

PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1820



Environmental, Social and Governance Report 2019



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INTRODUCTION AND SCOPE OF ESG REPORT

This Environmental, Social and Governance (“**ESG**”) Report as its second ESG report since listing presents a detailed account of the performance, policies and strategies of sustainable development pertaining to Pacific Millennium Packaging Group Corporation (the “**Company**”) and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the year ended 31 December 2019 (the “**Reporting Period**”).

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx**”). The reporting principles of materiality, quantitative, balance and consistency are strictly complied with when this report is compiled. It can be found that all “comply or explain” provisions in the Appendix 27 are elaborated in the below sections to reflect our view and performance for the ESG issues during the Reporting Period.

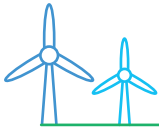
The Group is engaged in the business of manufacture and sale of corrugated packaging products. We have a total number of eleven production plants in mainland China while the Hong Kong office and the Shanghai office are in place for corporate level management and operation. In terms of manpower number and revenue contribution, it is concluded that the Hong Kong office and Shanghai office do not have significant impact on the Group’s environment and social issues. Therefore, the reporting boundary of this ESG report only covers our eleven manufacturing plants located in Suzhou, Tongxiang, Nanjing, Qingdao, Tianjin, Dalian, Shenyang, Wujiang, Changshu, Huizhou and Taicang in mainland China (the “**Reporting Scope**”). The Reporting Scope has not been changed from last ESG report.

The opinions and comments on this report and our sustainability performance thereof can be submitted to us at contact@pmpgc.com, which will help us optimize our ESG strategy and improve our ESG performance accordingly.

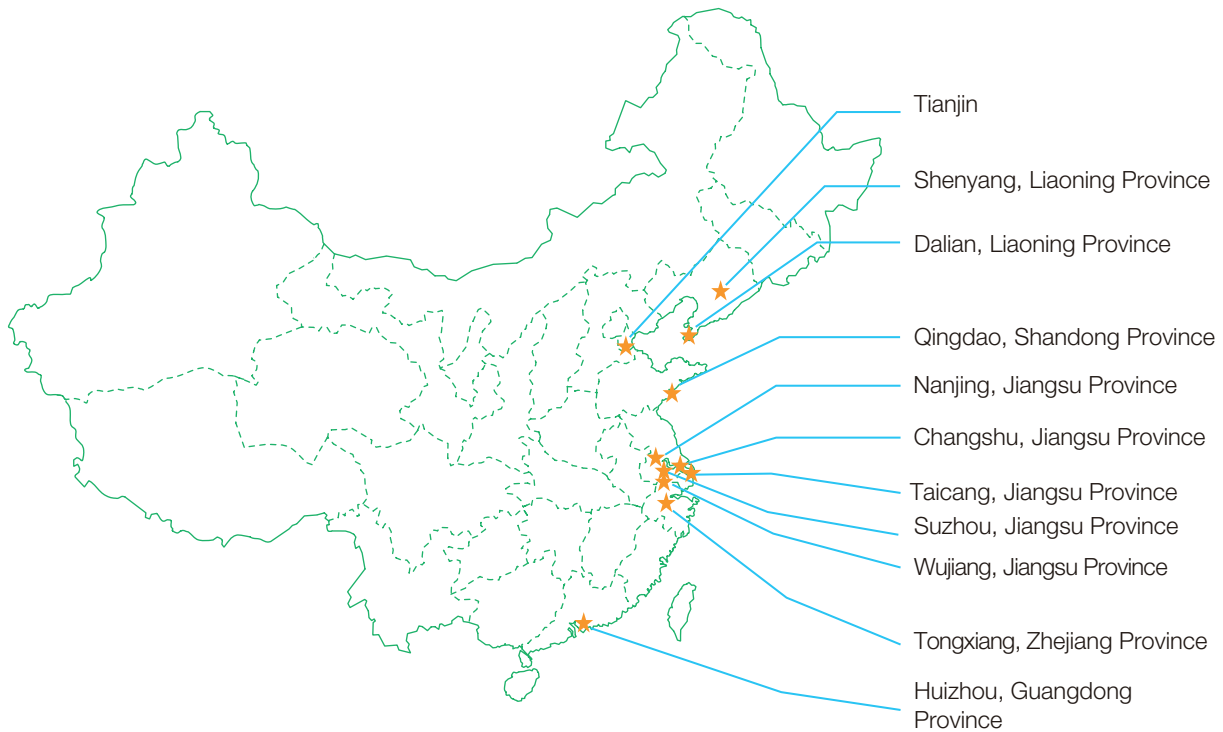
ABOUT THE GROUP

The Group is a corrugated packaging supplier in the People’s Republic of China (“**PRC**”) over 20 years of experience and are principally engaged in the manufacturing and sale of (i) corrugated packaging products including corrugated boxes, pallets, display stands, heavy duty packaging and specialized packaging products; and (ii) corrugated sheet boards in the PRC. The Group also provides integrated packaging services to meet the needs of several customers for one-stop packaging solutions.

During the Reporting Period, the Group had total eleven production plants sited in Northern, North-Eastern, Eastern and Southern regions of the PRC. All of them were equipped with corrugated board production lines and mainly produced corrugated sheet board and corrugated box.



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The Group has a solid and long-standing relationship with its major customers, a majority of which are leading players in their respective industries, including food and beverages, non-food and beverage consumables, home appliances and electronics, durable goods and garments, e-commerce and express delivery.

The Group is committed to maintain high standards of environmental compliance and protection, social harmony and corporate governance and protect the interests of its shareholders in an open manner.

Company culture	People oriented; Pursuit of excellence		
Core values	Diligence	Innovation	Rational
	Team spirit		Open-minded
Product design concept	Green packaging; Ecological design		
Business goal	To be the best paper-based packaging group in China		

Looking forward, by steady expansion of production plants network, increase of service radius coverage, enhancement of production efficiency and developing emerging customers, the Group aims to further strengthen its market position in the corrugated packaging industry in the PRC.

