

TONGDA GROUP HOLDINGS LIMITED

2016 Environmental, Social and Governance Report

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

ABOUT THIS REPORT

The contents contained in this Environmental, Social and Governance (“ESG”) report (the “ESG Report”) includes the information obtained through a number of channels from shareholders, stakeholders and various parties over the year. The ESG Report covers two ESG subject areas: Environmental and Social with their respective general disclosures and key performance indicators (“KPIs”). We have given fully consideration to the ESG issues that are concerned about by major stakeholders, and adhered to the principles of materiality, quantitative, balance and consistency, whereby the substances of the ESG Report are determined.

The ESG Report spans for the period from 1 January 2016 to 31 December 2016, and covers information of the Group – Hong Kong headquarters and its production bases in China, such as Shishi (石獅), Xiamen (廈門), Changshu (常熟), Shenzhen Baoan (深圳寶安), Shenzhen Shajin (深圳沙井), Nanan (南安) and its research and development centres in Taiwan, Kaohsiung (台灣高雄) and Shanghai (上海). The ESG Report provides detailed explanation with regard to the Group’s CSR model, shown in below, on different aspects, including working environment quality, employee welfare and training, health and safety, environmental protection, operating practices, community involvement and stakeholder communication. Throughout the ESG Report, the term “Group” refers to Tongda Group Holdings Limited and its subsidiaries, unless otherwise stated.



Tongda Group's CSR Model

A. ENVIRONMENTAL

1. Protecting for Environment

Nowadays, people dramatically concern over-used, over-applied, and over-picked on the natural resources from the past centuries. Looking forward, the natural resources are sustainable to support a growing population, more countries and more consumption.

The Group has improved its working efficiency and quality of life with our stakeholders. We mainly consider on using the resources efficiently and in significantly decreasing waste and emissions, at the same time minimizing the resources and adverse impact on the environment.

It is our policy to comply fully with all applicable environmental laws and regulations. We are seeing more stringent environmental regulations in different countries and rising stakeholder expectations. The Group has complied with the standard requirements for both the waste air discharge and waste water discharge under the relevant environmental laws and regulations over the years.

1.1 Emissions

The Group regularly monitors and maintains its current operational practices and reports its approach to the environmental protection in the annual environmental protection management report.

The Group aims to reduce the carbon emissions and always seeks ways to lessen the harmfulness to the environment in its operations. The Group's facilities followed the KPIs shown below and the waste gas discharged complied with the relevant regulations by local authority. The types of emissions and their respective data are as follows:

Waste gas discharge	Standard requirement	2014	2015	2016
Granule particle	120 mg/m ³	115 mg/m ³	117 mg/m ³	117 mg/m ³
Gaseous sulphuric acid	35 mg/m ³	32 mg/m ³	33 mg/m ³	33 mg/m ³
Benzene	12 mg/m ³	10 mg/m ³	11 mg/m ³	11 mg/m ³
Methyl benzene	40 mg/m ³	38.5 mg/m ³	37.9 mg/m ³	37.9 mg/m ³
Dimethyl benzene	70 mg/m ³	68.6 mg/m ³	68 mg/m ³	68 mg/m ³

The Group's greenhouse gas emissions in total is 1,676 (in tonnes).

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A. ENVIRONMENTAL *(continued)*

1. Protecting for Environment *(continued)*

1.1 Emissions *(continued)*

Referring standard on DB44/26-2001 – Discharge limits of water pollutants and GB 8976 – 1996 – Integrated wastewater discharge standard respectively, the Group fully complied with the KPIs shown on the waste water discharge in standard local regulation.

Waste water discharge	Standard requirement	2014	2015	2016
pH value	6 – 9	7 – 8	7 – 8	7 – 8
Chemical Oxygen Demand	≤110mg/L	≤90 – 100mg/L	≤90 – 100mg/L	≤90 – 100mg/L
Biochemical Oxygen Demand	≤30mg/L	≤25 – 30mg/L	≤25 – 30mg/L	≤25 – 30mg/L
Suspended Substance	≤100mg/L	≤85 – 95mg/L	≤85 – 98mg/L	≤85 – 98mg/L
Ammonia	≤15mg/L	≤10 – 13mg/L	≤10 – 13mg/L	≤10 – 13mg/L

The Group's total non-hazardous waste produced is approximately 1,809 tons and total hazardous waste produced is Nil as the Group has post treatment for hazardous waste in-house before discharge.

