ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PRINCIPLES

Scope
Established in 1995, the Group is a world-renowned group engaged in paper making (and the upstream and downstream industry chain) with principal business focusing on the production and sales of a broad variety of quality packaging paper products, including linerboard (kraftlinerboard, testlinerboard, white top linerboard and coated linerboard), high performance corrugating medium, coated duplex board, recycled printing and writing paper, specialty paper and pulp. Adhering to the philosophy of “No Environmental Management, No Paper Making”, the Group uses recyclable paper as its major raw materials, committing itself to environmental protection, energy conservation and emission reduction.

In determining the scope of disclosure in the Group’s Environmental, Social and Governance Report (the “Report”) for FY2021, the Board of the Group mainly considered the proportion of production capacity of, and revenue from, each production base of the Group respectively. The Board of the Group believes that major impacts of the Group imposed on environmental, social and governance related issues, investors and other stakeholders are properly reflected in the sustainable development initiatives and performance of the eight production bases of the Group in mainland China (namely Dongguan, Taicang, Chongqing, Tianjin, Quanzhou, Shenyang, Leshan and Tangshan bases) and one base in Vietnam during the period from 1 July 2020 to 30 June 2021 (the “Year”). This scope is consistent with that in the previous year’s Report.

Unless otherwise indicated, the Report does not cover the relevant data on the downstream packaging factories in mainland China because they only contributed to approximately 2.4% of the Group’s revenue for the Year. In addition, the Group’s recycled pulp mills in Malaysia and pulp mills in the United States are not disclosed in the Report because they only accounted for approximately 2.6% and 6.9% of the Group’s overall total annual production capacities respectively. The Board will continue to review the importance of such data and consider covering the relevant full-year data in our future reports.
Reference Guideline

The Group has been disclosing its performance regarding environment, health and safety, human resources, corporate governance and social responsibility annually since FY2014. The preparation of the Report was with reference to the information commonly disclosed in the paper manufacturing industry and the ESG Reporting Guide in Appendix 27 of the Main Board Listing Rules, and was complied with the mandatory disclosure requirement and the “comply or explain” provisions under the ESG Reporting Guide.

Working Group

The data and information in the Report was derived from the Group's internal documents, records and statistics. The Group’s Environmental Protection & Energy Saving Department, Human Resources Department, Information Technology Department, General Management Department, Sales Department, Finance Department, Public Relations Department and Investor Relations Department have formed an inter-department working group to be responsible for the collection, statistics and consolidation of the data and information disclosed in the Report.

The Report has been confirmed and approved by the Board.

ESG Management Approach and Strategy of the Board

The Board of the Group and its five Board Committees (Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee) regularly monitor and review the Company’s overall strategy, risk management, financial position, corporate governance, governance on environmental protection and other sustainability initiatives, etc.

The executive Directors and the supervisors of the Group’s bases and functional departments are delegated by the Board to hold special meetings on sustainability issues (including ESG) regularly, so as to identify, assess, screen and prioritise issues that are material to the Group and the stakeholders and, in turn, formulate strategy and implement specific plans in relevant aspects.
The Group collects information on the latest general policy, environmental policy, changes in the paper manufacturing industry, sustainability measures of industry peers and stakeholders’ opinions. Taking into account its actual operation (including its strengths and weaknesses) and business strategy, the Group conducts regular review to identify issues relevant to its operation, development opportunities and risks.

The Group comprehensively assesses the issues identified in the review by considering their impacts on society, the environment and the Group’s operation. It also carries out all-inclusive analysis on the duration, breadth, depth and imminence of such impacts.

During the assessment and screening process, the Group prioritises its plans with reference to the opinions from experts and stakeholders, case examples of its industry peers and public consensus from time to time.

The person-in-charge of the Group’s major bases and departments hold management meetings with executive Directors at least every two weeks to report on business operation, including the progress on established environmental, social and governance goals. For instance, they report on the progress of discharge reduction projects, production safety enhancement projects and staff training in production plants. During the meetings, they also review and adjust the relevant plans directly. The executive Directors will report material and high-risk issues to the Board for discussion and form ad hoc groups for follow-up actions if necessary.

Examples of Material Issues

Environment and sustainability:
- Environmental friendly production
- Waste treatment
- Greenhouse gas and wastewater emission
- Utilization of energy and water resources

Corporate governance:
- Staff development, salaries and benefits
- Talent training
- Supply chain management system
- Platform for consumer complaint
- Risk management
- Anti-corruption policy
- Governance structure and transparency
- Privacy protection

Safety, security and health:
- Product safety and quality
- Production and fire safety
- Occupational health and safety
- Unexpected public health event

Social issues:
- Poverty alleviation in the community
- Poverty alleviation through industry development
- Disaster aid and relief
MAJOR SUSTAINABILITY RISKS AND RESPONSE STRATEGY

>> Risk: Shortage of raw material supply

Analysis: Since 2021, China has fully implemented the “Waste Import Ban” to forbid foreign waste imports. As the Group’s major raw material, recovered paper cannot be imported as well, which intensifies the risk of raw material shortage in the paper manufacturing industry.

Response strategy

• Short-term strategy: The Group has increased the ratio of domestic recovered paper used in the manufacturing process to fill the gap of imported recovered paper. Leveraging its strong procurement network, the Group is confident to acquire sufficient domestic recovered paper.

• Long-term strategy: At the same time, the Group is beefing up the capacity of recycled pulp and wood pulp for its own use, so as to replenish the reserve of high-quality raw materials.

• Expand product mix: in view of the quality of domestic recovered paper, the Group has launched the “River Dragon (江龙牌)” brand for low-end products to take share in the low-end market and diversify revenue sources. In addition, in line with the capacity expansion for recycled pulp and pulp, the Group is actively developing premium products with high entry barriers and profitability, such as virgin kraftliner and bleached folding boxboard.

>> Risk: Change in product demand

Analysis: China plans to forbid all production and sales of plastic packaging for delivery, plastic shopping bags and disposable plastic tableware by 2025 through the gradual implementation of the “Plastic Ban Order”. Given their affordable price and light weight, paper products are certainly the best alternatives to plastic. The Group will lose market share if it fails to seize this major market opportunity in time.

Response strategy

• Taking advantage of the “Plastic Ban Order”, the Group has confirmed the building of new production capacity for bleached folding boxboard and sack kraft paper.

• With a focus on strengthening its technology innovation and R&D capability, the Group is enhancing the core technology for new products that are centred on low-carbon and green concepts.

>> Risk: Acceleration and tightening of national environmental policy

Analysis: Following the start of the “14th Five-Year Plan”, China will continue to adopt the general principle of green development and establish more stringent standards for the paper manufacturing industry in promoting clean production, pollution and emission reduction, as well as technological advancement.

Response strategy

• The Group has obtained the “China Environmental Labelling Products” certification and a number of international certifications for management system standards, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System and FSC™ certification for forest environmental protection systems.

• The Group keeps a close tab on international and domestic environmental policy and maintains higher standards. For example, in response to Dongguan’s coal-to-gas conversion policy, we are gradually replacing coal with natural gas as the energy source. The Group has acquired the right to use national pipe networks, receiving terminals and other infrastructure. It has also entered into cooperation with large domestic energy companies and overseas suppliers. During the Year, the Group completed the construction of and put into operation its first gas-fired boiler in Dongguan Base.
Risk: Unexpected public health event

Analysis: Unexpected public health events (such as the rapid spread of pandemic) can pose considerable risks to the Group’s employees, which are its most valuable asset. Furthermore, these events can have a significant impact on the Group’s production and operation.

Response strategy
- The Group has been optimising its emergency and safety management mechanism, which allows it to respond to unexpected public health events in a timely manner. During the worldwide Covid-19 pandemic in 2020, the Group formed the Covid-19 prevention and control group promptly, established various pandemic prevention mechanisms and safety measures, and offered special training on pandemic prevention knowledge for its staff. As a result, it became one of the fastest manufacturers to resume production in the industry.

Risk: Operational risk

Analysis: Natural disasters such as floods, typhoons, fires and earthquakes can be a threat to the Group’s production and the safety of its employees.

Response strategy
- The Group prepares for weather changes in advance and activates the emergency response mechanism in extreme weather conditions. It makes reasonable adjustments to the production plan to ensure the transportation of raw material and auxiliary materials as well as the normal operation of facilities, thereby minimising the adverse effect of climate change. Besides, it has purchased work injury insurance for all employees.
- In terms of fires, the Group not only requires its staff to maintain strict compliance with the “Fire Safety Management Practices”, but also forms its own firefighting team which conduct regular drills to prepare for fire emergencies.

Risk: Financial risk

Analysis: In the coming years, the Group will promote the use of kraft pulp and recycled pulp as high-quality raw materials for production. Meanwhile, it will expand the capacity of high-end products. The Group’s financial risks will increase along with its capital expenditure.

