

ZALL 卓尔

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098



Environmental, Social and Governance Report **2018**

2018 Environment, Social and Governance Report

Contents

2	Reporting Principles
2	Business Profile and Scope of the Report
3	Environmental, Social and Governance Concepts and Vision
4	Sustainable Development Policy
4	Environmental, Social and Governance Management Structure
7	Stakeholder Engagement
8	Materiality Assessment
10	Awards and Honours
	ENVIRONMENT
	Emissions Management
12	Waste Gas and Sewage Emissions
13	Greenhouse Gas Emissions
13	Hazardous Waste Emissions
14	Non-hazardous Waste Emissions
	Resource Use
14	Water Consumption Management
15	Energy Consumption Management
16	Green Office
17	The Environment and Natural Resources
	SOCIAL
	Human Resources
17	Staff, Compensation and Benefits
19	Health and Safety
20	Development and Training
21	Labour Standards
	Commercial Practices
21	Supply Chain Management
22	Product Responsibility
23	Data Privacy Protection
23	Anti-corruption
	Social Contributions
24	Community Investment

2018 Environment, Social and Governance Report

REPORTING PRINCIPLES

This is the Environmental, Social and Governance Report (the “ESG Report” or “Report”) prepared by Zall Smart Commerce Group Ltd. (the “Company”) and its subsidiaries (collectively, “Zall Smart Commerce Group”, “we” or the “Group”) in accordance with the disclosure requirements presented in the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) from Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report is a true reflection of the Group’s responsibility, policies and performance in environmental, social and governance during the period from 1 January 2018 to 31 December 2018 (the “Reporting Period” or the “Year” or “FY2018”).

BUSINESS PROFILE AND SCOPE OF THE REPORT

By taking advantage of the latest technological and industrial innovations, Zall Smart Commerce Group has positioned itself to build a new generation open B2B trading platform utilising block chain as foundation, supported by infrastructures including internet, artificial intelligence, big data and digital currency. The Group aims to become a market leader rather than a follower. It is committed to facilitating commercial transactions and establishing an effective credit assurance mechanism as well as a more convenient and efficient trading system. It strives to promote the convenience and globalisation of trade with intelligent and data-based methods which improve trading efficiency, increase market openness, and promote social productivity.

Building on almost three years of online and offline integration development and advanced internet networking, Zall Smart Commerce Group is committed to creating and operating online B2B trading platforms for consumer goods, agricultural products, chemicals, plastics, non-ferrous metals, etc and providing financial, property, logistics, cross-border and supply chain management services based on these platforms’ trading scenarios and trading data. In FY2018, among the Group’s supply chain management business, the combined revenue of Shenzhen Sinoagri E-commerce Co., Ltd. (“Sinoagri”), HSH International Inc. (“HSH”) and Shanghai Zall Steel E-commerce Co., Ltd (“Zall Steel”) accounted for 92% of its total revenue. As such, for the Reporting Period, we will focus on the disclosure of environmental, social and governance data relating to the supply chain management business, pertaining to the following major subsidiaries:



2018 Environment, Social and Governance Report

Subsidiary of Zall Smart Commerce Group	Business	Percentage contribution to total Group revenue
Sinoagri	Agricultural products	62%
HSH	Chemicals/plastics	20%
Zall Steel	Black metals	10%
Others		8%
Total		100%

Due to changes in Zall Smart Commerce Group's core business during the Year (mainly the shift from development and operation of merchandise wholesale markets to establishment and operation of B2B trading platforms and supply chain management services based on these platforms) and hence inclusion of most data on such new core business for the first time in the scope of the Report, the Report does not contain performance comparisons with last year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONCEPTS AND VISION

Connecting global business intelligently and creating value for clients

By making its platform-based transactions and trading services more convenient, intelligent and efficient, Zall Smart Commerce Group helps enterprises and SMEs in China and around the world to reduce transaction costs and use our services to arrive at the best solutions to their procurement, distribution, payment, and logistical needs. Under its sustainable development strategy, the Group hopes to use its online trading platforms to reduce its environmental impact and increase the efficiency of resources utilisation, thereby maximising its value to society and to other stakeholders. Zall Smart Commerce Group hopes to lead the merchandise trading industry towards sustainable development and operation, making transactions smooth and simple through the use of global intelligent trading platforms (i.e. "Connecting global business intelligently and creating value for clients").



2018 Environment, Social and Governance Report

SUSTAINABLE DEVELOPMENT POLICY

Zall Smart Commerce Group regards corporate social responsibility as integral to sustainable development. Achieving sustainable social and environmental development is a goal shared by all its businesses. It therefore strives to ensure green operation, to protect the interests of stakeholders, and to share its success with society while pursuing commercial goals.

In terms of supply chain management platforms, the Group expects to leverage the leading position of Sinoagri, HSH and Zall Steel in the PRC B2B market to optimise the relevant products' supply chain, improve trading efficiency and reduce logistics and procurement costs. This will result in a specialised, effective, safe and fast trading platform for upstream suppliers and downstream customers. The Group also wishes to simplify trading procedures, which helps reduce emissions generated by logistical activities and assist farmers who lack bargaining powers to attain a more reasonable income with an aim of poverty alleviation through finance.

The Group also strives to minimise the pollution caused by its development of traditional wholesale markets. It realises this aim by making the most efficient possible use of energy and materials. In cooperation with professional construction teams, energy-saving and environmentally friendly considerations are incorporated into projects from the design stage. Pollutant emissions and waste treatments are carefully controlled during the construction phase to minimise the adverse effects to the environment. The Group also maintains friendly relationships with merchants and provides them with comprehensive assistance and services through regular attendance of chamber of commerce development conferences.

In future, the Group will continue to promote online and offline integration, accelerate its "dual-wheel" (business and technology) drive, and build a sound industrial chain ecosystem, in order to create greater value for the environment, society and stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT STRUCTURE

Responsibility of the Board

The Group's Board regards sustainable development as an important part of the vision, mission and core values of Zall Smart Commerce Group. The Board is responsible for maintaining effective governance of the Group. It is responsible for strategic leadership, monitoring and guidance to management on the Group's operations, sustainable development strategies and reporting. It also assumes responsibility for the Group's environmental, social and governance management. The Board formulates an overall environmental, social and governance management framework and delegates the governance and execution powers to the senior management of the Group and various departments. Management then implements these environmental, social and governance concepts into daily operations based on the Group's environmental, social and governance concepts. Management is also required to identify and assess risks and opportunities concerning environmental, social and governance issues relating to the operation of its functions. The Group has also established a risk management committee comprising certain board members and the risk management and monitoring team and legal affairs department to provide guidance on identifying, evaluating and managing major risks. Through this mechanism, we ensure that our operations' environmental, social and governance risks are minimised and properly handled. The audit committee under the Board assesses overall risks for the Group at its annual meeting and ensures that an appropriate and effective internal control system is in place to manage them. For details, please refer to the Corporate Governance Report of the Group. The Board also reviews and approves the disclosures in the Group's ESG Report to ensure that an accurate, timely and comprehensive view of its environmental, social and governance performance is provided.