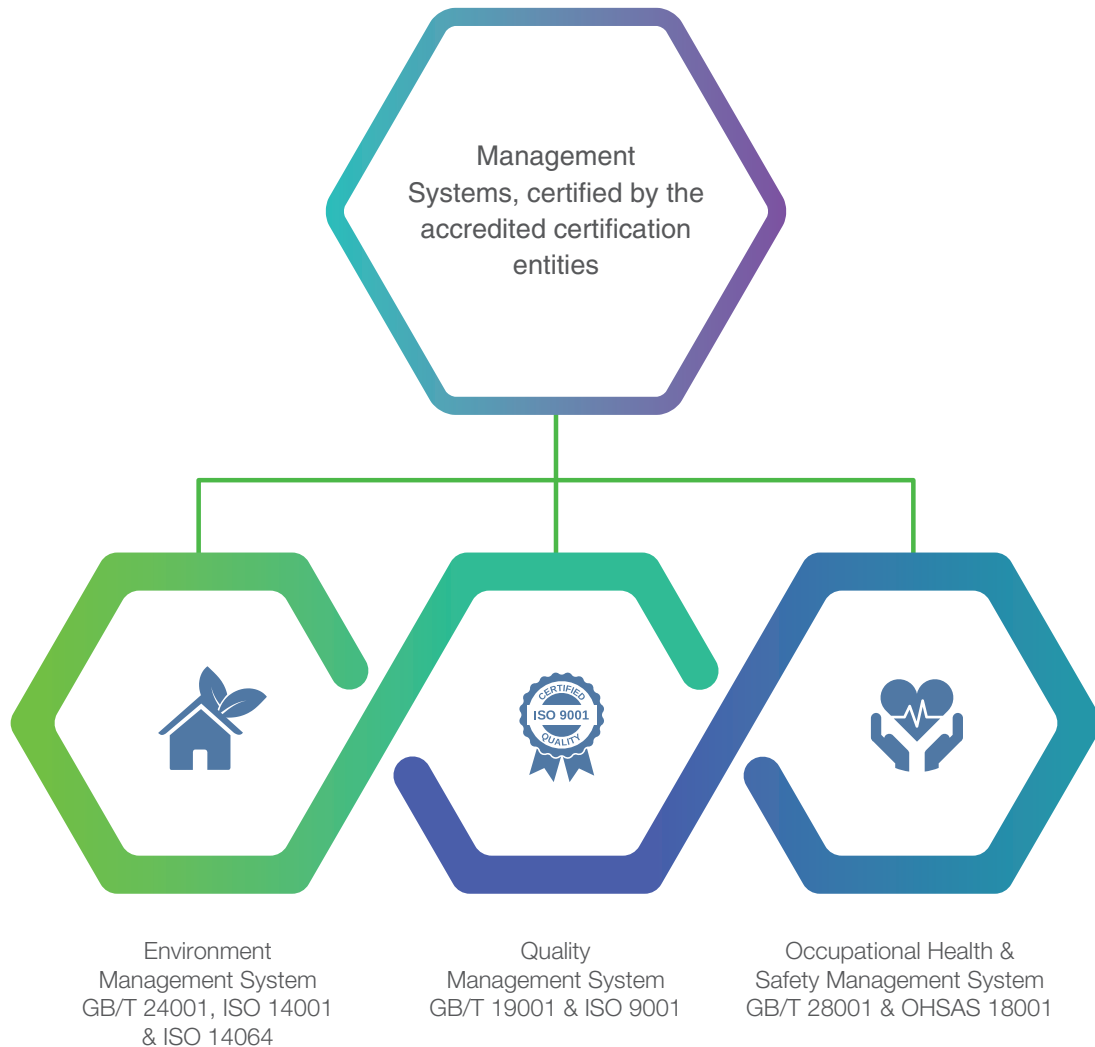


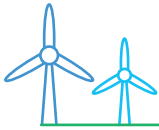
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OUR SUSTAINABILITY STRATEGIES

During over 20 years of rapid growth, we have been realizing that the ESG responsibilities could play an important role in achieving our commitments of positive investment return to our investors, responsible employer to our employees, beneficial cooperation to our suppliers, and satisfied products to our customers, which, we truly believe, has distinguished us from our competitors and facilitate our healthy expansion in the corrugated packaging market. In order to continuously meet all above commitments, with regard to the environmental and social aspects, the Management Systems of Quality, Environment, Occupational Safety and Health have been established and certified by the accredited certification entities for all our eleven operational production plants.





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With the certified management system documents in place, the Group has integrated specific ESG issues into its business strategies and day-to-day operations and managed to monitor, measure, assess, identify and resolve the ESG issue-related risks on a systemic and timely basis.

During the Reporting Period, the Group established the Environment Committee mainly responsible for ensuring that all the Group's production plants complied with the applicable laws, rules and regulations in the aspect of environment.

The Group has taken into account the ESG factors in the early stages when the business objectives are set, the individual project investment is planned, or the products are designed in order to avoid the risks related to the ESG issues during the operation stage and the resulting losses brought to our stakeholders.

To reduce environmental emissions, decrease consumption of raw materials and energy, and make products recyclable and reusable, the Group has adhered to the concept of green packaging and ecological design and implemented the principles of reduce, reuse, recycle and degradable ("**3R1D Principle**") in the stage of product design.

Additionally, the Tongxiang production plant of the Company has participated in the selection of national green plant where the critical selection criteria include plant infrastructure, management systems, energy & material consumption, product, environmental emission and performance. The purpose of selecting national green plant is to speed up construction of green manufacturing system, promote industrial transition and strengthen sustainable development. The other production plants of the Group have been learning the applicable experience and practices from the Tongxiang plant and will apply for national green plant when applicable.

Apart from the sustainable management approaches performed in the production process, the Group has introduced the sustainable practices guided by the green office management system to the offices in the production plants, which not only able to deliver the Group board's attitude on sustainable development and achieve all employees' participation, but also to further make the environment better and from the point of view of environmental protection, approach closer to the Group's business goal, to be the best paper-based packaging group in China.

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

The Group considers it be greatly important for long-term sustainable development that its stakeholders can express their opinions and expectations on the Group's operation on a continuous basis. During the Reporting Period, we adopted a variety of channels for efficient communication and interaction with the stakeholders, identified the material ESG issues in a timely manner, and continuously improved our ESG performance.



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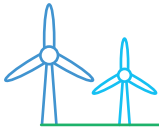


Based on the type of communication channel and communication frequencies with relevant stakeholders, the Group has identified four different groups of the most relevant stakeholders. They are described as follows alongside with corresponding communication channels.

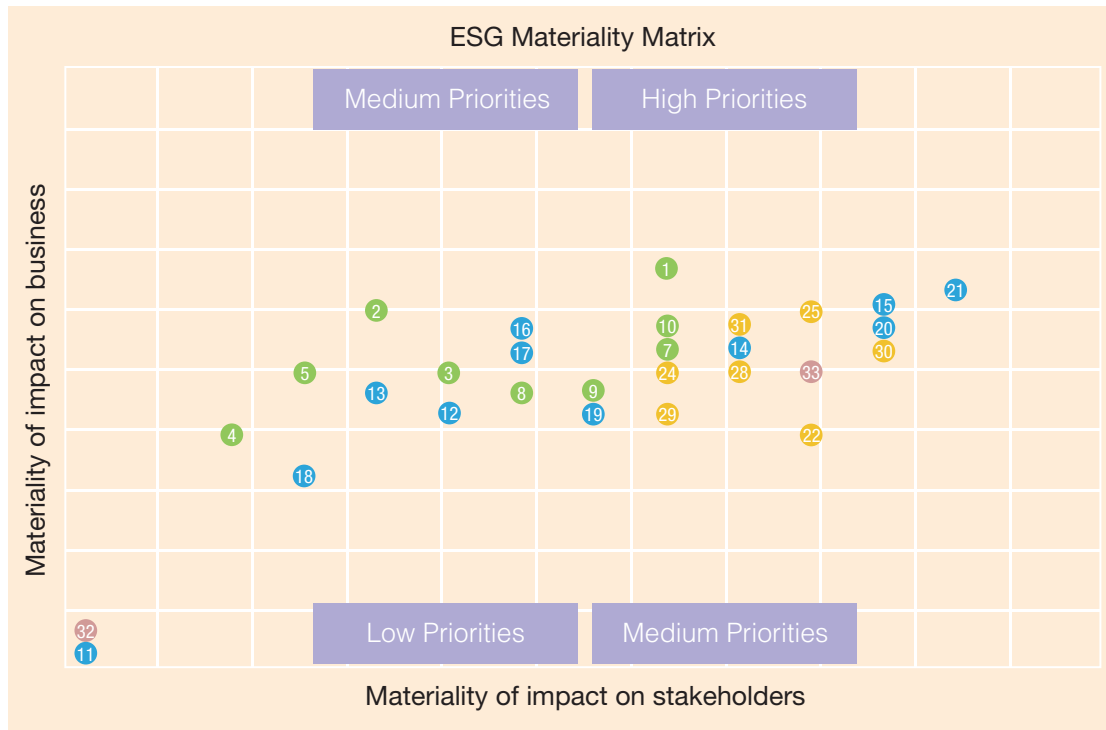
Stakeholder	Communication Channel
<ul style="list-style-type: none"> Investor (Shareholder) 	<ul style="list-style-type: none"> Annual general meeting and notices Annual and interim reports, ESG report, financial statement and announcements Corporate website
<ul style="list-style-type: none"> Employee 	<ul style="list-style-type: none"> Internal meetings Orientation courses Training workshops Performance appraisal Employee gathering Labor contract Opinion box and email
<ul style="list-style-type: none"> Supplier 	<ul style="list-style-type: none"> Email & phone contact Regular visit & interaction Seminar and conference Supplier evaluation
<ul style="list-style-type: none"> Customer 	<ul style="list-style-type: none"> Email & phone contact Customer satisfaction survey Annual and interim reports Corporate website

