

稀美資源控股有限公司

XIMEI RESOURCES HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9936



2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Environmental, Social and Governance Report (the “**Report**”), covering the year from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”), is prepared by the Group (as defined below) in accordance with the Environmental, Social and Governance Reporting Guide (the “**Guide**”) with effect from the financial year commencing on or after 1 July 2020 as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HKEX**”). It aims at reporting to the Group’s investors and stakeholders about the significant impact of the Group’s business on environment, society and governance and the effectiveness of the risk management and internal control system adopted.

The Report is divided into two subject areas, namely environment and society, which cover mandatory disclosure requirements and “comply or explain” provisions. Each subject area involves management strategies, objectives, relevance and sustainability of the Group’s business. It also discusses the Group’s achievements in measuring and monitoring its environmental, social and governance performance. The Report is presented in the principles of materiality, quantitative, balance and consistency. Stakeholders of the Group are advised to read the Report in conjunction with the “Corporate Governance Report” published in the 2021 annual report of the Group.

For the year ended 31 December 2021, the Company had a total of 30 authorised patents, including 11 invention patents, and 16 patents under review. Through technological advancements, the Company developed and put into application industry-leading new extraction processes and a series of process iteration measures, which greatly reduced accessories consumption and production cost. We managed to develop niobium pentoxide for the application in lithium niobate crystal and lithium battery materials as well as tantalum pentoxide for the application in evaporation coating, further elevating our market share. As a result, the Company was rated as a “Specialised and Innovative Enterprise of Guangdong Province” (廣東省專精特新企業) and an “IP Demonstration Enterprise of Guangdong Province” (廣東省知識產權示範企業) and a pilot enterprise under the “Scheme of Supporting Excellence” (扶優計劃) of Qingyuan City, with subsidies from governments at various levels totalling RMB5.762 million during the Reporting Period.

The Group has always placed emphasis on environmental protection and research and development. It will continue to consolidate its leading position in the tantalum and niobium hydrometallurgy industry, keep enhancing corporate social responsibility and commitment, and focus on ESG relevant topics in order to create long-term value for all shareholders and deliver on its commitment to “exploiting rare resources and creating a better world”.

GROUP PROFILE

Ximei Resources Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was successfully listed on the Main Board of HKEX in March 2020. The Company has become the holding company of the Group for the purpose of the listing and holds three subsidiaries namely Xinjia Group Limited (新佳集團有限公司), Ximei Resources (Hong Kong) Limited (稀美資源(香港)有限公司) (formerly named “Xite Group Limited*” (稀特集團有限公司)) and Ximei Resources (Guangdong) Limited* (稀美資源(廣東)有限公司) (“**Ximei Guangdong**”, formerly named “Guangdong Zhiyuan New Material Co., Ltd.*” (廣東致遠新材料有限公司)), two wholly-owned subsidiaries under Ximei Guangdong namely Ximei Resources (Guizhou) Technology Company Limited* and Ximei (Hainan) Trading Company Limited*, as well as two associates namely CNNC Huazhong New Materials Co., Ltd. and Tianmei Lithium Energy (Sichuan) Co., Ltd..

The Company’s subsidiaries are principally engaged in the manufacturing and sale of tantalum – and niobium-based products, including tantalum – and niobium-based hydrometallurgical products and tantalum – and niobium-based pyrometallurgical products. In particular, hydrometallurgical products mainly include tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, and pyrometallurgical products mainly include tantalum bars, tantalum rods and molten niobium. The Group is an early non-state-owned market participant in this industry, and a leading producer of tantalum– and niobium-based hydrometallurgical products in China.

The history of the Group began on 9 May 2006 with the establishment of Ximei Guangdong in Yingde City, Guangdong Province, the People’s Republic of China (the “**PRC**”). The Group conducted most of its business operations through Ximei Guangdong, its PRC subsidiary. Ximei Guangdong is a major tantalum– and niobium-based hydrometallurgical enterprise in the PRC, focusing on the research and development and production of potassium heptafluorotantalate, niobium pentoxide, tantalum pentoxide, high-purity niobium pentoxide and high-purity tantalum pentoxide, which are widely used in high-end electronics, aerospace, defence and military, optical and medical fields. The Company has passed the quality, environment, occupational health, intellectual property and other management system certifications.

The Group is a national high-tech enterprise, and has been recognised as an innovative enterprise of Guangdong Province, an excellent enterprise of Guangdong Province, a high-growth enterprise of Guangdong Province, a specialised and innovative enterprise of Guangdong Province, a doctoral workstation of Guangdong Province and a provincial intellectual property demonstration enterprise. The Group has established a provincial enterprise technology center, a provincial and municipal engineering technology center, a provincial and municipal science and technology specialist workstation, and has won the second prize for the scientific and technological achievements of non-ferrous metals in the PRC, and the provincial excellent scientific and technological achievement. The Group has nine high-tech products and has been recognised as an advanced unit of talent work in Yingde City for three consecutive years.

Ximei Guangdong has the leading production capacity in China. In terms of production volume, the Group’s market share of tantalum– and niobium-based hydrometallurgical products was approximately 35.8%¹ in 2018 and over 30%² for three consecutive years in 2019, 2020 and 2021.

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The Group invested in the construction of pyrometallurgical projects in 2020 which were completed in phases in 2021, and was able to sell tantalum bars, tantalum rods, molten niobium and other products, thereby achieving vertical extension of the Group's industrial chain.

In 2021, the Company was recognised as the “Most Valuable Listed Company in the 14th Five-Year Plan Period under the Chinese Securities Golden Bauhinia Awards” and the “Best Energy and Resources Company”, demonstrating the Group's strength as a globally leading manufacturer of tantalum- and niobium-based metallurgical products and its investment value, as well as the high recognition of the Group's development by capital market.

Notes:

1. Source: Industry report by China Insights Consultancy Limited
2. Source: Statistical data of the Company

* *For identification purpose only.*

GOVERNANCE STRUCTURE

The Group believes that only by integrating the concept of social responsibility into our strategic development objectives and implementing it into the Group's daily operation, management and innovation activities can the coordinated development of economy and environment be truly achieved. In order to ensure environmental, social and governance effectiveness and further ensure operation of the Group, we have established a top-down ESG framework. The ESG framework is composed of three levels: the Board, the ESG Working Committee (the "**Working Committee**") and the ESG Workgroup (the "**Workgroup**"), each with well-defined duties and working in concerted efforts.

Main duties of the Board of the Group include setting and supervising ESG objectives and policies, establishing and supervising the notification process, controlling relevant risks and allocating resources, reviewing the effectiveness of policies, reviewing relevant policies and reports, and appointing heads and members of the Working Committee and the Workgroup. The Board takes full responsibility for ESG reports of the Group.

The Working Committee of the Group is composed of heads of various departments. Its main duties include implementing ESG policies, providing analysis and suggestions, updating topics, effectively utilising resources, coordinating and guiding activities of the Workgroup, and reporting to the Board.

The Workgroup of the Group is coordinated by the ESG Office and works in coordination with the functional departments and subsidiaries. Main duties of the Workgroup include dealing with daily ESG work, compiling information and preparing reports, and reporting to the Working Committee.

According to the results of weekly routine ESG inspections, the Workgroup forms a timetable for improvements, refinements or additional efforts with reference to the objectives set by the Board, and reports to the Working Committee. The Working Committee shall provide suggestions and assistance on the report and urge each department to cooperate in all aspects towards the objectives of the Group. The Board also communicates with stakeholders regularly and irregularly to understand the topics that deserve attention, develops and presses ahead with work strategies at monthly meetings, monitors and checks the work progress and, where necessary, makes amendments so as to achieve the Group's objectives effectively. The Company strictly abides by relevant laws and regulations, and prepares discharge monitoring reports on wastewater, exhaust gas, hazardous waste and non-hazardous waste every month. ESG is closely relevant to the Company's business. Only by meeting ESG standards of the Group can we improve our environmental awareness at every level of the Group, ensure production activities in an orderly manner, bring long-term benefits to the Group and create value for stakeholders.

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REPORTING PRINCIPLES

This Report has disclosed all information for the year ended 31 December 2021 in accordance with requirements of the Guide, except the number and rate of work-related fatalities in each of the past three years (including the reporting year) in accordance with clause B2.1. As the Group was listed on the Main Board of the HKEX in March 2020, there was no data on social performance disclosed for 2019 in accordance with clause B2.1.

The content of this Report is determined according to a set of systematic procedures. These procedures include: identify and rank important stakeholders and determine their priority; identify ESG issues according to relevant key topics and determine their priority; determine ESG boundaries of this Report, and collect relevant materials and data for the preparation of the Report. These procedures are based on the following principles:

Materiality:

The Workgroup of the Group is at the forefront of identifying ESG materiality factors. Through its daily work, the Workgroup identifies the factors that have a significant impact on ESG practices, so as to coordinate the efforts, collect relevant information and submit reports to the Working Committee. The Working Committee reviews and analyses the reports, makes amendments and follow-up recommendations, and reports to the Board. The Board will review and evaluate the reports received, provide adequate resources to deal with relevant matters, and monitor the work progress and effectiveness.

