

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



REPORTING PRINCIPLES

Scope

Established in 1995, the Group is a world-renowned modernized group engaged in recovered paper-based environmentally-friendly paper making. Its revenue is mainly generated from 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 (including uncoated woodfree paper, copy paper, coated and uncoated freesheet etc.), specialty paper and pulp. Adhering to the philosophy of “No Environmental Management, No Paper Making”, the Group uses recyclable paper as its raw materials, committing itself to environmental protection, energy conservation and emission reduction.

The disclosure in the Environmental, Social and Governance Report (the “Report”) for FY2019 covers 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 Hebei bases) and one base in Vietnam during the period from 1 July 2018 to 30 June 2019 (the “Year”).



“ No Environmental Management No Paper Making ”

As the acquisitions of the Group's four mills in the United States weren't completed until June, October and November 2018, respectively, the data of the four mills are not disclosed in the Report because such data cannot reflect their full-year operations. Neither does the Report cover the data on the downstream packaging factories, the acquisition of which was completed in September 2019, nor the Malaysia factory which commenced operation in September 2019. We will cover 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 ESG Reporting Guide in Appendix 27 of the Main Board Listing Rules. The Report has complied with the “comply or explain” provisions under the ESG Reporting Guide.

Working Group

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 and sustainability initiatives, etc.

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, 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.

Stakeholders' Opinions

The Group values the opinions and respects the sustainable relationship with each of our stakeholders including business partners, suppliers, customers, clients, investors, regulators, employees and communities. We welcome any feedback on the Report via email (ir@ndpaper.com). The opinions and information provided by you will be kept confidential and will not be disclosed to any third party.

ENVIRONMENT

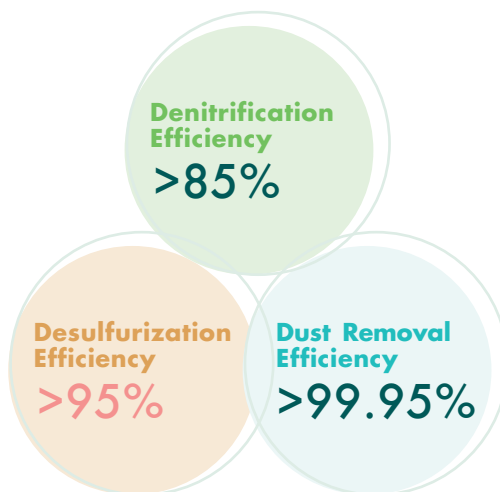
Adhering to the philosophy of “No Environmental Management, No Paper Making”, the Group advocates the recycled economic development model of “Reduce, Reuse and Resource”. We not only use recyclable paper as its raw materials, but also continuously step up the efforts on environmental protection by implementing 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.

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” (《中華人民共和國大氣污染防治法》), “Emission Standard of Air Pollutants for Thermal Power Plants” (《火電廠大氣污染物排放標準》), “Water Pollution Prevention and Control Law of the People’s Republic of China” (《中華人民共和國水污染防治法》), “Discharge Standard of Water Pollutants for Pulp and Paper Industry” (《製漿造紙工業水污染物排放標準》) and “Law on the Prevention and Control of Environmental Pollution By Solid Waste of the People’s Republic of China” (《中華人民共和國固體廢物污染環境防治法》). 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 the Group has met the national standard of ultra-low emission (with the size of dust smaller than 10mg/m³), thus effectively improving the quality of the environment.

