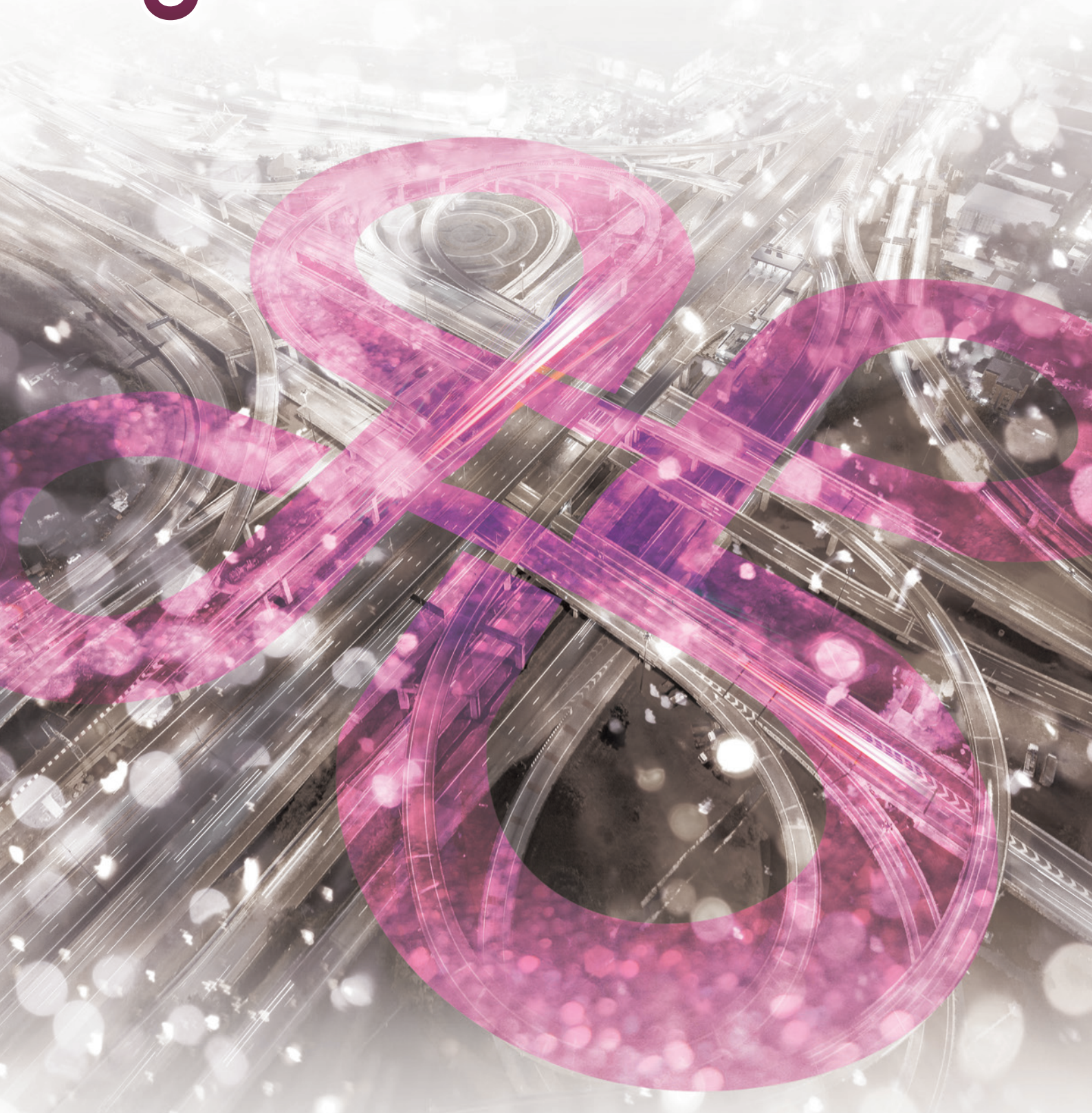




SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058



Environmental, Social and Governance Report *2018*

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About the Group

Sunway International Holdings Limited (“Sunway International”), together with its subsidiaries (collectively, the “Group”) focuses on the manufacture and sales of pre-stressed high strength concrete piles as well as ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-permeable concrete products. The business is operated by Guangdong Hengjia Construction Materials Co., Ltd (“Guangdong Hengjia”), a subsidiary of Sunway International.

Facing the challenges of rising raw material prices, fluctuating market conditions and intensified competition among peers in the building materials industry, the Group has been committed to diversifying its business and improving its all-round competition advantages while continuously consolidating its business in the building materials industry. The Group has also launched financial services business, and is mainly engaged in the provision of money lending and asset management services, advising on securities and securities brokerage services in Hong Kong.

About this Report

This Report is the third Environmental, Social and Governance Report published by Sunway International. It is prepared in both Chinese and English, and is available on the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Group’s website at <http://www.hk0058.com/>.

SCOPE OF REPORT

This Report highlights the performance of Group’s core business, namely the “pre-stressed high-strength concrete piles and others”¹ operating segment in terms of environmental protection and community care for the period from 1 January 2018 to 31 December 2018 (the “Reporting Period”). Consistent with the last report, the scope of this Report covers the production plant of Guangdong Hengjia located in Yangjiang, Guangdong Province. The Group will assess and expand the scope of disclosure to cover all of our operations when the Group’s data collection system becomes more mature and our ESG practices further develop.

