



CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

2019



Environmental, Social and Governance Report

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1. ABOUT THIS REPORT

1.1. Reporting Period

This Environmental, Social and Governance (“**ESG**”) Report presented by China Public Procurement Limited (the “**Company**”, collective with its subsidiaries, the “**Group**”) illustrates and highlights the environmental and social performance of the Group from 1 January 2019 to 31 December 2019 (“**Reporting Period**”) unless otherwise stated.

1.2. Reporting Scope

The content of this ESG report summarises the Group’s policies, management approach and performance with respect to corporate social responsibility. This report focuses on the Group’s business in information technology, system integration services, development and operations of internet-based electronic platforms for the procurement of good and services (“**E-procurement**”), trading and properties leasing in the People’s Republic of China (“**PRC**”) which were the areas selected based on the discussion of the directors and management pursuant to the key business segments and geographical coverage of the Group’s businesses. The Group has offices in Hong Kong, Shenzhen, Beijing, Jining and Weihai of Shandong, Wuhan of Hubei and Xining of Qinghai.

The report is prepared in accordance with the four reporting principles: materiality, quantitative, balance, and consistency. The objective of this report is to identify and disclose substantial sustainability issues which concerns our stakeholders, and the relevant key performance index (“**KPI**”) which serve to measure the environmental and social impacts. These indicators shall form the basis to set forth emission targets for the Group in the future. We strive to continually improve our ESG performance, with a goal to incorporate fundamental ESG considerations into management strategy.

The Group has clear ESG strategy with proper management, measurement and monitoring system in place to implement such strategy. As continual improvement strategy is adopted on both our ESG performance as well as for our business operations, constant review and collection of feedbacks from our stakeholders are of paramount importance to enable prompt assessment of our improvement focus. As our business operations mainly focuses on information technology in which emissions were mostly resulted from electricity consumption, effectively reducing the consumption of electricity has become our primary focus in improving ESG performance of the Group.

As there were no changes to the business scope, our ESG management approach, initiatives and strategy remained unchanged.

There has been no change to the methods or KPI used or any other relevant factors affecting a meaningful comparison of the ESG report with the Group’s 2018 ESG report.

1.3. Reporting Framework

This ESG report follows the disclosure requirements as set out in the ESG Reporting Guide contained in Appendix 27 to the Main Board Listing Rules and has complied with the “comply or explain” provision in the Listing Rules. This report is recommended to be read in conjunction with information disclosed in the Company’s Annual Report 2019, in particular the Corporate Governance Report and Directors’ Report.

1.4. Materiality Assessment

KPI Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the sections of this report
A Environmental	
A1 Emissions Policies and Compliances	Emissions Policies and Compliance Emissions Reduction Hazardous and Non-hazardous Waste Reduction
A2 Use of Resources	Resources Conservation
A3 The Environment and Natural Resources	Emissions Policies and Compliances Resources Conservation
A4 Climate Change	Impact on Climate Change
B Social	
B1 Employment Policies and Compliances	Employment Policies and Compliance Labour Practices and Compliance
B2 Health and Safety Policies and Compliances	Occupational Health and Safety Policies and Compliance
B3 Development and Training Policies	Development and Training Policies
B4 Labour Standards Policies and Compliances	Employment Policies and Compliance Labour Practices and Compliance Development and Training Policies
B5 Supply Chain Management Policies	Supply Chain Management

Reference KPI of the ESG Guide	Corresponding KPI in the sections of this report
B6 Product Responsibility Policies and Compliances	Product Responsibility and Quality Assurance Protecting Intellectual Property Rights Consumer Data Protection and Privacy
B7 Anti-corruption Policies and Compliances	Anti-corruption Preventive Measures and Whistle-blowing Procedures
B8 Community Investment Policies	Community Care

1.5. Stakeholders’ Engagement

Stakeholders’ engagement is essential for the Group to understand its stakeholders’ concern and it also helps to identify risks and opportunities regarding sustainability. The Group communicates to its stakeholders throughout the year to collect ideas and feedback that are valuable to its future business development. Internal and external stakeholders are invited for suggestions and feedback regarding the Group’s operation and performance. Through the above engagement, the Group has better understanding of the stakeholders’ needs to facilitate its development. The significant stakeholders include the Group’s customers, mostly are governments or entities operated under the governments and the substantial shareholders of the Company, details of which were disclosed in its annual report for the year ended 31 December 2019. The Group will continue to communicate closely with its stakeholders to understand their expectations on its ESG performances.