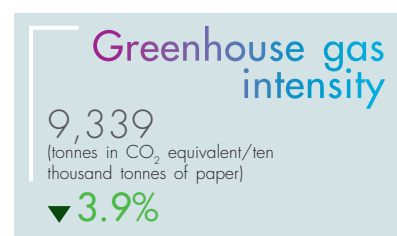
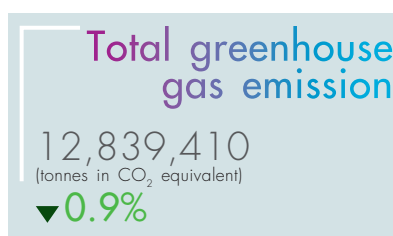
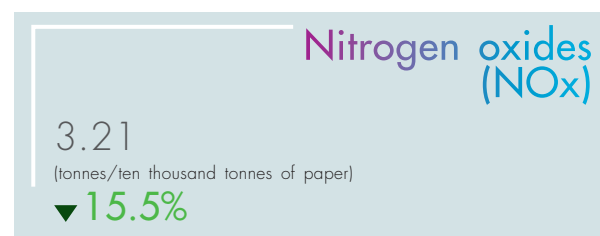
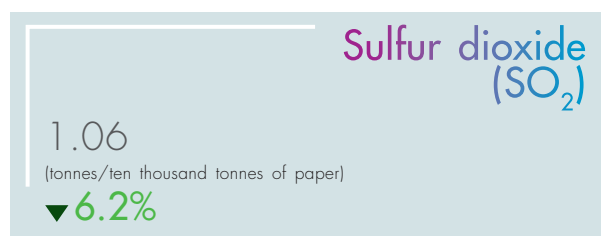
The Group is the pioneer in the industry in constructing fully automatic and enclosed coal storage domes, which can effectively avoid fugitive dust pollution during the loading, transportation and storage of coal, thereby offering better protection for the surroundings and further improvements to the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



During the Year, each emission indicator of the Group's emissions and greenhouse gases outperformed national or regional standards. The recently upgraded desulfurization, denitrification and dust removal facilities for higher emission standards resulted in a year-on-year decrease of 6.2%, 15.5% and 16.7% in SO₂ intensity, NO_x intensity and dust intensity, respectively. The total greenhouse gas emission and intensity also recorded a year-on-year decrease of 0.9% and 3.9%, respectively.

Type of emission	FY2019	FY2018	Change
Sulfur dioxide (SO ₂) (tonnes/ten thousand tonnes of paper)	1.06	1.13	-6.2%
Nitrogen oxides (NO _x) (tonnes/ten thousand tonnes of paper)	3.21	3.80	-15.5%
Dust (tonnes/ten thousand tonnes of paper)	0.20	0.24	-16.7%

Greenhouse gas emission	FY2019	FY2018	Change
Total emission (tonnes in CO ₂ equivalent)	12,839,410	12,956,288	-0.9%
Intensity (tonnes in CO ₂ equivalent/ten thousand tonnes of paper)	9,339	9,722	-3.9%



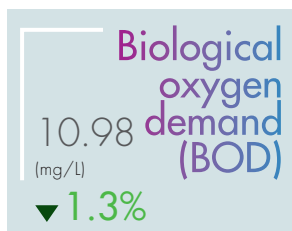
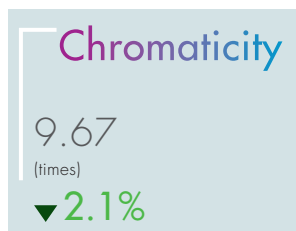
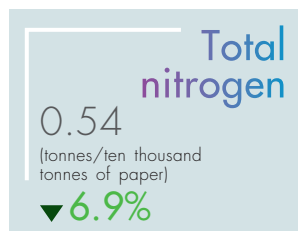
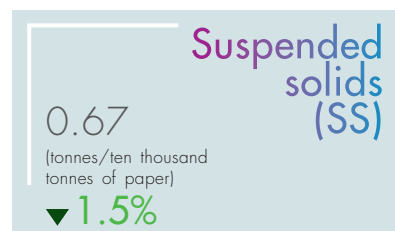
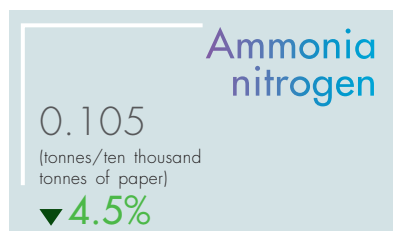
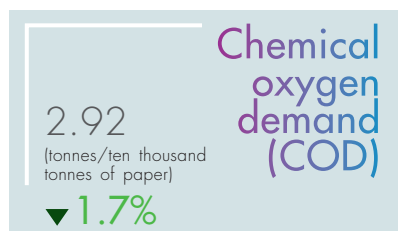
Advanced Wastewater Treatment Facilities

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 can effectively reduce 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" (《製漿造紙工業水污染物排放標準》) (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, despite the Group's consumption of domestic recovered paper increased due to the fact that China narrowed the quota of imported recovered paper, various indicators of the Group's discharged water outperformed national or regional standards and even with improvements. Among these, intensity of chemical oxygen demand (COD) and suspended solids (SS) decreased by 1.7% and 1.5% on a year-on-year basis respectively, demonstrating the Group's efficiency and capability in waste water treatment. Besides, the denitrification facilities newly added in the Year enabled an effective year-on-year decrease of 4.5% and 6.9% in ammonia nitrogen intensity and total nitrogen intensity, respectively.