2018 Environment, Social and Governance Report

Risk Management Committee

The Group has established a risk management committee to coordinate all risk-related work, including environmental, social and governance risk management matters. The Chief Executive Officer heads the committee, with the Chief Risk Officer serving as its deputy head. Committee members include vice presidents and heads of relevant departments. The main functions and responsibilities of the risk management committee are:

- Overseeing the cultivation of a corporate risk management culture;
- Formulating risk management strategies;
- Reviewing and approving the plan to establish a risk management organisation plan and its responsibilities;
- Reviewing and approving the Group's risk management system and risk control process;
- Supervising senior management's implementation of comprehensive risk management;
- Reviewing and approving the comprehensive risk management report;
- Reviewing and approving the disclosure of comprehensive and significant risks;
- Reviewing and approving risk assessment reports for major decision-making and major events, as well as the operational mechanism and criteria for determination of key business processes;



2018 Environment, Social and Governance Report

- Other responsibilities relating to risk management that should be undertaken by the Group's risk management committee.

The committee holds regular meetings to report on the Group's performance on environmental, social and governance risks and the relevant latest developments to the Board, and discuss how to review and optimise current environmental, social and governance management policies. The head of the committee also convenes unscheduled meetings as necessary to ensure the timely and effective correction of environmental, social and governance issues and risks.

Group Legal Affairs Department

The Group has set up a secondary legal affairs department under the risk control department which comprises employees with a legal background to monitor the Group's compliance function and status. Its major environmental, social and governance management functions include:

- Drafting, reviewing and revising contract templates and legal documents (including but not limited to contracts, agreements, official letters, etc);
- Providing legal advice and guidance as necessary to the Group's management, functional departments, subsidiaries and investees; and
- Liaising with and managing external lawyers, and assisting external lawyers in legal proceedings.







The daily compliance management process of business departments mainly includes:

- All business contracts and agreements of business departments are required to be reviewed and approved by the relevant legal compliance department;
- The Legal Affairs Department organises training on laws and regulations to enhance the compliance awareness of business departments;
- The legal affairs staff provides legal consultation and guidance on business, contacts with external legal professional institutions, and supports business development; and
- The Group's risk control department conducts compliance checks on all departments.

2018 Environment, Social and Governance Report

STAKEHOLDER ENGAGEMENT

Stakeholder participation is vital to the Group's achievement of sustainable development. As such, the Group has established a variety of channels to maintain continuous communication with its various departments and external stakeholders, and to gain a full understanding of its business operations' impact on stakeholders and stakeholders' expectations in regards to environmental, social and governance matters. Through regular communications, surveys, community activities and other means, the Group is apprised of business risks, opportunities and scope for improvement, which helps it to meet the needs of stakeholders. The Group categorises key stakeholders into six groups, for which communication methods with the Group are described below:

Stakeholder	Communications channel	Stakeholder	Communications channel
 Employees	<ul style="list-style-type: none"> Internal emails and publications Website and social media Meetings Work performance appraisals Staff participation activities Daily interactions 	 Suppliers and business partners	<ul style="list-style-type: none"> Annual and interim reports Business meetings Audit and evaluation Field trips
 Customers	<ul style="list-style-type: none"> Group website Customer service hotline Customer surveys Interviews and meetings 	 Government and regulatory authorities	<ul style="list-style-type: none"> Government regulations and websites Government public consultation Email communication with regulatory authorities
 Investors and shareholders	<ul style="list-style-type: none"> Annual general meetings Annual and interim reports Press releases and announcements Investor relations website 	 Community organisations, media and public	<ul style="list-style-type: none"> Websites and social media Press releases Corporate social responsibility activities

In addition to the above channels, we commissioned a third-party consultant to carry out a comprehensive stakeholder engagement activity for the disclosure of the Year and collected the opinions and suggestions of internal and external stakeholders through questionnaires, interviews and group discussions. The material environmental, social and governance topics summarised by the participating stakeholders are set out below:

2018 Environment, Social and Governance Report

Human resources training and compensation and benefits

- ▶ **Opinions of stakeholders:** Sound personnel training and selection, performance appraisal, and compensation and benefits are the keys to enhance employees' sense of belonging, and will provide a source of driving force and innovation for the Group and effectively promote the long-term development of the Group.
- ▶ **Response of Zall Smart Commerce Group:** In order to improve the Group's core competitiveness in human resources and remuneration management, the Group has formulated the Zall Standards 《卓爾標準》, which sets out detailed management systems for recruitment, training, attendance, benefits, compensation, performance and rewards to retain talents and improve employees' working efficiency.

Supply chain management

- ▶ **Opinions of stakeholders:** Optimising the supply chain management system can effectively increase the utilisation rate of upstream and downstream resources in the industrial chain of subsidiaries of the Group and strengthen the quality of their products and services.
- ▶ **Response of Zall Smart Commerce Group:** The Group is able to share professional knowledge and resources through operating experience. It has also formulated the Supplier Credit Management Measures 《供應商信用管理辦法》, the Procurement Management System 《採購管理制度》 and other systems to ensure that the products meet national standards and that the selection and monitoring of suppliers is in compliance with its supplier management policies.

Service quality

- ▶ **Opinions of stakeholders:** High-quality products and services are most directly correlated to the maintenance of customer relationship and the brands and reputations of the Group. Only better customer relationship maintenance can lead to more resources matching, and only superior quality can win a higher reputation in the industry.
- ▶ **Response of Zall Smart Commerce Group:** Through the adopted Training Management Measures 《培訓管理辦法》, the Group develops training plan for the Year to ensure that employees of each subsidiary understand the latest information, technology and knowledge in the industry, thus ensuring the quality of products and services.

MATERIALITY ASSESSMENT

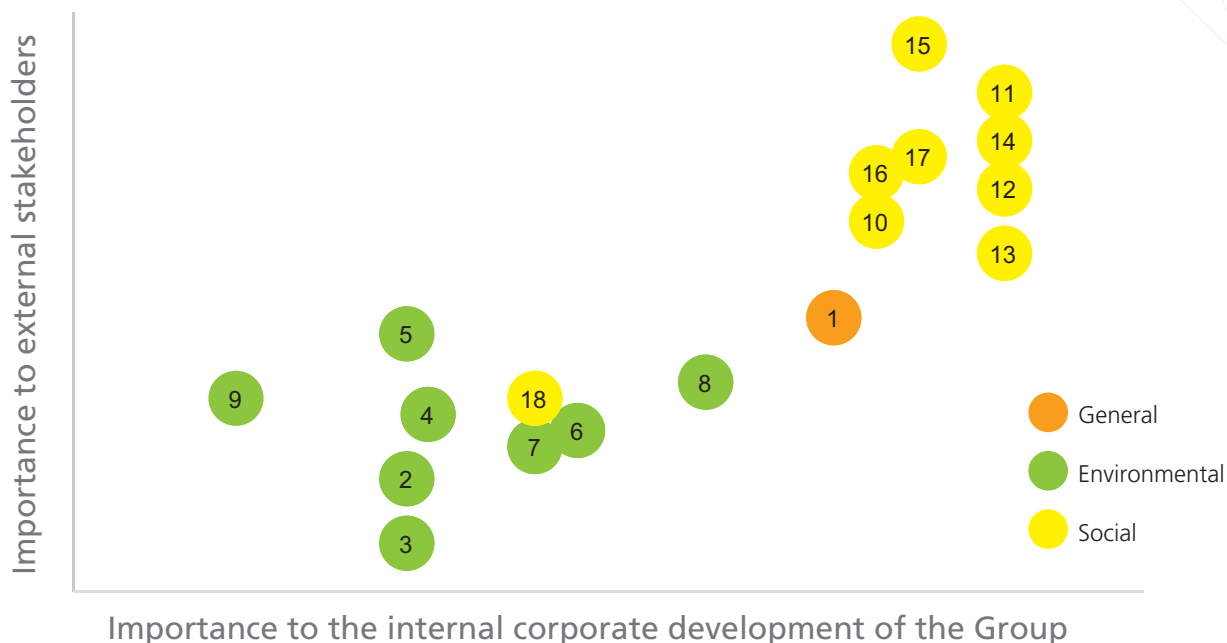
The Group has adopted the following four steps to identify the significant topics involved in its operations and priorities, determine relevant environmental, social and governance topics, and gauge their importance from multiple perspectives.