Response strategy
- While the Group’s exposure to rising gearing ratio will be driven by its capital expenditure plan in the short term, the Group can maintain a sufficient cash flow and a controllable and healthy gearing ratio with its strong operating revenue base and economies of scale due to the close correlation between the paper manufacturing industry and the inelastic demand in the economy.
- On 6 September 2018, the Group received the AAA rating from a credit rating agency which remains valid in 2021. With the overwhelming support from major banks, the Group has entered into various syndicate loans with a term ranging from 5 years to 10 years. These loans can fully cover the Group’s capital expenditure for production capacity expansion in the future and are sufficient for working capital purposes.

Analysis: In addition to the operating bases in China, the Group has similar facilities in the U.S., Malaysia and Vietnam. Moreover, it procures some of the raw materials and paper manufacturing equipment from overseas. Hence, it is exposed to certain exchange risks.

Response strategy
- The majority of the Group’s operation is located in China and most of the transactions are settled in RMB. As the Group does not face material exchange risk, it does not have a hedge policy.
- When deciding the currency of bank loans, the Group strikes a balance between the interest rate and exchange risk. The Group has bank loans denominated in RMB, US$, HK$ and EURO.
STAKEHOLDER GROUPS AND ENGAGEMENT

The Group values the engagement of and respects the sustainable relationship with each of its stakeholders including business partners, suppliers, clients, investors, regulators, employees and communities. All stakeholders may express their opinions to the Group through a variety of channels listed below to assist in identifying the existing room for improvement by the Group in environmental, social and governance. The opinions and information provided by all parties will be kept confidential and will not be disclosed to any third party.

STAKEHOLDER GROUPS

Employees
Engagement Channels
- “Chairlady Mailbox (董事長信箱)” established in each of the production bases
- The Company’s internal specific email box for complaints
- Management biweekly meetings, quarterly meetings, half-yearly meetings and annual meetings, etc.

Customers
Engagement Channels
- Customer visits by customer service team on a regular basis
- Customer satisfaction investigation carried out quarterly
- Sales hotline and email

Suppliers and business partners
Engagement Channels
- Service satisfaction survey conducted on a regular basis
- “Complaint Handling Guidelines (投訴處理指引)” attached in the commercial contracts entered into with external parties
- Notice board about the method of complaints placed at the loading and unloading site in respective production bases

Investors and Shareholders
Engagement Channels
- Investor enquiry email
- Annual General Meeting and Special General Meeting
- Express their views through Investor Relations Department

Governments and regulators
Engagement Channels
- Regular communication with the relevant departments of the Company

Media
Engagement Channels
- Media enquiry email

Public
Engagement Channels
- General enquiry email
ENVIRONMENT

The Group recognizes the national concept of ecological civilization of “Clear waters and green mountains are as valuable as mountains of gold and silver” and advocates the recycled economic development model of “Reduce, Reuse and Resource”.

Adhering to the philosophy of “No Environmental Management, No Paper Making”, we not only use recyclable paper as our raw materials to reduce deforestation significantly, but also continuously step up the efforts in environmental protection by implementing various environmental protection regulations and introducing environmental protection facilities in different production stages so as to ensure our various emission and energy consumption indices outperform government standards.

Allocation of capital expenditure for environmental facilities

During the Year, the Group’s capital expenditure on the addition and upgrade of environmental facilities in various bases exceeded RMB400 million. Such projects include, among others, the expansion and upgrade of waste incinerators to enhance waste processing capacity and to generate steam power from the combustion of waste; the upgrade of boilers for higher dust emission standards to reduce the emission of dust; the ultra-low-emission upgrade for incinerators of thermal power plants to achieve low emission of ashes; the establishment of new wastewater chemical scrubbing tower project and the addition works to keep the wastewater treatment system enclosed with top covers so as to reduce the odour in the surrounding area of the wastewater treatment plants.

Impact of the increase in production capacity and production volume on emissions and energy consumption

At the end of 2019 and in the third quarter of 2020, a total of 4 new paper machines of the Group were being put into trial production in Quanzhou, Shenyang, Dongguan and Hebei respectively, contributing to an increase in total production capacity of 205 tpa, and a year-on-year increase in production volume of 2.03 million tonnes or 14% during the Year. The commissioning work needed for the trial production of the new paper machines and their official commencement of production in the subsequent period were the main reasons for the increase in total emission and total energy consumption of various types of emission during the Year. However, with its proactive efforts in upgrading various environmental facilities for higher standards, the Group has managed to maintain or lower each of the emission indicators and energy density (generally calculated in tonnes/ten thousand tonnes of paper).

Impact of the “Waste Import Ban” on water consumption and emissions

With the implementation of the “Waste Import Ban”, since 2021, imported recovered paper, the major raw material of the Group, was also prohibited from import, which has intensified the risk of raw material shortage in the paper manufacturing industry. In order to solve the problem of raw materials, apart from increasing the ratio of domestic recovered paper used in the paper manufacturing process, the Group also beefed up the capacity of kraft pulp and recycled pulp...
A1. EMISSIONS

Upholding the principle of green development, energy conservation and emission reduction, the Group monitors its emission in strict compliance with regulations such as “Air Pollution Prevention and Control Law of the People’s Republic of China” (中华人民共和国大气污染防治法), “Emission Standard of Air Pollutants for Thermal Power Plants” (火电厂大气污染物排放标准), “Water Pollution Prevention and Control Law of the People’s Republic of China” (中华人民共和国水污染防治法), “Discharge Standard of Water Pollutants for Pulp and Paper Industry” (製漿造纸工业水污染物排放标准) and “Law on the Prevention and Control of Environmental Pollution By Solid Waste of the People’s Republic of China” (中华人民共和国固体废物污染环境防治法). The Group has well-established emission monitoring and management system, including 24-hour online monitoring, or commissions third party institutions with China Metrology Accreditation (CMA) to regularly collect data for statistical analysis.

Internationally Leading Gas Treatment Facilities and Enclosed Coal Storage Domes

Each of the production bases of the Group has its own heat and electricity boiler to provide steam and electricity for production lines. Currently, coal serves as its major energy source. The adoption of circulating fluidized bed boilers enables reduction in nitrogen oxide at source. For the treatment of exhaust gas, the Group adopts the state-of-the-art and highly efficient desulfurization process (limestone injection and oxidized magnesium wet scrubber at the end), ‘two-tier dust removal process (electrostatic bag filter), low-nitrogen combustion and SCR/SNCR denitrification’ processes. Through these processes, we have achieved a desulfurization efficiency ratio of over 95%, a denitrification efficiency ratio of over 85% and a dust removal efficiency ratio of over 99.95%. This reduces the generation and emission of pollutants in the flue gas, ensuring various indicators of flue gas outperforming the relevant national emission standards.

Since 2016, the Group has been gradually adding and upgrading ultra-clean facilities, such as the adoption of the latest wet electrostatic precipitating technology to the boilers in an active approach, so as to further reduce dust emission. Currently, boilers of the Group that have undergone ultra-low emission upgrade in accordance with the requirements of national policies have met the national standard of ultra-low emission (with the emission of SO2 maintaining below 35mg/m³, NOX below 50mg/m³ and dust below 10mg/m³), thus effectively improving the quality of the environment.

The Group is the pioneer in the industry in constructing fully automatic and enclosed coal storage domes, which can effectively avoid fugitive dust pollution during the loading, transportation and storage of coal,
thereby offering better protection for the surroundings and further improvements to the working and living environment of our staff.

**Clean Energy and Emissions**

Global warming and greenhouse effect have become urgent issues to be solved around the globe, and the Chinese Central Government has put forward the goal of realising carbon neutrality by 2060. In response to national and local policies, the Group actively introduced natural gas as an energy source in substitution of coal in its largest production base nationwide (Dongguan base), which is expected to further reduce consumption of water resources and emission of pollutants, and reduce the use of coal transport vehicles and chemicals. In order to enhance the utilization of natural gas, the Group has established a professional energy operation team and successfully obtained the right of use for infrastructure such as national pipeline network, receiving stations, etc. The Group has also established cooperation relationship with large-scale domestic energy companies and overseas suppliers, and the first gas-fired boiler has been completed and put into operation during the Year. The Group aims to replace all boilers in Dongguan base with gas-fired boilers by the end of 2025.

During the Year, each emission indicator of the Group’s emissions and greenhouse gases outperformed national or regional standards. Desulfurization, denitification and dust removal facilities of the Group upgraded during the 2019 financial year for higher emission standards resulted in a year-on-year decrease of 3.2%, 4.0% and 12.5% in SO₂ intensity, NOx intensity and dust intensity during the Year, respectively. The total greenhouse gas emission recorded a year-on-year increase of 13.9%, which was mainly attributable to an increase in production capacity and production volume during the Year, and the implementation of the “Waste Import Ban” (for details, please refer to sub-sections headed “Impact of the increase in production capacity and production volume on emissions and energy consumption” and “Impact of the ‘Waste Import Ban’ on water consumption and emissions” in the “ENVIRONMENT” section in this report). However, the greenhouse gas intensity recorded a year-on-year decrease of 0.3%.