The Group has taken following measures to mitigate emissions and deal with wastes. The Group strictly complied with local regulations to identify and manage the substances to ensure safe treatment, transportation, storage, use, recycle or reuse and disposal for them. We intend to minimize environmental impacts associated with solid waste generated from our operations. For example, each plant has a special storage room and method to sort and store the different materials, such as placing oil paint and other substances at ventilated, thermostatic places and the corresponding secondary containers. Moreover, the Group deals with wastes depending on their different conditions. Generally, wastes are transported only when accumulated to a certain amount, which aims to reduce transportation cost and carbon emission. Plants have also set postprocessor to deal with the exhaust gas/wastes emitted during production process. For example, waste water is processed in aerobic tanks. It is assured that no hazardous substances are emitted during the postprocessor. In addition, external Energy Information Administration (EIA) companies are engaged to evaluate if the emitted substances are hazard-free, and the local environment protection authorities visit the production bases to review annually.

A. ENVIRONMENTAL *(continued)*

1. Protecting for Environment *(continued)*

1.2 Use of Resources

The Group sets up a dedicated committee specialising in the development of energy saving technologies. We have implemented low carbon emission strategies by establishing consumption statistical analysis system, putting in place new energy management system with measuring instruments, exercising efficient monitoring throughout the whole process of energy flow, and lifting energy efficiency. Through the use of energy efficient performance appraisal management, we step up energy saving checking efforts and reduce energy waste. At the same time, we also consider incorporating environmental-friendly policy and utilisation of natural resources into our operation.

The total electricity consumption in all facilities by year is as follows:

Electricity consumption in total (million kWh)	2014	2015	2016
Total consumption	180.6	203.8	317.1

The Group has established a set of management and implementation regulations for the reduction of electricity consumption. We encourage each of the departments to reduce electricity consumption and strictly regulate the use of air conditioners and the operation of compressors. Notices containing monthly statistics of electricity consumption by each department are issued to them so that they will be aware of their electricity consumption status. In order to eliminate the abuses of electricity, we reinforce the management for electricity conservation by regularly inspecting and supervising the electricity consumption by different departments. On the other hand, the Group actively supports the energy saving transformation projects, through, amongst others, upgrading the existing equipment (such as adopting advanced energy saving technologies and equipments, including the purchase of completely electric-driven injection molding machines and the switch to energy efficient lighting), improving various systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation) and introducing brand new technologies (such as air conditioning water systems based on nano dirt removal new technologies).

The total water consumption in all facilities by year is as follows:

Water consumption in total (million tons)	2014	2015	2016
Total consumption	1.9	1.9	2.7

On water consumption management, through the conduction of water balance tests and the installation of water meters at each of the water consumption points (whose summary of comparative analyses will be made on a monthly basis), the Group endeavors to avoid wastage of water and does not have any issues in water sourcing. Considering fully utilised the recourses, the total packaging material used for finished products is approximately 1,395 (in tonnes).

A. ENVIRONMENTAL *(continued)*

1. Protecting for Environment *(continued)*

1.3 *The Environment and Natural Resources*

For the environment and natural resource, resource is no longer a choice but a necessity. With rapidly growth our business, natural resources are used up faster than we are replenished. Consuming natural resource is a dilemma in the Group, we have to use minimizing resources efficiently and effectively to maximize value and increase comparative advantage.

In the horizons of waste management and recycling, the Group recorded approximately 2,746 tons of recyclable industrial waste, 2,008 tons of domestic waste, 2,175 tons of kitchen waste and 644 tons of carbon emission in 2016. The Group reuses the reusable resources and properly handles hazardous and non-hazardous materials with best efforts. We require our employees to keep contaminated items in separation and treat wastes in classification. In 2016, the Group recycled and reused over 5,518 tons of waste from its production process, including scrap steel, copper and packaging waste. In 2016, paint residues and wastes with oil content produced by the Group amounted to approximately 1,915 tons in aggregate. Such hazardous wastes and paint residues will be packed into bags after they are artificially filtered out and will be subsequently stored in specialised storing places after they are drained and dried by an appropriate treatment. Oily wastes will also be collected and packed into bags, and stored in specialised storing places. In compliance with the “Standards on Storage and Pollution Control of Hazardous Wastes”, the Group entrusts qualified units to handle hazardous wastes for us in the form of transfer processing. We follow the transfer processing system as well as reporting and registration system in accordance with the regulations.