The materiality assessment was performed to understand the relevance and materiality of ESG issues by distributing one designed online questionnaire survey which consists of 33 ESG topics derived from the “Environmental, Social and Governance Reporting Guide” to the external stakeholders (investor/supplier/customer) and the internal stakeholder (employee).

As a result, the Group received responses from the total number of 42 respondents based on which the ESG materiality matrix is developed. The ESG issues which fall within the top right-hand quadrant of the matrix represent the high materiality and most relevant to the Group and are thus considered as the high priorities for the Group when it seeks improvement of ESG performance. Moreover, the ESG topics under medium and low priorities are also integrated into the Group’s ESG improvement program to some extent since they are likely to evolve to be high priorities as the market circumstances change.



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High Priorities		Medium Priorities		Low Priorities			
1	Environmental compliance	25	Product safety and health	2	Air emission	4	Climate change
6	Waste management*	26	Quality of product and service***	3	Greenhouse gas emission	8	Use of water
7	Efficient use of raw material	27	Customer satisfaction****	5	Mitigation measure of air & greenhouse gas	9	Water conservation
10	Energy efficiency	28	Customer complaint procedure and handling	16	Employment relationships	11	Employment diversity
14	Employee benefits and welfare	30	Customer privacy and data protection	17	Labour right	12	Equal opportunity
15	Occupational health and safety	31	Anti-fraud and corruption	22	Supply chain management	13	Anti-discrimination
20	Effective communication	33	Environment and natural resources protection	23	Fair competition**	18	Employee training
21	Prevention of child and forced labour			29	Intellectual property	19	Employee development
24	Transparent procurement					32	Community investment

*: The score of the topic No. 6 is same as No. 31

** : The score of the topic No. 23 is same as No. 29

***: The score of the topic No. 26 is same as No. 30

****: The score of the topic No. 27 is same as No. 31

The Group appreciates the active participation of the stakeholders in communication and engagement with our ESG performance which would balance the interests of the Group and the stakeholders and lead us to create the sustainable future eventually.



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PROTECTING THE ENVIRONMENT

The Group has not considered the environmental protection a hurdle while rather be a motivating factor which can be merged into the Group's business growth. By combining the innovative conduct of net-zero carbon emissions product by carbon neutral, with the advanced practices of green design of product, green packaging concept, as well as procurement of environmental-friendly materials, the Group has made the contributions to decrease social costs of treating pollution, delay climate change and protect environment by market mechanism.

Preserving the environment is necessary for the long-term sustainability of our business. In order to minimize the negative impacts of our business activities on the environment, we has established and authorized the Environment Committee in charge and the environment, health and safety ("**EHS**") team as executing component to manage the Group's environmental issues, and are committed to:

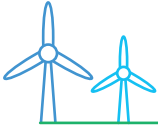
- Comply with all applicable environmental laws and regulations.
- If applicable, establish and comply with standard of our own, which are beyond legal mandates.
- Adopt programs to increase efficiency of energy use.
- Implement measures to reduce resource consumption and various emissions.
- Procure the FSC certified raw materials to minimize the damages to the natural resources.
- Set environmental goal, supervise process of realization, and review the results to ensure environmental compliance.
- Continuously optimize management system of environment and improve level of environmental management.
- Provide the periodical training to the relevant staff to strengthen their awareness and capacity of environmental protection.
- Share environmental management experience within the Group and to the local communities and the stakeholders.

During the Reporting Period, the major environmental key performance indicators that the Group has accomplished are:

- 100% compliance rate on air emissions, noise generation and water discharge
- Zero chemical leakage
- Zero greenhouse gas ("**GHG**") emissions during the production through carbon neutral project

Per the environmental factors complexity defined by the ISO, the Group's manufacturing the packaging materials do not involve high environmental risks. The Group is in strict compliance with the relevant environmental laws and regulations that have a significant impact on the Group's business with regard to the environmental protection covering air and greenhouse gas emissions, water discharge, generation of solid waste, including but not limited to:

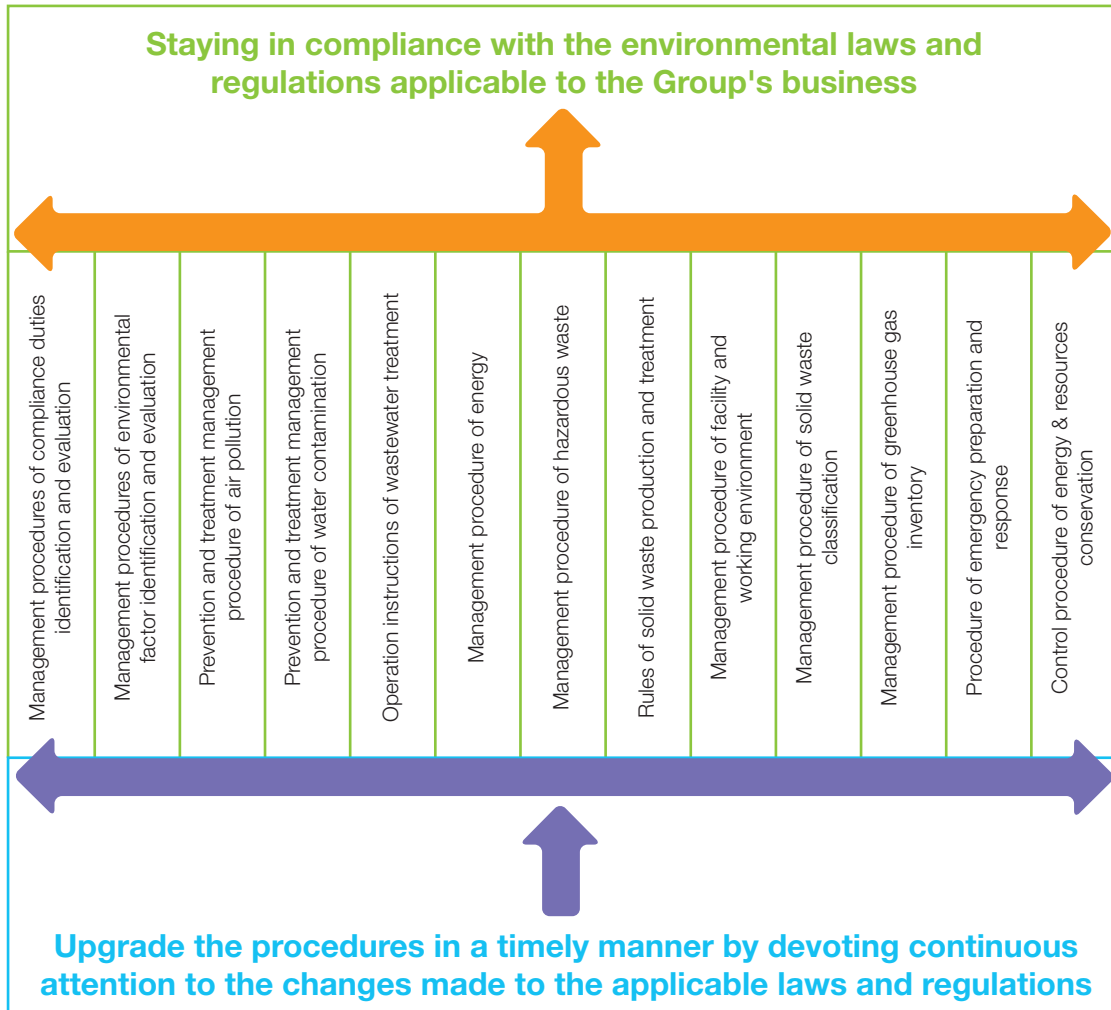
- The Environmental Protection Law of the People's Republic of China
- The Environmental Protection Tax Law of the People's Republic of China
- The Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China
- The Law on the Prevention and Control of Water Pollution of the People's Republic of China
- The Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China
- The Law on the Prevention and Control of Pollution from Environmental Noise of the People's Republic of China
- The Law on Appraising of Environmental Impacts of the People's Republic of China
- The Regulation on the Administration of Environmental Protection of Construction Projects



