

CHINA BILLION RESOURCES LIMITED

中富資源有限公司

(incorporated in the Cayman Islands with limited liability) (Stock Code: 274)

2019 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

China Billion Resources Limited ("Company") together with its subsidiaries (collectively referred to as "Group") is pleased to present its Environmental, Social and Governance Report ("Report"), which aims to demonstrate its efforts on sustainability development to all stakeholders.

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report primarily highlights the Group's major initiatives and activities implemented from 1 January 2019 to 31 December 2019 ("Year 2019"). For information regarding the corporate governance of the Group, please refer to the Company's 2019 annual report.



▲ Guanzhuang Gold Mine located in Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, China

subsidiary of the Company, Westralian Mining Company Limited ("Hunan Westralian"), is a Chinese-foreign contractual joint venture located in Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, China, principally engaged in gold mining, exploration and trading of gold products. Hunan Westralian had been granted 8 mining rights in the Guanzhuang mining area: Xiaochongzi Mine, Baomuyuan Mine, Shenjiaya Mine, Desheng Mine, Zhenjiashan Mine, Jiufa Mine, Jinzhuwan Mine and Xianglu Mine. Hunan Westralian carried out an integrated acquisition on these 8 mining rights and completed the procedure for scope-alteration of mining area. These 8 mining rights were consolidated and approved by the Provincial Department of Land and Resources as "Hunan Westralian Mining Company Limited Guanzhuang Gold Mine" ("Gold Mine"). Since Hunan Westralian is the only subsidiary in the Group that has a high impact on the environment, society and governance, therefore the Report will focus on the detailed disclosure on the environmental, social and governance policies and the relevant performances of Hunan Westralian in Year 2019.



STAKEHOLDER ENGAGEMENT

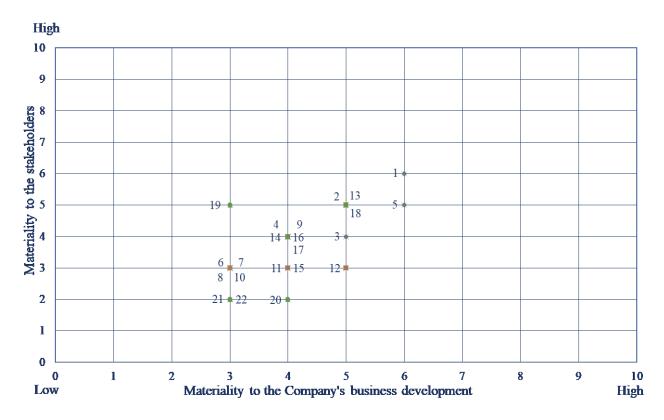
The Group is committed to sustain its long-term businesses and to enhance environmental protection and to serve the communities in which it operates. The Group also delivers quality products and services to the customers with its prudent business management and its reasonable decision-making process. The Group maintains close contact with the stakeholders, which include shareholders, government, employees, customers, suppliers, society and the general public. The Group strives to listen to different opinions and balance the benefits of all its stakeholders via constructive communication in deciding its long-term business development goals. The board of directors of the Company ("Board") is responsible for evaluating the Group's environmental, social and governance risks, and ensuring that the relevant risk management and internal control system are implemented appropriately and effectively.

Stakeholders	Expectations and Concerns	Communication and Response
Shareholders	Financial resultsCorporate transparencySound risk control	 Improve mining capability and facilities with the goal to maximise the output efficiency Daily information disclosure Optimization of risk management and internal control
Governments	 Being law-abiding Paying tax in accordance with law Safe mining production requirement and supervision 	 Operation in compliance with the law Making timely tax payment in full Further improve the safety measures of Gold Mine
Employees	 Career development platform Remuneration and benefit Safe working environment 	 Promotion mechanism Competitive remuneration and benefit packages Provision of training to staff and enhancing their safety awareness
Customers	Customer information securityCustomer interest protection	Customer privacy protectionMarketing in compliance with the law
Suppliers	Collaboration integrityBusiness ethics and creditworthiness	 Building a responsible supply chain Performing contracts in accordance with the law
Communities and public	 Environmental friendliness Employment opportunities	 Green office measures Provision of employment opportunities

Materiality Assessment

The Group carried out a materiality assessment to the environment, society and governance related matters in Year 2019. With reference to its actual business and industrial characteristics, the Group identified and recognised 22 topics in relation to the environment, society and governance, and invited internal and external stakeholders to give rating on the materiality of such 22 topics. After consolidating the rating results of stakeholders and the Group's sustainable development target, the management of the Group summarised the materiality priority of the topics and prepared a materiality matrix chart.

