

TONGDA HONG TAI HOLDINGS LIMITED

2020 Environmental, Social and Governance Report

Incorporated in the Cayman Islands with limited liability

Stock Code: 2363

Environmental, Social and Governance Report

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ABOUT THE REPORT

This Environmental, Social and Governance (“ESG”) Report (the “Report”) is prepared by Tongda Hong Tai Holdings Limited (the “Company”) to review and summarize the ESG work from the Company and its subsidiaries (collectively as the “Group”) in 2020. The Report covers the period from 1 January 2020 to 31 December 2020 (the “Reporting Period”), same as the financial year of the 2020 Annual Report of the Company and covers information of the Group – Hong Kong headquarters and its manufacturing base in Changshu (常熟), the People’s Republic of China (the “PRC”). The information disclosed by this Report follows the “general disclosures” and the environmental KPIs set out in the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”), Appendix 27 to the Rules Governing the Listing of Securities released by Hong Kong Exchanges and Clearing Limited.

Unless otherwise stated, this Report should be read in conjunction with the Corporate Governance Report on pages 13 to 24 of the 2020 Annual Report of the Company. The data and information as referred to this Report are derived from different files, records, statistics and research of the Company.

Adhering to the Group’s vision of sustainability, the Group is committed to create maximum value for our shareholders as well as balancing the interests between the environment, society and other aspects to promote harmony and prosperity among different stakeholders.

The Group proactively identifies major stakeholders of the Group’s businesses and their key expectations. The Group established various communication channels to encourage stakeholder participations to provide valuable insights and constructive suggestions to the Group’s development. On this basis, the Group can establish a long-term and effective mechanism for the ESG development.

A. ENVIRONMENTAL

1. Environmental Protection

1.1 Emissions

Emphasising on both economic benefit and environmental protection, the Group develops long term mechanisms and policies for environmental protection and energy saving in order to build a resource-saving and environment-friendly enterprise.

The Group strictly complies with relevant laws and regulations in relation to environmental protection. The Group identifies and manages different types of emissions to ensure they are safely treated, transported, stored and disposed. In order to ensure the requirements of relevant laws and regulations are satisfied, the Group identifies and manages the major emissions during course of production and operation process to assess the environmental impact.

During the Reporting Period, the types of waste gas discharge and respective emissions statistics of the Group are shown as below:

Waste gas discharge	2020	2019
Granule particle	11.5 mg/m ³	10.3 mg/m ³
Benzene	0.2 mg/m ³	0.2 mg/m ³
Methyl benzene	0.3 mg/m ³	0.3 mg/m ³
Dimethyl benzene	0.2 mg/m ³	0.2 mg/m ³

During the Reporting Period, the Group's total emission of greenhouse gases was approximately 1,780 tonnes (2019: 1,800 tonnes).

The waste gas discharge of the Group's manufacturing facility shown above are within the discharge level of standard local regulation. Manufacturing facility has installed postprocessor to filter exhaust gas released during the production process.

The sewage discharged from operations are mainly domestic sewage from the office and the staff messing hall. The sewage is discharged to the designated sewage treatment plant for treatment via sewage pipeline.

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.1 Emissions *(continued)*

Total non-hazardous waste produced during the Reporting Period was approximately 425 tonnes (2019: 430 tonnes) and total hazardous waste produced was Nil (2019: Nil) as the Group conducts in-house treatment for hazardous wastes before discharging.

The Group strictly complies with local regulations throughout entire logistics, storage and treatment process of materials. For example, the manufacturing base has a dedicated storage compartment for materials containments to ensure all the materials are well stored for production. For example oil paint are stored in ventilated, thermostatic locations and concealed within secondary containers to prevent accidental spillages. Moreover, the Group employs different waste management procedures regarding to the types of waste being handled. Generally, wastes are transported and discharged in bulk to reduce the transportation cost and the carbon emission.

1.2 Use of Resources

The Group mainly focuses on the following aspects to improve the efficiency of resources and energy consumption.

The Group has a designated committee specialized in achieving low carbon emission in operation through formulating resources saving strategy. The committee monitors the whole process of energy flow and assess the efficiency. At the same time, the Group also incorporates environmental-friendly policies on the utilisation of natural resources into operation.

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.2 Use of Resources *(continued)*

During the Reporting Period, the Group’s electricity consumption is presented below.