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For all of our eleven production plants, the management systems of environment ISO 14001 and greenhouse gas ISO 14064 have been established and certified. The internal regulatory documents and corresponding supporting work papers thereof have guided the environmental management approaches and practices of the Group, and guaranteed that the Group is in compliance with the applicable environmental laws and regulations.





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Emissions

The emissions relevant to the business activities of the Group production plants are air emissions, greenhouse gas emissions, wastewater and solid waste, of which the required information in the “Environmental, Social and Governance Reporting Guide” is disclosed respectively in the below sections.

Air Pollutant Emissions

At plant sites, the manufacturing activities of the packaging materials have mainly produced the air pollutants of nitrogen oxides (“**NO_x**”), sulphur dioxide (“**SO₂**”), particulate matters (“**PM**”) from site industrial boilers, and volatile organic compounds (“**VOC**”) in the organized and unorganized format from the printing processes. It is noted that the vehicles at the plants site also emit air pollutants, but the vehicles emissions are insignificant compared to that of production processes. Thus, this ESG report only disclosed the emissions of air pollutants from the production processes.

The air pollutants of **NO_x**, **SO₂**, **PM** and **VOC** have been treated by the exhaust gas equipment installed on site before emitting to the atmosphere for the purpose of emission compliance if the air pollutants emitted from the boilers and printing process exceed the standard limits. The waste gases with or without treatment have been tested by the qualified testing entities and the testing results stated in the test reports confirm that the air emissions of the production plants meet the applicable emission standards.

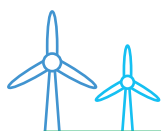
The data of air emissions from the production plants have been monitored, recorded, aggregated and presented in the below table.

Type of air pollutant	Emissions in 2019	Emissions in 2018	Unit
NO _x	10,137.10	176.70	kg
SO ₂	3,125.60	2.94	kg
PM	708.60	13.01	kg
VOC	1,288.50	—	kg

The reason that the emission amount of the air pollutants have witnessed significant changes between year 2018 and 2019 is that, in the ESG report of year 2018, the diesel and/or gasoline consumption by vehicles were considered as the sources of the air emissions while the air pollutions from the site boilers and the printing process were not included. The Group has checked the internal monitoring, recording and reporting procedures relating to the calculation of the air emissions, and confirmed that the procedures had been implemented as designed.

This ESG report has included the major emission sources of site boilers and printing process and the corresponding air pollutants of **NO_x**, **SO₂**, **PM** and **VOC** and excluded the insignificant emission sources of vehicles as mentioned above.

The Group has been seeking the efficient measures of mitigating air pollutant emissions and planned to phase out the fossil fuel-based boilers and used purchased steam instead, which will significantly reduce the air pollutants at plant sites.



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Greenhouse Gas Emissions

Contributing to tackle climate change and making efforts to reduce emissions of GHG have gained continuous attentions from the Group as it and its stakeholders have acknowledged that the issues of the climate change and GHG related risks could cause potential adverse impacts on the Group's business operations.

During the Reporting Period, the emissions amount of GHG produced by the Group's business activities were quantified and verified by an accredited GHG verification entity in accordance with the standardized system procedures of ISO 14064-1: 2018 "Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of GHG emissions and removals". As verified, the GHGs relevant to the manufacturing packaging materials activities at plant sites are CO₂, CH₄ and N₂O which were produced by fossil fuels combusted in the boilers, production and official vehicles, fugitive emission from wastewater treatment system, and using imported power.

The verified total amount of GHG emissions of the Group in year 2019 was 46,978 tonnes, which was comprised of scope 1 direct emissions of 20,743 tonnes and scope 2 indirect emissions of 26,235 tonnes respectively.

Item	GHG	Emission scope	Emission source	Emission amount	Unit
1	CO ₂	1-direct emission	Fossil fuel combusted in stationary boiler, production and business mobile vehicles	20,661	tCO ₂ e
		2-indirect emission	Consumption of imported power	26,235	tCO ₂ e
2	CH ₄	1-direct emission	Fossil fuel combusted in stationary boiler, production and business mobile vehicles, fugitive emissions from wastewater treatment	51	tCO ₂ e
3	N ₂ O	1-direct emission	Fossil fuel combusted in stationary boiler, production and business mobile vehicles	31	tCO ₂ e
Total GHG emissions				46,978	tCO₂e

The comparison of annual GHG emissions between year 2018 and 2019 is made and as a result the total GHG emissions rise by 12.38% from year 2018. In consideration of total production volume rising by 18.73% from year 2018, an increase of 12.38% in total GHG emissions is reasonable. The key indicator of GHG intensity was calculated and disclosed, and a drop of 5.68% is observed, which signified that the practices taken to control GHG emissions by the Group in year 2019 are productive and effective.

Emission scope	Emissions in 2019	Emissions in 2018	Unit	Change, %
Scope 1	20,743.00	19,387.63	tCO ₂ e	+6.99%
Scope 2	26,235.00	22,414.72	tCO ₂ e	+17.04%
Total GHG emissions	46,978.00	41,802.35	tCO₂e	+12.38%
Production volume	561.6	473.0	Million m ²	+18.73%
Intensity	0.84	0.88	tCO ₂ e/10,000m ² production volume	-5.68%



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Product of Net-zero Carbon Emissions

As the first and only producer of packaging materials in the mainland China market who undertake the carbon neutral program, the year 2019 is the tenth consecutive year for the Group to present the products of the net-zero carbon emission to the customers.