- **Identify potential sustainable development topics:** Initially identify potential sustainable development topics with reference to the ESG Guide and through analysis of industry peers.
- **Stakeholder engagement:** Analyse the importance of each sustainable development topic for internal and external Group stakeholders through questionnaire, and evaluate the topics that are key to the Group's operation.
- **Ranking of materiality:** Obtain evaluation results and establish a ranking of ESG materiality.
- **Management confirmation:** The Group's management confirms the key ESG topics and links them to the Listing Rules and the key performance indicators of the Group.

Zall Smart Commerce Group's Materiality Matrix for 2018

Based on analysis of the characteristics and external social responsibility environment of Zall Smart Commerce Group, we determined its core social responsibility topics and ranked them through internal discussions, external questionnaires and interviews. This enabled us to create the following two-dimensional matrix as an important guide to the Group's social responsibility approach.

2018 Environment, Social and Governance Report



1	Compliance	7	Water consumption management	13	Labour standards
2	Waste gas and sewage emissions	8	Green office	14	Supply chain management
3	Greenhouse gas emissions	9	Environment and natural resources	15	Product responsibility
4	Hazardous waste emissions	10	Staff, compensation and benefits	16	Data privacy protection
5	Non-hazardous waste emissions	11	Health and safety	17	Anti-corruption
6	Energy consumption management	12	Development and training	18	Community investment

Note: Our operation does not involve significant amount of packaging materials, therefore the relevant disclosure is not applicable.

2018 Environment, Social and Governance Report

AWARDS AND HONOURS

Awarded entity	Awards and recognitions	Issuing institution or authority	Nature
Shenzhen Sinoagri E-commerce Co., Ltd. (深圳市中農網有限公司)	Top 500 Chinese Enterprise	China Enterprise Confederation (中國企業聯合會)	Honour
	Top 500 Enterprise in Guangdong	Guangdong Provincial Federation of Enterprises (廣東省企業聯合會)	Honour
	Top 100 Industrial Internet Enterprise in China	Internet Development Association of China (中國產業互聯網發展聯盟)	Honour
	Leading Agricultural Enterprise in Shenzhen	Shenzhen Municipal People's Government	Honour
HSH International Inc.	Top 100 B2B Enterprise in 2018	China Electronic Commerce Association B2B Industry Branch (中國電子商務協會 B2B行業分會)	Honour
Shanghai Zall Steel E-commerce Co., Ltd. (上海卓鋼鏈電子商務有限公司)	Intelligent Mobile Office Enterprise	Alibaba Group	Honour
	China B2B Supply Chain Financial Innovation Award	Organising Committee of 2018 China B2B Supply Chain Finance Summit (2018年中國B2B供應鏈金融峰會組委會)	Honour
	Vice President Entity of Iron and Steel E-commerce Branch	China National Association of Metal Material Trade (中國金屬材料流通協會)	Honour
	Industrial Internet Enterprises with Great Potential in China in 2018	China Electronic Commerce Association B2B Industry Branch (中國電子商務協會 B2B行業分會)	Honour
Harvest Financial Information Service (Hangzhou) Co., Ltd. (嘉實金融信息服務(杭州)有限公司)	Member of National Internet Finance Association of China	National Internet Finance Association of China (中國互聯網金融協會)	Honour
	Top 10 New Finance Brand with Most Potential in 2018 (2018最具潛力的十大新金融品牌)	Annual Meeting of Public Relations Journalists for New Finance Brands (新金融品牌公關記者年會)	Honour
	Top 10 P2P Loan Service Quality Platform of China in 2018 (2018年度全國網貸服務質量十佳平台)	P2P Loan Selection	Honour
	Top 10 New Finance Brand with Most Potential in 2018 (2018年度最具潛力十佳新金融品牌)	Annual Meeting of Public Relations Journalists of 7wnews.com (柒財經品牌公關記者年會)	Honour
Hankou North Import and Export Service Co., Ltd. (漢口北進出口服務有限公司)	Off-campus Practice Demonstration Base for Foreign Students (外國留學生校外實習示範基地)	Wuhan Municipal Public Security Bureau Import and Export Administration (武漢市公安局進出口管理局)	Certification

2018 Environment, Social and Governance Report

Awarded entity	Awards and recognitions	Issuing institution or authority	Nature
Zall Purchase Information Technology (Wuhan) Co., Ltd. (卓爾購信息科技(武漢)有限公司)	Top 10 Electronic Commerce Demonstration Entity in Merchandise Exchange Market in the PRC in 2018 (2018年度全國商品交易市場十佳電子商務示範單位)	Chinese Association of Market Development (中國市場學會)	Honour
	Top 100 B2B Enterprise in China	www.b2bneican.com	Honour
	New Powerful Enterprise in the PRC B2B Industry	www.2b.cn	Honour
	High and New Technology Enterprise	National Science and Technology Bureau	Certification

ENVIRONMENT

Nowadays, countries all over the world are actively pursuing environmental protection and sustainable development. Environmental protection has gradually become the trend of the world's development. Sustainable development is accordingly a major theme of the central government's development plan. Having reached the final stage of building a moderately prosperous society, China is now seeking breakthroughs in green development. The central government's basic policy of "innovation-driven, quality-first, green development, structural optimisation and talent-orientation" emphasises sustainable development as a key to build a powerful China in due consideration of the ecology. This vision embraces concepts such as recycling, clean energy, low-carbon development and the creation of a green economy.

The Group profoundly understands its social responsibilities as a listed company and contributes to the country's green development in line with the direction of national development. Green development for Zall Smart Commerce Group is by no means "empty talk". We need to balance economic, environmental and social needs to ensure sustainable development. Through the joint efforts of the Group, customers and stakeholders, we hope to develop and implement sustainable solutions that meet the needs of society, integrate economic growth with sustainable resource consumption, and achieve a "win-win" balance between the development and environment.