During the year under review, our significant environmental aspects included:

- Product materials
- Product packaging
- Product energy use
- Product end-of-life
- Site energy consumption
- Site air emissions
- Supplier environmental performance
- Transportation
- Waste management
- Water consumption

A. ENVIRONMENTAL *(continued)*

1. Protecting for Environment *(continued)*

1.3 *The Environment and Natural Resources (continued)*

The Group has continuously worked with different bodies to minimise the environmental impact from our production and we strive to make minimal impact to the environment. The environmental regulatory non-compliance resulting in fines or prosecutions is zero in 2016. Looking forward, the Group strives to take environmental and safety factors into consideration at the product design stage and throughout the production process; inspect general waste, sewage discharges and other environmental control systems, as well as water resource planning and management during production; and build up the energy management system and managing hazardous and non-hazardous waste.

B. SOCIAL

2. Employment and Labour Practices

With digital and artificial intelligence age are integrating human capital and social consciousness significantly concerned in companies. Indeed, seeking growth and profits, the Group is targeting to consider in employment issues, social and environmental responsibilities, and laws and regulations. Focusing on providing a safe working environment, improving employees' knowledge and skills, governing relevant laws and regulations in labour standards.

The policy of working condition is people-oriented principle. In relation to personnel management affairs on staff hiring, promotion, performance evaluation and compensation, the Group establishes an employer-employee relationship based on legitimacy and equality, which enables us to avoid any discrimination resulting from different gender, age, place of birth, race, language, nationality and religion of employees. The Group recruits employees through two channels including recruitment via public means and recruitment at schools. The recruitment of our employees embodies the principles of social responsibilities such as the equality of employment, the respect for human rights, the diversity of employees, the prohibition of the use of child labour and the prohibition of forced labour. We respect the labour and human rights of all our employees with clearly defined human resources management policies and provide a supportive, pleasant, safe and healthy environment for our employees.

In respect of salaries and benefits, the Group provides a comprehensive remuneration package of compensation and benefits for its employees. The remuneration package is mainly determined according to the employee's development, individual performance and organisational performance. The Group provides its new employees with clear codes of practice, rules and regulations, as well as information relating to salary and benefit system.

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B. SOCIAL (continued)

2. Employment and Labour Practices (continued)

2.1 Employment

As of 31 December 2016, the Group has in total approximately 18,000 employees. Set out below is the KPI established according to department and age group of employees and most of the employees are employed for our business operation in the People's Republic of China (the "PRC"). The approximate proportions of technical management staff and production base workers are as follows:

	Approximate proportion of technical management staff	Approximate proportion of production base workers	Total
Aged 18-30	9.9%	53.7%	63.6
Aged 31-45	6.8%	25.0%	31.8
Aged 46-60	0.6%	4.0%	4.6
Sub-total	17.3%	82.7%	100%

Our Group focused on

- Creating a healthy and safe working environment;
- Supporting employees both at and beyond workplace; and
- Providing employees with adequate training opportunities and platforms to share their opinions

Recognising the importance of the communication with its employees, the Group encourages its employees to share their ideas with the Group, and raise questions or make suggestions to the Group. With the availability of a wide array of communication channels, the Group offers its employees access to the latest information of the Group through a number of means such as the Group's website, internal forums, company newspaper and instant messaging. Employees can also maintain timely and smooth communication with the management, colleagues and partners of the companies within the Group through the members of the union or the representatives of the employees.