To offset the total GHG emission amount produced due to its business activities in year 2018 and 2019, the Group has purchased the corresponding quantities of Chinese Certified Emission Reductions ("CCER"), which were registered and issued by the appropriate national authority, via the Shanghai Environment and Energy Exchange, one of the official and biggest CCER trading exchanges in the PRC.

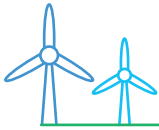


Waste Management

The wastes produced by the Group on plant sites are classified as the non-hazardous wastes and hazardous wastes. Based on the manufacturing practices of the Group, the non-hazardous wastes mainly include the leftover scraps, plastic package of raw materials and municipal solid waste while the hazardous wastes mainly consists of the plastic barrel of oil residue, sewage of wastewater treatment, waste filter cotton, waste activated carbon and PVC interior package of waste glue etc.

In light of internal regulatory procedure document — Rules of Waste Production and Treatment, the Group has managed the wastes produced on plant sites in a systemic and scientific way. For non-hazardous wastes, the Group collected the leftover scraps and plastic package of raw materials and recycled them as much as possible. Due to the recycling capacity at site, the wastes that were not recycled were collected and then sold for recycling by others. The municipal solid wastes were stored in the designated places and then collected and treated by the local sanitation departments. As for the hazardous wastes, the barrel of oil residue were normally recovered by its manufacturer. The Group has outsourced the disposal of the other hazardous wastes to the qualified entities. The frequency of the disposal is based on the period of wastes production, which ensures that the hazardous wastes were treated efficiently and cost-effectively.

Type of waste	Quantities in 2019	Quantities in 2018	Unit	Change, %
Hazardous waste	7,109.06	5,830.54	tonne	+21.93%
Intensity	0.1265	0.1233	tonne/10,000m ² production volume	+2.69%
Non-hazardous waste	30,720.90	23,045.97	tonne	+11.61%
Intensity	0.5470	0.4872	tonne/10,000m ² production volume	+12.27%



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Noise Generation

For the production plants, the noise sources are mainly the printing machines, wholly-automated cutting machines, wholly-automated box sticking machines, air compressors and boilers etc. that operated at plants sites. To lower the noise level, under the circumstances that the design of production process is met, the Group has opted for the lower noise equipment and facility. As a result of optimizing equipment layout, the high noise equipment was arranged far away from the plant boundary. The regular check and maintenance was also performed in order to keep the equipment in a normal condition and not to increase noise level.

According to the environmental testing report delivered by the accredited testing entity, the level of the noises caused by the production activities on site meet the standards issued by the appropriate national authorities.



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Use of Resources

To increase the efficiency of energy utilization, reduce the consumption of resources, make the plant site environment better, and realize sustainable development, the Group has established the management procedures of energy and resources, where it stipulates the management duties of relating departments and working procedures to monitor, record, report, analyze, control the energy and resources use.

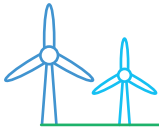
The relevant energy and resources to the business activities of the Group are natural gas/coal, electricity, diesel oil, unleaded petrol, water, packaging materials, office paper and raw paper as main raw materials of production. The specific regulatory documents for different types of energy and resources consumed by the Group have also been introduced and executed within the management procedures of energy and resources for the purpose of their conservation.

Energy Management

To produce steam for daily operation, the production plants utilized natural gas in boilers, except for Dalian production plant consuming coal for this purpose. Additionally, for production of packaging materials at sites, all production plants purchased electricity, and consumed diesel oil and unleaded petrol for production vehicles and business vehicles.

To be accurate and reasonable, only the production volume of Dalian production plant was used for calculation of intensity of coal, and the production volume of the Group excluding that of Dalian production plant was considered to calculate the intensity of natural gas.

Type of energy	Quantities in 2019	Quantities in 2018	Unit	Change, %
Electricity	29,792,189.56	26,230,139.51	kWh	+13.58%
Intensity	530.49	551.54	kWh/10,000m ² production volume	-3.82%
Diesel oil	282,178.57	218,516.50	litre	+29.13%
Intensity	5.02	5.30	litre/10,000m ² production volume	-5.20%
Unleaded petrol	263,036.14	197,113.55	litre	+33.44%
Intensity	5.52	4.46	litre/10,000m ² production volume	+23.68%
Natural gas	7,529,294.00	6,759,912.18	m ³	+11.38%
Intensity	141.42	153.12	m ³ /10,000m ² production volume	-7.64%
Coal	1,320.44	1,427.83	tonne	-7.52%
Intensity	0.45	0.42	tonne/10,000m ² production volume	+7.74%



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The intensity of coal consumption saw an increase of 7.74% from year 2018. The reason for this change is that only Dalian production plant used coal both in boilers for daily operation and plant heating in winter, and the production volume of Dalian plant decreased by around 25% in year 2019 which resulted in the reduction of coal consumption while the area and period of plant heating was not changed and corresponding coal consumption for plant heating was not reduced significantly, the reduction range of coal consumption is therefore lower than that of production volume and the intensity increasing 7.74% occurred.

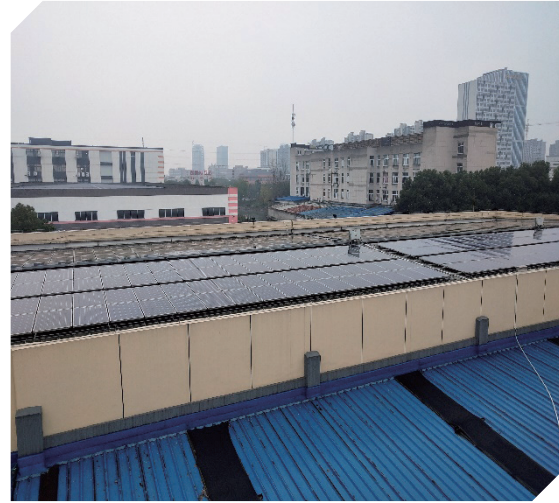
The monitoring of energy is the basis of energy management. The installation, use and management of energy measurement equipment of the Group was performed in accordance with the national standard GB 17167 (General Principles for equipping and managing of the measuring instrument of energy in organization of energy using). The Group also made regular calibration to the energy measuring equipment to maintain its accuracy.

As agreed both internally and externally, the continuous improvement on energy management would be beneficial to the Group and the stakeholders. The improvement programs that have been implemented by the production plants to increase energy efficiency include:

- Install photovoltaic power generation facility in Tongxiang and Wujiang production plants to produce renewable energy accounting for more than 20% of purchased electricity and reduce the purchased power from power grid
- Operate waste heat recovery facility to recover and utilize waste heat and then reduce consumption of natural gas for boiler
- Operate intelligent temperature control system to adjust temperature and presser of steam, control flatness of cardboard for energy saving
- Optimize the processing parameters to lower temperature of paste and reduce consumption of natural gas or steam
- Adopt the equipment featuring high energy efficiency
- Promote high energy-efficient lamps, i.e., LED lamps
- Introduce participation of all employees in refined production to reduce processing waste
- Check the energy consumption on the daily basis
- Optimize the working schedule based on the different products to reduce energy loss
- Increase the recycle rate of wastewater to reduce wastewater amount
- Procure high-quality coal and clean dust periodically in the boiler to enhance energy efficiency
- Phase out the fossil-fuel based boilers and use the purchased steam instead
- Procure the FSC-certified box papers to circulate and save the resources of forest



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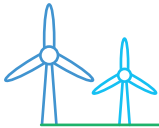


Picture: photovoltaic power generating facility on plants site

Water Conservation

Fresh water is a limited and costly resource in the Group's perspective. The Group set out the management system of water and performed the relevant water conservation practices to use water efficiently so as to reduce unnecessary water usage, including:

- Building awareness of saving water in employees
- Monitoring, measuring, analyzing, and improving water consumption in different production processing on a regular basis
- Adopting water saving equipment in toilets
- Modifying equipment or optimizing processing technology without affecting performance
- Conducting routine checks and regular maintenances on water pipes
- Recycling or reusing wastewater as much as possible



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During the Reporting Period, there was no issues in sourcing water for the Group and the practices of water conservation made the fresh water consumption of the Group achieve a drop of 11.39% compared to the year 2018.