Electricity consumption in total (million kWh)	2020	2019
Total consumption	17.2	15.0

The committee oversees the Group’s operation and implements policies to minimize electricity consumption. It also directs different departments to achieve electricity savings by using power-efficient air conditionings. In order to promote electricity conservation, the committee issues monthly report to regularly supervise, record and analyse the electricity consumption across different departments. On the other hand, the Group actively supports energy saving transformation projects – upgrading existing equipment (such as installing advanced energy saving equipments, purchasing electric injection molding machines and the energy saving lighting), improving existing systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation) and the implementation of new technologies (such as air conditioning water cooling systems based on nano dirt removal technologies).

Water consumptions mainly arise from the domestic water use from the office area and the staff living quarters. The Group encourages employees to develop water-saving habits, including posting water-saving slogans in conspicuous places, and the installation of automatic faucets in lavatories to reduce water wastage.

During the Reporting Period, the Group’s total water consumption was approximately 100,000 tonnes (2019: approximately 90,000 tonnes).

During the Reporting Period, the Group’s total usage of packaging materials for finished products was approximately 103 tonnes (2019: 105 tonnes).

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.3 *The Environment and Natural Resources*

The material impacts of the Group's operation on the environment and natural resources are the emissions and the resources usage. In addition to the discussed management measures, the Group also actively popularize the concept of environmental protection and energy saving among employees to promote green production and operation, in order to reduce the impact of business activities of the Group to the environment and natural resources.

Regarding to the waste management and the recycling aspects of the Group's operation during the Reporting Period, the Group generated approximately 538 tonnes (2019: approximately 524 tonnes) of recyclable industrial waste, approximately 150 tonnes (2019: approximately 156 tonnes) of domestic waste, approximately 142 tonnes (2019: approximately 160 tonnes) of kitchen waste and approximately 152 tonnes (2019: approximately 168 tonnes) of carbon emission. The Group recycles reusable resources and properly handles hazardous and non-hazardous materials with best efforts. The Group requires employees to keep contaminated items separately and classify reusable wastes. During the Reporting Period, the Group recycled approximately 187 tonnes (2019: approximately 258 tonnes) of waste from its production process, including scrap steel, copper and packaging waste, total paint residues and wastes with oil content produced by the Group amounted to approximately 3.1 tonnes (2019: approximately 4.2 tonnes). Such paint residues and wastes will be filtered and dehumidified by appropriate treatment then packed into bags and subsequently stored in specialised storage locations. Oil wastes will also be collected and packed into bags then stored in specialised storage locations. In compliance with the "Standards on Storage and Pollution Control of Hazardous Wastes", the Group entrusts qualified units to handle hazardous wastes by transfer process. The Group follow the transfer process system as well as the reporting and registration system in accordance with the relevant regulations.

Staff support and participation is the key for implementing environmental protection policies and measures of the Group. Through announcements, internal emails and trainings provided by external experts, the Group delivers the knowledge on energy-saving, emission reduction and environmental protection to the staffs. To achieve the annual energy-saving target, the Group further review the job done by each department to include environmental protection concepts across all business decision-making process in respect of manufacturing and sales. The Group keeps encouraging and leading our staffs to take part in continuous environment improvement initiative as well as providing trainings in anticipation that every staff understand the importance of energy-saving and emission reduction.

The environmental regulatory non-compliance resulting in fines or prosecutions is Nil during the Reporting Period.

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.3 *The Environment and Natural Resources (continued)*

The Group advocates the importance of environmental protection and sustainability in the development of employees. The Group adopted several environmental friendly practices as listed below:

- Maintain air conditioning at optimal room temperature;
- Encourage double-side printing and photocopying;
- Reduce the use of petroleum and related products, such as plastics and polystyrene products;
- Minimize the need of overseas business travelling by using video-conference or telephone-conference equipments instead; and
- Avoid unnecessary electrical appliances idling.

B. SOCIAL

2. Employment and Labour Practices

2.1 *Employment*

The Group is committed to comply with relevant labour standards, employment laws and regulations which are applicable to the Group's business. During the Reporting Period, the Group has no non-compliance or violation in respect of labour affairs. As employees are the paramount assets and the foundation of the Group's success, the Group spares no effort in caring the employees' needs and always strives for their benefits. Under the Group's sound policy, an equal employment environment is fostered in which there is no workplace discrimination on the basis of ethnicity, nationality, age, gender, religion, disability, marital status, pregnancy, social orientation and other factors. The Group values the contribution of our employees and actively shares the achievements with employees, by regularly reviewing its remuneration policy to ensure competitive remuneration packages, including basic salary, commission, bonus and other welfares and allowances are offered to the Group's employees.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.1 Employment *(continued)*