Discharged water indicators	FY2019	FY2018	Change
Chemical oxygen demand (COD) (tonnes/ten thousand tonnes of paper)	2.92	2.97	-1.7%
Ammonia nitrogen (tonnes/ten thousand tonnes of paper)	0.105	0.11	-4.5%
Suspended solids (SS) (tonnes/ten thousand tonnes of paper)	0.67	0.68	-1.5%
Total nitrogen (tonnes/ten thousand tonnes of paper)	0.54	0.58	-6.9%
Chromaticity (times)	9.67	9.88	-2.1%
Biological oxygen demand (BOD) (mg/L)	10.98	11.12	-1.3%
pH value	6.82	6.91	-1.3%

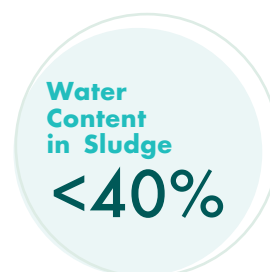


Solid Waste Disposal

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環境防治法》). For hazardous wastes, we carry out standardized management in strict compliance with 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" (《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. Due 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, despite an increase in production volume during the Year, total volume and intensity of non-hazardous wastes registered a year-on-year decrease of 11.9% and 17.0% respectively, while total volume and intensity of hazardous wastes only increased slightly and in a reasonable range.

Solid Wastes	FY2019	FY2018	Change
Total volume			
Hazardous wastes (tonnes)	5,923	5,709	+3.7%
Non-hazardous wastes (tonnes)	2,734,613	3,105,235	-11.9%
Intensity			
Hazardous wastes (tonnes/ten thousand tonnes of paper)	4.31	4.28	+0.7%
Non-hazardous wastes (tonnes/ten thousand tonnes of paper)	1,989	2,397	-17.0%

USE OF RESOURCES


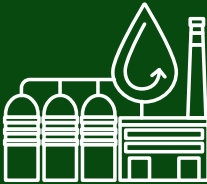

Forest in the City

"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 over 95% of the total fiber, and over 14 million tonnes of recovered paper have been recycled and reused through our production every 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.

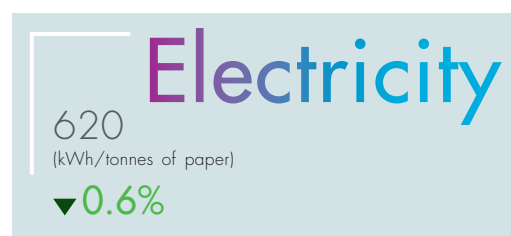
Energy conservation

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.

Utilization of solid waste	Methane Collection and Treatment System	Energy Saving Measures in Offices
		
<ul style="list-style-type: none"> • 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 dewatered 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Energy-saving lights are used and lights of different zones are controlled with individual switches • Air-conditioning is constantly set at over 26 degree Celsius • Lights and computers are turned off during rest hours or long breaks of the staff

During the Year, each of the Group's energy consumption indices outperformed national or regional standards. Affected by the increase in the Group's production volume with new production capacities for commissioning work, total energy consumption increased slightly with a reasonable fluctuation in intensity.

Energy	FY2019	FY2018	Change
Total consumption			
Coal (tonnes of standard coal)	4,329,977	4,155,007	+4.2%
Steam (tonnes)	22,130,897	21,876,827	+1.2%
Electricity (kWh)	8,525,442,867	8,315,875,619	+2.5%
Intensity			
Coal (tonnes of standard coal/tonnes of paper)	0.315	0.313	+0.6%
Steam (tonnes/tonnes of paper)	1.61	1.64	-1.8%
Electricity (kWh/tonnes of paper)	620	624	-0.6%



Water Conservation

The Group attaches great importance to water resources and has devoted itself into the enhancement of water recycling rate during the production process. Each of our paper machines is installed with an advanced water recycling system to reuse the processed wastewater at the source of production, so as to reduce water resources consumption.