B. SOCIAL (continued)

2. Employment and Labour Practices (continued)

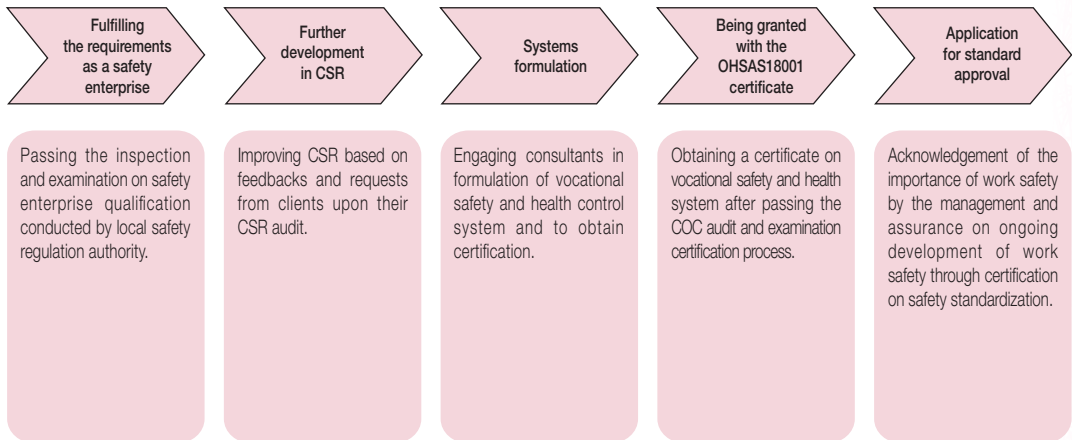
2.1 Employment (continued)

The Labour Union (LU) is formed in every manufacturing plant of our Group in China. LU shall take safeguard the legal rights and interests of the employees and if any strike or slowdown happen, then the LU will negotiate with the management team on behalf of the employees, and assist the plant to return to normal working operation at reasonable period. It generally learned, the LU may take the responsibility for employee in collective bargaining issue with the management team. The plant of LU also has the rights to participate in meetings held by the plant which discuss the issues that affect the legal interests of its employees, major operational, management and development for the employees.

Staff restaurants are available within the Group’s production plants. The Group also sets aside a reserved funds for activities, which helps our employees to relieve stress, and serves to exemplify the Group’s corporate culture of the spirit of solidarity and cohesion among its employees.

2.2 Health and Safety

The Group always places the safety as the priority in its working environment. The policy of health and safety is providing a safe and healthy working environment for the employees. Each of the subsidiaries of the Group places particular focus on its industrial and production safety. Taking into account the requirements of the local governments and customers, the establishment of industrial and production safety systems are developed progressively. The relevant steps are set out as follows:



B. SOCIAL (continued)

2. Employment and Labour Practices (continued)

2.2 Health and Safety (continued)

The subsidiaries of the Group obtained certifications on occupational health and safety, namely OHSAS18001 certification. Meanwhile, the Group manages the hygiene and safety of its plants in accordance with the relevant laws and regulations of occupational health and safety. It also holds safe production and fire safety training on a regular basis, in order to raise the safety awareness of its employees. The Group provides employees in the PRC with labour protection supplies such as gloves, masks and work uniforms, but not limited to these protection materials so as to ensure the safety and health of our employees. Should our employees suffer from any illness or debilitating condition or are considered by the Group to be in need of health protection based on their health inspection results, the Group will limit their job duties, redesignate their post temporarily, applying treatment and other health care measures. The Group's incident rates continue to be significantly below the industry average. No severe industrial accidents were recorded by the Group during 2016. The KPI of each production base, measured in days lost due to work injury, is set out below.

Item	The Group – Production Base					
	Shishi	Xiamen	Changshu	Shenzhen Baoan	Shenzhen Shajin	Nanan
No. of day lost	0	0	0	0	0	0

In relation to the protection for pregnant and breast feeding employees, the Group's personnel department will make appropriate adjustments to their work arrangements, such that female employees will not be required to extend their working hours or take up job duties that require greater physical strengths during pregnancy. The Group will avoid female employees to take up night work and to be engaged in job duties that may involve toxic and hazardous materials during pregnancy. In addition, after the end of maternity leave, female employees can be entitled to the benefits and job duties prior to their maternity leave. For female employees breast feeding their babies under 1 year old, the Group will neither extend their working hours, nor arrange them to take up night work or to be engaged in job duties that may involve toxic and hazardous materials.