REPORTING STANDARD

This report is prepared in accordance with the “comply or explain” provision under the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange. In addition, some key performance indicators specified in the “Recommended Disclosure” under the Guide are adopted based on the actual conditions of the Group for the completeness of the reporting content.

All information contained herein has been collected from the official documents and statistics of Sunway International and Guangdong Hengjia, and the management and operation information collected in accordance with the Group’s policies. The Report was approved by the board of directors on 11 July 2019.

FEEDBACK

The Group welcomes your opinions on the Report and other issues in relation to sustainable development. Should you have any enquiries or comments, please contact our Group through the following means such that the Group can constantly enhance its ESG performance:

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¹ Sales and manufacturing of high-strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products and related processing.

Message from the Board

Environmental and social issues are closely related to business development. They also bring new development opportunities to enterprises. On the basis of maintaining our scale of corporate operation, the Group emphasises on incorporating issues that are related to sustainable development into business, constantly optimizing the technology and processes, as well as strengthening the control on environmental and social impacts resulted from business operation.

The Group puts emphasis on the identification and prevention of risks that are related to sustainable development. A risk assessment system has been established, with relevant contingency plans prepared as precautionary measures, to ensure the compliance with legal and regulatory requirements and at the same time to safeguard the interests of both internal and external stakeholders. The Group values the feedbacks from our stakeholders, and is committed to understanding their demands through regular communication activities and making timely responses.

According to the opinions of the stakeholders, Sunway International summarises four important aspects related to sustainable development, which include training and development, employment, use of resources and product responsibility. The Group will focus on disclosing the relevant performance and plans in this Report, and use them as an overall guide in advancing the corporation's sustainable development.

This Report is an important channel for the maintenance of close communication between the Group and various stakeholders. The Group will continue to hold an open attitude towards the opinions of various stakeholders in the future. By drawing experience from them and exploring new innovations, we are committed to promoting our environmental and social performance, and contributing to sustainable development together with the whole industry.

Li Chongyang

Managing Director

Hong Kong

11 July 2019

Governance of Sustainable Development

Sunway International is committed to maintain a high standard of corporate governance practices. Under the leadership of the board of directors, the Group has formulated a series of policies and guidelines in relation to the issues of sustainable development, such as the Environmental Management and Operation Control Procedures, the Human Resources Management Procedures, the Product and Service Requirement Control Procedures and Compliance Assessment Control Procedures, in order to strengthen the environmental, social and governance supervision and performance control, as well as to protect the rights of major stakeholders. Various business units may adopt supplementary guidelines and execution rules based on their specific operation needs.

To promote the full-fledged adoption of the operation mode under sustainable development, the Group has a plan to establish a Sustainability Task Force (the "Task Force"). With members from different business units, the Task Force will discuss and formulate the Group's sustainable development agenda with the assistance of sustainability consultants, and report the conclusions resulted from these discussion to the board of directors. The board of directors is fully responsible for reviewing the sustainable development strategy, objectives and performance of the Group.

RISK MANAGEMENT

The Group considers risk management as an essential part of daily management and good corporate governance. Risk management mechanism helps the Group in assessing and mitigating risks that may hinder or jeopardize the Group from meeting its business objectives in a constantly changing operating environment in terms of economic, industrial, regulatory issues and operating conditions.

The board of directors is responsible for the continuous monitoring of risk management and internal control. The management is responsible for assisting the board of directors in deciding the Group's risk level and risk appetite, considering the Group's risk management strategies, giving guidelines where appropriate and ensuring the soundness and effectiveness of the Group's internal control system. The Audit Committee is responsible for reviewing and examining the work of the management. The scope of the Group's risk management and internal control covers various important control measures including safety accidents, occupational health and information system security related to environmental, social and governance risks, as well as financial, operational and compliance monitoring.

The Group has engaged an external professional consultant (the "internal control auditors") to conduct internal audits. The internal control auditors review the effectiveness of the Group's material internal controls so as to provide assurance that all business units have identified and managed all the key risks, and to ensure that the risk management and internal control measures are carried out properly and functioning as intended. The internal control auditors will report key issues and corresponding recommendations to the board of directors and the Audit Committee. Actions agreed to be taken by various business units in response to the issues raised in the audit reports will also be tracked and followed regularly to determine the status of implementation.

Sunway International understands that the identification, evaluation and response to risks not only help the Group in stabilizing its operation, but also help the stakeholders to understand the challenges faced by the Group in an ever-changing environment. In the future, the Group will conduct a comprehensive evaluation of potential risks in relation to environmental and social issues which will be incorporated into the risk management and internal control system.

Communication with Stakeholders

While the business of the Group is having impacts on various stakeholders, the stakeholders also have various expectations on the Group. Understanding and satisfying the needs of the stakeholders are vital for Sunway International's advancement along the path of sustainable development, and helpful for the Group in analyzing the importance of various issues and identifying potential risks and business opportunities.

The Group's stakeholders include not only staff, but also customers, suppliers, business partners, potential investors, regulatory authorities and community groups of various kinds. The Group conducts meetings, seminars, interviews and other engagements in its daily operation to keep in touch with both internal and external stakeholders. This ensures that they are able to understand the Group's development and operation directions. It also provides the Group with an opportunity to listen to their views, such that the Group can identify the priorities of various issues and promote the formulation of its agenda and action plan.