During the Year, the Group improved the utilization rate of the water recycling system and continued to increase the recycling of wastewater to the manufacturing workshops. As a result, each water resource index has seen an improvement. The recycling rate of wastewater maintained at over 97% during the Year.



Water resources	FY2019	FY2018	Change
Total water consumption (tonnes)	87,985,066	88,177,910	-0.2%
Average water consumption (tonnes/tonnes of paper)	6.1	6.6	-7.6%
Recycling rate of wastewater (%) *	97.1	97.0	+0.1 percentage point

* Estimated value

Major packaging materials

6.53

(tonnes/Ten thousand tonnes of paper)

▼0.5%

Packaging Materials

Plastics and paper are the Group's major packaging materials. During the Year, the total consumption of major packaging materials increased slightly due to the increase in the Group's production volume as well as the increase in moist proof packaging in response to the market and customer demand, while its intensity broadly remained basically the same.

Major packaging materials	FY2019	FY2018	Change
Total consumption (tonnes)	8,922	8,672	+2.9%
Intensity (tonnes/Ten thousand tonnes of paper)	6.53	6.56	-0.5%

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.

Environmental Certifications

The Group obtained the certification of "China Environmental Labelling Product" and was successively granted various certifications under international standardized management systems, including ISO 9001 certification for quality management systems, ISO 14001 certification for environmental management systems, OHSAS 18001 certification for occupational health and safety management systems and FSC™ certification.

Certifications under International Standardized Management Systems

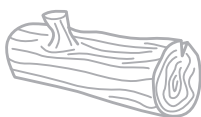




Impact on Natural Resources and the Environment

Producing paper with recovered paper

Saving wood of
3 to 4 cubic meters



Saving Electricity of
600 kWh



Saving Standard Coal of
approximately **1.2** tonnes



Saving Water of
Over **100** tonnes



The Group produces paper with recovered paper, which accounts for over 95% of total raw materials for production. It is estimated that 1 tonne of recovered paper produces approximately 0.8 tonne of finished product of packaging 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 14 million tonnes per annum, 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 therefrom 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 deodorization and alkaline sprinkling cleaning treatment, 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" (《工業企業廠界環境噪音排放標準》) (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 paper-making workshops 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.

Advocacy of Transparent Management

- 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 chemical oxygen demand, which is monitored in real time by local environmental authorities via intranet

Construction of Environmental Protection Management System

- 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

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' wellbeing but also their personal and career development.

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" (《中華人民共和國勞動法》) and the "Labor Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》). Meanwhile, we have formulated comprehensive internal systems, namely the "Recruitment Management System" (《招聘管理制度》) and the "Professional Title Evaluation System" (《職稱評審制度》), to ensure equality in the workplace, regardless of the employees' gender, age (except for minors), region and race. Candidates who meet the job requirements will be able to obtain equal working opportunities. 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. Moreover, 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 for free, 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.

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" (《全國年節及紀念日放假辦法》), 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" (《職工帶薪年休假條例》), we provide paid annual leaves to all employees. Pursuant to the "Special Rules on Labor Protection for Female Employees" (《女職工勞動保護特別規定》), 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 per employee was 38 hours, representing a significant year-on-year decrease of 70.6%.

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 barbecue gatherings.

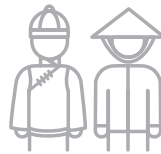
As at 30 June 2019, the Group employed a total of 18,456 full-time staff, 17,037 of which are from the PRC and Vietnam, and 1,419 are from the United States.

The Group

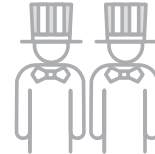
Total Number of
Full-time Staff Employed
18,456



Number of Staff from
the PRC and Vietnam
17,037



Number of Staff from
the United States
1,419



HEALTH AND SAFETY

Upholding the principles of “Safety first” (「安全第一」) and “No fire, No injury” (「不輕傷一個人、不著一把火」), 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 (《中華人民共和國職業病防治法》) and the Regulation on Work-related Injury Insurance (《工傷保險條例》). 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 (《集團安全事故匯報管理規範》), Material Stacking Management Practices (《集團物料堆垛管理規範》), Fire Safety Management Practices (《集團消防安全管理規範》), Proposal for Handling of Hazardous Chemical Incidents (《危險化學品事故處置方案》), and Hazardous Waste Stacking Management Practices (《集團危廢物料堆垛管理規範》), among others.