While the Group sets the annual emission target, it shall be in compliance with the standards set forth by the ecological environment governing authorities and maintain the optimal level that it has achieved so as to further foster a year-on-year emission reduction.

<table>
<thead>
<tr>
<th>Type of Emission</th>
<th>FY2021</th>
<th>FY2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sulfur dioxide (SO₂) intensity (tonnes/ten thousand tonnes of paper)</td>
<td>0.91</td>
<td>0.94</td>
<td>−3.2%</td>
</tr>
<tr>
<td>Nitrogen oxides (NOx) intensity (tonnes/ten thousand tonnes of paper)</td>
<td>2.65</td>
<td>2.76</td>
<td>−4.0%</td>
</tr>
<tr>
<td>Dust intensity (tonnes/ten thousand tonnes of paper)</td>
<td>0.14</td>
<td>0.16</td>
<td>−12.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Greenhouse gas emission</th>
<th>FY2021</th>
<th>FY2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total emission (tonnes in CO₂ equivalent)</td>
<td>15,434,627</td>
<td>13,547,004</td>
<td>+13.9%</td>
</tr>
<tr>
<td>Among which: Direct (scope 1) emission</td>
<td>14,825,053</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Indirect (scope 2) emission</td>
<td>609,574</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Intensity (tonnes in CO₂ equivalent/ten thousand tonnes of paper)</td>
<td>9,305</td>
<td>9,330</td>
<td>−0.3%</td>
</tr>
<tr>
<td>Direct (scope 1) emission</td>
<td>8,938</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Indirect (scope 2) emission</td>
<td>367</td>
<td>/</td>
<td>/</td>
</tr>
</tbody>
</table>

Note: The statistics on direct (scope 1) and indirect (scope 2) emission of greenhouse gases in FY2020 have not been presented separately.
The Group aims to lower the intensity levels of direct (scope 1) and indirect (scope 2) emission of greenhouse gases to approximately 8,500 tonnes/ten thousand tonnes of paper and approximately 330 tonnes/ten thousand tonnes of paper by FY2025.

To achieve this, in addition to the implementation of upgrading the environmental protection and treatment facilities for higher emission standards in accordance with the national and provincial requirements, the Group will also optimize the operation of the pollution control facilities in order to further reduce the emission of pollutants.

**Advanced Wastewater Treatment Facilities**

The Group adopts internationally leading production technologies for paper making to control the volume of wastewater generated at source. Each of the production lines is installed with an advanced water recycling system which effectively reduces a large amount of wastewater generated and discharged.

At the end of the wastewater treatment process, we adopt a "four-stage water treatment process (physical + IC anaerobic + aerobic + Fenton advanced treatment)", such that our processed wastewater outperforms the industrial standard, the “Discharge Standard of Water Pollutants for Pulp and Paper Industry” (GB3544–2008) and the discharge standards of regions where our production bases are located. A large amount of methane produced during the anaerobic biological treatment of wastewater is transmitted to the boiler for heat and electricity generation as a clean energy after biological desulfurization.

During the Year, various indicators of the Group’s discharged water outperformed national or regional standards. Due to the fact that the Group further optimized the wastewater treatment facilities installed at each production base, and enhanced the processing capacity of core facilities such as anaerobic IC and aeration tanks, the quality indicators of discharged water have been improved significantly. During the Year, on a year-on-year basis, intensity of chemical oxygen demand (COD) decreased by 2.6%, intensity of suspended solids (SS) decreased by 8.6%, intensity of total nitrogen decreased by 7.7% and biological oxygen demand decreased by 3.1%, demonstrating the Group’s efficiency and capability in waste water treatment.

<table>
<thead>
<tr>
<th>Discharged water indicators</th>
<th>FY2021</th>
<th>FY2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical oxygen demand (COD) (tonnes/ten thousand tonnes of paper)</td>
<td>2.97</td>
<td>3.05</td>
<td>–2.6%</td>
</tr>
<tr>
<td>Ammonia nitrogen (tonnes/ten thousand tonnes of paper)</td>
<td>0.10</td>
<td>0.10</td>
<td>/</td>
</tr>
<tr>
<td>Suspended solids (SS) (tonnes/ten thousand tonnes of paper)</td>
<td>0.53</td>
<td>0.58</td>
<td>–8.6%</td>
</tr>
<tr>
<td>Total nitrogen (tonnes/ten thousand tonnes of paper)</td>
<td>0.48</td>
<td>0.52</td>
<td>–7.7%</td>
</tr>
<tr>
<td>Chromaticity (times)</td>
<td>10.03</td>
<td>9.97</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Biological oxygen demand (BOD) (mg/L)</td>
<td>10.20</td>
<td>10.53</td>
<td>–3.1%</td>
</tr>
<tr>
<td>pH value</td>
<td>6.58</td>
<td>6.71</td>
<td>–1.9%</td>
</tr>
</tbody>
</table>
Solid Waste Disposal

The hazardous wastes and non-hazardous wastes generated by the Group should be in compliance with the “Solid Waste Pollution Prevention and Control Law of the People’s Republic of China” (《中華人民共和國固體廢物污染防治法》). For hazardous wastes, we carry out standardized management in strict compliance with the national management requirements in relation to hazardous waste, with measures including identifying hazardous waste in our plant area in accordance with the “Directory of National Hazardous Wastes” (《國家危險廢物名錄》), setting up standardized warehouses in plant area for the storage of hazardous waste and commissioning qualified companies with the operating license for disposal of hazardous waste to conduct detoxification treatment.

Since as early as 2003, being the first of its kind, the Group has developed in-house environmentally friendly industrial waste incinerators and sludge drying equipment, to effectively manage its solid wastes. Advanced exhaust gas treatment facilities, bag dust removal unit and semi-dry desulfurization facilities are utilized in incinerators, while emission monitoring units have been installed to ensure real-time online monitoring of gas emission.

In order to enhance our overall utilization rate of solid wastes, we reuse all pulp wastes generated in paper manufacturing in the paper-making workshops and incinerate all solid wastes generated in paper manufacturing after selection, which can generate steam and electricity for production. The water content in sludge is less than 40%, which is an achievement from our research and development as well as continuous promotion and application of the overall utilization techniques of paper making, sludge drying and incineration. We have successfully incinerated sludge generated from wastewater treatment through the frame membrane filter drying process, which does not only reduce secondary pollution, but also turns all dried sludge into renewable fuel, thus saving a large amount of coal and realizing recycling and zero discharge of sludge.

We also sell other solid wastes such as waste coal ashes in the power plants and boiler slag to qualified companies which use such wastes as construction materials.

During the Year, both hazardous wastes and non-hazardous wastes discharge by the Group outperformed national or regional standards. Attributable to the government’s intensified management and control over the impurity rate of recovered paper from the source as well as the Group’s effective control over solid wastes, which included the addition of two-stage bag dust removal and the identification of primary hazardous ashes to reduce the amount of hazardous wastes and ashes produced. As such, despite an increase in production volume during the Year, the total volume and intensity of hazardous wastes registered a year-on-year decrease of 7.7% and 19.1% respectively; while the total volume of non-hazardous wastes increased by 12.0%, mainly attributable to the increase in production capacity and production volume (for details, please refer to sub-section headed “Impact of the increase in production capacity and production volume on emissions and energy consumption” in the “ENVIRONMENT” section in this report), and their intensity registered a year-on-year decrease of 2.0%.

<table>
<thead>
<tr>
<th>Solid Wastes</th>
<th>FY2021</th>
<th>FY2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazardous wastes (tonnes)</td>
<td>5,270</td>
<td>5,711</td>
<td>–7.7%</td>
</tr>
<tr>
<td>Non-hazardous wastes (tonnes)</td>
<td>3,114,143</td>
<td>2,781,322</td>
<td>+12.0%</td>
</tr>
<tr>
<td>Intensity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazardous wastes (tonnes/ten thousand tonnes of paper)</td>
<td>3.18</td>
<td>3.93</td>
<td>–19.1%</td>
</tr>
<tr>
<td>Non-hazardous wastes (tonnes/ten thousand tonnes of paper)</td>
<td>1,877</td>
<td>1,915</td>
<td>–2.0%</td>
</tr>
</tbody>
</table>
The targeted intensity of hazardous wastes for FY2022 of the Group will be maintaining the volume below 3.5 tonnes/ten thousand tonnes of paper; and the targeted intensity of non-hazardous wastes will be at a level not higher than 1,910 tonnes/ten thousand tonnes of paper.