The Group's employees are recruited from the PRC and Hong Kong. All employees are entitled to certain number of paid leaves, including maternity leaves, in accordance with the applicable laws across different jurisdictions. The Group advocates a work-life balances among employees by introducing reasonable working hours and paid leaves, which aims improve employees' health, promote morale and foster loyalty to the Group. The Group believes every contribution deserves its reward, and annual appraisals are performed to evaluate the performance of all employees, and reward them accordingly to their respective performances. On top of this, the Group also developed comprehensive human resources policies and guidelines to govern compensation, dismissal, recruitment and promotion processes of employees in which no case of inequality was reported during the Reporting Period. Besides, all employees are welcomed to express opinions through various well-established channels, including monthly regular meetings, emails, anonymous opinion box, in which the opinions of the employees could be expressed and fostered to the management at anytime. The Group will always undertake improvement measures for the benefits of the employees.

As of 31 December 2020, the Group has in total approximately 719 permanent employees (2019: 916).

	Approximate proportion of technical management staffs		Approximate proportion of manufacturing base workers		Total	
	2020	2019	2020	2019	2020	2019
Aged 18-30	19.3%	19.4%	52.0%	51.1%	71.3%	70.5%
Aged 31-45	3.8%	3.7%	23.3%	24.0%	27.1%	27.7%
Aged 46-60	0.6%	0.6%	1.0%	1.2%	1.6%	1.8%
Sub-total	23.7%	23.7%	76.3%	76.3%	100%	100%

Staff messing hall and sports playground are available within the Group's manufacturing facility. The Group also reserved funds for hosting recreational activities, which helped employees to relieve stress and exemplify the Group's corporate culture of the spirit of solidarity and cohesion among employees.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.2 Health and Safety

As a manufacturing corporation, the occupational health and safety of employees have always been the key focus of the Group. During the Reporting Period, the Group has complied with relevant laws and regulations that have significant impact to the Group regarding to health and safety.

The human resources department is responsible for formulating and promoting the health and safety procedures and systems. It regularly reviews the health and safety environment of the Group. It organizes trainings regularly to ensure the Group's compliance with local health and safety regulations. The Group addresses the safe working environment issues by providing employees protection equipments, including but not limited to gloves, masks, ear plugs, safety helmets, eye protectors and work uniforms to ensure the health and safety of employees. Productions safety and fire safety training are regularly hosted in order to promote the safety awareness of employees.

The Group manages the health and safety of the manufacturing facility in accordance with the relevant laws and regulations. No severe industrial accidents were recorded by the Group and the number in days lost due to work injury was Nil during the Reporting Period (2019: Nil).

2.3 Development and Training

One of the most important assets of the Group is human capital. A well-developed training system is established to improve employees overall productivities and enhance their professional skills.

- Orientation Training: Orientation trainings will be provided to new employees allowing them to understand the Group's culture, principles, disciplines and rules and regulations etc., which allow new employees to adapt to their new positions quickly.
- On-the-job Training: The Group regularly organizes internal and external trainings to employees with up-to-date business information and keep them informed with the latest knowledge and skills in order to maintain and improve productivity. The training courses cover the operation of a wide variety of equipments, the application of chemicals and other relevant technical know-how, such as the training knowledge of ISO 9000 quality management system, the basic concept of RoHS, and REACH management, and handlings of chemical materials.

The Group also encourages employees to participate external qualification examinations and attend research seminars regarding to their job duties. The Hong Kong office arranges training for directors and professional staffs every year.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.4 Labour Standard

The Group issued a staff manual which includes policies in relation to labor laws, regulations and industry practices. Outlining employment policies such as compensation, dismissal, promotion, working hours, recruitment, rest periods, diversities and other welfares. In addition, the Group strives to ensure an equal and fair working environment. The Group strictly complies with the labor ordinance and does not tolerate any form of sexual harassment, harassment and abuse in the workplace, which violates the employment law in Hong Kong and the PRC. The prohibition of child labor and forced labor practices are also set in accordance with all relevant laws and regulations that applicable to the Group. Before hiring any job applicant, the human resources department will verify their age by inspecting their identity documents and ensure applicant's appearance is consistent with the photograph on the ID card. During the Reporting Period, no violation regarding the age of employment and labor dispute has occurred between the Group and employees.

2.5 COVID-19 Measures

In order to prevent the COVID-19 outbreak within manufacturing facility, the management of the Group had taken immediate responses to minimize the impact of the pandemic and aimed to restore normal manufacturing order. That includes setting up pandemic prevention policies, sterilization procedures and working resumption arrangements. Given the safety of employees as the top priority, pandemic prevention measures were strictly imposed (such as social distancing, provision of face masks and maintaining good ventilation system, etc.). Meanwhile with all the measures in place, the productivity is also restored. During the reporting period, no COVID-19 confirmed case was recorded.