The Group provides a broad range of safety protection supplies for 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. We have also formed a firefighting team to prepare for fire emergency.

In order to improve employees’ capability to deal with emergencies, we organize numerous emergency drills every year. The Group held over 18,000 emergency drills during the Year.

DEVELOPMENT AND TRAINING

The Group values each of its employee. We provide employees with ample staff training, learning opportunities, promotion paths and great career prospect.

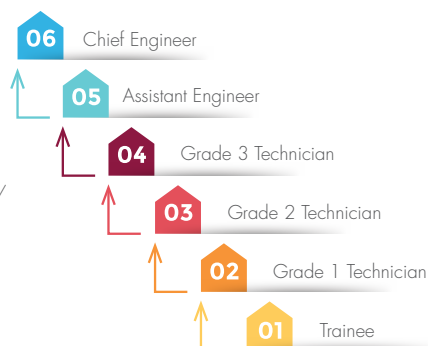
Staff Development

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 in the enterprise.

Management Path



Professional Technique Path





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.

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, 2,529 participants (FY2018: 2,477) joined the external trainings. Total funding provided by the Group was approximately RMB3.68 million (FY2018: RMB3.39 million).

During the Year, the Group organized a total of 8,296 (FY2018: 5,681) internal trainings, and a total of 218,843 participants (FY2018: 164,558) joined such trainings, among which 460 (FY2018: 216) were senior management; 10,219 (FY2018: 5,863) were middle-level management.

In terms of training hours, the Group carried out 267,066 hours (FY2018: 194,741 hours) of training in total during the Year, with average training hours of 15.2 hours (FY2018: 11.3 hours) per employee, among which 935 hours (FY2018: 396 hours) were attended by senior management; 13,620 hours (FY2018: 7,463 hours) were attended by middle-level management.

In terms of the types of training carried out by the Group, 57,560 participants (FY2018: 49,476) joined professional skills training; 117,413 participants (FY2018: 74,964) joined safety training; 5,857 participants (FY2018: 5,538) joined clean and civilized production training; 21,723 participants (FY2018: 17,794) joined conceptual guidance and professional ethics training; and 16,291 participants (FY2018: 16,786) joined other types of training during the Year.

LABOR STANDARDS

The Group strictly complies with the minimum age requirement as stipulated by laws and regulations of the places in which it operates. The Group prohibits itself from recruiting children under age of 16 and the youngest among the existing employees are over 18.

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.

External Trainings

2,529 participants

Number of Internal Trainings

8,296

Total Training Hours

267,066 hours

Average Training Hours

15.2 hours/employee



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, 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 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 determine the existence of dishonesty, and suppliers with dishonest behaviors will be frozen.

As at 30 June 2019, the number of suppliers of the Group totaled 7,819 (FY2018: 7,140), among which the suppliers of the China bases amounted to 6,674 (FY2018: 6,228) and the suppliers of the Vietnam base amounted to 1,145 (FY2018: 912).

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 and recall of products

The Group adheres to the green philosophy of "No Environmental Management, No Paper-Making". All bases are making proactive efforts in facilitating works in relation to ISO 9000 quality management system, ISO 14000 environmental management system and OHSAS 18001 occupational health and safety management system. We add no environmentally and physically harmful substances during the process of production. In addition, we carry out accurate 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.



The Group has a set of comprehensive product traceability management system and stringent products recall management practices in place. During the Year, the Group has no such case where products sold or shipped are subject to recalls for safety and health reasons.

Follow-up of complaints

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, thus satisfying the customers in a real sense.

Consumer data protection and privacy policies

The Group develops a stringent information confidential system (e.g. "The Group's Internal Information Confidential Management Practices" (《集團內部信息保密管理規範》)). 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 place 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.

Information Confidential Management Practices



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

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 maintain the highest level of corporate governance, the Group has adopted a set of comprehensive corporate governance principle, 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.