In Hong Kong, The Employment (Amendment) Ordinance 2014 on statutory paternity leave commenced on 27 February 2015. Male employees with child born on or after the commencement date are entitled to 3 days' paternity leave for the confinement of their spouse/partner if they fulfil other requirements as stipulated in the law.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.3 *Development and Training*

Human resources is one of the important assets of the Group. Therefore, the policy of development and training actively expands the horizons for the personal development of its employees and provides various types of knowledge and skill training relating to the works for its employees from internal and external sources, including a wide range of staff development training, senior management and personnel training and industrial seminars. Through the training, the employees can enhance their personal qualities, strengthen their working skills and reinforce the team performance. Moreover, employees can grow with the Group by bolstering their own values on the basis of their personal interest and expertise. We foster a continuous learning environment and encourage employees to develop and advance their careers within our Group.

All of our employees are subject to regular performance and career development appraisal, in order to ensure the efficiency and quality of our employees and to foster the stable development of the Group. Given the fact that the specialised techniques applied by the Group involving substantial amount of advanced technologies, to ensure its employees can keep themselves abreast of the most updated professional knowledge and the safe production, the Group will arrange comprehensive training courses for its employees. The contents of the training courses cover the operation of a wide variety of instrument, the application of chemicals and other relevant skill trainings (where applicable), such as the training on basic knowledge of OHSAS18001, the training on operating processes, and the training on basic knowledge of Restriction of Hazardous Substances Directive 2002/95/EC ("RoHS"). Employees taking up key positions such as technician, craftsmen, inspectors and related production personnel should be qualified by relevant training and examination and obtain the relevant qualifications (if so required by the country). The Group encourages employees to participate in various external qualification examinations or research seminars according to the needs of their job duties.

Promotions are subject to the needs from the Group's business development and the employees' competence. Vacancies of the Group's internal management positions will be filled up internally by promoting the most qualified employees within the Group according to its policies and practices in practicable situations. In accordance with the requirements of the positions, the Group will select candidates for the vacancies internally from the employees within the Group via internal selection. Where feasible, the vacancies and job duties will be filled up by the internal employees within the Group, thus offering our employees with the opportunities for promotion, enhancing the efficiency and have a personal belongings towards the Group.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.4 Labour Standards

All works are voluntarily performed and shall not involve forced labour, debt repayment or contractually bound labour or involuntary prison labour. The Group prohibits to employ the child labour. "Child labour" refers to any employee under the age of 15 (or the minimum legal age for child labour in accordance with the relevant local laws). The Group makes use of apprentice programmes in accordance with laws. Working hours shall not exceed the limit stipulated by local laws and employees are entitled to one day-off per week. Salary and benefits also comply with applicable wage laws, including those relating to minimum wage, overtime hour and mandatory benefits, and the payment is made in a timely manner.

The Group prohibits discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in recruitment and employment practices such as promotions, rewards, access to training and demotion. All employees perform works voluntarily and are not subject to discrimination.

We do not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees. We have procedures in place to ensure that our policies are properly implemented throughout the Company. These include training, conducting employee interviews and surveys, on-site visits and audits on a regular basis. Any issues or enquiries raised by our employees through different communication channels will be handled and investigated by the Company with care and in a confidential manner.

In addition to contractual salary, we have also set up a mandatory provident fund scheme ("MPF Scheme") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for all of our employees in Hong Kong. The MPF Scheme is subject to regulations under the Mandatory Provident Fund Schemes Ordinance and is a defined contribution retirement plan administered by independent trustees. The MPF Scheme requires employers and employees to make the MPF scheme contributions at 5% of the employees' relevant income, subject to a statutory limit of HK\$1,500 per month.

The Group's employees in the PRC will be entitled to five national statutory social insurances (including basic pension insurance, basic medical insurance, work-related injury insurance, maternity insurance and unemployment insurance) as well as commercial and accident insurance under the statutory Employment Ordinance of the PRC. Throughout the Group, in addition to statutory holidays stipulated by the local laws such as the basic paid annual leave and maternity leave for employees under the local laws, female employees may also be entitled to prenatal leave. Meanwhile, for overtime work by employees in non-office hours (e.g. post working hours on general working days, or statutory holidays of the country), employees may receive the appropriate overtime payment according to the local laws.