MATERIAL SUSTAINABILITY ISSUES DURING THE REPORTING PERIOD

By reviewing the existing and historical engagement results and referring to the reporting standards, the management of the Group, with the help of sustainability consultants, identified 4 material issues that are critical to the Group and the stakeholders from 11 environmental and social aspects. Important points of these issues are discussed in this report, and they will form the basis for the Group in establishing its vision and actions in respect of sustainable development in the next step.

Employment

Training and
Development

Product
Responsibility

Utilization of
Resources

To ensure the effectiveness of our communication with stakeholders, the Group is committed to establishing a kind of communication which is characterised by its transparency, integrity and accuracy, and responding with timely feedbacks. The Group plans to expand its scope of stakeholder engagement and materiality assessment in the future in order to encompass stakeholders from various industries and sectors. It strives to build a long lasting stakeholder relationship with mutual trust, which will serve to reduce operation risks and help the Group in taking the advantage of new opportunities for future breakthroughs.

Employment and Labour Practices

The success of an enterprise cannot be separated from the efforts of its staff. The Group pays attention to the welfare and development of the employees and endeavours to ensure their physical and mental health. With effective implementation of policy documents such as Human Resources Management System and Accountability System for the Prevention and Control of Occupational Diseases, the Group optimises its human resources and occupational health management system and achieves in integrating the values of the Company and the staff.

EMPLOYMENT SYSTEM

Sunway International is committed to creating a delightful and high-efficiency working environment, in which the employees are adequately understood, respected and recognised. Guangdong Hengjia has established an open and transparent employment system encompassing all aspects of recruitment, promotion, remuneration and benefit, working hour and holiday as well as employee transfers. Such regulations are set out in the Human Resources Management System and the Employee Handbook. The Quality, Environment and Occupational Health Procedural Document further emphasises the above message and safeguards the rights of the staff in communicating with the management and participating in the formulation and review of policies.

Meanwhile, in order to strengthen the team cohesiveness of the employees and their sense of belonging to the enterprise, Guangdong Hengjia also organised a series of staff activities including birthday parties and sports days.

Birthday Parties

The administration department continued to hold birthday parties every month at the Guangdong Hengjia music room. Birthday cakes and snacks were arranged for the employees whose birthdays were in the particular month, so that the employees could relax in a casual atmosphere.

Sports Day

Guangdong Hengjia organised an employees' sports day, with events such as skipping, tug-of-war, relay races, basketball and table tennis matches. The purpose was to nurture teamwork spirit among the employees through engagement in physical exercises and games.

The Group understands that a mechanism of equal opportunity employment and a talent structure with diversity are beneficial to business development and establishment of corporate culture. In the areas of employment, training and career development, the Group will not tolerate any discrimination on the basis of sex, age, religion, handicap, marriage status or cultural backgrounds.

Take the compensation system as an example. Guangdong Hengjia requires that the employees' compensations are linked directly with company results and individual performances. To enhance the competitiveness and fairness of the compensation system, employees will not be treated unfairly due to factors such as level of education or length of service. Our Anti-discrimination Policy states that women enjoy equal labour rights as men and the standard of same amount of pay for the same amount of work is applicable to all work positions. Currently, as our business nature involves works that are relatively more labour-intensive, it is very difficult for Guangdong Hengjia to maintain a balance between the number of male workers and the number of female workers². As such, the Group is planning to optimise its production facilities in the future by implementing automated operation so as to help more females to join the industry.

Any employees who are subject to discrimination or any other improper treatments may report the relevant situations to the manager of administration department directly or by submission of written reports via the suggestion box. During the Reporting Period, Guangdong Hengjia did not received any of such complaint cases.

² During the Reporting Period, Guangdong Hengjia's male to female employees ratio was 3.83:1.

Employment and Labour Practices

The Group complies with all applicable laws and regulations in relation to employment, including the Labour Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China. During the Reporting Period, Guangdong Hengjia was not involved in any violation or non-compliance cases in relation to salaries and termination, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination as well as other compensation and benefits.

DEVELOPMENT AND TRAINING

Sunway International provides its employees with adequate training opportunities by conducting training surveys, formulating annual plans and establishing standard training courses, such that a learning culture can be developed among the employees, whose career paths can be well planned for the achievement of their professional objectives.

The Group's Human Resources Management System provides a systematic framework for training, requiring every business unit to formulate a Training Memorandum and an Annual Training Plan such that the employees can receive on-the-job training based on systematic planning. During the Reporting Period, Guangdong Hengjia created new training opportunities for employees at different career steps.

Target audience and main themes of training activities during the Reporting Period

Senior and middle management personnel	General staff	New recruits
Financial management	Special equipment operation	Three-step safety education
On-site safety production management	Product knowledge	Corporate culture
	Raw materials incoming inspection	

To regulate the behaviours, manners and ethical practices of the employees, Guangdong Hengjia also invited external speakers to deliver training sessions known as "How to be a good employee", and encouraged the participants to apply what they had learned to their daily lives and interactions with their colleagues.

In order to help the employees in reviewing their overall performance and defining future career objectives, Guangdong Hengjia has set up a year-end assessment for the appraisal and evaluation of the employees' work ability performances. The results of the assessment will be used as a basis for the consideration of promotion and salary adjustments.