To achieve this, the Group will continue to put efforts from the source to reduce the purchase of raw materials and supporting materials which would produce hazardous wastes. In addition, the Group plans to enhance the overall utilization of hazardous wastes such as de-inked slag and mineral oil in order to reuse any recyclable resources whenever possible.

**A2. USE OF RESOURCES**

**Forest in the City**

“There is no waste on this planet, only misplaced resources”. The Group has established its general approach to upholding scientific development, green development and using recovered paper for paper making since its establishment.

Among all raw material we used in our products, recovered paper accounted for the most substantial part, and over 15 million tonnes of recovered paper have been recycled and reused by us during the Year. With the completion of the large-scale recovered paper recycling in paper manufacturing, we also recycled and reused various wastes generated during our production processes through research and development, technology upgrades as well as equipment enhancement.

- Development of in-house environmentally-friendly industrial waste incinerators since as early as 2003, being the first of its kind
- Utilizing harmless waste generated from paper production, namely light slag and dehydrated sludge of sewage treatment plants as resources, which significantly reduces waste discharge while lowering coal consumption and reducing the emission of greenhouse gases such as carbon dioxide
- Heat and electricity generated from incineration of solid substances is utilized for paper production
- In response to the call of the government, Dongguan base established a rooftop photovoltaic power generation project since 2017, being the first of its kind
- Currently, photovoltaic power with an installed capacity of 5MW have been completed and put into operation, and it is planned that a photovoltaic power project with 12MW will be constructed
- Standard coal of 6,800 tonnes can be reduced per annum upon completion of the construction
- Continuous technological upgrades since 2008, including the introduction of methane desulfurization devices
- Methane generated from sewage treatment plants is incinerated for electricity and heat supply to substitute for some coal
- Standard coal of 60,000 tonnes can be reduced per annum upon commencement of operation
- Energy-saving lights are used and lights at different zones are controlled with individual switches
- Air-conditioning is constantly set at over 26 degrees Celsius
- Lights and computers are turned off during rest hours or long breaks of the staff
Energy conservation

For energy consumption, each production base of the Group has heat and electricity boiler in place to generate electricity and steam for its production lines with coal as the major energy source. In order to reduce coal consumption, we carry out research, development and upgrade of energy-saving technologies, formulate energy saving and upgrading plans and enhance or eliminate equipment with high energy consumption, including replacing less efficient motors with variable-frequency motors, upgrading drum pulpers and wind turbines and eliminating certain lightings and refrigerating equipment.

During the Year, each of the Group’s energy consumption indices outperformed national or regional standards. Affected by the increase in production capacity and production volume during the Year and the implementation of the “Waste Import Ban” (for details, please refer to sub-sections headed “Impact of the increase in production capacity and production volume on emissions and energy consumption” and “Impact of the ‘Waste Import Ban’ on water consumption and emissions” in the “ENVIRONMENT” section in this report), the total consumption of coal, steam and electricity increased. However, with its constant efforts in the upgrade with energy-saving motors, the Group has eliminated a batch of equipment with high power consumption and low efficiency. Coupled with a series of effective energy-saving measures, the Group registered a year-on-year decrease of 4.7%, 0.3% and 0.4% in coal, steam and electricity intensity respectively.

Being the first of its kind, the Group has established a distributed photovoltaic power generation project in Dongguan base with an installed capacity of 5MW and it is planned that a photovoltaic power project of 12MW will be constructed. According to the development plan of the Group, more supporting photovoltaic power generation projects will be constructed successively in subsequent periods to further reduce energy consumption.

<table>
<thead>
<tr>
<th>Energy</th>
<th>FY2021</th>
<th>FY2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total consumption</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal (tonnes of standard coal)</td>
<td>5,009,219</td>
<td>4,603,849</td>
<td>+8.8%</td>
</tr>
<tr>
<td>Steam (tonnes)</td>
<td>25,462,460</td>
<td>22,389,831</td>
<td>+13.7%</td>
</tr>
<tr>
<td>Electricity (kWh)</td>
<td>9,376,475,525</td>
<td>8,226,312,893</td>
<td>+14.0%</td>
</tr>
<tr>
<td>Intensity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal (tonnes of standard coal/tonnes of paper)</td>
<td>0.302</td>
<td>0.317</td>
<td>−4.7%</td>
</tr>
<tr>
<td>Steam (tonnes/tonnes of paper)</td>
<td>1.535</td>
<td>1.54</td>
<td>−0.3%</td>
</tr>
<tr>
<td>Electricity (kWh/tonnes of paper)</td>
<td>565</td>
<td>567</td>
<td>−0.4%</td>
</tr>
</tbody>
</table>

The targeted levels of coal consumption intensity of the Group for FY2022 and FY2025 are no more than 0.30 and 0.26 tonnes of standard coal/tonnes of paper, respectively.

To achieve this, the Group will continue to carry out the upgrade for lowering carbon emission and energy conservation, eliminate less efficient equipment with high energy consumption, as well as enhance its overall utilization of solid wastes and utilization rate of solid waste from incineration to reduce the consumption of coal.
Conservation of Water Resources

Recycling of Rainwater
In view of the characteristics of heavy rainfall during summer of the South China regions, the Group formulated special plans for the establishment of rooftop rainwater collection systems in bases located in regions such as Dongguan, Quanzhou, etc. Approximately 5,000 m$^3$ of rainwater can be recycled per day when there is sufficient rainfall. The rainwater collected is redirected into paper-making workshops for reuse.

Enhancement of water recycling rate
The Group attaches great importance to water resources. Water used for paper production is obtained from rivers in the vicinity of the production bases upon government’s approval, which reduces the impact on drinking water resources. We are devoted to the enhancement of water recycling rate during the production process. Each of the Group’s paper machines is installed with an advanced water recycling system, through which the reuse of wastewater and reclaimed water has been increased and the processed wastewater was reused at the source of production. Hence, the recycling rate of wastewater reaches over 97%, and the total volume of reused reclaimed water for the whole year reaches 19.80 million m$^3$. The Group also performs regular inspection on water supply facilities to prevent leakage. Through each and every means above, we endeavor to reduce water resources consumption in every production stage.

During the Year, the total water consumption increased by 11.3% as a result of the increase in the Group’s production capacity and production volume, and the implementation of the “Waste Import Ban” (for details, please refer to sub-sections headed “Impact of the increase in production capacity and production volume on emissions and energy consumption” and “Impact of the ‘Waste Import Ban’ on water consumption and emissions” in the “ENVIRONMENT” section in this report). However, as the Group improved the utilization rate of the water recycling system and continued to increase the recycling of tail-end wastewater for production, the average water consumption recorded a year-on-year decrease of 3.5%, while the recycling rate of wastewater maintained at a high level 97.2%.

The targeted water efficiency of the Group for FY2022 and FY2025 is expected to be maintained at an average water consumption of approximately 5.5 tonnes per tonne of paper, and the recycling rate of wastewater is expected to be maintained at over 97%.

To achieve this, the Group will continue to enhance the utilization rate of front-end wastewater by carrying out the upgrade of its water-saving facilities, and optimize the operation of wastewater treatment facilities with a view to enhancing the recycling rate of tail-end reclaimed water, thereby reducing the clean water consumption with this two-pronged approach.

<table>
<thead>
<tr>
<th>Water resources</th>
<th>FY2021</th>
<th>FY2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water consumption (tonnes)</td>
<td>91,633,120</td>
<td>82,329,938</td>
<td>+11.3%</td>
</tr>
<tr>
<td>Average water consumption (tonnes/tonnes of paper)</td>
<td>5.5</td>
<td>5.7</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Recycling rate of wastewater (%)*</td>
<td>97.2</td>
<td>97.2</td>
<td>/</td>
</tr>
</tbody>
</table>

* Estimated value
Packaging Materials

Paper is the Group’s major packaging material. Due to the needs for moisture proof packaging of certain products or regions, the Group also uses a small amount of plastics packaging. The Group strives to reduce unnecessary usage by properly handling the materials and adopting light-weight packaging.

Due to the increase in production volume during the Year (for details, please refer to sub-section headed “Impact of the increase in production capacity and production volume on emissions and energy consumption” in the “ENVIRONMENT” section in this report), as well as the increase in moist proof packaging in response to the market and customer demand, the total consumption of major packaging materials increased. However, as the new production capacity only uses packing rope and uses no plastics or paper packaging materials, the intensity of packaging materials decreased by 10.5%.