Anti-corruption

The Group has specifically establish a specialized "Group Audit Regulatory Department" (集團審計監管部) to prevent corruption and investigate corruption cases. Appointed by the Group, the Group Audit Regulatory Department is independent from the management and capable of maintaining objectivity and independence in its governance structure and practical work. 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 (監管會)" 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 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 will provide anti-corruption education and training to relevant employees on a quarterly basis. In addition to group-wide 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 "集團投訴 claim_group/NDDG/ndpaper" and "Chairlady Mailbox (董事長信箱)" 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 cover a wider range, a special investigation will be conducted and handled by the Group Audit Department.

COMMUNITY

The Group has been proactively performing its social responsibility and participating in national and local economic development. The Group spares no efforts in poverty alleviation in the community. In addition to direct assistance to the poor and vulnerable group, the Group focuses on supporting education and poverty alleviation through industry development in poverty-stricken areas, aiming to boost local economic development and create long-term job opportunities. Besides, the Group is committed to improving the infrastructures in rural areas and improving the living environment of the villagers. In recent years, the Group engaged in various public welfare activities with accumulated contributions of over RMB300 million.

- Nine Dragons has always insisted on targeted poverty alleviation and consistently participated in "Guangdong Poverty Alleviation Day" with accumulated donations of over RMB190 million to various underdeveloped areas, including western and northern Guangdong;
- Nine Dragons Paper has established the "Nine Dragons Class" for many years. Poverty alleviation was achieved by way of vocational education with over 900 students trained to date. The program provided funding for higher education as well as job opportunities for underprivileged students in remote regions, which served as a sound platform for children from poor families, encouraging them to make positive changes to the future of themselves and their families through their own diligent efforts. This also cultivates for the nation and the industry workers of the new era with consciousness and skills for sustainable development, while keeping a heart of gratitude and love towards the society;
- Nine Dragons Paper has established a number of "Caring Bases" to provide "Nine Dragons Caring Lunches" to poor children staying in mountain regions;
- A total amount of over RMB5.2 million was donated to support the "A Piece of Caring Paper" activity of China Charity Federation, helping children with congenital heart disease while actively promoting waste paper recycling;
- Nine Dragons Paper proactively participated in disaster relief and made donation for the construction of "Heart Resettling Houses" in disaster-stricken areas several times and donated RMB37 million in aggregate for earthquake disaster relief in Wenchuan, Yushu and Ya'an to assist people in those areas to rebuild their homes;
- Nine Dragons Paper has been awarded a number of honors such as "National Poverty Alleviation Award", "China Charity Prize", "Chinese Merchants Contribution Award" and "Guangdong Poverty Alleviation Cotton Tree Golden Cup";
- In Hong Kong, a total of over HK\$62 million have been donated to various organizations, including New Home Association, Our Hong Kong Foundation and Hong Kong Federation of Overseas Chinese Association in an effort to building a loving community.

Community Activities the Management Took Part in

In October 2018, Ms. Cheung Yan (Chairlady) was granted the "National Poverty Alleviation Award", a national award in the field of poverty alleviation.



Ms. Cheung Yan (Chairlady) was awarded the title of "CCTV's Charitable Person of the Year".



In October 2018, the Group established the Nine Dragons Talent Fund in Zhongshan University and undertook to donate RMB10 million annually from 2018 to 2025 for the development of high-calibre medical professionals in China.



Participated in Guangdong Poverty Alleviation Day and made a donation of RMB42 million in June 2019.

Proactively supported targeted poverty alleviation measures implemented by the government. It has participated in "Guangdong Poverty Alleviation Day" for 10 consecutive years and made an aggregate donation of over RMB190 million, contributing to the mission of "building a moderately prosperous society" promoted by the State.



Actively participated in "Ten Thousand Enterprises for Ten Thousand Villages" (萬企幫萬村), a rural revitalization program initiated by the Guangdong government to support the poverty alleviation work in Guangdong province.



MAJOR COMMUNITY ACTIVITIES PARTICIPATED IN FY2019

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, including western and northern Guangdong.

- Providing financial support to Fubei village, Wengcheng town, Wengyuan county, Shaoguan city for the building of public service facilities, improving the living condition of villagers and helping them to improve labor skills.