The result of materiality assessment will be used by the Group as guidance when formulating future environmental, social and governance work plans and goals, with a view to creating sustainable value for stakeholders.



▲ The Group's environmental, social and governance materiality matrix chart for Year 2019

Environmental Topics	Social Topics	Governance Topics	
1. Greenhouse gas emissions	9. Local community engagement	17. Economic value created	
2. Energy consumption	10. Community investment	18. Corporate governance	
3. Water consumption	11. Occupation health and safety	19. Anti-corruption	
4. Waste	12. Supply chain labour standard	20. Supply chain management	
5. Environmental impact created	13. Training and development	21. Customer satisfaction	
by our business	14. Employee benefit	22. Customer privacy	
6. Green building certification	15. Inclusion and equal opportunity	7	
7. Customer engagement on	16. Attract and retain talents		
environmental topics			
8. Use of chemicals			

ENVIRONMENTAL

Emissions

During Year 2019, Hunan Westralian has 1 gasoline-powered compact car for office use. In addition, Hunan Westralian has installed 2 sets of diesel-powered power generators in Gold Mine as backup power generators, 20 fire extinguishers as fire-protection equipment and 2 diesel-powered light trucks for delivering ore. The emissions from fuels produce exhaust gases including black smoke, carbon monoxide, hydrocarbons, nitrogen oxides (NOx), sulphur oxides (SOx) and respiratory suspended particles (RSP, or particulate matter (PM)).

In Year 2019, the key environmental performance indicators of the Hunan Westralian's emissions are listed as follows:

Environmental Indicators	Unit	2019	2018
Air Emissions			
Emissions of nitrogen oxides (NOx)	kilogram	1.07	1.64
Emissions of sulphur oxides (SOx)	kilogram	0.02	0.04
Emissions of particulate matter (PM)	kilogram	0.08	0.12
Greenhouse Gas Emissions			
Total greenhouse gases emissions (Note)	kilograms of carbon dioxide equivalent	3,482,604	530,480
Greenhouse gases emissions intensity	kilograms of carbon dioxide equivalent (per Hunan Westralian's employee)	9,262	3,172
Direct emissions (Scope 1)	kilograms of carbon dioxide equivalent	3,351	7,908
9	kilogram	(9,890)	(12,650)
removals from newly planted trees Indirect emissions (Scope 2)	kilograms of carbon dioxide equivalent	2 402 000	527 002
		3,483,809	527,982
Other indirect emissions (Scope 3)	kilograms of carbon dioxide	5,334	7,240

- Note: The greenhouse gas emissions (directly and indirectly) and their removals can be divided into the following three separate scopes:
 - Scope 1: The greenhouse gas emissions generated by the business owned or controlled by Hunan Westralian (primarily from the fuel consumption of vehicles) and the greenhouse gas emissions removals from newly planted trees.
 - Scope 2: The greenhouse gas emissions generated in the production process resulting from the consumption of electricity purchased by Hunan Westralian from electricity power company.
 - Scope 3: All other indirect greenhouse gas emissions generated by the external environment of Hunan Westralian, including (i) methane gas generated at landfill by disposal of paper waste; (ii) indirect emissions from the use of electricity when processing freshwater and sewage by external agencies.

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During Year 2019, Hunan Westralian has only produced a small amount of non-hazardous waste during the operation, therefore, relevant data need not be quantified. During Year 2019, Hunan Westralian has not produced hazardous waste during operation, therefore, there is no relevant data. If there is a need to dispose of any hazardous waste, Hunan Westralian will engage a professional company to handle and dispose of it.

Hunan Westralian has carried out a series of energy-saving and emission reduction measures, including but not limited to (i) restricting the usage of motor vehicles and forbid being used for private purposes; and (ii) the driver must strictly abide by the rules and regulations of the Company. Hunan Westralian has formulated appropriate precautions and control measures for possible sources of pollution in its production processes including implemented the "Environmental Protection Management System" ("**Protection System**") and the "Environmental Protection Quality Control System" and adhered to the Environmental Protection Law of the People's Republic of China. In order to protect its staff and local residents, Hunan Westralian classifies and processes the household waste storage at designated locations or permitted locations to prevent or reduce pollution.