HEALTH AND SAFETY

Adhering to the management policy of taking prevention as the priority, Guangdong Hengjia formulated the internal occupational health and safety management system based on the 18001 : 2007 standard, in which the safety responsibilities of all departments and personnel at all levels were clearly defined. While executing the occupational health and safety management system, Guangdong Hengjia sets the annual health and safety objectives to ensure the prevention of occupational diseases, incidents of major injuries and fatalities as well as fires caused by failures of equipment and facilities.

To achieve the health and safety objectives, Guangdong Hengjia has formulated the Occupational Disease Hazard Prevention and Responsibility System and established an occupational management framework comprising the plant management, safety officers, department heads and production line managers. Meanwhile, the management responsibilities of all personnel are clearly defined, various management measures are fully implemented, with the system's effectiveness monitored and safeguarded through regular reviews and audits. The Group is aware of the safety hazard factors such dust, noises, high temperature and welding operations. It provides the relevant employees with proper protective equipment and guidance of proper use. At the same time, the Group also provides the employees with regular physical examinations in order to detect occupational diseases as early as possible and adjust their work arrangement accordingly in a timely manner.

Employment and Labour Practices

The Group pays great attention to safety inspection and supervision. Guangdong Hengjia organises safety production inspection regularly, and the safety officer will coordinate the implementation of rectification measures for potential hazards if found. Employees may also report urgent cases of health and safety hazards through the internal incident reporting mechanism for timely responses.

To improve the employees' safety awareness and skills, Guangdong Hengjia provides monthly occupational safety skills trainings and occupational health trainings. The contents of training include safety regulations, operating procedures and safety production technics. In the workshops, safety trainings are carried out on a weekly basis. For the purpose of fire safety, Guangdong Hengjia conducted a fire rescue and escape drill for the employees during the Reporting Period, with an aim to enhance the employees' response capabilities to fire incidents and teach them the correct use of dry powder fire extinguishers.

While there was no fatal accidents related to work during the Reporting Period, there were 31 cases of work-related injuries. The plants prepared incident analysis reports for each of the cases, recording the time, the place, the course of event, the handling procedure and the result, and improvement measures were implemented in response to the causes of the accidents. According to the investigations and records, the accidents occurred mainly due to slipping of employees, improper use of equipment, and failure to perform duties in accordance with relevant operating procedures. Injured employees in all cases were given proper treatment, provided with sick leaves and compensated for work-related injuries. In addition, the Group has also improved its safety management system and strengthened the employees' safety awareness and adherence to standard operating procedures through training.

The Group complies with applicable laws and regulations in relation to employees' health and safety, including the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Social Insurance Law of the People's Republic of China. During the Reporting Period, there was a case in Guangdong Hengjia which violated the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases due to the failure of timely medical examination for a newly recruited employee, resulting in an administrative penalty of RMB50,000. The Group has already strengthened its management of employees' medical issues, requiring that newly recruited employees must pass their medical examinations before the proceeding of employment procedures.

LABOUR STANDARDS

The Group strictly abides by the provisions of the labour laws and regulations, prohibits the use of child labour and takes measures to prevent the misuse of child labour. During the recruitment process, Guangdong Hengjia verifies the original identity cards of the applicants to ensure that their actual ages are above the minimum legal age for work.

The Group is always vigilant in preventing any situations which may lead to forced labour. On the basis of ensuring consensus, equality and free will, Guangdong Hengjia signs employment contracts with all successful applicants specifying the terms of employment. The provisions in relation to the signing, amendment, renewal and cancellation of contracts are set out in the Employee Handbook. If employees are required to work overtime due to the demand of work, they need to complete the overtime work application forms in accordance with the requirement as set out in the Human Resources Management System for the approval by the Human Resources Department. Employees who work overtime will be compensated by day-off arrangements or overtime payments.

The Group complies with applicable laws and regulations in relation to labour standards, including the Labour Contract Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Minors. During the Reporting Period, there were no cases of violation of law and regulations by Guangdong Hengjia involving child labour or forced labour.

Operation Management

The Group is committed to upholding high ethical standards in business decisions and operations, creating value for customers with quality products and services and maintaining long-term business relationships with its partners. As such, the Group has developed a series of institutional documents in relation to its product responsibility, honesty and integrity, and supply chain management, in order to build a stable, reliable and sustainable operation management system.

PRODUCT RESPONSIBILITY

For building material manufacturers, quality management during the production process directly affects the quality of the buildings, which further affects the health and safety of building users. The Group believes a rigorous management system can establish a robust framework for performance management which helps to provide quality products and services. Guangdong Hengjia has established an internal quality management system and has obtained an ISO 9001:2015 certification from a third-party certification body.

Guangdong Hengjia also formulated the Quality, Environment and Occupational Health and Safety Procedures Documents and Quality Management Methods to clarify the responsibilities of each department, and clearly defined the inspection standards and processes of the factory for the production process and manufactured products, as well as the processes for quality control in after-sales management. For production processes or business processes in respect of ingredients, molding, steaming, warehousing and sales, Guangdong Hengjia has set quantitative targets such as raw material utilisation efficiency, semi-finished product pass rate, product scrap rate and customer return rate, and linked the status of target achievements with the relevant departments' reward and punishment systems. This is to ensure the overall product quality by preventing sub-standard products from being passed on to the subsequent processes.