	Quantities in 2019	Quantities in 2018	Unit	Change, %
Water consumption	146,699.80	165,553.65	m ³	-11.39%
Intensity	2.61	3.48	m ³ /10,000m ² production volume	-25.00%

The Group strives to ensure that the wastewater discharges meet the relevant wastewater emission standards by strictly implementing management procedures of prevention and management of wastewater. At production plants, the wastewater mainly came from the equipment cleaning and domestic wastewater. After treatment, part of wastewater from equipment cleaning were reused and the left were emitted to sewage pipeline. During the Reporting Period, the results of wastewater discharges from the qualified third party testing entities present that the wastewater pollutants emissions of the Group were in compliance with the relevant emission standard.

	Quantities in 2019	Quantities in 2018	Unit	Change, %
Wastewater discharge	82,709.60	83,285.56	m ³	-0.69%
Intensity	1.47	1.75	m ³ /10,000m ² production volume	-16.00%

Raw Material Use

As one company of producing packaging materials the raw materials relevant to the Group were mainly raw papers in production, packaging materials for finished products and the office papers for working offices. To promote the sustainable development and reduce the impacts of business activities on natural resources, the Group has procured the FSC-certified raw papers. For the packaging materials used in our finished products, it only involved the packing rope and stretch warp. The working instruction of waste management and loss statistics is in place to ensure that the relevant departments could enhance the awareness of employees on conservation of raw materials consumption, increase the utilization efficiency of raw materials, prevent and control the unnecessary loss.

At the phase where all kinds of products of the Group were designed, consumption reduction on raw materials were considered. For the customized products, under the circumstances that the customized requirements of the customers were met, the area of raw materials, the dimensions of product, and the types of raw materials would be reduced. For some certain types of product, the concept of sharing structure was adopted, the utilization efficiency of raw materials and production efficiency were then increased and in the ultimate the consumption of raw materials were reduced.

Most of the raw papers that were used in production of the Group were the recycled papers, and the others were high-quality imported virgin pulp papers, all of which were able to be recycled and became the raw material papers for producing packaging product next time.



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For the Reporting Period, the quantities of the raw papers, packaging materials and office papers amount to 395,730.11 tonnes, 458.08 tonnes and 26.7379 tonnes respectively.

Type of raw materials	Quantities in 2019	Unit
Raw papers in production	395,730.11	tonnes
Intensity	7.0456	tonnes/10,000m ² production volume
Packaging materials in finished products	458.08	tonnes
Intensity	0.0082	tonnes/10,000m ² production volume
Office papers for working office	26.7379	tonnes
Intensity	0.000476	tonnes/10,000m ² production volume

Employee Involvement

People are the most important factor when it comes to the environmental protection. Through a series of measures, such as review of KPI pertaining to environment topics, trainings of energy & resources conservation, activities relating to the environmental protection, the Group allowed the employees with different kinds of duties participated in the environmental protection and realization of sustainable development to the Group.



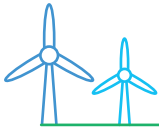
Picture: tree plantation activities



MAKING THE EMPLOYEE BETTER

The Group sees the human resources as strategical assets of the modern company and the most critical factor to the company's sustainable development. With the company culture of people oriented, the Group respects the own value of all employees, cherishes employees' career development, strives to enhance employees' working skills & competences, provides social securities by laws & regulations, strengthens the sense of belonging & securities of employees, so as to promote a harmonious development between the employees and the Group.

Per the employment laws and regulations, the Group has in place a series of policies and regulations in respect of human resources management, including but not limited to recruitment and promotion, dismissal and resignation, remuneration and benefit, work conduct and behavior, attendance and leave, working hour and holiday, working environment and safety, training and confidentiality, anti-discrimination and diversity, equal opportunity and anti-corruption, prohibition of child labor and forced labor etc.



Environmental, Social and Governance Report



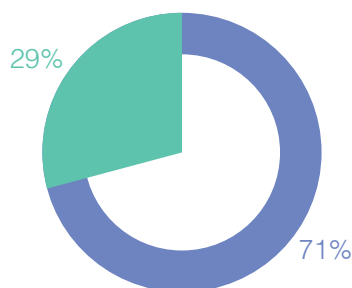
Equal Employment

The Group adheres to the recruitment policy of gender equality and performs the recruitment based on the individual comprehensive abilities rather than gender. Especially, these three critical elements, ethics, hard work and logic, are considered in recruiting to ensure recruitment of people with both strong working abilities and good characteristics.

The Group is committed to providing employees a working environment filled with fulfillment and growth opportunities. The Group also encourages employees to think innovatively, and to carry out their responsibilities with passion, courage and commitment. For promotion and rewarding of employees, the Group is committed to never withhold them in light of employee's age, gender, religion or racial origin.

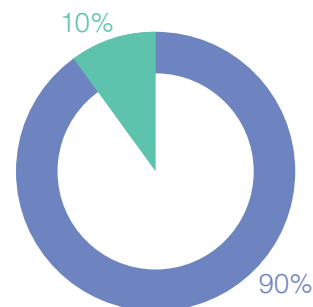
At the end of year 2019, the Group had a total number of 1,708 employees, of which 5 employees were located in Hong Kong office and the rest 1,703 assigned in mainland China. The female employees accounted for almost 30% and the employees aged from 30 to 50 reached to 69% of all employees. The management staffs were approximately one ninth of general staffs.

Gender composition



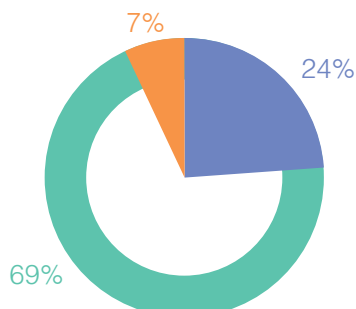
■ male ■ female

Type composition



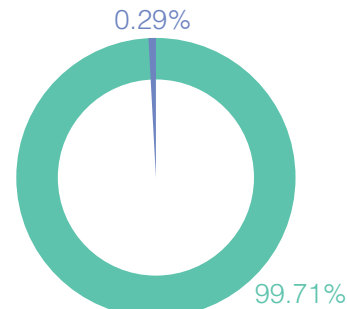
■ General staff ■ Management

Age composition



■ Below 30 ■ From 30 to 50 ■ Over 50

Geographical region composition



■ Hong Kong ■ Mainland



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The turnover rate of the Group by age, gender and geographical region is calculated based on the number of employees dismissed and the number of employees at the end of year 2019.