<table>
<thead>
<tr>
<th>Major packaging material</th>
<th>FY2021</th>
<th>FY2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total consumption (tonnes)</td>
<td>10,857</td>
<td>10,259</td>
<td>+5.8%</td>
</tr>
<tr>
<td>Paper</td>
<td>8,886</td>
<td>8,319</td>
<td>+6.8%</td>
</tr>
<tr>
<td>Plastics</td>
<td>1,971</td>
<td>1,940</td>
<td>+1.6%</td>
</tr>
<tr>
<td>Intensity (tonnes/ten thousand tonnes of paper)</td>
<td>6.57</td>
<td>7.35</td>
<td>-10.5%</td>
</tr>
<tr>
<td>Paper</td>
<td>5.38</td>
<td>5.96</td>
<td>-9.7%</td>
</tr>
<tr>
<td>Plastics</td>
<td>1.19</td>
<td>1.39</td>
<td>-14.1%</td>
</tr>
</tbody>
</table>

A3. ENVIRONMENT AND NATURAL RESOURCES

Green products

The Group always encourages technological innovation as well as the research and development of green products. We continuously innovate and upgrade our products and support the research and development of light-weighted and high-performance products, including testlinerboard, light weight high performance corrugating medium, recycled printing and writing paper, recycled corrugating medium, unbleached linerboard, white top linerboard, coated duplex board and coated white top linerboard. This series of environmentally friendly product with strong edge in resource conservation is leading the development of light-weighted paper packaging.
Awards, Recognition and Certification

The Group received a number of recognitions for its environmental performance, including “Advanced Energy Conservation Unit in Guangdong Province” (廣東省節能先進單位), “Energy Efficiency Benchmarking Leader in Guangdong Province” (廣東省能效對標領跑者單位), a winner in the “Energy Conservation and Discharge Reduction Contest for the National Paper-making Industry” (全國造纸行业节能减排竞赛优胜企业) and “Efficiency Pace-setter in Major Energy-consuming Industries in Chongqing” (重慶市重點用能行業能效領跑者). It was also named a “Green Factory” by the Ministry of Industry and Information Technology of the PRC.

Impact on Natural Resources and the Environment

The Group mainly produces paper with recovered paper. It is estimated that 1 tonne of recovered paper produces approximately 0.8 tonne of finished product of paper. Therefore, in comparison with paper-making solely with kraft pulp, it can save wood of approximately 3 to 4 cubic meters, standard coal of approximately 1.2 tonnes, electricity of 600 kWh and water of over 100 tonnes. Recovered paper recycled by the Group amounted to over 15 million tonnes during the Year, which significantly reduced logging and consumption of water resources and energy, thereby reducing waste discharge and relieving the burden of the environment.

The Group proactively solves the problem of odour in the plant area. We have adopted the advanced anaerobic IC treatment technology in the treatment of wastewater generated from paper production, through which the organic substances in wastewater can be decomposed by anaerobic microorganisms. We collect the methane generated from the process as clean energy to be incinerated in boilers. Concerning the odor generated from various pools in sewage treatment
plants, including acidification pools and thickening pools, we implement tank topped-out and ventilation to the odor source, and carry out biological treatment and alkaline sprinkling cleaning treatment of the odor, or send it to boilers for incineration.

The Group is highly concerned about its noise emission, and ensure compliance with the national “Emission Standard of Noise for Industrial Enterprises at Boundary” (GB12348–2008). We have installed acoustic insulation panels and mufflers for equipment that produce heavy noise, and set up noise-insulated control rooms in the workshops at paper manufacturing bases and packaging bases to prevent staff from working under high noise levels for prolonged hours. In addition, noise protection devices, such as earplugs, are provided and employees are required to wear them during inspection around the workshops. We also conduct noise monitoring around the plant area on a regular basis, and actively communicate with local residents, so as to minimize the impact on their daily life.

• To ensure open and transparent environmental information, we have set up an LED display screen at the main entrance of our plant area and displayed key environmental data for the paper manufacturing industry to the public, such as sulphur dioxide and COD, which is monitored in real-time by local environmental authorities via intranet.

• A range of systems including a centralized control system on environmental protection, an operational management ledger, and a ledger for facilities and equipment inspection and maintenance.

• The centralized control system on environmental protection incorporates the core environmental protection equipment, process operation parameters and online monitoring data into the environmental protection SMS alarm platform, so as to maintain 24-hour online monitoring of the environmental protection operation condition of all bases of the Group.

• The Environmental Protection & Energy Saving Department conducts statistical analysis on data on a monthly basis.

A4. CLIMATE CHANGE

Extreme weather becomes more prevalent every year as a result of climate change. The frequent occurrence of high temperature, chilly conditions, typhoons, drought, flooding and other extreme weather may affect the procurement of recovered paper, as well as the operation of power generation, production facilities, and pollution prevention and treatment facilities in the paper industry, while bringing about certain impact on the supply chain.

In response to a wide range of possibilities, the Group will keep abreast of the changes in weather conditions in advance, so that we can activate the emergency response mechanism under extreme weather. We will make reasonable adjustments to the production plan to secure normal transportation of raw materials and finished goods, thereby mitigating the adverse impacts arising from climate change.

For example, located in the Guangdong-Hong Kong-Macao Greater Bay Area, the Dongguan base of the Group is often hit by typhoons and rainstorms in summer. Therefore, we have formulated a well-established emergency plan, in which the Regulatory Commission and the fire safety management department of the Group will issue alarms for typhoons and rainstorms in advance and the corresponding departments will immediately take responsive measures, including, among others, reserving raw materials and chemical ancillary materials required during extreme weather in advance, inspecting outdoor wastewater and exhaust gas treatment facilities, examining and eliminating potential risks, suspending outdoor climbing, electrical or heavy lifting operations, taking measures to prevent backflow in the plant areas, checking the preparation of flood prevention materials and ensuring the safety of transportation vehicles on the road.
EMPLOYMENT AND LABOR PRACTICES

Employees are the cornerstone of the Company’s success, and “Respect and care for our staff” is one of the core values of the Group. It would be impossible for the Group to have the current sustainable and stable development without the support of its employees. We not only care about our employees’ well-being but also their personal and career development.

B1. EMPLOYMENT

Employment and Benefits

The Group ensures compliance with regulations and contracts in relation to employment in the jurisdiction where it operates by conducting its recruitment in a fair, open and impartial manner, and providing its employees with competitive remuneration and benefits. For instance, our employee recruitment in Mainland China is in strict compliance with regulations such as the “Labor Law of the People’s Republic of China” (中华人民共和国劳动法) and the “Labor Contract Law of the People’s Republic of China” (中华人民共和国劳动合同法). Meanwhile, we have formulated comprehensive internal systems, namely the “Recruitment Management System” (招聘管理制度) and the “Professional Title Evaluation System” (职称评审制度), to ensure equality in the workplace, regardless of the employees’ gender, age (except for minors), region and ethnicity. Candidates who meet the job requirements will be able to obtain equal working opportunities and equal pay for equal work regardless of gender. All recruited employees will enter into labor contracts in writing with the Company once they join and report to the Company, which adequately protect the rights of labors.

Upholding the mission of “Taking a leading position in the industry in terms of production output and efficiency, quality management of employees and software management as well as employees’ benefits and remuneration”, we provide employees with competitive remuneration and benefits among its peers in accordance with the “Remuneration and Benefits Management System” (薪酬福利管理制度), and offer attendance bonus to encourage high-caliber staff. In addition to contributions to retirement insurance, work injury insurance, medical insurance, maternity insurance, unemployment insurance and housing provident fund as required by the government, we also offer other benefits, including meal allowance, shift allowance, high temperature allowance, subsidies for environment protection, phone bill allowance and business travel allowance.
The Group has built its own housing complexes with pleasant environment to provide dormitories to all employees. Besides, with a view to enriching employees’ life after work, the Group also provides various living and entertainment facilities, such as gym rooms, swimming pools, basketball courts, football fields and badminton courts. We attach great importance to the meal quality and nutrition in staff canteens, for example, the canteen in Dongguan base uses fresh ingredients supplied by our own ecological park. During the hot summer season, our plants in different areas will arrange the delivery of some cooling refreshments to employees.

In respect of working hours and holidays, the Group, in strict compliance with laws and regulations, ensures that employees can at least have one day off after six days of work. Pursuant to the "Regulation on Public Holidays for National Annual Festivals and Memorial Days", we arrange day offs for employees on national statutory holidays and give overtime pay to those who are unable to take day off in accordance with the regulation. Pursuant to the "Regulation on Paid Annual Leave for Employees", we provide paid annual leaves to all employees. Pursuant to the "Special Rules on Labor Protection for Female Employees", we provide maternity leave and breastfeeding leave to female employees. Advocating work-life balance, the Group encourages employees to enhance work efficiency and avoid overtime. During the Year, the average overtime hours of employees was 35 hours (FY2020: 34 hours).

With an aim to further foster the sense of belonging and team spirit, the Group has formed various leisure and recreation clubs, including photography club, badminton club, dance club and volunteer club. Diverse recreational and cultural events have also been held, such as various sports events, Chinese New Year banquets, Lantern Festival Fun Fair and Mid-autumn Festival barbeque gatherings.