Meanwhile, Hengjia has implemented the Substandard Product Control Procedure to regulate the investigation and handling of sub-standard products. For defective products that have been sold or delivered, the factory has a management procedure for product recall. Employees are instructed to isolate these products from the acceptable products and re-label them. They are then inspected and analysed to identify the causes of product defects and the final handling method will be determined.

The Group has established a Customer Complaint Handling Process to enable the effective handling of various types of complaints. During the Reporting Period, Guangdong Hengjia received a total of eight complaints in relation to the quality of aerated bricks. The marketing department was responsible for the handling of complaints and implementing remedial measures. The timely processing rate of complaints was 100%.

To continuously improve product quality, ensure customer satisfaction and uplift the quality management level of Guangdong Hengjia's products, the marketing department sends the Customer Opinion Survey Forms to customers regularly. The survey includes the customers' satisfaction in respect of our product quality, delivery punctuality, service levels, processing of customers' comments, and improvements on irregularities. The customer satisfaction survey during the Reporting Period showed that all respondents rated the performance of Guangdong Hengjia as "satisfied" or "very satisfied".

Guangdong Hengjia is committed to providing accurate company information and product and service information to customers, in order to assist customers in making informed decisions and to promote mutual trust. Due to the nature of its business, Guangdong Hengjia carries out advertising promotion by spraying the Company's messages on its transportation vehicles.

In addition, Guangdong Hengjia respects and is committed to the protecting of customer information and intellectual properties. All customers and technical information are centrally managed, recorded and filed by the marketing department. If there is a need to retrieve such information during the work process, the relevant staff must obtain the approval of the deputy general manager of the marketing department before extracting the data or use such information in work.

The Group complies with applicable laws and regulations related to product responsibility, including the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Trademark Law of the People's Republic of China. During the Reporting Period, Guangdong Hengjia did not find any illegal cases related to health and safety, advertising, labeling and privacy in respect of the products and services provided.

Operation Management

ANTI-CORRUPTION

The Group adheres to the principles of being honest, ethical and acting with integrity in its business practices and it adopts a zero-tolerance attitude towards corruption. Guangdong Hengjia clearly defines the employees' code of conduct in the Employee Handbook and Human Resources Management System, to strengthen the employees' awareness of integrity and self-discipline, and to regulate the employees' behavior in business practices. Employees are prohibited from taking advantage of their work to accept bribes, gifts and discounts from suppliers, distributors or other business partners, or from encroaching the Group's funds or properties in the factory or damaging the property and interests of the factory.

If there are any acts of corruption or other violations of laws and regulations, the employees may report to the administration department through letters and emails. The relevant departments are required to follow established procedures and truthfully record the facts, and to arrange for the investigation and collection of evidence by the special commission.

The Group complies with applicable laws and regulations in relation to bribes, extortions, fraud and money laundering, including Chapter VIII of the Criminal Law of the People's Republic of China. During the Reporting Period, Guangdong Hengjia has not received any report of corruption and there has not been any case of corruption or litigation in relation to the Group and its employees.

SUPPLY CHAIN MANAGEMENT

Guangdong Hengjia's supply chain mainly involves suppliers of cement, water reducing agents and end panels. The Procurement Department Management Process requires the procurement of materials from responsible sources. Under the guidance of the Process, the factory reviews the suppliers' certifications, such as discharge permits, employment permits and quality system certificates, and initially selects candidates with satisfactory performance in terms of business reputation, production management and product quality. It then requests for samples in order to carry out quality inspection. After various assessments, an Appraisal Report on New Suppliers is issued, and an Approval Form of New Suppliers is completed by the Procurement Department, Quality Control Department and Technical Department, which are then submitted to their superior authorities for approval. The suppliers so approved will be included in the Qualified Suppliers List.

When a purchase is required, the procurement personnel of Guangdong Hengjia will seek quotations from appropriate suppliers with reference to the Qualified Suppliers List, and the department manager will review their reputation, production capacity, quality assurance ability and product unit price to finalise the selected suppliers.

Guangdong Hengjia also conducts assessments of qualified suppliers on quarterly basis in terms of their quality approval rates, timeliness of return goods and exchange as well as quality complaints follow-up actions. According to assessment results, Guangdong Hengjia will exclude poor performers from the Qualified Suppliers List.

Environmental Protection

The Group has formulated policies and measures including the Quality, Environment and Occupational Health Procedure Document and the Continuous Cleaner Production Plan, in order to manage emissions and resource utilisation as well as to minimise the impact of the Group's business operations on the environment and natural resources. Under the guidance of such policies, Guangdong Hengjia has established an internal management system for environmental protection and obtained ISO 14001: 2015 certification. Every year in May, Guangdong Hengjia conducts an internal audit of the environmental management system and orders the involved departments to immediately rectify the problems identified during the internal audit, ensuring the implementation of environmental policies and systems.

AIR POLLUTANTS

The production of Guangdong Hengjia involves the process requiring steam supply including steam curing and autoclave sterilization. The main air pollutants in the exhaust gas produced by combustion of boiler coals for steam supply are sulfur oxides, nitrogen oxides and particles. The Group has applied a flue gas purification system for the disposal of such air pollutants.