The Group also communicates with internal and external stakeholders to understand their expectations, discusses key topics regularly and irregularly, conducts materiality assessment and prioritisation procedures systematically and, with reference to opinions from all sides, selects the disclosure scope based on the principles of materiality, relevance and applicability, followed by data collection and analysis to identify relevant key topics and ensure that such topics are included in the Group's policies.

In identifying materiality of ESG topics, the Group will consider the scope and level of their impact on the Group's business operation, long-term development, internal and external stakeholders, as well as the planning of the Group's future sustainable development and the establishment and review of our sustainable development goals. To carry out materiality assessment on relevant topics effectively, the Group identifies ESG topics relevant to its business operation, future development and stakeholders' interests, and evaluates their materiality and priority according to the scope and level of their impact on the Group and stakeholders.

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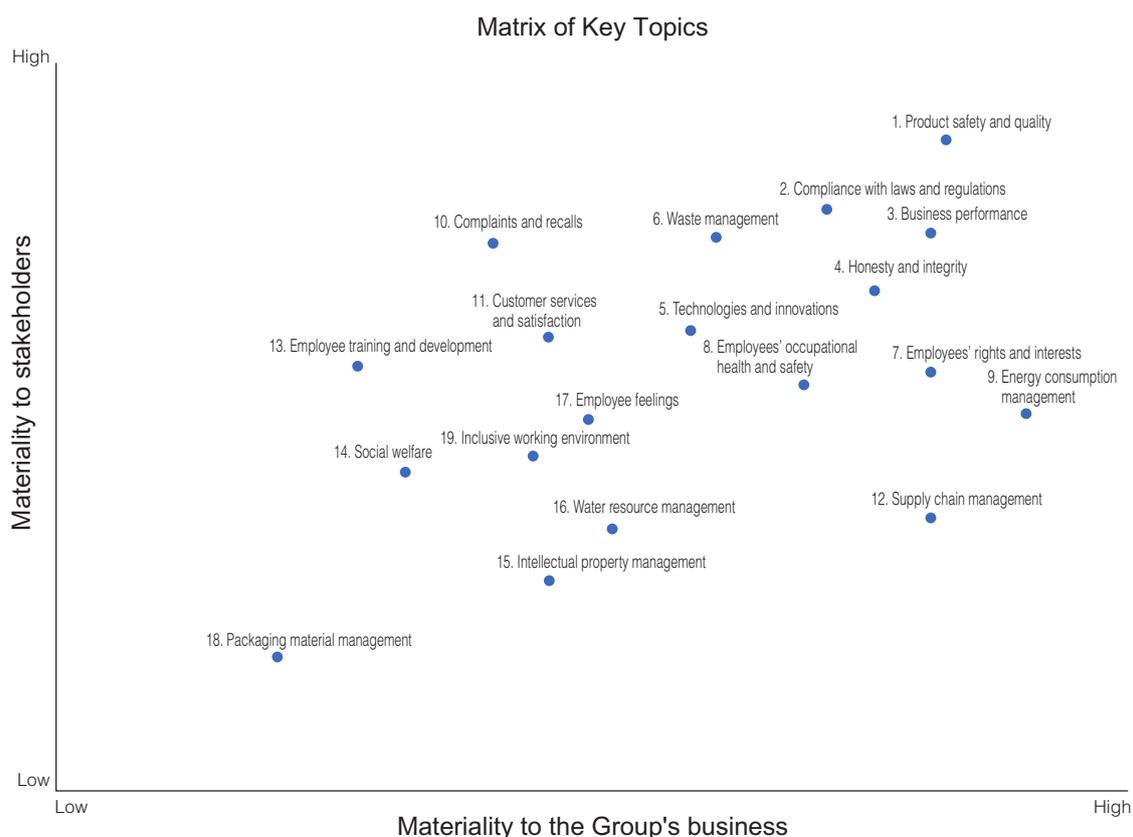
Details of the Group's communication with internal and external stakeholders during the Reporting Period are as follows:

Stakeholder	Issues of Concern	Communication/ Feedback Channels	Communication Frequency
Shareholders	Business results ESG management Compliance in operations	General meeting Results presentation Site survey Roadshow and reverse roadshow Multi-channel conference	General meetings that are held annually Extraordinary meetings upon significant events or in special circumstances Irregular roadshows and reverse roadshows
Investors	Corporate governance Product safety and management Green products Intellectual property right management	Conference call Group conference call Accommodating clients in company visits Domestic and overseas investor conferences Roadshow and reverse roadshow	Accommodating company visits Hosting one-on-one conference calls Holding investment group meetings Annual results presentation Irregular roadshows and reverse roadshows
Employees	Employees' rights and interests Employee health and safety Remuneration and welfare Employee training and development Inclusive working environment	Employee training Labour union and the Party's organisational activities Employee congress Solicitation of opinions and rationalisation proposals	Online and offline training for employees Organising labour union activities irregularly The Party's organisational activity at least once a year Employee congress at least once a year Employee satisfaction survey once a year
Suppliers	Supply chain management Product safety and quality Business performance	Site survey Supplier assessment Quality communications Telephone/written communications Open tender for procurement	Unscheduled supplier meetings Supplier assessment every year Supplier admission assessment
Customers and consumers	Product safety and quality Technologies and innovations Environment-friendly products Complaints and recalls Customer services and satisfaction Packaging material management	Online and offline promotion Market survey Customer satisfaction survey Customer complaint handling	From time to time, depending on circumstances

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Stakeholder	Issues of Concern	Communication/ Feedback Channels	Communication Frequency
Government authorities	Pollutant emission management Compliance in operations Honesty and integrity Water resource management	Site survey Communication and negotiation Spot check Participating in research and formulation of policies, standards and plans	From time to time, depending on circumstances
Communities	Public welfare and charitable activities Contribution to communities	Community public welfare activities Community communication Site survey	From time to time, depending on circumstances
Media	Public welfare and charitable activities Consumer satisfaction	Press conference	From time to time, depending on circumstances

Through analysis, we have become aware of the common materiality and priority of internal and external stakeholders for the Group’s business, which will play a clear guiding role in setting strategies and objectives, carrying out daily operations and developing future vision of the Group. During the Reporting Period, the Group identified high, moderate and low levels of 19 key topics among the concerns of stakeholders, and used the following materiality matrix to evaluate and illustrate their importance and priority to the Group:



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Environmental, Social and Governance	Sustainable Operations	Cares for Employees and Growing Together
<ul style="list-style-type: none"> 6. Waste management 9. Energy consumption management 16. Water resource management 18. Packaging material management 	<ul style="list-style-type: none"> 1. Product safety and quality 2. Compliance with laws and regulations 3. Business performance 4. Honesty and integrity 5. Technologies and innovations 10. Complaints and recalls 11. Customer services and satisfaction 12. Supply chain management 14. Social welfare 15. Intellectual property management 	<ul style="list-style-type: none"> 7. Employees' rights and interests 8. Employees' occupational health and safety 13. Employee training and development 17. Employee feelings 19. Inclusive working environment

Quantitative:

Environmental and social key performance indicators (“KPIs”) are prepared with reference to the Guide of HKEX and calculated through systematic evaluation procedures for materiality, relevance and applicability with appropriate parameters. References to historical KPIs and the standards, methods, assumptions and/or calculations used for KPIs have been properly explained and, where appropriate, accompanied by comparative data.

Balance:

The Group has compiled the Report in a fair, reasonable and impartial manner, to provide comprehensive information for shareholders, investors and stakeholders to evaluate on a rational, objective and accurate basis the Group’s overall ESG performance and effectiveness.

Consistency:

For the convenience of comparison, the reporting standards and criteria, data calculation methods, structure of the Report, description of methods and assumptions made in the preparation of information herein are consistent with historical data. Explanations to changes thereto, if any, are furnished to provide a complete reference for shareholders, investors and stakeholders.