By gender		Turnover Rate			By geographical region	
Male	Female	Below 30	By age From 30 to 50	Over 50	Hong Kong	Mainland
37.60%	29.65%	45.72%	32.10%	23.13%	0	35.49%

Generally, the Group complied with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Regulations for the Implementation of the Labor Contract Law and the Law of the People's Republic of China on the Protection of Rights and Interests of Women, to protect the basic working rights of our employees. Specifically, to safeguard the interests of our employees, the Group paid labor insurance in accordance with the Social Insurance Law and Regulation on Work-related Injury Insurance of the People's Republic of China. During the Reporting Period, there were no cases of non-compliance with regard to employment within the Group. Looking forward, the Group will continue to regularly perform review and update the internal policies and regulations in accordance with the latest applicable laws and regulations.

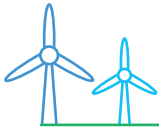
Health and Safety

We attach high importance to the health and safety of our employees and take the safe production as the first priority of company operation as protection of employee health and safety are important to the future growth of the Group and the stakeholders in general. The Group dedicates itself to implementing every necessary measure to provide a safe and healthy working environment to its employees and prevent them from exposing to any potential occupational hazard.

The Group establishes the certified management system of occupational health & safety and appoint the specific EHS team to ensure the working environment free from potential hazards and guarantee potential risks of health and safety under control.

Moreover, the Group takes other practical measures, including but not limited to:

- Consider the factors of employee health and safety in the early business decisions
- Establish the company-wide network of healthy and safe production with general manager as the first responsible person and the managers, section chief, group leader and assembly line operator with their own duties in this regard
- Provide employees with occupational health checks by the qualified medical organization
- Present employees with trainings relating to occupational health and safety
- Establish communication channel among the company with regard to occupational health and safety
- Increase employee' awareness regarding health and safety by carrying out fire drill and publicity month of health and safety
- Set the KPI relating to safety and health of employees to various duties departments



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- Invite the qualified testing organization to perform testing and evaluation of occupational hazardous factors at operation site on a regular basis
- Comply with all the applicable laws and regulations at a minimum
- If applicable, establish and comply with standard of its own, which are beyond legal mandates

With strict implementation of the established measures, the Group witnessed no work-related fatalities during the Reporting Period. The aggregated lost days due to work injury are 892 days and accounting for only 0.21% of annual working time of 427,000 days, based on the 1,708 employees and 250 working days for each employee in one year, of the Group.



Picture: occupational healthy check



Picture: fire drill



Picture: training of health and safety

The Group complies with the relevant laws and regulations such as the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the Fire Protection Law of the People's Republic of China. No cases of non-compliance in relation to health and safety confronted the Group during the Reporting Period.

Development and Training

The Group strives to grow with its employees. For this purpose, the Group carried out the diversified internal or external vocational trainings to strengthen employees' capabilities and skills and provided employees with a great learning platform and broad promotion space.

During the Reporting Period, dozens of trainings designed for employees holding different working skills or managerial duties took place in the form of on-line or off-line. After the statistics, the data of training participants is 2,718 persons with 47,698 training hours in total. Among them, the ratio of female and male employees receiving trainings is 74%:26% while from the duty category point of view management staff of 14% facing general staff of 86%. The average training hours for female and male employees is similar, 18.40 hours vs. 17.26 hours, and for management staff and general staff the numbers are 25.33 hours and 16.23 hours respectively.



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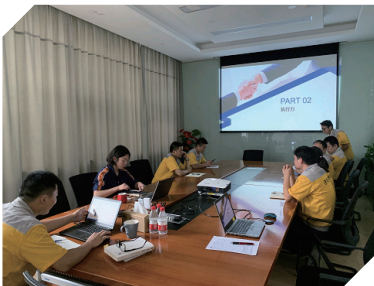
Picture: Leadership Training in USA



Picture: Plant Visit in Japan



Picture: internal production academy



Picture: middle level management staff training



Picture: safety trainings for all staff



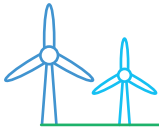
Picture: company culture training

Labour Standards

The Group is committed to avoiding occurrence of child and forced labour anywhere and anytime within the Group. The department of human resources strictly examines individual identity documents before any employee is hired. During the employment period, the check of real age is performed routinely and report of others using false identification card is encouraged. If the child worker is discovered, his/her work must be stopped immediately, then the designated staff delivers the child worker to the qualified medical organization for healthy conditions check and meanwhile the local labor bureau is informed with such information.

The Group ensures that all recruitments shall be voluntary and lawful. There is no restricted and unreasonable conditions in recruitment. It is prohibited that the work is forced by the use of violence, threats or any other illegal acts. The overtime work can be arranged as employee agrees and no cases of forcing pregnant workers do overtime work can be tolerated.

The Group conforms to the relevant laws and regulations, and no violation relating to child labour or forced labour occurred in the Group.



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Employment Relationship

The Group strives to establish a harmonious relationship with its employees with mutual respect to safeguard the interests of both parties and create an attracting working environment to motivate employees to their full potentials at work.



Picture: spring outing



Picture: spring festival entertainment



Picture: eating watermelon competition



Picture: birthday gathering



Picture: basketball match



Picture: international women's day gathering



Picture: making dumplings



Picture: billiard competition



Picture: meal gathering



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BEING THE TRUSTWORTHY PARTNER

For both suppliers and customers, the Group is committed to being a reliable and respected partner.

Supply Chain Management

As set out in the Supplier Code of Conduct, the supplier would be excluded from procurement of the Group if it violates the relevant laws or regulations, or, it relates to employment of unlawful child labour, or, it breaches the other specific requirements pertaining to its employee's remuneration, equal employment, freedom rights, EHS issues, working hours, intellectual property rights stipulated in this Code. The supplier is also required to commit their products be in compliance with the Restriction on Hazardous Substances Directive ("**RoHS**") and Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**") standards.

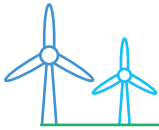
The procedural document of supplier management directs the procurement department along with other relevant internal departments to select, screen, evaluate and secure the right supplier in light of the supplier's ESG issues and other aspects. The suppliers expect to have the yearly or bi-yearly supplier inspection from the Group in terms of their classification of supplier type. The Group's procurement department evaluates the supplier's product quality, delivery timeliness, and service in a monthly manner and the evaluation report is recorded as the basis of yearly assessment. The differentiated scores in the yearly assessment present the suppliers with results of procurement to be increased, be unchanged, be suspended and be restored after rectification, or be terminated.

Product Responsibility

The certified Quality Management System of ISO 9001 in place and annual audit in future ensure the standardized product quality assurance process for the Group. The external third party testing report and internal examination report also confirm our products meet the relevant products standards, our and customers' requirements.

The responsibility for the health and safety of the products that the Group provides to its customers is reflected all along the life cycle of products of the Group, in the design phase of products, the concept of green packaging and ecological design is introduced, in the procurement phase, the FSC-certified raw papers and raw materials conforming to EHS, RoHS and REACH standards are procured, in the end of life phase, the products are recyclable. Meanwhile, the letter of commitment proposing to continuously strengthen EHS performance is sent to the Group's stakeholders to promote the health and safety of the products from the perspective of the supply chain.

To avoid the delivery of unqualified products to customers, the product quality management department screen the raw materials and finished products in accordance with testing procedures of procurement, processing and finished products. The unqualified products are marked based on control procedure of mark and traceability and are stored at different warehouse in terms of their type. The unqualified finished products are treated with the ways of repair, reuse or scrap. If the finished products are determined unqualified after delivery, they will be treated in accordance with control procedure of correction and prevention measures. The unqualified products are returned as customer requests. The recall process of unqualified products are started if the products possess the potential risks to customers. Meanwhile, the production of the recalled products are stopped and the corresponding cause is investigated for correction.