In order to reduce the emission of dusts during the production, Guangdong Hengjia adopts measures such as using a sealed connection device at the interfaces of the cement receiving pipe, sprinkling at the raw material storage area, and limiting the weight and driving speed of transport vehicles within the factory. The plant also focuses on the control of the dust generated from powder feeding. In particular, the bag-type dust collector of silos and mixing stations has been upgraded to a new pulse dust collector, improving the dust collection efficiency during the Reporting Period. After being collected, the dust can be reused as a concrete admixture in the production, reducing the environmental impact.

During the Reporting Period, Guangdong Hengjia's exhaust gas emission mainly comprised sulphur oxides, nitrogen oxides and particulate matters generated by the combustion of automobile fuels and the combustion of boiler coals, among which the emission of particulate matters was over 2,007 kg.

GREENHOUSE GAS EMISSION

Greenhouse gas emissions are closely related to climate change and global warming, and companies all over the world set carbon reduction measures and goals. The Group understands that climate change will directly or indirectly affect the entity's ability to access resources and maintain operations. The carbon footprint assessment of Guangdong Hengjia has been included in the annual work plan. The assessment is conducted with reference to the guidelines published by the National Development and Reform Commission of the People's Republic of China³, international standard ISO 14064-1 and Greenhouse Gas Protocol.

According to the assessment results, during the Reporting Period, due to the increased production of piles workshops, the volume of greenhouse gas emissions of Guangdong Hengjia generated from external purchase of electricity for Scope 1 - direct greenhouse gas emissions and Scope 2 - energy indirect greenhouse gas emissions have both increased. Greenhouse gas emissions was amounted to 29,347.8 tons of carbon dioxide equivalent, representing a year-on-year increase of 27.1% as compared with 23,087.2 tons of carbon dioxide equivalent in the previous Reporting Period. The main source of carbon emissions was the combustion of anthracite, the raw materials of boilers, representing 82% of the total carbon emissions.

In order to control greenhouse gas emissions and reduce carbon footprint during operation, the Group selects raw materials locally from neighbouring areas and promotes the employees' awareness of energy conservation. In the future, the Group will focus on the guidelines of the Task Force on Climate-related Financial Disclosure (TCFD) and make preparations for quantifying financial impacts.

³ Guidelines for Accounting and Reporting Greenhouse Gas Emissions – Other Industrial Enterprises (Trial)

Environmental Protection

ENERGY CONSUMPTION

In terms of energy consumption, the total energy consumption of Guangdong Hengjia was 79,072.8 MWh equivalent during the Reporting Period, representing a year-on-year increase of 4.5% as compared with 75,692.4 MWh equivalent in the previous Reporting Period. The increase in energy consumption was mainly attributable to the increase in the consumption of anthracite and electricity due to the increased production in the workshops.

Through an assessment process of environmental performance indicators, the Group obtained a better understanding of its emissions and use of resources and strengthened its environmental management. During the Reporting Period, Guangdong Hengjia installed an additional economiser to the existing boiler system and a waste steam recycling system, which have improved the utilization efficiency of residual heat and thus reduced coal consumption. According to preliminary statistics, the steam produced per ton of coal was 6.5 to 7.0 tons, nearly 30% higher than the previous figures of 5.0 to 5.5 tons.

WASTE MANAGEMENT

Guangdong Hengjia has put in place regulations on the management of wastes, and adopts targeted management measures based on the sources and types of waste. According to the regulations, there are waste separation and collection bins in the living areas and office areas. All departments have to place the wastes into designated collection containers and storage points according to classification such as hazardous or non-hazardous and recyclable or non-recyclable wastes, and the follow-up disposal will be arranged by relevant responsible persons. During the Reporting Period, the factory generated a total of 330 tons of hazardous wastes and 7,835 tons of non-hazardous wastes. The table below sets out the types and disposal methods of wastes.

Types	Wastes	Disposal methods
Hazardous waste	Waste oil, residual or expired chemicals and containers, etc.	Collected by qualified hazardous waste processor or recycled by material suppliers
Non-recyclable non-hazardous waste	Domestic wastes such as kitchen wastes, food packages, and hygiene products	Disposed of by local environmental hygiene department
Recyclable non-hazardous waste	Sedimentation tank sludge, concrete residual materials, scrap metals and cotton ropes, etc.	Recycled by the factory itself or by material companies

In order to improve the efficiency of resources utilization and reduce waste emissions, Guangdong Hengjia has set up goals and plans to control the production of concrete waste. The residual materials, if inevitable, are firstly used in other construction projects or used at a lower grade, and then washed and separated into sand and gravel with wastes using sand separator for re-use in the production of aerated bricks. During the Reporting Period, Guangdong Hengjia has upgraded the concrete sand and gravel separation and recycling system and optimised the separation and screening of aggregates. The residual mortar, when collected, was used in the mortar grinding at the aerated brick workshop after concentration adjustment. During the Reporting Period, Guangdong Hengjia recycled a total of 804.2 cubic meters of concrete residual materials, generating a recycling economic benefit of RMB160,300.

Environmental Protection

USE OF MATERIALS

The raw materials required for the operation of Guangdong Hengjia include mainly cement, gravels, river sand and steel. The Group prefers suppliers that have obtained ISO14001 certifications and continuously monitors their environmental performance in order to reduce environmental impact of upstream production. During production, the Group optimises the production process and has independently developed manufactured sand to reduce the use of raw materials.

The table below sets out the usage of major raw materials by Guangdong Hengjia during the Reporting Period.