REPORTING BOUNDARY

The Group’s reporting boundary remains unchanged to precedents of the Report, which was selected according to the principles of materiality, quantitative, balance and consistency, and reviewed by three levels namely the Board, the Working Committee and the Workgroup. In accordance with the Guide, the Report covers principal operations of the Company’s wholly-owned and non-wholly owned subsidiaries in China, including: (i) tantalum- and niobium-based hydrometallurgical products; (ii) tantalum- and niobium-based pyrometallurgical products; and (iii) metal related trades.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL PROTECTION

A1: Emissions

The Group always attaches great importance to compliance with laws and regulations and has been strictly abiding by relevant national environmental laws and regulations, including:

Emissions	Laws and Regulations
Exhaust gas	GB13271-2014: Emission Standard of Air Pollutants for Boilers (《鍋爐大氣污染物排放標準》), GB18483-2001: Emission Standard of Fume for Catering Industry (《飲食業油煙排放標準》), DB44/27-2001: Emission Limits of Air Pollutants in Guangdong Province (《廣東省大氣污染物排放限值》), and GB14554-93: Emission Standard of Odour Pollutants (《惡臭污染物排放標準》)
Wastewater	GB/T19923-2005: Reuse of Urban Recycling Water – Water Quality Standard for Industrial Uses (《城市污水再生利用工業用水水質》), DB44/26-2001: Discharge Restrictions on Water Pollutants in Guangdong Province (《廣東省水污染排放限制》), and GB/T18920-2002: Reuse of Urban Recycling Water – Water Quality Standard for Urban Miscellaneous Water Consumption (《城市污水再生利用城市雜用水水質》)
Hazardous waste and non-hazardous solid waste	National Hazardous Waste List (《國家危險廢物名錄》), GB18597-2001: Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》), and GB18599-2001: Standard for Pollution Control on Non-hazardous Industrial Solid Waste Storage and Landfill (《一般工業固體廢物貯存、處置場污染控制標準》)

Furthermore, in the hope of creating a resource-saving and environment-friendly enterprise together, the Group has formulated an “Environment Management System” (《環境管理制度》), which is led by the general manager, to achieve high efficiency in the use of resources, conversion of energy and recycling of waste and encourage employees to proactively participate in environmental protection activities.

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A1: Emissions (Continued)

During the Reporting Period, the Group's exhaust gas and wastewater emission data are as follows:

Types of Emissions	Name	Quantity
		2021
Exhaust gas	Fluoride	357.3 kg
	Ammonia	7,307.5 kg
	SO ₂	8.3 kg
	NO _x	212 kg
	Vehicle emission	Minimal, with no significant impact on the environment
	Exhaust fumes	Minimal, with no significant impact on the environment
	Dust	Minimal, with no significant impact on the environment
Wastewater		33,690 tonnes
Hazardous waste	Acid soluble residue	80.02 tonnes
Non-hazardous waste	Domestic waste	Minimal, with no significant impact on the environment

During the Reporting Period, the Group's only greenhouse gas emission was carbon dioxide which was mainly derived from the purchased electricity, natural gas and diesel. The Group's production area is mainly greenery, which converts greenhouse gas into biomass through the assimilation of trees, without causing significant pollution and impact on the environment. Given the absence of significant impact on the environment from emissions, the Group did not set an emission reduction target.

During the ordinary course of the Group's production, the exhaust gas emitted included fluoride, ammonia, SO₂ and NO_x. The disorganised exhaust gas was mainly from the flow and circulation of materials in tanks, which produced gas escaping from tanks. The organised exhaust gas mainly came from the exhaust gas produced by the reaction in tanks. To reduce emissions, the Group had replaced the exhaust gas treatment system to prevent the system from ageing, which reduced disorganised emissions. The organised exhaust gas emission met the national emission standards. Furthermore, the Group has set an emission reduction target for exhaust gas. The annual growth rate of exhaust gas pollutants including fluoride, ammonia, SO₂, NO_x and volatile organic compounds is expected to remain flat or slightly lower relative to that of production volume. To effectively meet the target, the Group has adopted a series of measures, including installation of an exhaust gas treatment system such as eluting towers, fans, demisters and condensers as well as online monitoring equipment at exhaust gas outlets which would trigger alarms when the pollutant discharge level exceeds the threshold. The installed exhaust gas treatment system allowed the Group to improve ventilation and cooling, reduce exhaust gas generation and boost energy efficiency, which is conducive to achieving the emission reduction target.

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A1: Emissions (Continued)

During the ordinary course of the Group's production, total water consumption was approximately 52,849 tonnes, including 21,431 tonnes of reused wastewater, and the actual wastewater discharge was approximately 33,690 tonnes, which met the sewage discharge standards of environmental protection authorities. The wastewater was mainly from after-treatment of wastewater and tap water. The Group used the acid-base neutralisation and precipitation process for wastewater treatment. The Group added a fluoride salt recovery system, which could reduce the discharge of hazardous waste in the wastewater and increase economic benefits by reconvertng and extracting fluoride salt wastewater into fluoride salt products through chemical reaction. On the premise of increasing output, the effect of reducing fluoride emissions from wastewater was very significant. The Group carried out equipment adjustment and technical transformation, so as to improve the reuse rate of water resources and reduce pollution. Furthermore, the Group has set an emission reduction target for wastewater, with an annual growth rate of emission expected to remain flat or slightly lower relative to that of production volume. To effectively achieve the target, the wastewater discharged across plants of the Group was pooled into a resource recovery workshop, where fluoride and ammonia in the gas were concentrated in liquids, followed by extraction of ammonium fluoride as a product through relevant equipment as well as recovery of ammonia through an ammonia distillation system for use in product workshops.

During the ordinary course of its production, the Group put into application a new industry-leading extraction process that could effectively reduce the sulphate in niobium liquid and properly separate tantalum from niobium. The process significantly reduced accessories consumption and favoured the resource treatment of alkaline wastewater, whereby reducing production cost and alleviating the pressure on environmental protection. With successful implementation of the washing water recycling project, the washing water recycling rate reached 75%. We became the first company in the industry to utilise such technology, and attained remarkable results. The Group has improved the efficiency of resource recycling through technological improvement, which is of great benefit to environmental protection.

In respect of the innovation in production technology, we also made major progress in environmental protection. The Group developed the production technology of high purity niobium pentoxide for lithium battery materials, the production technology for industrial spherical niobium pentoxide, the organic technology for optimisation of extraction and refinement, the extraction pickling process, and the technology of utilising fluoride salt original solution instead of sulphuric acid for the exhaust gas treatment system of integrated recovery workshops. These initiatives significantly reduced its air pollution and environmental impact. The Group believes that apart from developing technology to make resources reusable and recyclable, waste reduction at source is also an effective environmental protection method.

A1: Emissions (Continued)

During the Reporting Period, the Group discharged a total of 80.02 tonnes of hazardous waste of acid soluble residue, which was temporarily stored in the warehouse, meeting the relevant standards and requirements. The Group has implemented a series of emission reduction measures, such as purchasing high-grade ore and recycling other useful substances from the waste residue such as tin concentrate to reduce emission, which has achieved remarkable results. The Department of Environment of Guangdong Province is planning to set up a unit to handle this type of hazardous waste and has signed a letter of intent with the Group. Furthermore, the Group has set an emission reduction target for hazardous waste, with an annual growth rate of emission expected to remain flat or slightly lower relative to that of production volume. In order to reduce hazardous waste emission and achieve the target, the Group maintains an annual waste inspection contract with the No. 290 Research Institute for Nuclear Industry. The neutralised residue can be landfilled or sold to cement plants for treatment as their radioactivity and toxicity were found to meet requirements of environmental impact assessment. Acid soluble residue as hazardous waste is temporarily stored in the hazardous waste warehouse, pending for harmless treatment when appropriate by a qualified unit engaged on a regular service basis. The warehouse meets and is managed in strict accordance the requirements of anti-leakage, rainproof and anti-loss, and ionizing radiation warning signs are placed at conspicuous positions at the door of the warehouse to prevent personnel from approaching and entering by mistake. The waste engine oil generated from the machine repair workshop, also a hazardous waste, is temporarily stored in the hazardous waste warehouse, pending for disposal under a waste engine oil transfer contract entered into this year with an environmental technology company.

During the Reporting Period, the Group adopted the principles of collection, storage, in-plant transportation and recycling for the discharged non-hazardous wastes, which must be treated by preventing scattering, loss and leakage. The non-hazardous waste of the Group was primarily domestic waste and mainly generated by employees living in the Company. Domestic waste was classified into recyclable and non-recyclable by our staff, and it would then be handed over to the municipal domestic waste processing department for processing. The Group actively promotes the awareness of environmental protection, encourages and educates employees to practice recycling, reduce consumption and make the best use of materials in their daily life, so as to reduce the generation of domestic waste and establish a clean and healthy working environment. Given the absence of significant impact on the environment from emissions, the Group did not set an emission reduction target.

Three types of products produced by recycling our waste materials, namely tin hydroxide, potassium fluorosilicate and tungsten acid, are available for sale, which not only makes good use of resources and reduces waste, but also generates revenue for the Group.

In addition, the Group invites the monitoring department of the Environmental Protection Bureau and third-party inspection agencies to our plant for annual monitoring, to continuously improve and strengthen our supervision and management of environmental quality.