B. SOCIAL *(continued)*

3. Operating Practices

Strengthening operating practices compliance all over the Group, we have defined, assigned, and delegated to the management and supervision to take the responsibilities in our operating practices in the following aspect.

3.1 *Supply Chain Management*

Based on Supply Chain Social and Environmental Responsibilities (“SER”) Management, the principal raw materials currently required by the Group’s production operation include plastic, ink, sheeting, metallic raw materials and packaging materials. There are few hundred of suppliers on our list, including domestic and overseas suppliers. In addition to factors such as pricing, quality, reliability in supply, the Group will also take into account the suppliers performance in fulfilling their social responsibilities and commitment to environmental protection in our selection of suppliers. We require our suppliers to comply with the laws and regulations in the countries and regions where their operations are located, and operate in good faith by adhering to their business ethics. The Group prohibits discrimination arising from regional, ethnic, cultural and political factors in the course of certification, evaluation and optimization of suppliers.

In addition, to reinforce suppliers’ respect for employees and continuously improve and enhance suppliers’ awareness of environmental protection as well as health and safety, in 2012, the Group drew up the “Management Approach on Social Responsibility” for suppliers, and suppliers are required to enter into the “Social Responsibilities Commitment”. At the same time, a dedicated team has been set up to conduct on-site appraisal of high-risk suppliers, and assist suppliers in improving their substandard performance. The Group also joins hands with suppliers to combat commercial bribery and other illegal activities. We transacted based on fair, justice and open principles by entering into “engagement letters of transaction integrity” with suppliers. As prohibited by the Group, “conflict minerals” may not be included into suppliers’ procurement system. We entered into the “Letter of Undertaking of Prohibited Use of Conflict Minerals” with suppliers, so as to ensure that none of the 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.

The Group promotes Green Partner management concepts within the supply chain, by entering into the “Guarantee of Environmental Management of Substances” with suppliers. Meanwhile, we assist suppliers establish effective Green Partner management systems in the whole process from raw materials procurement to internal production and delivery. We also assist suppliers to improve their capability of autonomously detecting harmful substances, so as to motivate suppliers to enhance their management capacity of green products. Moreover, the Group also requires suppliers to implement energy conservation and emission reduction management (such as greenhouse gas management), regular notification of plans for energy conservation and emission reduction and measures on emission cut. Moreover, we carry out on-site inspection of the implementation of the emission reduction measures by suppliers, in order to ensure that suppliers bear their responsibility for the society by duly implementing their emission reduction tasks.

B. SOCIAL (continued)

3. Operating Practices (continued)

3.2 Product Responsibility

With unwavering commitment to premium product quality, we have established a set of comprehensive quality control system. The companies within the Group have successively passed the certification of ISO9001 quality control system, ISO14001 environmental management system and OHSAS18001 occupational health and safety management system. The Group has set up a competent comprehensive quality control department, which implements product quality standards in strict compliance with customers' requirements. The department adheres to strict rules in trial production of products and random checks of production volume and monitors product quality in joint hands with customers. We also introduce 6S management system, which ensure that our production is carried out in a well-disciplined and efficient manner. In the product responsibility as shown in the following KPI – percentage of total products sold or shipped and recalls for safety and health reasons:

Total products shipped in	Recalls for safety and health
2014	0%
2015	0%
2016	0%

3.3 Anti-corruption

Both the Group and its business partners are committed to upholding the highest ethics standards. Parties involved in business interaction shall prohibit each and every form of corruption, extortion, bribery, fraud, money laundering and embezzlement. Moreover, the Group pledges “zero tolerance” approach to any fraudulent business activity.

The Group advocates the standards of fair transaction, advertising and competition and puts in place a confidentiality mechanism to protect the identity of suppliers and whistle-blowers. Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period is zero.

4. Community Investment

The Group is committed to giving back to our society and has been heavily involved in community development and related activities, such as ancillary facilities development in nearby districts of our production bases in the PRC, as well as making advice to environmental protection initiatives and the construction of education facilities. The Group will continue to take part in community development in the future, will make use of our expertise and resources to support the communities in which we operate and collaborate with the local charities.