All the Group's business units will continue to take measures to save energy, reduce pollution and improve efficiency of energy utilisation. We will explain the Group's potential impact on the environment and its countermeasures below.

Emissions Management

As China's leading supply chain management business operator, the Group aspires to enhance the efficiency of the traditional supply chain through technology and regards promoting green business awareness as its responsibility. As the Group's principal activity is to connect buyers and vendors of merchandise through online platforms, the environmental impact of its operations is minimal.

By developing advanced online trading platforms supplemented with sound value-added services, the Group hopes to change the whole supply chain ecology, reduce the time and resources needed in the trading process, and lead the supply chain industry into a new era of efficient trading. Although our business has a limited impact on the environment, we firmly believe that by pursuing the above mission, we will be able to reduce emissions, resource use and other environmental factors in business operation even further. This will be achieved by applying advanced technologies, changing trading habits through online trading models, and providing simpler and faster supply chain services.

2018 Environment, Social and Governance Report

The Group operates in strict compliance with the environmental protection laws and regulations of the Chinese government at all levels, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Water Pollution Prevention Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Air Pollution Prevention Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Solid Waste Pollution Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) and others. Our compliance enables the Group to achieve its sustainable development objectives whilst meeting its obligations to protect the environment. Each year, the Group updates its corresponding management measures and distributes them to its departments. These outline its own analyses and understanding of newly promulgated government policies and laws and regulations. The Group also maintains awareness of energy conservation and emission reduction and ensures compliance with environmental protection regulations among its departments through trainings and regular internal audits. During the Reporting Period, the Group had not identified any material violations of the laws and regulations relating to environmental protection.

Waste Gas and Sewage Emissions

Airborne emissions directly generated by the Group mainly come from the use of fuel for logistics and administrative vehicles. Sewage emissions mainly originate from water consumed during inventory inspection and the testing of agricultural products.

During the Reporting Period, direct waste gas and sewage emissions from the Group's business operations were as follows:

Waste gas and sewage emissions		
Type of emissions	Unit	Total emissions in 2018
Nitrogen oxides (NO _x)	Kg	790.35
Sulphur dioxide (SO _x)	Kg	2.61
Particulate matter (PM)	Kg	74.38
Sewage	Tonne	6,240.00

Remarks: Waste gas emissions are calculated with reference to the emission factors provided in the Reporting Guidance on Environmental KPIs issued by the Stock Exchange of Hong Kong Limited.

The Group has made great efforts to reduce emissions from logistics vehicles and has incorporated this into its sustainable development business practice plan. We require that vehicles of third-party logistics suppliers as well as the Group's own vehicles meet national emission standards in order to ensure high fuel efficiency and minimise pollutant emissions. Group vehicles are regularly maintained and repaired by professional teams to improve their fuel efficiency, ensure they pass annual government inspections and meet emission standards.

In terms of sewage treatment, the Group has set up recycling pipelines to collect and filter sewage to ensure that the sewage discharge meets the statutory standards. We also recycle a proportion of purified water and usable sewage to reuse the water resources and reduce overall sewage emissions.

For more information on the measures to reduce vehicle emissions and water resource consumption, please refer to the "Resource Use" section below.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to discharges to water.

2018 Environment, Social and Governance Report

Greenhouse Gas Emissions

The Group's greenhouse gas is mainly generated by the use of transportation fuels and electricity. The Group's business covers all of China, though it is mainly centred in Shanghai and Shenzhen. Meanwhile, most emissions from electricity originate from office electricity consumption. During the Reporting Period, the total amount and intensity of direct or indirect greenhouse gas emissions generated by the Group (calculated based on the total number of employees of the Group) were as follows:

Greenhouse gas emissions		
Greenhouse gas emission scope	Unit	Total emissions
Transport energy direct emissions	Tonne (CO ₂ e)	394.93
Electric energy indirect emissions	Tonne (CO ₂ e)	13,117.82
Total direct and indirect greenhouse gas emissions from the sources above	Tonne (CO ₂ e)	13,512.75
Intensity (per Group employee)	Tonne (CO ₂ e)	16.34

Remarks: Calculation of carbon dioxide emission (CO₂e) is based on the 2017 Regional Grid Baseline Emission Factors of China issued by the Ministry of Ecology and Environment of the PRC, the Guide for Greenhouse Gas Emission Accounting Methods and Reporting for Industrial and other sectors (Trial) published by the National Development and Reform Commission of the PRC, and the Reporting Guidance on Environmental KPIs by the Stock Exchange of Hong Kong Limited.

Reducing energy consumption can directly reduce the Group's greenhouse gas emissions. For the Group's measures to reduce energy consumption, please refer to the "Energy Consumption Management" section below.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to air and greenhouse gas emissions.

Hazardous Waste Emissions

Laboratory hazardous waste

The Group assigns a high priority to the safety of Sinoagri agricultural products. Inventories are periodically checked and tested in the Group's chemical laboratory – a process which involves the use of such hazardous substances as sulphuric and hydrochloric acids. Information on the total chemical consumption by Sinoagri during the Reporting Period is as follows:

Type	Unit	Consumption in 2018
Sulphuric acid	Litre	0.70
Hydrochloric acid	Litre	0.67

When using sulphuric and hydrochloric acids, the Group strictly complies with its own Hazardous Chemicals Management System. This sets out clear safety operation procedures and provides that dosages shall be carefully measured when being used as chemical reagents with the aim of ensuring the accuracy of chemical inventory inspections and reducing waste. As such, consumption of sulphuric and hydrochloric acids decreased significantly in FY2018 (by 67% and 39% respectively).

For the management of hazardous chemicals, once chemicals are purchased, they are immediately stored in the quality inspection room and overseen by specialised personnel. Chemicals storage is cool and ventilated, located away from fire sources, and equipped with appropriate firefighting equipment. Applications are made in advance for the disposal of chemicals, and the chemicals are not disposed of without the approval of the corporate management department. All acids are diluted in accordance with system requirements before direct dumping. The Group has also strengthened safety education for personnel who use and manage chemicals to ensure safe handling. When disposing of hazardous waste, the Group fully complies with environmental protection laws and regulations such as the Solid Waste Pollution Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》).

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to hazardous waste.

2018 Environment, Social and Governance Report

Non-hazardous Waste Emissions

Office waste

The day-to-day operation of the Group's administrative offices generate a small amount of waste, mainly non-hazardous waste. During the Reporting Period, the types and quantities of major office waste generated by Group were as follows:

Non-hazardous waste emissions		
Type of waste	Unit	Total emissions in 2018
Ink cartridges	Kg	27.00
Toner cartridges	Kg	7.50
Paper	Kg	45.00
General waste	Kg	54.00

The Group has formulated a Proposal for Environmental Protection and Energy Conservation in the Office (《辦公室環保節能提倡書》) to manage its office waste emissions more effectively. Its measures begin with waste reduction at the source and recycling. We advocate double-sided printing in the office, and all computer files are default-set at double-sided printing to save paper. A single-sided paper recycling box has been placed in the printing room to collect paper for secondary printing of non-important documents. Another recycling box collects waste paper for delivery by designated personnel to qualified recyclers. We advocate streamlining documents in the office. Matters for which there is no need to issue printed documents will be dealt with through meetings if possible. If printed documents are indeed necessary, the quantity of printing shall be accurately calculated to avoid excess. The Group procures large-capacity ink cartridges and gives priority to printers for which toners can be repeatedly added to reduce the loss and waste of toner cartridges. The Group and its suppliers have also implemented a plan to return used ink cartridges and toner cartridges to suppliers for recycling. For more plans to save resources, please refer to the "Green Office" section below.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to non-hazardous waste and discharges to land.