In Year 2019, Hunan Westralian was not aware of any material non-compliance of any laws or regulations relating to the emissions of exhaust gas and greenhouse gases, and releasing harmful and harmless wastes on land and water, including the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Water Pollution. In addition, no major fines or sanctions relating to the non-compliance with the relevant laws and regulations have been received in Year 2019.

Use of Resources

Hunan Westralian has formulated an environmental protection framework and resource use measure to minimise and monitor the environmental impact of its operations. Hunan Westralian has implemented green office measures, such as redeploying office equipment as much as possible, encouraging the use of recycled paper for printing and photocopying, and requiring employees to turn off idle lights and appliances to reduce energy consumption.

In Year 2019, the key environmental performance indicators for the use of resources in Hunan Westralian are listed as follows:

Environmental Indicators	Units	2019	2018
Use of Resources			
Total energy	kilowatt-hour	3,864,887	585,735
consumption			
Energy consumption	kilowatt-hour (per Hunan	10,279	3,341
intensity	Westralian's employee)		
Total water consumption	cubic metre	6,700	9,093
Water consumption	cubic metre (per Hunan Westralian's	18	52
intensity	employee)		

Hunan Westralian has implemented a number of policies and procedures to strengthen employees' environmental awareness and thus reduce resource use, including (i) proper use of air-conditioners and keeps the room temperature at 26 degrees celsius; (ii) the office uses daylight whenever possible in order to effectively reduce the electricity consumption; and (iii) encourage printing when needed, use environmental friendly paper in office daily in order to reduce paper consumption.

Based on the rectification works required by the government authorities and the upgrade projects of the mining facilities, Hunan Westralian has carried out a number of safety technical rectifications accordingly, and has completed the mining technical reform project in the eastern mining area of the Gold Mine in the fourth quarter of Year 2019, therefore, the total energy consumption and intensity in Year 2019 have increased significantly compared to Year 2018.

The Environment and Natural Resources

In order to implement the Environmental Protection Law of the People's Republic of China to reduce or prevent destroying and polluting the natural environment, to protect and improve the mining environment and to promote conservation works, Hunan Westralian has built an environmental friendly enterprise according to the Protection System. The Protection System is formulated according to relevant laws, regulations, and standards of the state, industry and local authorities. For the environmental protection work, employees should abide by the principle of "prevention first with treatment combined"(預防為主,防治結合), "whoever pollutes whoever cleans up"(誰污染誰治理), and implement the "a very thorough"(縱到底,橫到邊) management system.

In addition, according to the Protection System, Hunan Westralian has set up a team specialized in environmental protection called The Environmental Protection Leading Team and the Safety and Environmental Protection Department. The Environmental Protection Leading Team is the highest decision-making body in environmental protection in Hunan Westralian, its duties include: (i) leading the environmental protection works; (ii) developing environmental protection policies and objectives; (iii) researching and deciding on governance solutions for major sources of pollution; (iv) assessing the overall condition of environmental protection; (v) ensuring the allocation of resources for environmental protection; (vi) awarding the employees in recognition of their outstanding achievements and contributions to environmental protection; and (vii) being responsible for determining the relevant personnel in line with the government investigation and environmental accidents.







▲ Water pipe is used as water flow for treatment

Hunan Westralian adheres to green operation and is committed to building green enterprises. Duing Year 2019, Hunan Westralian deliberately planted about 430 trees to beautify the living area of the plant. This action can reduce greenhouse gases. In addition, in order to effectively reduce the water consumption, the industrial water used in ore processing in the mining area is taken from groundwater, and the wastewater generated is recycled and reused in the ore processing plant.

SOCIAL

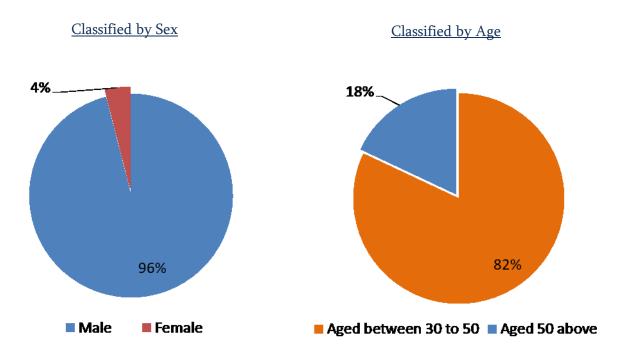
Employment

The Group is committed to providing a working environment free from any form of discrimination: race, gender, religion, age, disability or sexual orientation. Hunan Westralian strives to create a people-oriented, market-based, competitive and fluid work environment that attracts, trains, motivates and assesses its employees in its never-ending effort in creating a quality team. Hunan Westralian provides equal opportunities for all personnel in respect of recruitment, compensation ratios, trainings and developments, promotions and other employment benefits.