B. SOCIAL *(continued)*

3. Operating Practices

The Group has a defined, assigned, delegated management team and supervisors to take responsibilities in operating practices by complying all the operating requirements in the following aspects.

3.1 *Supply Chain Management*

Suppliers in the Group's qualified suppliers list are located in both domestic and overseas, that includes the productions of plastic, ink, raw metal sheets and packaging materials, etc. Associating supply chain management and environmental responsibility management, the Group requires the suppliers to provide a certificate of compliance letter to ensure the raw materials or semi-products used by suppliers fulfill environmental protection requirements, compliance with the laws and regulations in the countries and regions where the suppliers' operations located to ensure they are operating in good faith by adhering to their business ethics and coherent to the Group's operating practices. In addition, the determinants in the selection of the qualified suppliers include pricing, quality, reliability in supply, fulfillment of social responsibilities goals and commitment to environmental protection concepts. The Group will conduct comprehensive supplier audit assessments before the admission of new suppliers to the Group's qualified supplier list. A designated team established by the Group will conduct on-site appraisals of high-risk suppliers and assist suppliers to improve performances. The Group prohibits any discriminations arising from regional, ethnic, cultural and political factors during the course of certification, evaluation and optimization of suppliers.

The Group implements the "Management Approach on Social Responsibility" to the supply chain management where the suppliers are required to enter into the "Social Responsibilities Commitment" together with the Group since 2012. The Group collaborates with suppliers to work against commercial bribes and any other illegal activities. The Group trades on fair, justice and open principles by entering "engagement letters of transaction integrity" with suppliers. As prohibited by the Group, "conflict minerals" are banned from suppliers' procurement system. The Group entered into the "Letter of Undertaking of Prohibited Use of Conflict Minerals" with suppliers, to ensure no raw materials used in the Group's production are derived from four kinds of conflict minerals including tantalum (Ta), tin (Sn), tungsten (W) and gold (Au) from Democratic Republic of Congo and its surrounding countries and regions.

Green management concepts also embedded in the Group's supply chain, the "Guarantee of Environmental Management of Substances" guides the Group's suppliers to establish effective green management into entire process from raw materials procurement, internal production and the delivery of finished goods to customers. The Group encourages suppliers to detect harmful substances autonomously, to enhance management capability in green products, and implement emission reduction management – reduce carbon contents by regular notification of plans or results to the Group. In addition, the Group's designated team regularly conducts on-site audits to ensure suppliers' implementations of the green concept in the same pace with the Group, suppliers also bear their responsibilities to the society by duly implementing environmental protection measures.

B. SOCIAL *(continued)*

3. Operating Practices *(continued)*

3.2 Product Responsibility

During the Reporting Period, the Group has complied with relevant laws and regulations in respect of product responsibility that have significant impact to the Group.

With unwavering commitment to premium product quality, the Group has established a set of comprehensive quality control system. The Group qualified the international quality management system – ISO9001 and the international environmental management system – ISO14001 respectively. Basically, the Group implements 5S workplace management in our whole operation process to carry out in a well-disciplined and efficient manner. In addition, the quality control (QC) department implements product quality standards with international standards to reach customers' requirements. The QC department adheres to strict rule in trial production of products and random checks of production volume and monitors product quality in joint hands with customers. The KPI is shown in below – between percentage of total products sold or shipped and recalls for safety and health reasons.

Total products shipped in	Recalls for safety and health reason
2020 and 2019	0%

3.3 Anti-corruption

During the Reporting Period, the Group has complied with relevant laws and regulations in respect of anti-corruption that have significant impact to the Group.

The Group is committed to uphold high standards of business ethics and conveys its firm stance against corruption and fraud to its customers, suppliers, contractors and employees. The management is responsible for monitoring the business operation and overseeing any cases related to corruption or fraud. The Group's whistle-blowing procedure encourages and allows stakeholders to report on observed and suspected non-compliance and questionable practice.

The Group pledges "zero tolerance" approach to any fraudulent business activity in operating practices. During the Reporting Period, no legal case concerned with corrupt practices was brought against the Company.

4. Community Involvements

Community is the base of the Group development, and the Group is concerned about the opinions and comments from the community. Therefore, the Group has maintained good communication with the community, and involved in community development activities, such as ancillary facilities development in nearby districts of our production bases in the PRC.

The Group will continue to take part in community development in the future and will make use of expertise and resources of the Group to support the communities in which the Group operates and collaborates with local charities.