Resource Use

Water Consumption Management

The Group's use of water is mainly for routine office activities. During the Reporting Period, the Group's water consumption was as follows:

Total water consumption			
Type	Unit	Total water consumption	Intensity (per Group employee)
Water consumption	Cubic metre	8,296.65	10.00

The Group fully appreciates the importance of water resources to the earth's environment. As the Group's business involves a negligible consumption of water, the Group's focus is on reducing the water consumed in office activities. The Group encourages employees to use recycled water or grey water when feasible for flushing toilets, irrigation and other purposes. The Group also publicises water conservation by posting signs in its offices to raise water-saving awareness. The Group's offices use municipal water supply and have no problems in obtaining water sources. For more on water conservation plans, please refer to the "Green Office" section below.

2018 Environment, Social and Governance Report

Energy Consumption Management

The major sources of energy used by the Group include electricity used in office operation and transportation. During the Reporting Period, the Group's direct energy consumption was as follows:

Energy consumption			
Type	Unit	Total consumption	Intensity (per Group employee)
Electricity	kWh	18,789,238	22,720
Petrol	Litre	177,811	215

Reducing transportation emissions

The Group operates its own vehicle fleet to support its logistical arrangements. The fleet's fuel efficiency and other performance data are closely monitored and the vehicles are maintained to a high standard to ensure optimal operation. As described in the "Vehicle Management" section, the Group's Zall Standards (《卓爾標準》) require vehicle maintenance to be conducted every 5,000 km – an exercise that includes changing the oil, oil filter, air filter and auto filter. Vehicle equipment and components that fail to meet standards are immediately repaired or replaced. The Group has also begun to build a green logistics system. It makes reasonable arrangements of transportation routes to improve vehicle loading rates, reduce fuel consumption and minimise transportation emissions. During the Year, Sinoagri adopted a brand-new logistics programme – the Bee Network System – which optimises logistics route deployment, reduces petrol consumption by 40%, reduces expenses and contributes to green logistics.

Saving electricity

The Group has implemented a series of measures to reduce greenhouse gas emissions from the source, and during and after processes. To systematically protect the environment, fully utilise energy and resources and reduce resources consumption, the Group established the Energy and Resource Management System (《能源、資源管理制度》), which systematises the reasonable utilisation, management and control of energy and resources consumed by its departments. The Group has also created an environmental protection and resource conservation management framework at each operations centre or department. Within this framework, responsible persons carry out environmental protection and resource conservation work in each jurisdiction as required. By strengthening energy usage management and adopting measures which are technically feasible, financially reasonable and acceptable to the environment and society, the Group reduces its consumption, waste and greenhouse gas emissions, and effectively uses resources from the stage of energy exploitation to consumption. For more on office energy conservation plans, please refer to the "Green Office" section below.

2018 Environment, Social and Governance Report

Green Office

A policy for saving energy in offices

In accordance with relevant laws, regulations and requirements, the Group has formulated a Proposal for Environmental Protection and Energy Conservation at Offices (《辦公室環保節能提倡書》) to guide its efforts to manage and conserve resources. The Group and environmental protection also conducts annual comprehensive assessments of energy consumption and makes corresponding improvements. Major features of the green office proposal are described below:

Saving electricity

- ▶ Switch off computers, printers, photocopiers and other office equipments immediately after work to reduce standby time.
- ▶ In summer, the air conditioning shall be set at not lower than 25 degrees centigrade.
- ▶ Minimise use of artificial lighting during daytime, or in vacant office spaces. Lighting shall be switched off in sunny day, when fewer employees are in office or at the end of the work day. Desks should be positioned to maximise exposure to natural light.
- ▶ Replace high power consumption equipment in favour of new energy-saving technologies and equipment. Adopt efficient new technologies and products for infrastructure construction and equipment upgrading.

Saving administrative resources

- ▶ Each department makes monthly applications in advance for office supply procurement and sets targets for reasonable use of office supplies.
- ▶ Strictly implement reception standards, control the scale of official activities, stress simplicity, frugality and efficiency, and strive to reduce administrative costs.
- ▶ Strengthen management of equipment, optimise equipment configuration, improve utilisation rates and efficiency; promote sharing of high-quality resources.

Saving paper

- ▶ Make full use of network resources and strive to adopt paperless office.
- ▶ Advocate double-sided printing. All computer files are default-set at double-sided printing to save paper.
- ▶ A recycling box is placed in the printing room to collect used single-sided for secondary printing of non-important documents.
- ▶ Rationalise paper documents. Matters for which there is no need to issue printed documents will be dealt with through meeting if possible. When printed documents are necessary, the printing quantity shall be accurately calculated to avoid excess.

Environmental protection and waste reduction

- ▶ Develop good water use habits, including turning off water when leaving. Strengthen daily inspection, maintenance and management of water equipment, and deal with water running, emitting, dripping and leakage.
- ▶ A recycling box is placed in each office to collect waste paper for delivery by designated personnel to qualified recyclers.
- ▶ Use cloth bags and environmentally friendly bags rather than plastic in response to the "plastic restriction order".

The policies above have led to substantial energy conservation and emissions reduction. The reuse of waste paper and double-sided printing advocated by the Group have achieved particularly remarkable results, with the waste paper generated by the Group during the Reporting Period significantly decreased compared with the previous year.

The Group has also formulated Management Measures for Environmental Sanitation and Greening (《環境衛生與綠化管理辦法》). Through such measures, the Group conducts the planning and design of offices to maximise their energy and resource efficiency. The Group also works to improve the "green" knowledge and skills of personnel, including their familiarity with varieties of flowers, plants and trees and their cultivation.

2018 Environment, Social and Governance Report

The Environment and Natural Resources

Save for the abovementioned emissions, the Group's major supply chain management business did not make any other material impacts on the environment or natural resources. However, in the traditional wholesale market development business, project developments will have certain impacts on the surrounding environment. As such, while formulating business development and investment projects, the Group ensures the coordination of its projects with local society and environment. The Group has taken various measures to protect the ecology and natural resources in places where its business has developed. These mainly include:

- In evaluating new business development project approval, evaluate and ensure that the project meets the requirements of social and environmental development;
- Appoint professional advisors to conduct feasibility studies to ensure the project meets local policies and development requirements;
- In the process of project implementation, define the responsibilities of each functional department, supervise and manage the project process, and prevent and control disharmonious events;
- Project audits and post-evaluations cover environmental and social impacts, and evaluation results are adopted as the basis for project reward and accountability.