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A1: Emissions (Continued)

The Group is committed to supporting environmental sustainability, and our commitment to protecting the environment is well reflected by our continuous efforts in promoting green measures and awareness. The Group encourages environmental protection and promotes the awareness of environmental protection amongst the employees. The Group adheres to the principles of recycling and waste reduction. It implements various green office practices such as posting labels of energy efficiency, adjusting office air conditioners to 26 degree Celsius, double-sided printing and photocopying, setting up recycling bins, advocating the use of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. The Group will review its environmental practice from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering to 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

Information on emissions is set out in “Data on Environmental Performance” on Page 30 of this Report.

A2: Use of Resource

The Group commits to complying with the laws and regulations related to use of resources, including the “Water Law of the PRC” (《中華人民共和國水法》). The Group has also obtained a “Groundwater Collection Permit” (《地下水取水許可證》), demonstrating that both the amount of water collection and that of water discharge met the national standard.

Environment-friendly energy used by the Group includes natural gas. The Group intends to continuously increase the use of natural gas, and has upgraded diesel boilers into natural gas boilers and introduced natural gas furnaces. Our total natural gas consumption during the Reporting Period was 793,358 m³ (2020: 203,838 m³).

The indirect energy used by the Group is the electricity purchased, and the total consumption during the Reporting Period was 15.80 million kWh. Furthermore, the Group has set an efficiency target for electricity consumption, with an annual growth rate of electricity consumption expected to remain flat or slightly lower relative to that of production volume. To reflect its commitment to environmental protection, the Group has replaced some converters with natural gas furnaces. In 2018, the Group completed the replacement of converters, being the main equipment for production capacity expansion, with more environment-friendly natural gas furnaces, in a technical transformation project in an attempt to reduce electricity consumption and labour costs, which has achieved remarkable results. As time goes by, the total electricity consumption will drop meaningfully. The Group will continue to consider gradual replacement towards more environment-friendly natural gas furnaces where conditions permit.

A2: Use of Resource (Continued)

During the Reporting Period, the Group's total water consumption was 52,849 tonnes, with an intensity of water consumption of 31.38 tonnes per tonne of finished products, which was based on the quantity of 1,684 tonnes of finished products for the Group in 2021. Furthermore, the Group has set an efficiency target for water consumption, with an annual growth rate of water consumption expected to remain flat or slightly lower relative to that of production volume. To meet the efficiency target for water consumption, the Group will introduce further technical measures to increase the internal water recycling rate. The Group has built a recycling water tank to recycle water and reduce wastewater discharge, yielding a remarkable result. The Group has no problem in sourcing water that is fit for purpose. The Company has obtained a water procurement permit, enabling it to source water from a deep well in compliance with laws and regulations. The Group also reminded its employees of water conservation by posting energy conservation labels, encouraging the cherishing of resources and advocating environmental protection, which will bring positive returns to personal health, quality of life and economic benefits.

During the Reporting Period, the packaging materials used by the Group included approximately 275,000 bags, approximately 48,000 pail packs, totalling approximately 70 tonnes. In order to reduce the use of packaging materials, we try to recycle the ton bags and the clean inner layer of PE bags as much as possible. In addition, the Company has set up a dedicated storage place for plastic packaging bags which will be sold when a certain quantity is reached.

Information on use of resources is set out in "Data on Environmental Performance" on Page 30 of this Report.

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A3: The Environment and Natural Resources

The Group has been committed to protecting the environment and natural resources in strict compliance with all applicable laws, including the “Environmental Protection Law of the PRC” (《中華人民共和國環境保護法》) and the “Law of the PRC on the Promotion of Clean Production” (《中華人民共和國清潔生產促進法》). The Group has also formulated “Ximei Guangdong Clean Production Report” (《稀美廣東清潔生產報告》), which provides a number of programmes that can help standardise on-site management, enhance the corporate profile, improve the quality of employees and the enthusiasm for clean production, thus comprehensively improving the Company’s integrated management level and the employees’ awareness of clean production.

The Group’s business does not have a significant impact on the environment and natural resources. As wastewater and exhaust gas will pollute the environment if the discharge standard is not met, the Group appointed a testing technology company to test wastewater, organised exhaust gas and noise, all results of which were within test limits.

Although emissions of the Group have met the standards, the Group will further take active measures to minimise the impact on the environment and natural resources, increase the processing capacity of environmental protection facilities, and ensure that employees possess considerable environmental knowledge. The Group has formulated the “Environmental Management System” (《環境管理制度》), which is led by the general manager and for which the deputy general manager of the general manager’s office is responsible for safety and environmental protection. The Group has also established an environmental protection committee, which comprises the general manager, deputy general managers and the heads of other relevant functional departments and various departments, which is responsible for implementation of relevant laws and regulations, planning and evaluation of environmental protection, decision-making and arrangement. In addition, the Group conducts regular and irregular inspections on production facilities and prevention facilities. The Group also provides environmental protection training to employees with an assessment system in place, carries out education and publicity, and maintains a safety and environmental protection reward plan to distribute rewards to employees who comply with the relevant regulations. Deficiencies and problems identified will also be seriously dealt with. The Group arranges technicians to regularly calibrate internal environmental protection testing equipment, acidity meters, and low background α β measuring instruments to avoid substandard emission caused by analysis problems. The Company has passed the three certification standards under the ISO.

A4: Climate Change

Climate change is a global concern. Addressing the natural disasters arising from climate change that may affect our business, the Group has formulated the “Standing Book of Meteorological Safety Management for Key Units of Meteorological Disaster Prevention” (《氣象災害防禦重點單位氣象安全管理工作台賬》), including the “Meteorological Disaster Prevention Work Plan of Ximei Resources (Guangdong) Limited” (《稀美資源(廣東)有限公司氣象災害防禦工作方案》), the “Meteorological Disaster Emergency Plan of Ximei Resources (Guangdong) Limited” (《稀美資源(廣東)有限公司氣象災害應急預案》), the “Working System of Meteorological Information Service Station of Ximei Resources (Guangdong) Limited” (《稀美資源(廣東)有限公司氣象資訊服務站工作制度》), the “Duty Shift System During Meteorological Disasters of Ximei Resources (Guangdong) Limited” (《稀美資源(廣東)有限公司氣象災害期間值班制度》), the “Regular Inspection Method for Meteorological Disaster Prevention of Ximei Resources (Guangdong) Limited” (《稀美資源(廣東)有限公司氣象災害防禦定期巡查方法》), etc.

We are fully aware that global warming and climate change will bring various risks to our business, including policy and legal risks as well as transitional risks in technology, market and reputation. The financial performance of the Group may be affected to different extents by factors such as energy supply, water resources, labour market, employee safety, supply chain, productivity, customer demand and transportation network due to climate change. The level of such impact depends on its nature, speed and focus of evolution. Extreme weather may also cause the Group to incur additional legal, financial, tax, insurance, administrative and other expenses. These transitional risks may expose the Group to financial and reputation risks.

During the Reporting Period, the Group carried out the following natural disaster prevention and emergency responses against the identified physical risks, including acute risks and chronic risks:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A4: Climate Change (Continued)

(i) Acute risks

a. *Prevention and control against extreme weather*

During the Reporting Period, the Company developed emergency rescue plans for extreme weather such as typhoon and rainstorm, established an emergency rescue team composed of employees and security guards, which is equipped with sandbags, shovels, industrial salt, miniature fire stations and other emergency rescue materials, and carried out regular natural disaster emergency drills to effectively safeguard our normal production and operation.

b. *Extreme weather may disrupt transportation, which may in turn affect raw material supply and product shipment*

According to the meteorological bulletin and suggestion of our Safety and Environmental Department, the Production Department monitored inventory of raw materials and adjusted safe inventory level on a reasonable basis, to ensure stable supply of important raw materials necessary for production without being affected by short-term extreme weather or the resultant transportation difficulties.

c. *Extreme weather such as typhoon and heavy rainfall may affect construction progress of smelting projects and construction safety*

Through training, we enhanced safety awareness of construction workers in observing construction safety technical specifications and operating procedures, and strengthened construction quality, safety risk control and emergency disposal under extreme weather conditions, so as to continuously improve the Company's safety risk control ability under an established and well-executed safety support plan to ensure "safety foremost".

d. *Flood control*

During the Reporting Period, our equipment company established a warehouse for emergency materials against the flood control risk, which can be put into use at any time when a major risk arises. Furthermore, we regularly checked flood control sandboxes and other onsite flood-fighting emergency materials, strengthened patrol inspection on dikes, hillsides and other places, and invested in reinforcement of the hillsides near our plant area. The sludge and sundries in drainage ditches, drainage wells and gutters in our plant area were cleaned regularly to ensure that the drainage pipelines are unblocked.