As at 30 June 2021, the Group employed a total of 19,576 full-time staff and 23 part-time staff, 17,122 are from the PRC (including Hong Kong), 595 from Vietnam, 173 from Malaysia and 1,709 are from the United States.

The breakdown of staff
B2. HEALTH AND SAFETY

Upholding the principles of “Safety first” (安全第一) and “No fire, No injury” (不輕傷一個人、不着一把火), the Group strives to reduce the health and safety risks in its production sites and workplaces.

The Group maintains social insurance, including work injury insurance, for all employees pursuant to regulations such as the Prevention and Control of Occupational Diseases of the People’s Republic of China (中华人民共和国职业病防治法) and the Regulation on Work-related Injury Insurance (工伤保险条例). Furthermore, the Group sets up a fire safety management department, and strictly implements relevant safety regulations and practices formulated by the Group, including Safety Incidents Reporting Management Practices (集团安全事故报案管理规范), Material Stacking Management Practices (集团物料堆垛管理规范), Fire Safety Management Practices (集团消防安全管理规范), Proposal for Handling of Hazardous Chemical Incidents (危险化学品事故处置方案), and Hazardous Waste Stacking Management Practices (集团危险物料堆垛管理规范), amongst others.

The Group provides a broad range of safety protection supplies for all workers, including safety helmets, safety shoes, earplugs, earmuffs, gloves and heat insulation gear, and organizes physical examination in respect of occupational health for staff every year.

Fire safety is a key integral part of corporate governance, particularly the top priority for the paper manufacturing industry. In addition to demanding for strictly complying with the Fire Safety Management Practices by our employees, we have also formed a firefighting team. We highly value the physical training and responsiveness of the team and regular fire drills for coping with fire emergency.

In order to improve employees’ capability to deal with emergencies, we organize a large number of emergency drills every year. The Group held over 1,159 emergency drills during the Year (FY2020: 1,303).
COVID-19 Containment Measures

In response to the outbreak of the COVID-19 pandemic, we have immediately formed a COVID-19 pandemic prevention and control team at the beginning of the outbreak of the pandemic, establishing various pandemic prevention and control mechanisms as well as safety measures, including: requesting staff from severely infected areas not to return to office temporarily during the pandemic; setting up a dedicated quarantine area for conducting quarantine and observation of employees from or having bypassed severely infected areas; requiring employees to report and register their travel history; regularly disinfecting the plant area, office buildings and employees’ dormitories; measuring and registering the body temperatures of employees when entering the plant area, office buildings and employees’ dormitories with automatic body temperature detection equipment installed at the entrances; distributing face masks and providing hand sanitizers to the staff; giving priority to those staff who are responsible for pandemic prevention and control, and waste paper inspection when providing safety protection supplies such as protective gear, N95 face masks and protective gloves; maintaining records of access and body temperature of the construction workers working at various bases; employees are required to wear face masks and maintain safe distancing during the pandemic; requiring employees to abide by alternated shifts and dining time while also dining isolated, and conducting specialized training on the knowledge on prevention and control of COVID-19 for employees.

The Group encouraged the employees to receive vaccination and have organized employees to receive vaccination in medical institutions in an orderly manner while organizing vaccination for the employees’ family members dwelling in the Company’s living area. Save as the employees who could not receive vaccination by reason of personal health, other employees have basically fulfilled the objective of “all people eligible for vaccination have access to it”. As at 30 June 2021, the vaccination rate of the Company has surpassed 98%.
During the Year, the total working days lost due to work injuries were 6,734 days (FY2020: 4,961 days), which were mainly attributable from minor work injuries. In FY2021, FY2020 and FY2019, the number of work-related fatalities were 2, 1 and 1 respectively. For every accident, the Group performed in-depth investigation and conducted a thorough review. The Group has then further improved the safe work practices, safety risks notices, alert facilities, as well as strengthening the regular inspection and spot checks of the components of machinery, as well as the inspection before every outage maintenance. The number of safety officers and their inspection patrols have also been increased. It has also enhanced the training on safety and first aid (including consolidating the employees’ safe work skills and awareness, and on-site emergency response capability) in order to reduce the rate of accidents to zero.

Based on the investigation and review of accidents causing injuries or deaths in the past three years, one of the main reasons that we identified was that certain employees tended to be less sensitive to the established operating procedures, resulting in accidents caused by careless mistakes. To tackle such challenges, we will devote greater efforts in adjusting employees’ mentality, mode of thinking and concentration during the safety training, thereby once again arousing their crisis awareness.

**Management Path**

Deputy General Manager

06

Deputy Manager

05

Team Leader (Shift Supervisor)/Senior Officer

03

Officer

02

Trainee

**Professional Technique Path**

Chief Engineer

06

Assistant Engineer

05

Grade 2 Technician

03

Grade 1 Technician

02

Trainee

**B3. DEVELOPMENT AND TRAINING**

The Group values each of its employees. Attaching importance to the human resources power, our personnel management focuses on enhancing staff morale, rendering staff members with hope, momentum, vibrancy and the caring and warmth in the big family of Nine Dragons Paper.

**Staff Development**

The Group has established a management path and a technology path for employees’ selection, encouraging them to take both paths for career development. Employees in positions requiring professional techniques can achieve promotion and development by following the professional technique path. With their positions remaining unchanged, they can realize improvement in their position rank and remuneration package in the enterprise.

Through the implementation of “Professional Title Evaluation System of the Group”, employees obtain professional titles through open, fair and just evaluation standards such as job performance, examinations and answers to questions. Considering that the development of new projects of the Group will require a large number of professional and technical talents in the next few years, the Group will expand the reserve of professional and technical talents in each base by increasing the quota for title evaluation. It is believed that this system will play a positive role in the stability, development and growth of professionals.
Staff Training

The Group provides a continuous learning environment for its employees by offering various internal and external trainings, which enable them to acquire the latest industry knowledge and techniques, thereby staying abreast of industry standards and market trends. It also provides related training programs to all employees.

External trainings include special operations training and certification, middle-level executive reserve cultivation, Nine Dragons Class student cultivation, professional skills training, etc. During the Year, a total of 5,167 participants (FY2020: 2,241) from the Group joined the external trainings. Total funding provided by the Company was approximately RMB4.1 million (FY2020: RMB3.56 million).

During the Year, the Group organized a total of 8,577 (FY2020: 7,495) internal trainings, and a total of 208,663 participants (FY2020: 178,024) joined such trainings, among which 421 (FY2020: 415) were senior management; 15,396 (FY2020: 10,630) were middle-level management.

In terms of training hours, the Group carried out 282,508 hours (FY2020: 208,256 hours) of training in total during the Year, with average training hours of 16.0 hours (FY2020: 12.2 hours) per employee, among which average training hours of male employees were 16.1 hours, average training hours of female employees were 14.1 hours; average training hours of senior management were 24 hours; average training hours of middle-level management were 48 hours.

In terms of the types of training carried out by the Group, 62,003 participants (FY2020: 54,584) joined professional skills training; 90,642 participants (FY2020: 86,383) joined safety training; 5,510 participants (FY2020: 4,137) joined clean and civilized production training; 32,362 participants (FY2020: 16,202) joined conceptual guidance and professional ethics training; 7,797 participants (FY2020: 34,557 hours) joined anti-corruption trainings; 1,788 participants (FY2020: 10,696 hours) joined environmental protection related trainings; and 18,146 participants (FY2020: 16,718) joined other types of training during the Year.

B4. LABOR STANDARDS

The Group strictly complies with the minimum age requirement as stipulated by laws and regulations of the places in which it operates and prohibits itself from recruiting children under age of 16. The youngest among the existing employees in the Group are over 18. In the event of any discovery of child labor or use of forced labor, the Group will cease the breach immediately and review the vulnerabilities so as to improve the relevant management systems.

The Group has a staff union in place with members from different departments, who can represent the interests of grass-roots employees. The Company attaches importance to organizing staff union activities and demonstrating its roles so as to put our humanized management concepts into practice.

The Group has been at the forefront of the industry in fulfilling its social responsibilities. Nine Dragons Paper Industries (Dongguan) Co., Ltd. has taken the lead in introducing SA8000 Social Responsibility Management System in the industry since 2013, and passed the certification and was awarded the certificate in February 2015. Nine Dragons Paper Industries (Taicang) Co., Ltd. has also passed the SA8000 Social Responsibility Management System certification and was awarded the certificate in September 2016.
B5. SUPPLY CHAIN MANAGEMENT

The Group has a series of rigorous selection criteria for the evaluation of qualified suppliers. A comprehensive evaluation is conducted on suppliers in terms of company qualification (including time of inception, registered capital, shareholders of the company, scope of operation, necessary qualifications and certificates of the industry, etc.), entities of the company, manufacturing capability (including main products and production capacity, production equipment, inventory, etc.), technical competence (including patents, number of technicians, etc.), after-sale service ability, ISO certification (including certification of Quality Management Systems, Environment Management Systems and Occupational Health and Safety Management Systems respectively), the capability of quality management and control, honour(s) awarded to the company, business relationships among the suppliers, corporate reputation, geographical advantages of the suppliers, etc.