SOCIAL

Human Resources

Staff, Compensation and Benefits

Compensation and dismissal, recruitment and promotion, working hours and leaves

The Group values talent and advocates people-and performance-oriented management principles with an emphasis on reward, fairness, openness and impartiality. To attract and retain the best talent, the Group offers industry-competitive remuneration packages, maintains a system of performance-oriented rewards and internal equity, and provides employees with on-the-job training and long-term development opportunities.

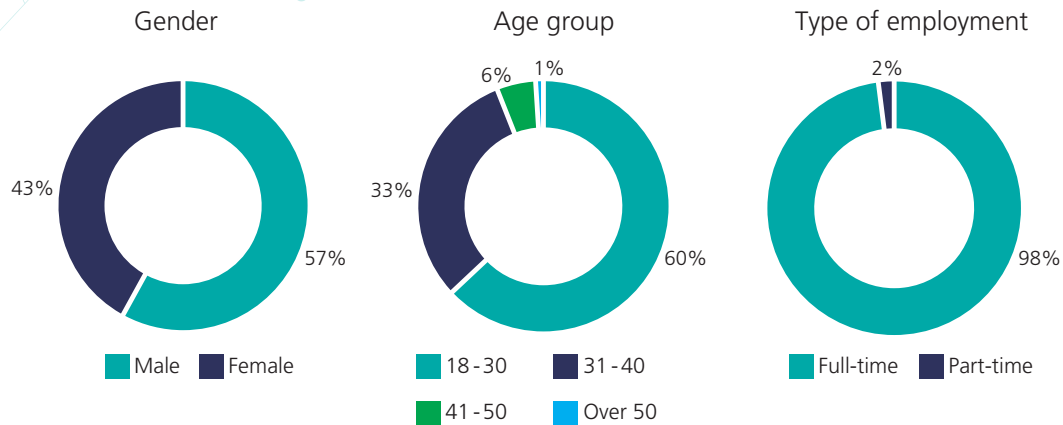
The management has formulated a reward and punishment system (《人事獎勵與處分管理》), a remuneration and performance system (《薪酬績效制度》) and a performance assessment system (《績效考核辦法》). In calculating employee remuneration, management will consider factors such as external economic conditions and industry pay levels to ensure that its packages are market competitive. Employee performance is another major consideration, and is evaluated using an appraisal process which combines annual and monthly assessments, the results of which will be considered in determining employees' salaries. The tools for performance appraisal were set up to assess the performance capabilities of employees in a comprehensive manner.

Furthermore, the Group ensures reasonable working hours and leave – including for statutory holidays, marriage, maternity/paternity, breastfeeding, annual and paid sick leave – for each employee. Rules limit overtime to a maximum of three hours per working day under normal circumstances, or five hours per day in special cases. Aggregate overtime per month is limited to a maximum of 36 hours. The Group complies with the Labour Law of the People's Republic of China and other applicable laws and regulations relating to recruitment, dismissal, working hours and leave, and ensures that each procedure is legal and reasonable. These rules are fully reflected in the Group's Staff Recruitment Management System (《員工招聘管理制度》), Staff Leave System (《員工休假制度》) and Staff Welfare Standards (《員工福利標準》), all of which are designed to ensure a healthy work-life balance for each employee.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours and leaves.

2018 Environment, Social and Governance Report

During the Reporting Period, the percentage distribution of Group employees was as follows:



Equal opportunities, diversity and non-discrimination

The Group maintains a fair and diverse workforce. It does not discriminate or dismiss any employee due to race, gender, age or marital status. The Group's Human Resources Management (《人力資源管理》) describes its principles of equal opportunity, diversity and non-discrimination. The principle of equality applies to all aspects of employment, including recruitment and dismissal, probation, vacation, opportunities, career development and promotion, as well as other benefits and the welfare system. Fair procedures and objective criteria are implemented in all these aspects to ensure that all employees and job applicants receive fair treatment. The Group provides a feedback mechanism to allow employees to report any defects regarding the principles of equal opportunity, diversity and non-discrimination. Such channels include regular seminars and interviews and e-mail communications. After receiving feedback, management will assign personnel to investigate the matter in an objective, impartial, practical and realistic manner. Reports on the investigation's progress will be made in a timely fashion, and appeasement work will be done as appropriate. Employees who give constructive advice will be rewarded.

The management systems described above fully comply with laws and regulations relating to human resources, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on the Protection of Women's Rights and Interests (《中華人民共和國婦女權益保障法》), the Trade Union Law of the People's Republic of China (《中華人民共和國工會法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》). The Group maintains close contact with social security authorities and actively protects the human rights, development and safety of employees.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to equal opportunity, diversity and non-discrimination.

2018 Environment, Social and Governance Report

Health and Safety

Occupational health and safety

The good health of employees is essential to the Group's productivity. The Group has therefore implemented a range of policies aimed at maintaining a safe and healthy work environment. Among these are the posting of appropriate signs and instructions in and around work areas, conducting regular workplace health and safety checks, and regular fire safety emergency drills.

The Group has formulated Fire Safety Management System (《消防安全管理制度》) to increase awareness of fire safety, standardises the Group's fire safety management, and sets fire safety inspection procedures for all workplaces and office areas. The administration and human resource department checks whether the power sockets, computers, water dispensers, doors and windows in all departments have been switched off or closed before the end of the work day. If any electrical appliance, door or window is found to be powered or open at this time, a warning shall be issued to the head of the relevant department. He/she shall be punished if he/she fails to rectify the issue. The Group also uses publicity and education and day-to-day supervision by the internal audit and supervision committee and punishment for violations of laws and regulations as means to maintain high safety awareness among employees.

Despite there being no high occupational risk jobs in the key supply chain management business, the Group has compiled a "Project In-field Manual" (《工程項目實操手冊》) for construction projects with relatively high risks, such as the development of wholesale markets. The manual provides detailed management guidance and training provisions in relation to safety and health for the operation of the Group. It also includes a quantitative project safety and occupational health management evaluation form, guidelines for behaviour management (safe production responsibility system, safe construction management schedule, hazard identification and evaluation, etc), site standardisation management (project grade management, proper construction, site protection facilities, etc), accident emergency management (project emergency rescue plan and rehearsal, establishment of external communication and contact mechanism, emergency hospital medical service agreement, accident report and treatment), occupational safety and health management (hazard identification and risk assessment sheet, major project hazards and their control plan list, project leader shift production records at construction site, hidden safety hazard rectification notices for projects under construction, construction site safety penalty notices, etc), and the management and use of personal safety protection equipment. The Group carried out project workplace safety inspections on a regular basis. For example, the Group has installed smoke detectors and carried out regular repair and maintenance of firefighting apparatus and emergency lighting equipment in accordance with relevant requirements for building firefighting. Regulations applicable to Group projects include the requirement that employees should wear helmets when entering construction sites, and the prohibition of dangerous items brought onto the construction site.