A4: Climate Change (Continued)

(ii) Chronic risks

a. *High-temperature operation is prone to cause heatstroke*

We devised heatstroke prevention and cooling measures against high-temperature weather, including adjusting work schedule, regulating operating time, and providing heatstroke prevention and cooling supplies and drugs.

b. *Water shortage in the regional water resource system might lead to unavailability of water for production use*

We continued to optimise the water circulation system, increase the use of recycling water and reduce the water intake. The Group expects to maintain its recycling water rate at 95-97% in the future, with an aim to avoid wasted resources except for normal evaporation and the loss from sedimentation tanks.

In view of the potential risk of water shortage in the regional water resource system, the Company maintains two sets of water supply systems (i.e. the government's tap water supply system, and procurement of groundwater), and has obtained the water procurement permit. There are also two sets of groundwater supply equipment to ensure normal water supply for the Company.

B. SOCIAL

B1: Employment

The Group firmly believes that employees are valuable assets for an enterprise. In order to ensure employees' rights and interests, the Group has always abided by the "Labour Law of the PRC" (《中華人民共和國勞動法》), the "Special Rules on the Labour Protection of Female Employees" (《女職工勞動保護特別規定》) and the "Regulations of Guangdong Province on Population and Family Planning" (《廣東省人口與計劃生育條例》). The Group has also formulated the "Remuneration and Welfare Management System" (《薪酬福利管理制度》), the "Human Resources Management System" (《人力資源管理制度》), the "Labour Contract" (《勞動合同》) and the "Attendance and Vacation Management System" (《考勤與假期管理制度》). In 2021, the Group optimised its human resource practices by improving the terms of reference at departmental level to define the roles of each department, while revising management rules, streamlining and improving promotion management channels and rank-based salary standards for employees, in a hope to motivate employees to work diligently towards common growth both for individuals and our enterprise. A series of in-depth improvements resulted in balanced labour relationship, striking a balance between labour and capital which enabled employees to serve the Group more effectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1: Employment (Continued)

The Group determines employees' basic remuneration in accordance with market levels, confirms each employee's remuneration grade based on the "Schedule of Professional Ranks" (《職級表》) and the "Schedule of Employees' Remuneration" (《員工薪酬級別表》), and determines employees' remuneration by taking into consideration of the business scale, profit contribution values, level of difficulty of operation and management of each unit and department, etc., in combination with the duties and competency factors of each position. The Group recognises the concept of equal opportunities with equal pay for equal work regardless of gender. Remuneration is mainly paid monthly, and performance-related wage is paid periodically according to the position assessment stage. Employees' year-end bonus is paid by the Group based on the results of their year-end performance assessment.

The Group deals with employees' resignation in accordance with the "Human Resources Management System" (《人力資源管理制度》). Employees can submit written resignation application, and after obtaining confirmation from the Human Resources Department, fill in the "Approval Form for Employee Resignation Application" (《員工離職申請審批表》), which will be submitted for signatures by General Manager/Chairman. Employees need to handle the hand-over affairs and other resignation procedures on their last working day and complete the "Approval Form for Employee Resignation Application" (《員工離職申請審批表》) so that the Human Resources Department can settle remuneration, issue the "Certification of Employee Resignation" (《員工離職證明》) and establish employee resignation files. If an employee seriously violates the "Labour Contract Law" (《勞動合同法》) and regulations of the Company, the Company shall dismiss such employee in accordance with the "Labour Contract Law" (《勞動合同法》), provided that such employee shall in principle be notified with 30 days of written notice in advance, and is given a certain amount of economic compensation in accordance with relevant national regulations.

The recruitment procedures of the Group remain to be executed in accordance with the "Human Resources Management System" (《人力資源管理制度》). Whenever recruitment is required, the "Approval Form for Recruitment" (《員工需求審批表》) shall be filled two months in advance, which will, after checking by the Human Resources and Administration Department, be submitted to General Manager/Chairman for approval. The Human Resources and Administration Department will issue recruitment information to internal employees and society within two working days. Recruitment procedures are divided into internal and external application. For applicants, the "Registration Form for Employee Recruitment" (《員工應聘登記表》) shall be filled out. After primary selection taking into consideration of equal opportunities, multiculturalism and anti-discrimination, the Human Resources and Administration Department will arrange for an interview schedule. After confirming recruitment, the Human Resources and Administration Department will issue a written employment notice to the applicant. In addition, the Group mainly recruits employees through campus recruitment, job fairs, recruitment websites, and internal referrals. A labour union has been established by employees to protect their legal rights, which assists the Group to achieve economic goals and motivate employees to participate in management decisions.

B1: Employment (Continued)

The Group always values employees based on their merits and attaches importance to the introduction of new blood. We provide promotion opportunities to employees who stand out in year-end assessment results and have outstanding performance at work, relatively high comprehensive capabilities and professional standards, and preferable adaptability and development potential at work. The Group determines the promoted positions based on its development needs, and delegates the Human Resources and Administration Department to make appointments after conducting a comprehensive evaluation based on the views of various parties and subject to the people-post matching principle.

In 2021, a total of 14 fresh management trainees were introduced and, after a job rotation across departments of the Group, were organised to report and share their experience regularly through various sessions. We stimulated the imagination of management trainees and took initiatives to effectuate our improvement measures, thus bringing in more efficient ways of working to the Company while enhancing the sense of accomplishment of management trainees. The management trainees have assumed key roles in respective departments to fulfil their career value.

During the Reporting Period, the Group provided a number of internal training courses, including: process operation practice and examinations of different products for workshop staff, practical operation and examinations of operating procedures; training on the physical properties and production control overview of niobium pentoxide, workshop, quality and safety and environmental systems; common sense and practice on safety and environment management; safety emergency drills; training on workshop 5s management and legitimate rights; analysis of typical quality issues and improvement measures, etc.

The Group has a standard working hour system in place with 8 working hours a day, and at least one day-off a week. The Group determines employees' leaves in accordance with the "Attendance and Leaves Management System" (《考勤與假期管理制度》). Employees are entitled to paid and no-pay leaves, such as compensation leave, annual leave, marriage leave, casual leave, work injury leave, sick leave, bereavement leave, maternity leave, etc. In order to protect the benefits of female employees, the Group also provides maternity protection in accordance with the "Special Rules on the Labour Protection of Female Employees" (《女職工勞動保護特別規定》) and the "Regulations of Guangdong Province on Population and Family Planning" (《廣東省人口與計劃生育條例》), and female employees are entitled to maternity leave and family planning incentive leave for a total of 178 days. In addition, the Group also provides various benefits such as education subsidies, meal allowances, subsidies for living in mountainous areas, high temperature subsidies, sports and recreational activities, employee medical examinations, festive welfare, uniforms and travelling allowances for employees. In accordance with relevant national, provincial and municipal regulations, the Group makes contributions to pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance, and housing provident fund for employees. A labour union has been established at the Group, with a view to protecting employees, assisting the Group to achieve economic goals, and motivating employees to participate in management decisions.

Information on employment is set out in "Data on Social Performance" on Page 32 of this Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2: Health and Safety

The health and safety of employees are the Group's primary consideration. The Group has always abided by the "Production Safety Law of the PRC" (《中華人民共和國安全生產法》), the "Regulations on Production Safety of Guangdong Province" (《廣東省安全生產條例》), and the "Prevention and Control of Occupational Diseases Law of the PRC" (《中華人民共和國職業病防治法》). The Group has formulated the "Compilation of the Rules and Regulations on Production Safety" (《安全生產規章制度彙編》) and the "Compilation of Occupational Health Management Systems" (《職業衛生管理制度彙編》), strictly abiding by national safety technical standards, norms and enterprise production safety regulations; establishing a production safety management system; providing necessary labour, physical and financial resources support; providing safety trainings for all employees; encouraging employees to actively participate in production safety; regularly conducting inspection and assessment, continuously improving, and achieving a long-term mechanism for production safety.

The Group has compiled the "Compilation of Occupational Health Management Systems" (《職業衛生管理制度彙編》), which enabled employees to enjoy the right of occupational health protection under the law, strengthened the management, prevention and control of occupational diseases in toxic and hazardous workplaces, eliminated occupational hazards, and protected the health of employees. The Group invited the third-party manufacturers to conduct an on-site inspection of the working environment once a year, and the inspection results met the requirements of occupational health management. The Group distributes labour protective supplies to employees every month, including common consumables such as masks, gloves and earplugs, to ensure the safety of employees. In addition, according to the requirements of occupational health management, employees shall undergo occupational health medical check-ups before, during, and after their employment to ensure occupational health and safety.