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The continuous improvement of customer satisfaction is of high importance to the Group. The complaint received from customers should be confirmed immediately, followed by the initial investigation. The corresponding correction plan is drafted in terms of the results of the investigation, then finalized and delivered to customers. The correction action is continuously monitored and the complaints are summarized and analyzed for improvement on a regular basis. The survey of customer satisfaction is conducted by means of email, interview, phone or fax annually. The customers are paid a site visit for communication and improvement if they are dissatisfied with the products or services provided by the Group between annual surveys.

The intellectual property rights, including drawing, design template, patented technology, and product specifications, are protected and not used without authorization. The personal data and information of customers are classified as confidential data which shall not be spread out and sold. The "Staff Handbook" clearly states that the employees of the Group shall abide by confidentiality obligations. No violation in this regard is tolerated by the Group. If any breach occurs, the investigation is launched and the responsible person shall bear corresponding responsibilities.

In addition, no cases of false or misleading advertising and misuse of labelling occurred to the Group during the Reporting Period. And the Group complies with the relevant laws and regulations, including but not limited to the Product Quality Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Personal Data (Privacy) Ordinance of Hong Kong.



Picture: outstanding achievement award of Hisense presented in its core supplier conference



Picture: excellent supplier of LaiSiAo



Picture: outstanding supplier of Opis



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Anti-corruption

The Group has hold no tolerance to any form of fraud, bribery, extortion, and money laundering that would happen in the Group. As stated in “Staff Handbook” and “Business Ethic Policy”, the employees shall abide by the relevant requirements in this regard. To prevent corruption and bribery, a variety of measures have been implemented. The commitment system of business corruption prevention is adopted among the employees whose duties are important or key in daily operation. The key personnel should sign “letter of commitment against corruption and bribery” with the Group. Meanwhile, all business partners should sign “supplier letter of commitment against corruption and bribery” with the Group. The specific management unit is established to administrate the business corruption. The mail box and phone hotline is set and made publicly for informant. To prevent the business corruption prior to its happening, the routine investigation is conducted internally. The specialty and patterns of the business corruption is studied and researched, then the internal supervision is designed and the training is provided accordingly. The issues detected during the routine activities of preventing business corruption shall be resolved in a timely manner.

The Group encourages its employees and the business partners to report and expose corruption. The personal information of informant is treated confidentially. During the Reporting Period, no legal cases regarding commercial corruption were brought against the Group or its employees or its directors. The Group was not aware of any material non-compliance with the laws and regulations relevant to bribery, extortion, fraud and money laundering in Hong Kong and Mainland China, including but not limited to the Prevention of Bribery Ordinance of Hong Kong and the Anti-Money Laundering Law of the People’s Republic of China.

Community Investment

The Group proactively engages with the community so as to create a sustainable development environment where both the community and the Group could benefit. During the Reporting Period, our employees actively took part in the social activities held within the local communities, such as, the sports match, the group match making date. The employees also paid tribute to local firefighters and interacted with kids in the local kindergartens with picture books as presents. In the event of the latest COVID-19 pandemic in Mainland China, the Group made contributions by urgent production of packaging products for the medical equipment to be delivered to the center city of pandemic.



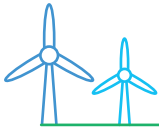
Picture: urgent production of packaging products for medical equipment to fight COVID-19



Picture: pay tribute to local firefighters



Picture: send presents of picture books to kindergarten



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HKEx ESG REPORTING GUIDE INDEX TABLE

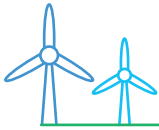
Environmental Aspect A1: Emissions		Reference Section
“Comply or explain” Provisions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting the Environment/ Emissions
	KPI A1.1 The types of emissions and respective emissions data.	Emissions-Air Pollutant Emissions
	KPI A1.2 GHG emissions in total (in tonnes) and, where appropriate, intensity.	Emissions-GHG Emissions
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions-Waste Management
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions-Waste Management
	KPI A1.5 Description of measures to mitigate emissions and results achieved.	Protecting the Environment- Emissions
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions-Waste Management
Aspect A2: Use of Resources		Reference Section
“Comply or explain” Provisions	General Disclosure Information on: Policies on the efficient use of resources, including energy, water and other raw materials.	Protecting the Environment/ Use of Resources
	KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Use of Resources-Energy Management
	KPI A2.2 Water consumption in total and intensity.	Use of Resources-Water Conservation
	KPI A2.3 Description of energy use efficiency initiatives and results achieved.	Use of Resources-Energy Management
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources-Water Conservation
	KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources-Raw Material Use



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Aspect A3: The Environmental and Natural Resources			Reference Section
“Comply or explain” Provisions	General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	Protecting the Environment/ Use of Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protecting the Environment/ Use of Resources
Social Employment and Labour Practices Aspect B1: Employment			Reference Section
“Comply or explain” Provisions	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.	Making the Employee Better/ Equal Employment
	Recommended Disclosures	KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Equal Employment
		KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Equal Employment
Aspect B2: Health and Safety			Reference Section
“Comply or explain” Provisions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
	Recommended Disclosures	KPI B2.1 Number and rate of work-related fatalities.	Health and Safety
		KPI B2.2 Lost days due to work injury.	Health and Safety
		KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety



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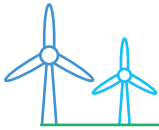
Aspect B3: Development and Training			Reference Section
"Comply or explain" Provisions	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Recommended Disclosures	KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards			Reference Section
"Comply or explain" Provisions	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 labour.	Labour Standards
Recommended Disclosures	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices Aspect B5: Supply Chain Management			Reference Section
"Comply or explain" Provisions	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Being the Trustworthy Partner/ Supply Chain Management
Recommended Disclosures	KPI B5.1	Number of suppliers by geographical region.	N/A
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management



Environmental, Social and Governance Report



Aspect B6: Product Responsibility			Reference Section
"Comply or explain" Provisions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Recommended Disclosures	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility (Partial disclosure)
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
	KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption			Reference Section
"Comply or explain" Provisions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Recommended Disclosures	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	N/A
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption



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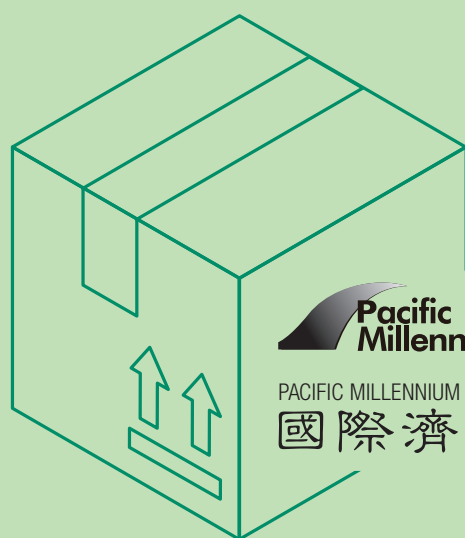


Community

Aspect B8: Community Investment

Reference Section

“Comply or explain” Provisions	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	Community Investment
Recommended Disclosures	KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	N/A
	KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	N/A



PACIFIC MILLENNIUM PACKAGING GROUP CORPORATION

國際濟豐包裝集團