Hunan Westralian recruits employees of all gender, age, skills, educational backgrounds, industry experiences and other qualities, in order to achieve the most appropriate, diversified and efficient team.

Employee Composition of Hunan Westralian as at 31 December 2019

Total 376 employees employed:



Regarding to recruitment, our Group, especially Hunan Westralian, strictly follows the recruitment procedures of the Staff Manual: (i) departments that intend to recruit new employees must first fill out the department recruitment application form, and hand into the general administration officer of the department of personnel administration for approval; (ii) the personnel administration department will host the initial interviews with the candidates; (iii) personnel administration department will turn in forms and information of the candidates to their department manager and general manager for their approvals, and host the secondary interview; (iv) the personnel administration department will inform the new employees their first day of work, and assist them with their entry formalities which include establishing their personal files, signing contracts and informing them the lengths of their probations, their salaries and employee benefits in detail; and (v) the department manager will then explain to the employees their job duties and extents of their authorities.

Hunan Westralian strictly complies with the Labor Law of the People's Republic of China to provide reasonable salaries and benefits to its Chinese employees, providing five social insurances and one fund (\mathbb{H}), which include endowment insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance, and the housing provident fund for employees. Employees are also entitled to paid holidays, which include annual leave, sick leave, marital leave and maternity leave. Hunan Westralian has established a promotion mechanism in which the department manager can make adjustment on the employee's salary and promotion based on his/her job performances. All guidelines related to salaries and dismissals, work hours and holidays are clearly stated in the company's Staff Manual. Provided with a well-defined and fair reward and punishment mechanism, the employees can focus on developing their own potentials and performing their best on their jobs.

Hunan Westralian's working hour is 6 days a week and 7 hours a day. Hunan Westralian has also provided a guideline in its leave management method, which states that other than the national statutory holidays, employees may be entitled to overtime compensation (overtime work will be compensated with same amount of time-off). In the case of sick leave, employees who are hospitalized or suffering from illnesses must provide medical proofs to obtain sick leaves. In addition, employees are also entitled to marital leave, maternity leave, paternity leave, bereavement leave based on the state regulations.

In Year 2019, Hunan Westralian was not aware of any material non-compliance of laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefit and welfare. The Group strictly complies with local laws and regulations related to employment, such as the Labor Law of the People's Republic of China and the Law of the People's Republic of China on the Employment Contracts. In addition, no major fines or sanctions have been received in Year 2019 due to non-compliance with relevant laws and regulations.

Health and Safety

In order to put our guiding principles of "placing safety first, preventing injuries as core, and managing comprehensively" ("安全第一,預防為主,綜合治理") into practice, and to strengthen the managements of safety training, Hunan Westralian has set out guidelines in accordance to Safe Production Law of the People's Republic of China, Safety Training Management Measures (Safety Supervision Bureau Decree No. 44) and the relevant laws and administrative regulations, to ensure the quality of our job safety training and further its development. Furthermore, the Company provided a variety of well-planned and specialized safety trainings which are tailored to the realistic working conditions, in order to promote a higher level of safety awareness for all.



▲ A security duty room is set up in the mine area and is guarded by security guards 24 hours a day.

Major hazards of mining include: (i) dumping operation; (ii) ground pressure; (iii) water damage; (iv) fire or explosion hazards; (v) poisoning; and (vi) suffocation hazards.

Dumping Operations: Mine dumps (also known as waste field) refer to sites where waste materials such as soils and rocks that were removed to access to the ores are stored. The waste materials produced in the process generally include humus topsoil, weathered rock, hard rock, mixed geotechnical soils and small amount of recycled off-the-shelf mines and lean mines, etc. Hunan Westralian has also set up the "Safety Management System for Dumping Operation" regulates the operation of dumps to satisfy each process' safety protection requirements, evaluation and management, supervision and inspection requirements, to prevent accidents in the dumps.