The Reporting Period witnessed recurrences of novel coronavirus (COVID-19) (the "**Pandemic**"). Since the outbreak of COVID-19, the Company has strictly followed the national pandemic prevention and control policy, formulated the Emergency Plan for Prevention and Control of Novel Coronavirus (《關於應對新型冠狀病毒疫情防控工作的應急預防》), and set up a pandemic prevention workgroup with well-defined duties. The Group also called for taking relevant vaccinations. Save for certain people who are not suitable for vaccination due to physical reasons, the Company's staff have completed the booster vaccination of the COVID-19 vaccines. In addition, we formulated our pandemic prevention and control plan with reference to the "Guide for Pandemic Prevention and Control of Industrial Enterprises in Guangdong Province" (《廣東省工業企業疫情防控工作指引》), establishing a reporting mechanism for our employees returning to and outsiders visiting the Company. The Group strictly abided by the national pandemic prevention and control policy, effectively implemented the lockdown policy for employees returning to the Company from the classified risk areas, and adopted disinfection measures for freight vehicles, including spray disinfection for the freight vehicles entering the Company's areas to curb the virus transmission risk.

Information on health and safety is set out in "Data on Social Performance" on Page 33 of this Report.

B3: Development and Training

The Group attaches great importance to the training of its employees and believes that the long-term growth of the Group depends on professional knowledge and experience of its employees. In addition to hiring employees in accordance with the “Labour Law” (《勞動法》), the Group also formulated the “Employee Training Regulations” (《員工培訓規定》) and the “Implementation Rules for Hierarchical Customised Employee Training Plans” (《員工分層定製培訓計劃實施細則》), by which employees not only can improve themselves and keep pace with the times, but also improve the quality of their service for the Group.

During the Reporting Period, we provided regular training programs for employees, including introductory training, safety training and technical training, to enhance their professional skills and knowledge. The Group provided a number of internal training courses, including: process operation practice and examinations of different products for workshop staff, practical operation and examinations of operating procedures; training on the physical properties and production control overview of niobium pentoxide, workshop, quality and safety and environmental systems; common sense and practice on safety and environment management; safety emergency drills; training on workshop 5s management; analysis of typical quality issues and improvement measures, etc. The Group has also hired external instructors to provide training courses and engaged third-party training and management institutions to coach employees, with an emphasis on the tutoring of on-site 5s, quality improvement and strategic decoding, while providing target management and performance assessment practice to management staff. The Group expects its employees to use their knowledge to meet practical needs, commit lifelong learning, serve the Group and contribute to society.

Information on development and training is set out in “Data on Social Performance” on Page 33 of this Report.

B4: Labour Standards

In order to ensure the balance of labour relations, the Group has always strictly complied with the “Labour Contract Law” (《勞動合同法》) and the “Law on the Protection of Minors” (《未成年人保護法》), and formulated the “Human Resources Management System” (《人力資源管理制度》) to eliminate forced labour. To comply strictly with the requirements of the “Human Resources Management System” (《人力資源管理制度》), the Group avoids employing child labour and forced labour by mistake in recruitment procedures. The Human Resources and Administration Department will perform the procedure of verifying the applicants’ ID cards at the time of recruitment, including authenticity, expiry, whether the applicant is the ID card holder, and whether it matches with the actual age. The Group will never hire the applicants if their information does not correspond to the information on their ID cards. The Group also requires applicants to provide graduation certificates and other relevant supporting materials. Applicants must confirm on the application form that the information provided by them meets the requirements. In case of illegal or false information provided, the Group shall terminate the labour contract in accordance with the “Labour Contract Law” (《勞動合同法》) of the PRC. For certain key positions, the Company will conduct necessary background check with the consent of the applicant before the employee joins the Company. The Company will never hire an applicant whose background check result is inconsistent with the resume. The Group also pays for social security and commercial insurance to provide labour security for recruits according to law, whereby we can screen out the applicants who do not meet our employment requirements. The Group maintains a highly rigorous selection process in recruitment procedures, and hence has never been involved in any violation such as misemployment of child labour and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5: Supply Chain Management

The Group strictly abides by the “Civil Code of the PRC” (《中華人民共和國民法典》), the “Customs Law of the PRC” (《中華人民共和國海關法》), the “Law of the PRC on Import and Export Commodity Inspection” (《中華人民共和國進出口商品檢驗法》), and the “Regulations of the PRC on Import and Export Tariffs” (《中華人民共和國進出口關稅條例》), and has formulated the “Import and Export Management System” (《進出口管理制度》), which aims at clarifying the procedures for import and export business, standardising the operation of import and export business, ensuring the fast customs clearance of goods, and promoting the smooth and orderly conducting of import and export business. The Group has also formulated the “Raw Material Supplier Evaluation and Access Management System” (《原料供應商評估和准入管理制度》) and the “Business Partner Selection Management System” (《商務合作夥伴選擇管理制度》), which provide methods to obtain supply chain security information from raw material suppliers and business partners, evaluate security status of the supply chain and effectively identify safe and reliable partners.

As for the engagement of domestic suppliers, the Group also strictly abides by the “Business Partner Selection and Security Management Procedures” (《商務合作夥伴選擇與安全管理程序》), the “Supplier Questionnaire” (《供方調查表》), the “Supplier Performance Evaluation Form” (《供應商績效評估表》) and the “Purchase and Sales Contract” (《購銷合同》) signed by both parties, which provide methods to obtain supply chain security information from business partners, evaluate security status of the supply chain and effectively identify safe and reliable business partners.

As for the engagement of customary suppliers, the Group has formulated the “Business Partner Selection and Security Management Procedures” (《商務合作夥伴選擇與安全管理程序》), the “Supplier Performance Evaluation Form” (《供應商績效評估表》) and the “Purchase and Sales Contract” (《購銷合同》) signed by both parties, which provide methods to obtain supply chain security information from business partners, evaluate security status of the supply chain and effectively identify safe and reliable business partners. The Group also select customary suppliers based on sound cooperation relationship over years, quality assurance and the evaluation relative to current market prices.

In selecting suppliers, the Group requires suppliers to provide environment-friendly products and services. The Group strictly abides by the standard on Class 7 substances to ensure that the environment will not be affected seriously. The Group has established and implemented the “Management Measures for Radioactive Ores” (《放射性礦石管理辦法》) to ensure that radioactive raw materials will not be leaked in the course of transportation and production, so as to prevent their adverse impact on the environment and human. The Group reviews the “Certificate of Environmental Management System Certification” (《環境管理體系認證證書》) according to the supplier’s qualification, to ensure that the supplier satisfies the requirements of national, local and industrial laws and regulations on environmental protection and occupational health and safety. The Group also has the right to supervise safety performance of suppliers, which shall pay liquidated damages for their irregularities and non-compliance issues in accordance with relevant regulations of the state and the requirements on suppliers. A supplier that has violated the laws and regulations on safety and environmental protection and the rules on production safety and environmental protection of the Group shall, as required by the Group, make rectifications and agree to pay the liquidated damages stipulated by the safety management system of the Group. The Group has the right to terminate the contract if the rectification is unqualified or the supplier refuses to rectify, which might cause serious safety and environmental protection accidents. In such a case, all contingent economic losses and legal liabilities shall be borne by the supplier.

B5: Supply Chain Management (Continued)

In addition, any domestic and customary supplier that does not meet the requirements of the Group must take improvement measures within the time limit. It will only become a qualified partner of the Company after meeting the requirements; otherwise the Group will reject or terminate the cooperation. For the loss caused to the Group due to suppliers' non-compliance with the Group's requirements, the Group will negotiate with the suppliers for amiable settlement. If negotiation fails, the Group will file a lawsuit in accordance with applicable laws and regulations.

Information on supply chain management is set out in "Data on Social Performance" on Page 33 of this Report.

B6: Product Responsibility

The Group has always strictly complied with the "Advertising Law of the People's Republic of China" (《中華人民共和國廣告法》), "Trademark Law of the People's Republic of China" (《中華人民共和國商標法》), "Patent Law of the People's Republic of China" (《中華人民共和國專利法》) and "Civil Code of the People's Republic of China" (《中華人民共和國民法典》), and has formulated the "Quality Control System" (《品質管制體系》), the "Environmental Management System" (《環境管理體系》), the "Occupational Health Management System" (《職業健康管理體系》), the "Intellectual Property Management System" (《知識產權管理體系》) and the "Sales System" (《銷售制度》).

The "Occupational Health Management System" (《職業健康管理體系》) formulated by the Group provides employees with consummate occupational health management, which plays a great role in protecting employees from direct or indirect losses caused by occupational health and safety problems and mitigating the risk of occupational health and safety in business operation, thus making the Company's operation sustainable and enabling the Company to enhance its corporate profile and better adapt to the market.