The Group has formulated Labour Disciplines and Safety Management (《勞動紀律及安全管理》) in the Zall Standards (《卓爾標準》) in accordance with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) and other relevant laws and regulations. This describes various office safety matters and contingency measures, and together with the above systems of the Group, protects the interests and physical and mental health of employees. During the Reporting Period, the Group had not identified any violation of laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

2018 Environment, Social and Governance Report

Development and Training

Employee development and training

The Group has formulated "Staff Training and Management" (《員工培訓管理》) to provide staff with diverse training options. These include both internal and external courses for a range of different skills. The Group's policy for continuous learning and development includes induction training for new entrants as well as courses on job responsibility, business skills, management skills and professional skills, in addition to other types of educational training and development. The Group also provides monetary support to employees in the form of subsidies to encourage them to obtain job-related professional certificates. The Group maintains a strict system of training attendance and record management. Training results are linked with individual employees' performance appraisals, career promotions and salary adjustments, and the effects of their training are recorded and monitored. During the Reporting Period, the average training hours of Group employees exceeded 10 hours per year.

The Group also organises staff training activities from time to time to enable employees to absorb new industry knowledge and strengthen their own abilities. Training sessions organised by the Group during the Year were as follows:

Training sessions organised by Zall Smart Commerce Group in 2018

- 9 March: First quarter human resources seminar of Zall
- 30 March: Special training on compensation management of the Group
- 23 May: Zall Smart Commerce Group human resources internal sharing meeting – Hankou North Group's performance reform
- 31 May: Second quarter human resources seminar of Zall
- 12 June: Special finance training of the Group
- 25 July: Zall Smart Commerce Group human resources internal sharing meeting – communication skills of HR and business managers of Zall Financial Service Group
- 19 October: Special training on the impact of the merger of State and local taxation authorities on enterprises
- 16 November: Research and development center 2570 special training
- 19 November: Zall Smart Commerce Group 2019 budget communication meeting
- 20 November: New employee induction training in the fourth quarter of 2018



2018 Environment, Social and Governance Report

Labour Standards

Prevention of child labour and forced labour

The Group strongly opposes child labour and any unfair exploitation of labour. The Labour Contract and Personnel File Management (《勞動合同與人事檔案管理》) within the Zall Standards (《卓爾標準》) clearly stipulates that no child labour shall be employed by the Group. The Group has also established a confidential and anonymous complaint mechanism to report child labour, and demands employee age verification as a necessary for its own human resources policies and as standard in its supplier selection process. The Group acts in strict compliance with all laws relevant to the prohibition of child labour, and has not employed any person under the age of 16.

The Group's Labour Contract and Personnel File Management (《勞動合同與人事檔案管理》) also provide that no forced labour is permitted by way of threats of violence or unlawful restrictions on personal freedom. Investigations into possible instances of forced labour are carried out on a regular basis. Any employee who is forced to work by way of threats or unlawful restrictions on personal freedom may resign and apply for financial compensation. These specified systems and rules are all in compliance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Special Protection of Underage Labour (《未成年工特殊保護規定》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Regulations on the Prohibition of Child Labour (《禁止使用童工規定》) and other laws and regulations. During the Reporting Period, the Group had not identified any violation of any applicable laws and regulations relating to the prevention of child labour and forced labour.

Commercial Practices

Supply Chain Management

Supply chain quality management

During the Reporting Period, the number of suppliers of the Group was as follows:

Region	Average number of suppliers
North China	742
Northeast China	85
East China	9,965
Central China	256
Northwest China	45
Southern China	1,579
Others	1

Due to the different operation models and the different products involved, each Group subsidiary has its own supply chain management mechanism. At Sinoagri, the approval team effectively checks to ensure the quality and safety of agricultural products, and all suppliers must obtain a Statutory Food Circulation Permit before obtaining online trading qualification. Following basic qualification review, the Company carries out sampling inspection on white sugar purchased in accordance with the national standard GBT317-2018 "White Sugar" and prepares a report to ensure that the white sugar meets national quality standards. The Company conducts a further series of approval procedures to ensure that suppliers comply with the Group's supplier management policy. The Company reviews the qualifications of suppliers each year, and will terminate cooperation with unqualified suppliers.

At Zall Steel, the Company has established its own evaluation system for suppliers and customers to control supplier and product quality risk. Its merchandise sale and purchase contracts set out the methods of handling quality objections and deadlines for raising quality objections in order to serve customers with products of higher quality.

2018 Environment, Social and Governance Report

At HSH, the Company screens raw material suppliers and generally selects companies which have high market awareness, large size and stable product quality, or middle-and large-sized traders for procurement cooperation. As all products procured are standard chemical plastics manufactured by large plants, their quality is secured. If a customer raises any concerns about the quality, the Company will provide comprehensive coordination to deal with the quality of individual products. The Company also assigns ratings to suppliers on a regular basis and terminates cooperation with the suppliers whose ratings do not meet the standard.

Product Responsibility

Product health and safety management

Agricultural products business

ISO9001 certification has been obtained for the quality management system established by Sinoagri, and its software design and development and agricultural product information service have passed international standard certifications. Food safety is a matter of serious interest to the Group due to the agricultural products (mainly white sugar) it trades online. The Group assumes full responsibility for the safety of its products.

Though the white sugar provided to the Group by upstream suppliers is claimed to meet national standards, the Group provides further assurance by carrying out at least two additional tests before the goods are made available to customers. First, the Group's own laboratory conducts an inspection to confirm that the sugar conforms to specified national standards and contains no harmful impurities. As a second assurance, the Group's central organisation in Shenzhen conducts random product inspections every month. No major problems have thus far been found.

Should a customer encounter any problems during their transactions with the Group, the Group's 24-hour customer service centre is available to provide online consultation. The Group's customer managers in each region also provide face-to-face assistance, solutions and corrective measures on a case-by-case basis.

Steel products business

The steel itself comes with a warranty, and each coil of rolled plate has a coil number which can be traced to the manufacturer from the upstream supplier. Although Zall Steel does not directly participate in product quality inspections, it will entrust a third-party warehouse to examine the number of pieces, weight, material, model and quality of the products and put them into storage if no inconsistency is identified. The warranty or coil number and professional examination at the warehouse form two lines of defence for the quality of steel. If concerns about the quality of the steel being sold are raised, Zall Steel will compensate the customer for loss following the appraisal of a third-party institution, and then claim compensation from the supplier.

Chemical plastic products business

Chemical plastic materials and finished products are found in all walks of life. As such, the Company pays great attention to product quality and transportation safety issues. The Company requires upstream suppliers to be large manufacturers. Their products must have stable quality following market inspection, be mature and meet or exceed national standards, and their transportation must be handled by professional carriers. So far, no major quality or transportation safety problems have been identified. Should a customer encounter any problems during their transactions with the Group, the Company's staff provides 24-hour customer service, face-to-face assistance and solutions.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to product health and safety.