1.6. Stakeholders’ Feedback

The Group welcomes comments and feedbacks regarding its performance and approach on ESG matters, please email your questions, suggestions or share your views to cpp@cphk.com.hk.

1.7. Board’s Involvement

The direction, strategy and reporting of the Group’s ESG practice is governed by the board of directors of the Company (the “**Board**”), ensuring that proper ESG disclosure obligations are fulfilled. The Board is responsible for the oversight of the senior management, which delegates authority for the collection of relevant information and data for the preparation of such report. The Board and management would discuss, assess and review the areas of attention which will help the business meet the potential growth and be prepared for the future challenges. The senior management is authorised by the Board to evaluate and determine ESG-related tasks and look after the day-to-day management of ESG issues and ensure appropriate and effective ESG risk management and internal control systems are in place. The Board is responsible for the oversight and evaluation of the management and goal setting in relation to the sustainability governance of the Group.

2. ENVIRONMENTAL PERFORMANCE

The Group's E-procurement and trading business operations are mainly conducted through the internet, majority of our operations are conducted in an office environment and limited environmental impact is caused directly by our operations. We comply with all relevant laws and regulations that are related to environmental protection which have a significant impact on the Group.

2.1. Emissions Policies and Compliance

Our key approach to managing indirect carbon emissions and other air emissions rely heavily on the adopted policies which promote efficient use of energy within the Group. The Group is committed to protecting the environment by proactively raising environmental awareness of its employees and managing its business operations at all levels in an environmentally friendly manner. The Group does not involve in air (dust and residues), water and noise pollution which are regulated under relevant environmental laws and regulations. The Group's policy is to promote efficient use of energy and natural resources so as to reduce emissions.

During the Reporting Period, there was no incident of non-compliance with local relevant environmental laws and regulations relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group, and no penalty was imposed on the Group during the Reporting Period.

2.2. Emissions Reduction

With the Group's major business focusing on information technology and E-procurement solutions, carbon footprint arising from our day-to-day operations is mainly derived from electricity consumption for our offices and from gasoline usage of our vehicles and employees' business travels. We strive to minimise resource consumption and encourage our employees to adopt environmental best practices across every business segment, to limit indirect emission of greenhouse gases.

Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas ("**GHG**") expressed in terms of equivalent amount of carbon dioxide ("**CO₂-e**") emission.

Whereas

Scope 1 — Direct emissions from combustion of fuels

Scope 2 — Energy indirect emissions

Scope 3 — Other indirect emissions

To reduce GHG emissions, the Group has energy saving policies including deployment of energy-saving lightings, switching off idle lightings, computers, electrical appliances, and equipment, monitor water consumption, using of recycled paper, encouraging the use of public transport and using telephone or video conferencing as alternatives to business travels to minimise impact on the environment.

With the abovementioned policies implemented, the Group managed to reduce GHG emissions by 17.2% during the year.

Comprising the Group's headquarters, offices and the subsidiaries, the Group's operations cover a total floor area of 2,225 square meter ("m²") and is accounted for 100% of its GHG emissions.

GHG Emissions

The total net GHG emissions generated by the Group were 147.61 tonnes of carbon dioxide equivalent ("tCO₂-e") (mainly carbon dioxide, methane and nitrous oxide) (2018: 178.22 tCO₂-e). With the total audited area of 2,225 m² (2018: 3,440 m²) the total annual emission intensity due to energy usage was 0.066 tCO₂-e/m² (2018: 0.052 tCO₂-e/m²).