Use of raw materials	Consumption (0'000 tons)
Cement	12.3
Gravels	50.2
River sand	33.5
Steel	0.6

USE OF WATER AND SEWAGE DISCHARGE

The water used by Guangdong Hengjia for production derives mainly from Moyangjiang River, while water for office and domestic use comes from municipal water supply. Although there is no difficulty in obtaining water resources, the Group acknowledges that there are risks of water shortages around the world currently and in the future, and manages water resources in a responsible manner.

The plant is equipped with a sedimentation tank for the collection of cleaning wastewater from mixers, vehicles and the ground and the condensed water from the boiler and autoclaves, which is recycled and reused after sedimentation. The Group also continuously promotes the employees' awareness of water-saving through internal notifications. During the Reporting Period, Guangdong Hengjia's water consumption was 135,000 cubic meters, representing a year-on-year decrease of 30.8% as compared with 195,000 cubic meters in the previous Reporting Period.

The Group complies with applicable laws and regulations in relation to emissions, including the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on Water Pollution Prevention and Treatment. During the Reporting Period, Guangdong Hengjia did not have any case of violation of laws and regulations in relation to the emission of exhaust gas and greenhouse gas, discharge into water and land nor generation of hazardous and non-hazardous wastes.

Environmental Protection

THE ENVIRONMENT AND NATURAL RESOURCES

In accordance with the requirements of the environmental management system, Guangdong Hengjia implements the Identification and Risk Assessment Control Procedures for Environmental Factors and Hazards, and has established an environmental factors identification and assessment form. Assessment grading is given according to environmental impacts in terms of legal compliance, emissions, frequency of occurrence, scope of influence, extent of influence, social attention, consumption and amount of savings, so that environmental impacts of plant activities, products or services can be reviewed and recorded. During the process, Guangdong Hengjia also identified the environmental impact of noises in addition to the emissions and use of resources as described in the above paragraphs.

The noises of Guangdong Hengjia mainly come from the operation of equipment such as boiler rooms, production workshops, powder feeding by pumping, discharge by autoclaves and air compressors. In order to comply with Class II standard of Environmental Noise Emission Standards for Factories of Industrial Enterprises, Guangdong Hengjia has continuously repaired, lubricated and maintained equipment, such as centrifuges, which generate relatively loud noise. It also planted sound-insulating green belts around the factory which reduces noises while beautifying the factory environment. Yangjiang City Environmental Monitoring Department monitors the plant's wastewater, exhaust gas and noises on an annual basis. During the Reporting Period, no emissions out of limits were identified.

In addition, to address emergent incidents of environmental pollution, Guangdong Hengjia has formulated the Environmental Emergency Plan, and established the Emergency Commanding Unit, under which there is an Emergency Commanding Team who is responsible to lead the on-site disposal team in initiating the procedures of control, handling and investigation in the event of accidents, in order to prevent the occurrence of secondary accidents.

Community Investment

Sunway International supports the community in which the Group operates and is committed to bringing positive impact to the community. Although the Group has not yet established a community investment policy at group level, Guangdong Hengjia has already put into practice of its spirit in caring for the community through various methods.

Guangdong Hengjia continues to support the construction of local villages, supports education, and assists in beautifying the environment. During the Reporting Period, Guangdong Hengjia provided Langdong Primary School at Shuangjie Town with concrete to fortify the school's campus ground. It also organised employee volunteers to pave bricks for the school, creating a space which was suitable for students' activities.

In the future, the Group will find out more of the needs of the community in which it operates, and strengthen the relationship between the Group and the community through the improvement of community policies and plans.

Summary of Environmental, Social and Governance Performance Indicators

ENVIRONMENTAL PERFORMANCE

	Categories	Amount of emissions (kg) in 2018	Amount of emissions (kg) in 2018
Air Emissions	Nitrogen Oxide	84,319.7	182.2 ⁴
	Sulfur Oxide ⁴	1.8	1.7
	Particles	2,007.3	2,007.8

Scopes	Sources of emissions	Amount of emissions (tonne CO ₂ -e) in 2018	Amount of emissions (tonne CO ₂ -e) in 2017
Scope 1: Direct Greenhouse Gas Emissions	Fossil fuel combustion – stationary sources	23,939.8	19,341.9
	Fossil fuel combustion – mobile sources	10.9	
Scope 2: Energy Indirect Greenhouse Gas Emissions	Purchased electricity	5,397.1	3,745.3
Total amount of greenhouse gas emissions		29,347.8	23,087.2
Intensity of greenhouse gas (tonne CO ₂ -e/sq.m.)		3.8	3.0

	Categories	Total amount of energy consumption (MWh equivalent) in 2018	Total amount of energy consumption (MWh equivalent) in 2017
Energy Consumption	Anthracite	70,184.8	68,545.0
	Gasoline	13.9	14.9
	Diesel	27.8	27.0
	Electricity	8,846.3	7,105.5
	Total amount of energy consumption	79,072.8	75,692.4
	Intensity of energy (MWh-e/sq.m.)	10.1	9.7

	Categories	Volume of water consumption (m ³) in 2018	Volume of water consumption (m ³) in 2017
Water Resources Consumption	Total volume of water consumption	135,000.0	195,000.0
	Intensity of water consumption (cubic meter/sq.m.)	17.3	25.0

⁴ Such data includes only the emission of fossil fuel combustion in mobile sources and does not include the emission of fossil fuel combustion in stationary sources.