The "Intellectual Property Management System" (《知識產權管理體系》) formulated by the Group is beneficial for enhancing the awareness of intellectual property among our executives and employees and stimulating their enthusiasm for invention and creation. In addition, it promotes our companies to produce new products and develop technologies with high value-added independent intellectual property, which will bring rich economic benefits to us through self-marketing or transfer of technology trade license to others. At the same time, it helps to avoid the risk in relation to intellectual property in our operating activities and the resulting losses in this regard. We have operated a well-established intellectual property management system for years. To prevent leakage of trade secrets, we follow the confidentiality control procedures in place to carry out hierarchical management on intellectual property and determine secret related venues and personnel, and have signed confidentiality agreements and non-competition agreements with relevant personnel to exercise effective control over the confidentiality process. To maintain the effectiveness of the intellectual property acquired, the Company has formulated intellectual property protection procedures, and submitted applications for and maintained our patents and trademarks on a timely basis. Meanwhile, we protect our intellectual property rights and avoid infringement risk pursuant to our intellectual property management system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6: Product Responsibility (Continued)

The “Sales System” (《銷售制度》) sets out the internal system for regulating sales activities, which provides guides for and restrictions on the sales process, business process, order execution and other specific matters related to sales. The “Sales System” (《銷售制度》) helps to improve product quality, ensure orders and customers’ development needs and enhance customers’ loyalty. Meanwhile, it standardises market access qualification and customer recognition, and integrates the process to improve the efficiency of production and operation activities.

Under the “Quality Control System” (《品質管制體系》), the Group combines the processes relating to management activities, resource supply, product realisation and measurement, analysis and improvement activities, covering requirements for planning, implementation, supervision, correction and improvement activities during the whole process ranging from customer demand determination, design and research and manufacture, production, inspection, sales and pre-delivery. It standardises the sales process, making sales activities controlled and efficient. Moreover, the Quality Control Department conducts comprehensive analysis and inspection on the products, and only those which meet the standards would be stocked. Products are packaged and arranged for inspection before delivery to ensure that their quality has reached the standards.

The Company has established process monitoring for raw and auxiliary materials and products in each process, and has formulated the “Product Monitoring and Measurement Control Procedures” (《產品的監視和測量控制程序》) included in the QES management manual. Only the products passing the inspection and verification steps can be transferred to the next process. Products leaving the factory cannot be released until passing the inspection process according to metrics specified in the contract. Unqualified products found in the inspection process are subject to reworking, downgrading, concessionary acceptance or other dispositions according to the “Nonconformity Control Procedures” (《不合格控制程序》) in the QES management manual, to achieve the goal of avoiding the release of unqualified products.

In case of products found with substandard quality after delivered, the customer may lodge a complaint to the Marketing Department. After summarising customer complaints and the problems, the Marketing Department shall complete and submit the “Customer Information Circular” (顧客資訊通報) to the Technology and Quality Department. The Technology and Quality Department shall investigate the customer complaints, confirm the effectiveness of the complaints, organise relevant teams to work out a rectification plan according to the determined causes, follow up its implementation and outcome, and prepare a rectification report. The Group will cooperate with customers in handling their requests for refund/replacement of goods. The returned products will be handed over to the Technology and Quality Department and warehouse for verification.

B6: Product Responsibility (Continued)

During the Reporting Period, the Group received a total of 10 complaints from customers. The Group has formulated the “Customer Information Management System” (《顧客資訊管理制度》) to handle customer complaints, which are classified and treated according to the complaint issues, mainly including refund/replacement of goods and rectification measures.

Sales of the Group’s products are targeted at clients of the Company. To ensure the safety and privacy of clients’ data, the Group has been complying with the “Anti-unfair Competition Law of the PRC” (《中華人民共和國反不正當競爭法》) and the relevant judicial interpretations, and strictly performing the confidential provisions in the contract. Both parties to the contract are obliged to strictly keep the other party’s business secrets learned in the process of contract performance. Unless agreed by the contracting parties, clients’ data, technical information and commercial terms may not be disclosed to external parties.

Information on product responsibility is set out in “Data on Social Performance” on Page 33 of this Report.

B7: Anti-corruption

The Group strictly complies with the “Anti-unfair Competition Law of the PRC” (《中華人民共和國反不正當競爭法》), the “Anti-money Laundering Law of the PRC” (《中華人民共和國反洗錢法》) and the “Rules for Anti-money Laundering by Financial Institutions” (《金融機構反洗錢規定》), and has formulated the “Anti-commercial Bribery Agreement” (《反商業賄賂協議》), which clearly specifies the provisions for prevention of bribery, extortion and money laundering. Where legal responsibility, discredit or loss of economic benefit or disorder on production and operation arises on the part of the Company due to an employee’s violation of laws or other regulations of the Company during operation and management, such employee will be held responsible. During the Reporting Period, the Group formulated the “Anti-fraud Management System” (《反舞弊管理制度》) to strengthen internal governance and control, safeguard legitimate rights and interests of the Company and shareholders and reduce corporate risks.

To prevent corruption, apart from formulation of systems, the Group also attaches great importance to subliming integrity of employees. The Group is committed to advocating a corporate culture of honesty and integrity and creating an anti-fraud corporate cultural environment, and encourages employees to abide by disciplines and laws in daily work and communication in the Company. The Group also publicises its law-abiding information to the public, so as to gain recognition and respect from all parties. The Group also conducts background checks on personnel who are ready to be employed or promoted to important positions to ensure that they have the adherence to honesty and ethical standards. In addition, the Group has certain requirements on personnel of the Audit Department, who shall consciously improve their anti-fraud awareness and skills, actively participate in training of relevant knowledge and skills, and take precautions against corruption cases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7: Anti-corruption (Continued)

The Group has set up dedicated whistleblowing hotline and email address, encouraging employees to report suspicious corruption cases they discovered to the top management of the Company and members of the Audit Department directly as soon as possible. Employees can report face to face or send a report in writing to the special mailbox of the Audit Department. The Group accepts and will keep written records of real-name and anonymous whistleblowing. The Group shall then launch an investigation into the prime suspect and report to the management, the Board and the Audit Committee respectively, depending on nature of the reported case, and all the relevant information shall be treated in strict confidence. In conducting the investigation, the Audit Department may engage external experts to participate in the investigation where necessary. If the investigation findings point to a fraud, the Group shall transfer the case to competent governmental or judicial authorities according to law.

The Audit Committee as a permanent body of the Group oversees our anti-fraud efforts, and is responsible for receiving, investigating and submitting the reported frauds and putting forward its treatment opinions, which are supervised by the Board and the Supervisory Committee. The general manager of the Company is responsible for establishing, improving and effectively implementing internal control to prevent, detect and correct frauds. Heads of functional departments of the Company and general managers of subsidiaries shall take management responsibility for occurrence of fraud cases, and are responsible for continuous supervision over anti-fraud work, annual fraud risk assessment and self-assessment, carrying out anti-fraud prevention activities; accepting relevant fraud whistleblowing, organising relevant investigations, issuing reports, putting forward treatment suggestions, and reporting to the management, the Audit Committee, the Board and the Supervisory Committee.

According to its anti-fraud policies, procedures and relevant measures, the Group carries out effective communication or training internally through employee manual, release of internal rules, publicity or online sessions, so as to ensure that directors and employees receive training in relevant laws, regulations and professional ethics. In addition, the Group enters into the “Anti-commercial Bribery Agreement” (《反商業賄賂協議》) with partners including suppliers and customers, and enters into the “Honesty, Integrity and Self-discipline Assurance Statement” (《廉潔自律承諾書》) with employees, adhering to the spirit of agreement and building a corporate culture of integrity and honesty together.

Information on anti-corruption is set out in “Data on Social Performance” on Page 33 of this Report.

B8: Community Investment

To strengthen its connection with communities, the Company expects to understand, deliver its care and make contribution to communities through community engagement. As a responsible and compassionate corporate citizen, the Company has always been committed to community contributions. According to local needs, we build bridges, roads, donation to the poor in order to improve the well-being of our community residents. The Company will maintain its resolve and continue to serve the community residents, and bring care and support to the community and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMPANY PERFORMANCE AND DATA

The Group's data on environmental and social performance are as follows:

Data on Environmental Performance

Item	HKEX KPI	Unit	2021	2020
Greenhouse gas	A1.2			
Direct emissions (Scope 1) ^{1 and 6}		tCO ₂ e	3,430	1,874
Greenhouse gas reduction (Scope 1)		tCO ₂ e	–	–
Indirect emissions (Scope 2) ^{1 and 5}		tCO ₂ e	13,218	10,994
Other indirect greenhouse gas emissions (Scope 3) ²			–	–
Direct and indirect emissions (Scopes 1, 2 and 3)				
– in total (Scopes 1, 2 and 3)		tCO ₂ e	16,648	12,868
– in density (Scopes 1, 2 and 3)		tCO ₂ e/tonne of finished product	9.89	7.23
Hazardous waste	A1.3			
– in total ³		tonnes	80.0	74.1
– in density		tonnes/tonne of finished product	0.048	0.042
Non-hazardous waste	A1.4			
– in total ⁴		tonnes	–	–
– in density		tonnes/tonne of finished product	–	–
Energy consumption	A2.1			
Purchase of electricity ⁵		kWh	15,797,880	13,140,000
Fuel combustion ^{6 and 7}		kWh	13,469,105	7,524,057
– in total		kWh	29,266,985	20,664,057
– in density		kWh/tonne of finished product	17,379	11,602
Water consumption	A2.2			
– in total ⁸		m ³	52,849	45,690
– in density		m ³ /tonne of finished product	31.38	25.65
Packaging materials	A2.5			
– in total ⁹		tonnes	70	59
– in density		tonnes/tonne of finished product	0.042	0.033