Ground Pressure: Due to some unauthorised indiscriminate mining by the locals in the past, there are goaves existing in the mines. The goaves may collapse under the ground pressure if they are not filled or treated with other methods. To prevent the goaves from collapsing, Hunan Westralian has developed a "Filling Recovery Safety Management System", which requires each layer of mining to be filled immediately after being mined, and the last layer shall be treated with fill tightening, to prevent staff from falling into goaves.

Water Damage: There are three types of water damage that may cause casualties and property damages: (i) when goaves collapse and water from surface seeping in as a result, or when there are cracks or caves on the surfaces and precipitations pour in; (ii) when underground water gushes inside the mining areas (even when the amount of water gushing is small, the strength and abruptness may cause immense damages to the mining site); and (iii) when the water on the surface or when rain pours in and lead to flooding in goaves, roadways and mining areas. In order to prevent any of the water damages mentioned above, Hunan Westralian regulates all its units to fulfill the work safety requirements by abiding "Drainage Management System", "Surface and Underground Drainage Management System", "Water Damage Control Technology Management System", "Water Damage Investigation System".

Fire or Explosion Hazards: There are multiple potential sources of flammable, combustive and explosive materials in the mining process, explosives and detonator materials such as ammonium nitrate are the most dangerous. To eliminate any fire or explosion hazards in the process of storage and transportation, Hunan Westralian has developed "The Use of Fire Product Management System", "Explosives Storage Safety System", "Explosives Safety Inspection System" and "Use of Explosives Management System". The systems also require all responsible personnel passing the safety training and assessments, and have obtained the Explosives Administrator Certificate or Explosion Certificate. In addition, Hunan Westralian has also set up "Fire Safety Measures", "Fire Prevention Management System" and "Fire Management System", and requires all managers to inspect and supervise the site strictly adhering to the guidelines, which include but not limited to (i) sampling the air quality for any combustible gas at mining site and clearing out any flammable material in the location and using sprinkler to remove any dust particles before ignition. shall be at least two fire extinguishers and two buckets at the scene at all time. After ignition, it should put out the fire with water, and observe for an hour to ensure all fire were put out before leaving the scene; (ii) checking the first and second wiring before welding, and ensuring the grounding is placed well to prevent electric shock; and (iii) checking the oxygen and acetylene meters before using welding torches to prevent gas leakage.

Poisoning and Suffocation Hazards: Poisoning and suffocation hazards are caused by the airborne dust and soot from explosion and other airborne contaminants at the mine, which include: the mixture of sulfide and air formed by the oxidation of the ore body, and air contaminants in the cave, the goaf and the tunnel. The mine is divided into separate mining zones with separate ventilation system in each zone, and use the central exhaust ventilation system to vent the air out of the mine. Hunan Westralian has formulated a "Ventilation and Dust Management System", which requires the production technology department, environmental safety department, and the mechanical and electrical management unit of the mine area to strictly abide by it.



▲ Fire equipment in the mine area

The Group continue its effort to improve its mining capability and facilities with the goal to maximise the output efficiency of the Gold Mine. The following areas will require further capital investment for improvement: (i) mine site facilities in the mine located in the eastern side of the site; (ii) plants for mining products processing; and (iii) ancillary facilities, including mine ventilation and air distribution systems.

In Year 2019, Hunan Westralian was not aware of any material non-compliance of laws and regulations that have a significant impact on providing a safety working environment and protecting employees from Hunan Westralian's occupational hazards. Hunan Westralian strictly complies with local laws and regulations related to health and safety, such as the Production Safety Law of the People's Republic of China and Work-Related Injury Insurance Regulation of the People's Republic of China. In addition, no major fines or sanctions have been reported in Year 2019 due to non-compliance with relevant laws and regulations.

Development and Training

Hunan Westralian has prepared "Staff Manual" to regulate the employee trainings and developments, it includes: (i) training purposes; (ii) training systems; (iii) method of trainings; and (iv) training management. In order to create a safe working environment for all, Hunan Westralian is committed to providing workers sufficient pre-job trainings, on-the-job trainings and other related professional trainings. All new employees are required to participate internal training which enables them to quickly adapt to the working environment, to understand the corporate culture and to master the basic skills needed. In addition, Hunan Westralian also recruit lecturers for staff-training internally as well as externally: the internal trainings improve the operational capacities of the employees, and external trainings enhance their professional knowledges, safety awareness, and further their skills in management leadership and teambuilding. Hunan Westralian strives to further company development, enhance the performances of its employees and retain the talents in company.