The suppliers are required to provide all information for filing and evaluation in accordance with the Group’s requirements. Suppliers evaluated as qualified are recorded into the system as qualified suppliers and the failed are listed as unqualified suppliers. The Group specifically requires the suppliers to provide, among others, “Report to the relevant parties on quality, environment, occupational health and safety and social responsibilities”, “Commitment of suppliers on intellectual property rights” and “Questionnaire on social responsibilities of supplier”.

The Group strictly controls the raw materials to meet the requirements of environmental protection. The coal contracts of each base of the Group have specific requirements for sulphur content, which is the environmental performance index in respect of coal. The procurement standards are stricter than various local environmental protection requirements. During the year, more than 90% of the wood pulp products purchased by the Group passed the forest management system certification (FSC™/PEFC).

The Group identifies whether the supplier is in normal operating condition by tracking the business and enterprise information of suppliers on a regular basis. Re-evaluation is made for suppliers with abnormal operating condition. Meanwhile, the suppliers will be tracked regularly to identify any breach of fiduciary duties, and suppliers with such acts of breach will be frozen.

As at 30 June 2021, the number of suppliers of the Group totaled 8,722 (FY2020: 8,236), among which the suppliers of the China bases amounted to 7,391 (FY2020: 6,994) and the suppliers of the Vietnam base amounted to 1,331 (FY2020: 1,242).
B6. PRODUCT RESPONSIBILITY

The packaging paper products of the Group are applicable to various consumer goods. As an enterprise that shouldered its social responsibility, product safety and quality is one of our key commitments to customers.

Quality assurance

Quality is the core competitiveness of manufacturing industry, and an intrinsic support for perpetuating a brand that thrives for a century. All bases of the Group are making proactive efforts in facilitating works in relation to ISO9000 quality management system, ISO14000 environmental management system, OHSAS18001 occupational health and safety management system and FSC™ certification for forest environmental protection systems. We add no environmentally and physically harmful substances during the process of production. In addition, we carry out precise management and control through domestically and internationally advanced online monitoring and production and quality management system, i.e. DCS, QCS and other systems, and regularly inspect the substances of papers, which are concerns of the customers, through authoritative testing organizations such as SGS.

Follow-up of complaints and recall of products

Benefited from its professional customer service team and well-established workflow of customer service, the Group is able to carry out all-direction works, including pre-sale, sale and after-sale works. We highly value the feedback of customers, and hence actively visit our customers on a regular basis and actively and professionally answer the questions raised by them. Also, we convene analysis meeting periodically and carry out customer satisfaction investigation works quarterly, so as to continue to improve the quality of products and level of service to the satisfaction of customers genuinely.

For each complaint, the Group designates sales personnel and after-sale service personnel to follow up, conduct onsite handling and provide solutions, so as to reach a consensus between the customers and the Group. The Group responds to the complaints promptly. After verification, complaints within the province, and complaints in remote areas within the province or in other provinces will be handled and closed in 3 working days and 5 working days, respectively. The Group is also committed to achieving the response rate of 100% for complaints from all clients. The Group stipulates that all evidences such as vouchers and records in relation to the complaints must be filed to ensure there are relevant records and evidences available for inspection or for reference.

The Group has a set of comprehensive product traceability management system, under which each product has an independent barcode and label (qualification certificate) that are accurately traceable
with SAP, PIMS system, etc. Furthermore, the Group has a stringent product recall management system in place.

During the Year, the complaint rate, calculated based on the number of complaints received for every 10,000 tonnes of products sold, was 0.030% (FY2020: 0.029%), mainly involving minor quality issue, while none of any cases of recall of sold or shipped products for safety and health reasons has occurred.

**Safeguarding and protecting intellectual property rights**

The Group has specifically established the Internal Audit Department, contract review personnel and external legal team which have comprehensive study in the relevant practices and legal knowledge involving intellectual property rights. In addition, the Group has various well-established management and regulations and systems. It also makes reference to the local laws and regulations in relation to intellectual property rights in the places of business when drafting various external documents including purchase/sales contracts, supply agreements and quotations. In order to enhance protection on intellectual property rights of the Group, the related management of the Company receives the corresponding training on a regular basis.

**Consumer data protection and privacy policies**

The Group develops a stringent information confidential system (e.g. “The Group’s Internal Information Confidential Management Practices”). For the purpose of ensuring that customer data and privacy are given adequate protection, and as required by the Information Confidential Management Practices, the related responsible persons must keep complete secrecy of all the confidential materials and confidential information, and shall never spread them without authorization. Meanwhile, the responsible persons shall keep confidential of the data and information, and confidential materials and confidential information leak resulting from mismanagement is not allowed. The responsible persons shall not photograph, copy and make private copies of any confidential documents and data without authorization, and shall not discuss the secret matters in public places and refer to any secret matters in private communication. The copies of confidential materials shall be regarded and managed as if they are the original, and the waste pages generated during the process of copying shall be destroyed in a timely manner. The passing of confidential materials, for which personal service is required, shall be performed in compliance with secrecy measures. We shall implement classified management for documents and shall manage and control the limits of authority of the responsible persons to browse and download such documents in accordance with secrecy requirements.

During the Year, the Group has no such case regarding the leakage of personal information of any customers.

**B7. SOUND CORPORATE GOVERNANCE**

The Group firmly believes that sound and effective corporate governance, which is a fundamental element in the development of all enterprises, is essential for safeguarding the interests of all stakeholders.

In order to devote all its effort to maintain the highest level of corporate governance, the Group has adopted a set of comprehensive corporate governance principles, emphasizing the need for an excellent Board, effective internal management and control and stringent disclosure practices, as well as the transparency and accountability for all stakeholders. In addition, the Group constantly updates such practices with a view to fostering a corporate culture with high standards of integrity.
Regular operating management audits and special audits are conducted by the Group Audit Regulatory Department quarterly to each of the production bases, while the “Regulatory Commission (監管局)” is also set up in each of the production bases respectively to supervise and manage daily works. Technically, the Group applies the SAP and OA (office automation) systems to achieve routinization and standardization of all businesses, and makes continuous revision and improvement based on feedbacks to minimize the practicability of corruption and related loopholes. In addition, the Group Audit Regulatory Department shall maintain all whistle-blowing of corruption and bribery by any employees in confidentiality and make relevant investigations. During the Year, no outstanding and concluded litigation in relation to corruption was brought against the Group and its employees.

The Group provides anti-corruption education and training for the staff holding key positions on a regular basis. Specialized anti-corruption education and training were arranged for new employees during orientation. The legal department of the Group provides anti-corruption education and training to relevant employees on a quarterly basis. In addition to group-wide anti-corruption trainings, each functional department also promotes anti-corruption education at their department meetings. Further, the “Letter of Undertaking of Integrity (廉潔承諾書)” shall be signed by all the purchasing, sales and supervision personnel and employees holding positions related to economic activities in all other departments of the Group and each of its production bases. The Group and each of its production bases enter into the “Non-improper Commercial Practices Agreement (禁止不正當商業行為協議)” concurrently while entering into commercial contracts with external parties.

All the in-service staff of the Group are strictly prohibited from taking part-time jobs or participating in the operation of business in relation to the Group’s activities without permission. Any in-service personnel, whose families (including his/her immediate relatives, spouse and children) establish a company by themselves, is required to file registration with the regulatory department. In the event that the organizations, in which the relatives and friends of the in-service personnel (including his/her immediate relatives, spouse, children, classmates, friends, etc.) work, are doing business with the Group, such personnel shall submit a list of those relatives and friends to the Group and avoid contact with them during the course of business. It is strictly prohibited from divulging any information of the Group to the ex-service personnel.

The Group has communication channels in place for accepting opinions and processing complaints. Internally, we collect the employees’ complaints and suggestions through a specific email box for complaints, i.e. the “Group Mailbox (集團信箱)” established in each of the production bases. Externally, we conduct a service satisfaction survey with customers and suppliers on a regular basis by issuing questionnaires to collect their advice, complaints and suggestions. The commercial contracts entered into with external parties are attached with the “Complaint Handling Guidelines (投訴處理指引)” and there is a notice board about the method of complaints being placed at the loading and unloading site in respective production bases. Among all the matters complained about, those related to each production base will be investigated and handled by the Regulatory Commission thereof, and for those with more significant influence or covering a wider range, a special investigation will be conducted and handled by the Group Audit Department.
In addition to assistance to the poor and vulnerable groups, we support education and poverty alleviation through industry development in poverty-stricken areas, aiming to boost local economic development and create long-term job opportunities. Besides, we are committed to improving the infrastructures in rural areas and improving the living environment of the villagers.