Summary of Environmental, Social and Governance Performance Indicators

Categories		Amount of waste generated (tonne) in 2018	Amount of waste generated (tonne) in 2017
Hazardous Waste	Total amount	330.0	360.0
	Intensity of hazardous waste (tonne/sq.m.)	0.04	0.05

Categories		Amount of waste generated (tonne) in 2018	Amount of waste generated (tonne) in 2017
Non-Hazardous Waste	Total amount	7,835.0	7,886.0
	Intensity of non-hazardous waste (tonne/sq.m.)	1.0	1.0

SOCIAL PERFORMANCE

	Age	Male	Female	By age
Number of employees ⁵	Below 30	48	15	63
	31–40	80	18	98
	41–50	80	28	108
	Above 50	56	8	64
	By gender		264	69
Total number of employees in 2018				333
Total number of employees in 2017				334

		Number of employees lost	Percentage to total employees under each category
Percentage of employees lost	By age		
	Below 30	20	31.7%
	31–40	17	17.4%
	41–50	24	22.0%
	Above 50	10	15.6%
	By gender		
	Male	62	23.2%
	Female	9	13.5%
	Total number of employees lost and percentage to total employees in 2018	71	21.3%
	Total number of employees lost and percentage to total employees in 2017	99	29.6%

⁵ During the Reporting Period, all employees were full-time employees.

Summary of Environmental, Social and Governance Performance Indicators

		Number of new employees	Percentage to total employees under each category
Percentage of new employees	By age		
	Below 30	20	31.7%
	31–40	18	18.4%
	41–50	22	20.4%
	Above 50	10	15.6%
	By gender		
	Male	56	20.8%
	Female	14	20.3%
	Total number of new employees and percentage to total employees in 2018	70	21.0%
	Total number of new employees and percentage to total employees in 2017	55	16.5%

		2018		2017
		Male	Female	
Number of work-related fatalities or injuries	Number of work-related fatalities	0	0	0
	Number of work-related injuries	29	2	16
	Working days lost due to work injury	679	95	399
	Number of days of absence	2,252	421	699
	Work-related injury rate per thousands of employees		93	48
	Percentage of working days lost due to work injury		0.6%	0.4%
	Percentage of absence		2.2%	0.7%

Summary of Environmental, Social and Governance Performance Indicators

		Number of trained employees	Percentage to total employees under each category
Percentage of number of trained employees	By employee category		
	Chief executive management	4	100%
	Senior management	2	100%
	Middle management	16	100%
	General staff	311	100%
	By gender		
	Male	264	100%
	Female	69	100%
	Total number of trained employees and percentage to total employees in 2018	333	100%
	Total number of trained employees and percentage to total employees in 2017	312	93%

		Training hours	Average training hours of employee under each category
Training hours	By employee category		
	Chief executive management	216	54
	Senior management	108	54
	Middle management	864	54
	General staff	16,794	54
	By gender		
	Male	14,256	54
	Female	3,726	54
	Total training hours and average training hours per employee in 2018	17,982	54
	Total training hours and average training hours per employee in 2017	2,970	8.9

Summary of Environmental, Social and Governance Performance Indicators

	Location	Product or service provided	Number of suppliers	Percentage of suppliers execute Relevant Practices ⁶	
Suppliers	Mainland China	Bulk Cement	2	50%	
		Water Reducing Agent	1	100%	
		End Panel	1	100%	
	Total number of suppliers and percentage of suppliers execute Relevant Practices ⁶ in 2018			4	75%
	Total number of suppliers and percentage of suppliers execute Relevant Practices ⁶ in 2017			4	100%

⁶ Relevant Practices refer to the supplier's engagement and review procedures. Please refer to "Supply Chain Management" on P. 11 for details.

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Subject Areas	Contents	Page Index/Notes
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	12, 14
A1.1	The types of emissions and respective emissions data.	17
A1.2	Greenhouse gas emissions in total and intensity.	17
A1.3	Total hazardous waste produced.	18
A1.4	Total non-hazardous waste produced and intensity.	18
A1.5	Description of measures to mitigate emissions and results achieved.	12
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	13
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	12
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	17
A2.2	Water consumption in total and intensity.	17
A2.3	Description of energy use efficiency initiatives and results achieved.	13
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	14
A2.5	Total packaging material used for finished products and with reference to per unit produced.	The operation of Guangdong Hengjia does not involve packaging material used for finished products.
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	15
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	15

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Subject Areas	Contents	Page Index/Notes
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	7-8
B1.1	Total workforce by gender and age group.	18
B1.2	Employee turnover rate by gender, employment type, age group and geographical region.	18
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	8-9
B2.1	Number and rate of work-related fatalities.	19
B2.2	Lost days due to work injury.	19
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	8-9
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	8
B3.1	The percentage of employees trained by gender and employee category.	20
B3.2	The average training hours completed per employee by gender and employee category.	20
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	9-10
B4.1	Description of measures to review employment practices to avoid child and forced labour.	9

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Subject Areas	Contents	Page Index/Notes
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	11
B5.1	Number of supplier by geographical region.	21
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	11, 21
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	10
B6.2	Number of products and service related complaints received and how they are dealt with.	10
B6.3	Description of practices relating to observing and protecting intellectual property rights.	10
B6.4	Description of quality assurance process and recall procedures.	10
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	10
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	11
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	11
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	11
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	16