Hunan Westralian has developed a "Safety Activities Day System". Every Friday is a Safety Activities Day, every mining area is divided into morning and afternoon section, and the activities are held for not less than 2 hours.

Hunan Westralian has formulated a safety training program to continuously improve the employees' awareness and skills on job safety to meet the needs of the company's overall development. The training targets the new employees, special operations personnel, team leaders, part-time security officers, major responsible officers of the company and safety management personnel. Under the necessity of the Hunan Westralian's development, the trainings also equip all the staff with essentials knowledges such as the laws and regulations, skills on identifying sources of hazards, emergency procedures and safety standards etc.

Labour Standards

Hunan Westralian believes that all forms of child labour and forced labour are universally condemned, and therefore against these illegal arrangements and strive to comply all the laws and regulations strictly. Hunan Westralian strictly complies with the labor contract system, and all employees are required to sign a labor contract within one month from the date of employment.

Hunan Westralian has adopted the general recruit measurement to avoid child labor and forced labor, including: (i) prevention of child labour measure; and (ii) prevention of forced labour measure. When the administrative and human resources department reviews the resume of the job applicants, it will remove those job applicants who are under the age of 18. Since the measurement came into effect, the Group has not hired any child labour. In addition, employees are required to submit their daily working hours to their immediate supervisors every day. The administrative and human resources department will check the work hours records once a week. If any overtime is found, an investigation will be carried out immediately.

In Year 2019, the Group was not aware of any material non-compliance regarding laws and regulations relating to prevent child labour and forced labour in Hunan Westralian. The Group strictly complies with local laws and regulations related to labor standards, such as the Labor Law of the People's Republic of China and the Provisions on Prohibition of Child Labour. In addition, no major fines or sanctions have been reported in Year 2019 due to non-compliance with relevant laws and regulations.

Supply Chain Management

Hunan Westralian has always complied with laws and regulations in its business operations, and has always adhered to the international standards, and remained fair in its purchasing procedures. In its supply chain management, Hunan Westralian always upholds the principle of transparency, honesty, integrity and fairness. Hunan Westralian provides strict guidelines on its purchasing procedures in its assessment and selections of services providers to ensure every little step is in compliance with regulations. In addition, Hunan Westralian has approval procedures to ensure the cooperation with suppliers are monitored and approved by the appropriate level of management.

Product Responsibility

Customers' satisfaction is one of Hunan Westralian's main goals. Hunan Westralian is committed to comply with the laws and regulations in respect to health and safety of its products, advertising, labeling and privacy. All employees are required to comply with applicable government and regulatory laws, rules, codes and regulations.

In Year 2019, the Group was not aware of any material non-compliance of the laws and regulations relating to the health and safety, advertising, labeling, privacy matters relating to the products and methods of redemption in Hunan Westralian. The Group strictly complies with local laws and regulations related to product liability, such as the Advertising Law of the People's Republic of China. In addition, no large fines or sanctions have been reported in Year 2019.

Anti-corruption

Combining the relevant laws and regulations of the People's Republic of China and the actual company's situation, Hunan Westralian has set up "Anti-fraud Policy" to strictly prohibit any forms of corruptions and frauds, to enhance Hunan Westralian's governance and internal control, and to regulate its operation activities in order to reduce Company's operation risks and to ensure the company has a stable and healthy development. All employees are prohibited from using deception or other illegal measures to receive personal benefits including but not limited to money, gifts, loans, awards, contracts, services and food.

Hunan Westralian has also set up "Anti-fraud Prosecution Procedure" and communication channels that enable the staff to report frauds. If employees in Hunan Westralian knew or suspected any forms of fraud, they may follow the procedures to report. Hunan Westralian encourages employees to report to the Chairman of the Audit Committee through mail or email anonymously. After the prosecution is accepted, the relevant prosecutions will be conducted independently by the internal auditors or the external legal counsels under the supervision of the chairman of the committee.

In Year 2019, the Group was not aware of any material non-compliance of the laws and regulations relating to bribery, extortion, fraud and money laundering in Hunan Westralian. The Group strictly complies with local laws and regulations related to anti-corruption, such as the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China. In addition, no large fines or sanctions have been reported in Year 2019.

Community Investment

Hunan Westralian is striving to become a positive force in the communities in which they operate, and has maintained close communication and interaction with the community in order to contribute to community development.

As a responsible enterprise, Hunan Westralian is committed to improving its social image and social responsibility through community investment, and also encourages all employees to take their own initiative to help and support local communities and neighbours.