During the Year, the Group actively participated in various public welfare activities, including Guangdong Poverty Alleviation Day, and the flood relief and homes rebuilding in Henan Province, with over RMB50 million worth of money and materials donated. Meanwhile, the Group was awarded the “Guangdong Poverty Alleviation Cotton Tree” Golden Cup (广東扶贫濟困紅棉杯“金杯”) and selected as one of the “2020 Excellent Case of Private Corporate Social Responsibility of China” (2020中國民營企業社會責任優秀案例).

Upholding the public welfare concept of “engaging everyone in public welfare”, the Group has been proactively performing its social responsibility and participating in national and local economic development, thereby sparing no efforts in poverty alleviation in the community.

During the Year, Ms. Cheung Yan, the Chairlady of the Group, was awarded the honorary title of “Outstanding Individual for Poverty Alleviation in Guangdong Province” (廣東省脫貧攻堅先進個人). In September 2021, Ms. Cheung Yan also received two awards in the 11th “China Charity Prize” (中華慈善獎) by the Ministry of Civil Affairs, namely the honorary titles of “Individual with Outstanding Contributions and Donations in the Area of Charity — Poverty Alleviation” (在脫貧攻堅慈善領域作出突出貢獻的捐贈個人) and “Individual with Outstanding Contributions and Donations in the Area of Charity — Combating COVID-19 Pandemic” (在抗擊新 冠肺炎疫情慈善領域作出突出貢獻的捐贈個人).
MAJOR COMMUNITY ACTIVITIES PARTICIPATED IN FY2021

1. TARGETED POVERTY ALLEVIATION PROJECTS

In poverty-stricken areas, Nine Dragons Paper focuses on education, poverty alleviation through industry development, support to the underprivileged groups, improving the infrastructure in rural areas and improvement of the living environment of villagers, benefitting various underdeveloped areas in China.

• SUPPORT GUANGDONG RURAL REVITALIZATION

  - Continually providing support to a number of designated poverty-stricken villages in Guangdong Province for road improvement, canal and pool construction, bridge reinforcement, etc.

  - Financing construction of collective tea processing factory in a village
• Assisting a village to develop green pepper cultivation industry

• Assisting a village to build “Nine Dragons Photovoltaic Agricultural Park”

• Assisting villages to build party community service center and professional cooperative of sericulture
• FUNDING CARING FOR POVERTY-STRICKEN MOTHER PROGRAM IN GUANGDONG RURAL AREAS

The Group helped 339 mothers suffered from severe diseases among the poverty-stricken population in the rural areas in 14 spots in Guangdong.

• GREAT LOVE IN SMALL CITY

The Group has been supporting “Great Love in Small City” campaign for a long time since 2015 to provide aid to the needy students from poverty-stricken families in neighboring districts with donations covering a total of 210 persons.
2. ASSISTING LEARNING AND TEACHING & SCHOOL-ENTERPRISE COOPERATION PROGRAM

• CONTINUING TO OPEN NINE DRAGONS CLASS

The 16th Nine Dragons Class was opened in September 2020, providing three majors, i.e. pulp & paper, equipment and thermal power, to 85 students. The project has been launched for 16 years and provided trainings to 1,110 persons, which not only realized education-oriented poverty alleviation but also developed modern industrial workers with environmental awareness and advanced technological skills for the country.
• OTHER EDUCATION-ORIENTED POVERTY ALLEVIATION PROJECTS

The Group subsidized several middle and primary schools and communities for the improvement of school facilities, establishment of various education funds and scholarships and financed various teaching and research activities.
3. CARING FOR THE ELDERLY

4. VOLUNTARY BLOOD DONATION
## A. Environmental

### Aspect A1: Emissions

Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>The types of emissions and respective emissions data</td>
</tr>
<tr>
<td>A1.1</td>
<td>Greenhouse gas emissions (in tonnes) and intensity</td>
</tr>
<tr>
<td>A1.2</td>
<td>Total hazardous waste produced and intensity</td>
</tr>
<tr>
<td>A1.3</td>
<td>Total non-hazardous waste produced and intensity</td>
</tr>
<tr>
<td>A1.4</td>
<td>Emissions targets set and steps taken to achieve them</td>
</tr>
<tr>
<td>A1.5</td>
<td>How hazardous and non-hazardous wastes are handled, waste reduction targets set and steps taken to achieve them</td>
</tr>
</tbody>
</table>

### Aspect A2: Use of Resources

Policies on the efficient use of resources, including energy, water and other raw materials

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2</td>
<td>Direct and/or indirect energy consumption by type in total and intensity</td>
</tr>
<tr>
<td>A2.1</td>
<td>Water consumption in total and intensity</td>
</tr>
<tr>
<td>A2.2</td>
<td>Energy use efficiency targets and steps taken to achieve them</td>
</tr>
<tr>
<td>A2.3</td>
<td>Whether there is any issue in sourcing water that is fit for purpose, water efficiency targets and steps taken to achieve them</td>
</tr>
<tr>
<td>A2.4</td>
<td>Total packaging material used for finished products with reference to per unit produced</td>
</tr>
</tbody>
</table>

### Aspect A3: The Environment and Natural Resources

Policies on minimising the issuer’s significant impact on the environment and natural resources

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3</td>
<td>Significant impacts of activities on the environment and natural resources and actions taken to manage them</td>
</tr>
</tbody>
</table>

### Aspect A4: Climate Change

Policies on identification and mitigation of significant climate-related issues which have or may have significant impact on the issuer

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A4</td>
<td>Significant climate-related issues which have or may have significant impact on the issuer and actions taken to manage them</td>
</tr>
</tbody>
</table>
### B. Social

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>B1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aspect B1: Employment</strong></td>
<td></td>
</tr>
<tr>
<td>Information on the policies and 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</td>
<td></td>
</tr>
<tr>
<td>Total workforce by gender, employment type (full time or part time), age group and geographical region</td>
<td>B1.1</td>
</tr>
<tr>
<td>Employee turnover rate by gender, age group and geographical region</td>
<td>B1.2</td>
</tr>
<tr>
<td><strong>Aspect B2: Health and Safety</strong></td>
<td></td>
</tr>
<tr>
<td>Information on the policies and 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</td>
<td></td>
</tr>
<tr>
<td>Number of work-related fatalities occurred in each of the past three years including the reporting year</td>
<td>B2.1</td>
</tr>
<tr>
<td>Lost days due to work injury</td>
<td>B2.2</td>
</tr>
<tr>
<td>Description of occupational health and safety measures adopted, and how they are implemented and monitored</td>
<td>B2.3</td>
</tr>
<tr>
<td><strong>Aspect B3: Development and Training</strong></td>
<td></td>
</tr>
<tr>
<td>Policies on improving employees’ knowledge and skills for discharging duties at work and description of training activities</td>
<td></td>
</tr>
<tr>
<td>The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</td>
<td>B3.1</td>
</tr>
<tr>
<td>The average training hours completed per employee by gender and employee category</td>
<td>B3.2</td>
</tr>
<tr>
<td><strong>Aspect B4: Labour Standards</strong></td>
<td></td>
</tr>
<tr>
<td>Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour</td>
<td></td>
</tr>
<tr>
<td>Description of measures to review employment practices to avoid child and forced labour</td>
<td>B4.1</td>
</tr>
<tr>
<td>Description of steps taken to eliminate such practices when discovered</td>
<td>B4.2</td>
</tr>
</tbody>
</table>
## B. Social

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th></th>
</tr>
</thead>
</table>

### Aspect B5: Supply Chain Management

**Policies on managing environmental and social risks of the supply chain**

- Number of suppliers by geographical region: B5.1
- Practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored: B5.2
- Practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored: B5.3
- Practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored: B5.4

### Aspect B6: Product Responsibility

**Information on the policies and 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.**

- Percentage of total products sold or shipped subject to recalls for safety and health reasons: B6.1
- Number of products and services related complaints received and how they are dealt with: B6.2
- Description of practices relating to observing and protecting intellectual property rights: B6.3
- Quality assurance process and recall procedures: B6.4
- Consumer data protection and privacy policies, and how they are implemented and monitored: B6.5

### Aspect B7: Anti-corruption

**The policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering**

- 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: B7.1
- Preventive measures and whistle-blowing procedures, and how they are implemented and monitored: B7.2
- Anti-corruption training provided to directors and staff: B7.3

### Aspect B8: Community Investment

**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**

- Focus areas of contribution: B8.1
- Resources contributed to the focus area: B8.2