Road construction and maintenance



Before



After

Adding streetlamp facilities



Before



After

Assisting the construction of a comprehensive service community and a health station



Funding the transformation of dilapidated houses for poverty-stricken families



Providing financial support to Pingpu village, Zhoutian town, Renhua county, Shaoguan city

Funding poverty-stricken families to practice poultry farming for poverty alleviation through industry development



Broadening major village road



Funding Zhuyuan village, Heshui town, Yangchun city

Distributing supplies to poverty-stricken families for poverty alleviation through industry development



Visiting poverty-stricken families



“Funding pearl cultivation in Liusha village, Tandou town, Leizhou city for poverty alleviation through industry development.”



“Funding the “Caring for Poverty-stricken Mother Program” to help mothers suffered from severe diseases among the poverty-stricken population in the rural areas in 14 prefecture-level cities in Guangdong.”



2. Actively supporting community activities in Hong Kong

“The Group made donations to various charities and non-profit organizations in Hong Kong, such as Our Hong Kong Foundation and the New Home Association, in order to help the underprivileged groups and contribute to the development of Hong Kong.”

“It is a loving care project initiated and continuously held by the Group to provide re-education as well as job and development opportunities for students from underprivileged regions, which is also one of the important channels for reserving and cultivating talents for the Group. Up to June 2019, a total of 14 terms have been held.”

3. New term of Nine Dragons Class commenced



4. Various community projects were continuously initiated by all bases of the Group, which contributed to development of local economy and the society

Each production base of the Group often provides assistance to needy families in its local community, and arranges activities for education and social welfare establishments such as caring lunches, book donations, scholarships and education subsidies, school uniform and equipment donations, visiting the aged and veterans, etc., so as to promote the spirit of positive thinking, proactivity, harmony, care and respect for the aged and teachers.

- Each production base of Nine Dragons provides funding to support education in neighboring areas every year and conduct "School-enterprise Cooperation" with schools nearby.

Visiting poverty-stricken students in Qingyuan Changjiang Primary School



Donating school uniforms to Tangdi Primary School in Longwan town, Luoding county



Launching a student assistance program in Meizhu Hope Primary School in Luoding county, Yunfu city



Taicang base collaborated with Xiaocheng Da'ai Charity Center to provide subsidies for 40 poverty-stricken children in neighboring areas. The program has been conducted for four years consecutively and benefitted a total of 130 children by now.



Always committed to caring for the underprivileged groups in neighboring areas, the Group launched a series of caring activities for the underprivileged groups, including the disabled children, old and lonely elderly, single mothers, left-behind children and cleaners.



	Key Performance Indicator	
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	A1	✓
The types of emissions and respective emissions data	A1.1	✓
Greenhouse gas emissions in total	A1.2	✓
Total hazardous waste produced and intensity	A1.3	✓
Total non-hazardous waste produced and intensity	A1.4	✓
Measures to mitigate emissions and results achieved	A1.5	✓
How hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	A1.6	✓
Aspect A2: Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials	A2	✓
Direct and/or indirect energy consumption by type in total and intensity	A2.1	✓
Water consumption in total and intensity	A2.2	✓
Energy use efficiency initiatives and results achieved	A2.3	✓
Whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	A2.4	✓
Total packaging material used for finished products with reference to per unit produced.	A2.5	✓
Aspect A3: The Environment and Natural Resources		
Policies on minimising the issuer's significant impact on the environment and natural resources	A3	✓
Significant impacts of activities on the environment and natural resources and actions taken to manage them	A3.1	✓

	Key Performance Indicator	
Aspect B1: Employment		
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 Occupational health and safety measures adopted and how they are implemented and monitored	B1	✓
Aspect B2: Health and Safety		
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	B2	✓
Aspect B3: Development and Training		
Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities	B3	✓
Aspect B4: Labour Standards		
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 Description of measures to review employment practices to avoid child and forced labour	B4	✓
Aspect B5: Supply Chain Management		
Policies on managing environmental and social risks of the supply chain Number of suppliers by geographical region	B5	✓
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 Quality assurance process and recall procedures Consumer data protection and privacy policies, and how they are implemented and monitored	B6	✓



	Key Performance Indicator	
Aspect B7: Anti-corruption		
<p>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</p> <p>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</p> <p>Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored</p>	B7	✓
Aspect B8: Community Investment		
<p>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</p> <p>Focus areas of contribution</p> <p>Resources contributed to the focus area</p>	B8	✓