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data on Environmental Performance (Continued)

Notes:

1. Calculated based on the emission factors set out in "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEX and 2012 Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting.
2. Given the small amount of business travel by the Group's employees, the Group did not generate significant amounts of greenhouse gas emission under Scope 3.
3. The increase of hazardous waste is mainly due to the decrease of the mineral content consumed. In addition, as at the end of 2021, more semi-finished products in progress were not manufactured into finished products, and therefore the density of hazardous waste/tonne of finished products increased.
4. Non-hazardous waste was primarily domestic waste. There was no total volume for statistical purpose as it was not subject to any specific form of waste management. Domestic waste was classified into recyclable and non-recyclable by our staff, and it would then be handed over to the municipal domestic waste processing department for processing.
5. The increase in electricity consumption is mainly due to the resource-based environmental protection project newly introduced, which was put into use in July 2021, and more ammonia water was recycled, thus reducing ammonia consumption. In addition, the output ratio of high-purity products was increased. Although the capacity of high-purity product equipment is relatively low, it consumes more energy.
6. Fuel combustion includes natural gas and diesel consumed in the production process. The increase in fuel combustion consumption is mainly due to the increase in the use of environmental protection energy natural gas by the Group in 2021. In 2020, gas was only used for gas converters of products, and thus a small amount of gas was consumed. Commencing from July 2021, diesel boilers were replaced by gas-fired boilers. In addition to the product workshop, heat was primarily supplied to the new resource ammonia distillation tower, which was used for ammonia distillation of all ammonia-nitrogen wastewater.
7. Calculated with reference to the conversion factors set out in the Energy Statistics Manual issued by the International Energy Agency and the CDP Technical Note: Conversion of Fuel Data to MWh.
8. The increase of water consumption is mainly due to the increase of civil engineering projects in 2021, and considerable amount of water consumed as a result of construction of resource-based projects, new high-purity product line and dormitory buildings. Meanwhile, due to less rainfall in 2021, a lot of water was used to wash the pavement during construction to reduce dust and guarantee the product quality.
9. The increase in the consumption of packaging materials is mainly due to the increase in the output of high-purity products, which consumes more packaging materials than traditional products.
10. Based on 1,684 tonnes of finished products of the Group for the year ended 31 December 2021 (2020: 1,781 tonnes).
11. Data for 2020 has been restated to reflect the actual amount of fuel combustion and finished products.

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Data on Social Performance

Item	HKEX KPI	2021	2020
Employees	B1.1		
Total number of employees		328	261
By gender			
Male		267	209
Female		61	52
By type of employment			
Full-time		328	261
Part-time		0	0
By employee category			
Senior management		21	16
Middle management		36	21
General and technical staff		271	224
By age group			
30 and below		88	60
31–40		119	113
41–50		100	76
51 and above		21	12
By geographical region			
Mainland China		328	261
Other regions		0	0
Turnover and Turnover Rate (%)	B1.2		
By gender			
Male		48 (17.98%)	13 (6.22%)
Female		15 (24.59%)	7 (13.46%)
By age group			
30 and below		21(23.86%)	8 (13.33%)
31–40		32 (26.89%)	10 (8.85%)
41–50		6 (6%)	2 (2.63%)
51 and above		2 (9.52%)	0 (0%)
By geographical region			
Mainland China		63 (19.21%)	20 (7.66%)
Other regions		0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data on Social Performance (Continued)

Item	HKEX KPI	2021	2020
Health and Safety			
Number and rate of work-related fatalities (note)	B2.1	0 (0%)	0 (0%)
Lost days due to work injury	B2.2	125	80
Development and Training			
Total number and percentage of staff received training	B3.1		
By gender			
Male		267 (81.4%)	209 (80.1%)
Female		61 (18.6%)	52 (19.9%)
By employee category			
Senior management		21 (6.4%)	16 (6.1%)
Middle management		36 (11.0%)	21 (8.0%)
General and technical staff		271 (82.6%)	224 (85.8%)
Average training hours completed per employee	B3.2		
Male		7.53	6.0
Female		6.8	4.0
Average training hours completed per employee by employee category			
Senior management		7.0	5.8
Middle management		7.2	4.7
General and technical staff		8.4	5.7
Number of suppliers by geographical region			
Mainland China	B5.1	35	59
Other regions		0	0
Number of suppliers subject to employment practices	B5.2	4	12
Product Responsibility			
Of the total number of products sold or shipped			
– Percentage subject to recalls for safety and health reasons	B6.1	0%	0%
– Number of complaints received in relation to products and services	B6.2	10	14
Anti-corruption			
Legal cases filed/concluded regarding corruption	B7	0	0

Note: As the Group was listed on the Main Board of the HKEX in March 2020, there was no data on social performance disclosed for 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX TO HKEX ESG REPORTING GUIDE

HKEX KPIs

Aspect	Disclosure	Reference and explanation
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board’s oversight of ESG issues; (ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses);and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses.	Page 5 Page 5 Page 5
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/ energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Page 6-9 Page 6-9 Page 9 Page 9
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Page 9

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Aspect	Disclosure	Reference and explanation
“Comply or explain” Provisions		
A. Environmental		
Aspect A1: Emissions	<p>General Disclosure: Information on:</p> <p>(a) the policies; and</p> <p>(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.</p> <p><i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>	Page 10
	KPI: A1.1 The types of emissions and respective emissions data.	Page 11
	KPI: A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 30 of the Data on Environmental Performance
	KPI: A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 30 of the Data on Environmental Performance
	KPI: A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 30 of the Data on Environmental Performance
	KPI: A1.5 Description of emissions target(s) set and steps taken to achieve them.	Page 11-14
	KPI: A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Page 11-14

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Aspect	Disclosure	Reference and explanation
Aspect A2: Use of Resource	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>	Page 14
	KPI: A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Page 30 of the Data on Environmental Performance
	KPI: A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Page 30 of the Data on Environmental Performance
	KPI: A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Page 14-15
	KPI: A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Page 14-15
Aspect A3: The Environment and Natural Resources	KPI: A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Page 30 of the Data on Environmental Performance
	General Disclosure: Policies on minimising the issuer's significant impacts on the environment and natural resources.	Page 16
Aspect A4: Climate Change	KPI: A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 16
	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Page 17-19
	KPI: A 4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Page 17-19

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Aspect	Disclosure	Reference and explanation
Aspect B3: Development and Training	<p>General Disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i></p> <p>KPI: B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</p> <p>KPI: B3.2 The average training hours completed per employee by gender and employee category.</p>	<p>Page 33 of the Data on Social Performance</p> <p>Page 33 of the Data on Social Performance</p>
Aspect B4: Labour Standards	<p>General Disclosure: Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</p> <p>KPI: B4.1 Description of measures to review employment practices to avoid child and forced labour.</p> <p>KPI: B4.2 Description of steps taken to eliminate such practices when discovered.</p>	<p>Page 23</p> <p>Page 23</p>
Operating Practices Aspect B5: Supply Chain Management	<p>General Disclosure: Policies on managing environmental and social risks of the supply chain.</p> <p>KPI: B5.1 Number of suppliers by geographical region.</p> <p>KPI: B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.</p> <p>KPI: B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</p> <p>KPI: B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</p>	<p>Page 33 of the Data on Social Performance</p> <p>Page 33 of the Data on Social Performance</p> <p>Page 24-25</p> <p>Page 24-25</p>

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Aspect	Disclosure	Reference and explanation
Aspect 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.	Page 25
	KPI: B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Page 33 of the Data on Social Performance
	KPI: B6.2 Number of products and service related complaints received and how they are dealt with.	Page 33 of the Data on Social Performance
	KPI: B6.3 Description of practices relating to observing and protecting intellectual property rights.	Page 25
	KPI: B6.4 Description of quality assurance process and recall procedures.	Page 26
	KPI: B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Page 27
Aspect 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.	Page 27
	KPI: 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.	Page 33 of the Data on Social Performance
	KPI: B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Page 27-28
	KPI: B7.3 Description of anti-corruption training provided to directors and staff.	Page 27-28

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Aspect	Disclosure	Reference and explanation
Community Aspect B8: Community Investment	<p>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.</p> <p>KPI: B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).</p> <p>KPI: B8.2 Resources contributed (e.g. money or time) to the focus area.</p>	<p>Page 29</p> <p>Page 29</p> <p>Page 29</p>