production business, so the subcontracting process of finished leather from customers and the intensity of emissions and consumption of various key performance indicators for the leather process business was calculated based on the volume of actual production. Part of the products of subcontracting business for customers involves the tanning process only. The emissions and consumption amount of various key performance indicators throughout the tanning process carries different weight in the whole leather production process, and hence the calculation was made according to the actual proportion of each process.

The intensity is based on 10,000 square feet of leather produced.

- 5 Last year's comparative figures are restated to conform with the current year's presentation.



## X. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE”

General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guide	Page
<b>A. Environmental</b>		
<b>Aspect A1</b>	<b>Emissions</b>	
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.	6–12
KPI A1.1	The types of emissions and respective emissions data.	7–12, 29
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	14, 15, 29
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11, 29
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	12, 29
KPI A1.5	Description of measures to mitigate emissions and results achieved.	6–8, 13–15
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	8–12, 17
<b>Aspect A2</b>	<b>Use of Resources</b>	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	13–17
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).	13–15, 30
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	16–17, 30
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	13–15
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	16–17
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	29



## X. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” (Continued)

General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guide	Page
<b>Aspect A3</b>	<b>The Environment and Natural Resources</b>	
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	18
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6–18
<b>B. Social<sup>1</sup></b>		
<b>Aspect B1</b>	<b>Employment</b>	
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, anti-discrimination, and other benefits and welfare.	19–20
<b>Aspect B2</b>	<b>Health and Safety</b>	
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.	21–23
<b>Aspect B3</b>	<b>Development and Training</b>	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	20–21
<b>Aspect B4</b>	<b>Labor Standards</b>	
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 and forced labor.	19
<b>Aspect B5</b>	<b>Supply Chain Management</b>	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	24



## X. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” (Continued)

General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guide	Page
<b>Aspect B6</b>	<b>Product Responsibility</b>	
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.	24–25
<b>Aspect B7</b>	<b>Anti-corruption</b>	
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.	26
<b>Aspect B8</b>	<b>Community Investment</b>	
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.	27

*Note:*

- 1 The Group chooses not to disclose the KPIs under Area B “Social” set out in Appendix 27 of the Listing Rules in this report as those KPIs are recommended disclosures only.





粤海制革

GUANGDONG TANNERY LIMITED

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