2018 Environment, Social and Governance Report

Marketing ethics

To ensure continued customer trust, the Group closely follows up on the marketing, advertising and sales activities of its subsidiaries to ensure that its products and services are described in a legal, fair and honest manner. All formal advertising and publicity activities must be approved by the Group's public relations department or the public relations managers of its subsidiaries. We strictly prohibit the use of any false, misleading or deceptive means. The Group understands and emphasises the importance of business reputation, and will uphold noble marketing ethics. As such, the Group is in strict compliance with regulations including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Interim Measures for the Administration of Online Merchandise Transactions and Related Service Behaviours (《網絡商品交易及有關服務行為管理暫行辦法》) and the Service Norms for Third-party E-commerce Transaction Platforms (《第三方電子商務交易平台服務規範》).

The Group has always complied laws and regulations and strives to provide a responsible model for industry which makes a positive contribution to society. During the Reporting Period, the Group had not identified any violation of any laws and regulations relating to product advertising and labelling.

Data Privacy Protection

Customer privacy

The Group regards customer information as a guarantee of its production and operational safety and the healthy development of customer relations. The Group has in place a sound confidentiality management system, a mandatory mechanism for the operation of a customer management system by level and by privilege, and a safe customer information database. As the Group needs to collect and use personal customer/consumer data in its business operation, it attaches great importance to its management and maintenance. In addition to signing confidentiality agreements with customers, we will not transfer or disclose customer information without their consent. All personal data of employees, customers and relevant parties are protected by the General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》), the Personal Information Protection Law (《個人信息保護法》) and other laws and regulations in relation to data privacy protection. During the Reporting Period, the Group had not identified any violation of any laws and regulations relating to data privacy in respect of products it provides.

Anti-corruption

Enterprise principles of honesty and integrity

The Group fully abides by the anti-corruption and anti-bribery code of conduct and the complementary disciplinary inspection and supervision process in its Zall Standards (《卓爾標準》). The code guarantees oversight of operational management activities involving purchases of assets, bidding, construction, personnel management, investment attraction and reimbursement of the Group. It supervises the receipt of gifts or money by employees, creates intensive system supervision, advances systematic anti-corruption and strengthens oversight against key links and key personnel who may be prone to corruption. The Group's disciplinary supervision is carried out by means of regular and special inspections. Regular inspections are targeted at project quality and safety management, bidding management, procurement management, assets management, record management, attendance management and contracts management.

Every employee must sign an Employee Integrity Agreement (《員工廉潔協議》) before joining the Group, which regulates employee behaviour, prevents occupational moral risks of employees, and protects the legitimate rights and interests of the Group and its employees. The Group has also set up a reporting telephone and mailbox. Employees of the Group and its subsidiaries may directly report to the Chief Executive Officer under their real name or anonymously. An internal audit department at the Group's risk control centre conducts internal audits of the business operation and management of Group employees, and investigates violations of laws and regulations identified in the audit process. The Group's risk control centre has announced incentives for reporting for its subsidiaries, such as the Measures for Rewarding Reporting Staff of Sinoagri Group (《中農網集團員工舉報獎勵辦法》) for Sinoagri, which offers material rewards for employees who report illegal acts and recover major losses for the company and protects whistleblowers from unfair treatment.

2018 Environment, Social and Governance Report

Through its Code of Conduct for Employees (《員工行為準則》), the Group enforces disciplinary standards in project management, personnel management, administrative management and financial management to maintain honesty and integrity in its enterprises. The Group complies with national laws and regulations including the Regulations of the People's Republic of China for Suppression of Corruption (《中華人民共和國懲治貪污條例》), the General Rules of the Civil Law of the People's Republic of China (《中華人民共和國民法總則》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), and incorporates anti-corruption policies and integrity principles into its development planning. During the Reporting Period, the Group had not identified any violation of any applicable law or regulation relating to bribery, extortion, fraud and money laundering.

Social Contributions

Community Investment

Community participation

The Group is committed to understanding the needs of the communities where it operates and ensuring that its operations take into consideration the communities' interests. Since the 18th CPC National Congress, the PRC government has presented a series of concepts, ideas and strategies on poverty alleviation and development. The State strongly encourages enterprises to fulfil their social responsibilities, implement targeted poverty alleviation measures, and explore paths to alleviate poverty through finance. The Group's agricultural supply chain management business is an example of how it actively participates in its community by focusing on poverty alleviation.

Through its online trading platform and "Internet Plus" smart services, the Group promotes individual farmers' ability to directly export and/or sell their goods independently, increasing their income in the process. Along with the continuance of Zall's rural support campaign and targeted poverty alleviation activities (卓爾•鄉親鄉愛精準扶貧活動), the Group will expand industrial investment in poor rural households, build supply chain management platforms to connect the upper and lower reaches of the industrial chain, provide agricultural product sales channels for distributors and farmers in poor mountainous areas, and promote entrepreneurship and employment of the poor. In response to the State's encouragement, the Group will promote the financial poverty alleviation policy and fulfil its corporate social responsibility and social mission. The Group has also devoted resources to promote the development of characteristic rural industries. As a further measure, the Group's trading platform offers upstream and downstream enterprises a range of financial support services, such as loan financing and investment and wealth management, to help solve the difficulties of obtaining financing at a reasonable cost for small and medium enterprises.

Since 2015, Mr. Yan Zhi, the Group's Chairman has led senior management's participation in the philanthropic activities of the Alxa SEE Association. Currently, Mr. Yan serves as chairman of the Alxa Hubei Project Center. He is actively involved in efforts to protect the Yangtze River ecology and finless porpoises, and to find community comprehensive development solutions to the problem of desertification. At the same time, he advocates Chinese entrepreneurs to take more action to promote the environmentally friendly and sustainable development of enterprises.

The Group set up a "Four-Leaf Clover" fund during the Year to help people and organisations in need, and is willing to contribute to social charitable causes within the scope of its capabilities.

2018 Environment, Social and Governance Report

Community activities the Group participated in during the Reporting Period

The Group is committed to cultivating employees' social awareness by organising and encouraging their participation in social welfare activities. The Group and its subsidiaries participated in the following activities during the Reporting Period:

Sinoagri Cocoon Silk Blood Donation



The cocoon silk subsidiary organised employees to donate blood on 1 August (Army Day), while employees from Yizhou and Nanning took part in the Gates' voluntary blood donation activity. Employees actively participated in the activity. Their spirit of dedicating love to the society and being ready to help others passed on the love and advocated the selfless thought of "All for one, one for all".

13th Nanning International Marathon



Staff from Guangxi Bave Block joined in the Nanning International Marathon to advocate a healthy, green and low-carbon lifestyle. They were among the thousands of athletes who participated in the event and achieved remarkable results.

2018 Environment, Social and Governance Report

Second Staff Basketball Friendship Match at Sinoagri Cocoon Silk



At the end of the year, the Group held a second Staff Basketball Friendship Match at Sinoagri Cocoon Silk. The friendly competition between teams from Nanning and Yizhou team promoted teamwork and bonding among employees.

Visiting the elderly in poor mountainous regions



On the Double Ninth Festival, staff from Sinoagri Cocoon Silk headed to Huzhang Village, Yizhou District, Yizhou to meet with village chief Wei Mengchun and visit three 80-year-old cocoon farmers. The staff discussed daily life and the autumn harvest for the Year with the farmers, exchanged small gifts and sent them best regards on behalf of the Group.