The following table illustrates the carbon footprint of the Group:

Scope	Sources of GHG emissions	2019		2018		% change
		GHG emissions* (in tCO ₂ -e)	Distribution	GHG emissions* (in tCO ₂ -e)	Distribution	
1	Mobile — Unleaded gasoline consumed by the Group's motor vehicles	15.81	10.71%	23.00	12.91%	-31.2%
2	Purchased electricity	122.22	82.80%	145.94	81.89%	-16.25%
3	Disposal of paper waste	8.53	6.49%	8.07	5.20%	+3.23%
	Fresh water processing	0.72		0.86		
	Sewage water processing	0.29		0.35		
	Sub-total:	9.58		9.28		
Total GHG emissions		147.61		178.22		-17.18%
Carbon emission intensity		0.066 tCO₂-e/m²		0.052 tCO₂-e/m²		+26.92%

* The GHG emissions are calculated according to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

Air emission

Due to the business nature, no substantial hazardous waste was produced by the Group during the Reporting Period. Whereas air emission generated by the Group’s motor vehicles is listed in the following table.

Types of Emissions	Emission Data
Sulphur oxides (SO _x)	0.0984 kg
Methane (CH ₄)	1.6944 kg
Nitrous oxide (N ₂ O)	7.4002 kg

Hazardous and Non-hazardous Waste Reduction

Due to the business nature, no substantial hazardous waste was produced by the Group during the reporting period. Paper and its related stationary were the only non-hazardous waste generated by the Group. It was recorded that approximately 1,776.82 kg of paper (2018: 1,680.60 kg) was used in the offices for administration purposes. Paper waste was collected by the building management for recycling and disposal. Employees are practicing double sided printing and actively using digital technology to replace papers.

During the year, the Group has noted an increase in the use of paper by 5.7%. The Group will continue to monitor its paper reuse and recycling efficiency to reduce usage and disposal.

2.3. Resources Conservation

Energy Consumption – Electricity

The total electricity consumption was 137,533.32 kilowatt-hours (“**kWh**”) (2018: 155,013.13 kWh), it was attributed to the electricity usage of lightings, air-conditioning, electrical appliances and equipment. With the total operation area of 2,225 m², the energy intensity was 61.81 kWh/m². The Group has adopted various management measures including the use of energy saving lightings and switching off idled air-conditioning, lightings and equipment to reduce energy use.

During the year, the Group managed to reduce its energy consumption by 11.3%.

Fossil Fuel Consumption – Gasoline

The Group currently owns 4 motor vehicles and such were run by unleaded petrol. A total of 6,697.1 litres of unleaded petrol (2018: 8,495.33 litres) were being used by the Group’s motor vehicles. While the Group encourages its employees to travel by public transportations, other measures such as regular vehicle maintenance are conducted to ensure that our vehicles are running at optimum efficiency. Use of electrical vehicles will be considered in the future.

Water Consumption

The total water consumption of the Group was 1,693.38 m³ (2018: 2,033.28 m³) and was mostly comprise of drinking water by employees. The water usage of the Group's headquarters and its office in Beijing's were not recorded as it is included in the management fee and the Group did not have the relevant information. Nevertheless, the Group is committed to minimising its water consumption to the best of its capabilities to conserve this precious natural resource.

There is no issue in sourcing water that is fit for purpose whereas the Group considers its water consumption level is reasonable.

During the year, the Group managed to reduce water consumption by 16.7%.

The Group targets to have a net decrease on water and electricity consumption next year by implementing the measures as shown above.

Packaging Material

There is no applicable data of packaging material as we do not involve the use of any packaging material in our operation except for those used in courier or postage.

3. EMPLOYEES AND WORKPLACE PERFORMANCE

3.1. Employment Policies and Compliance

Employees are regarded as the Group's valuable assets as they play a vital role in providing good and quality service experience to our customers. Human resource is the key to the Group's future development and success. The Group aims to provide a healthy, happy and harmonious workplace by ensuring their rights and well-being. As at 31 December 2019, the employee composition of the Group is listed in the following table.

Employee Structure		2019	2018
Total number of employees		134	133
		Distribution%	Distribution%
By Gender	Male	65.7%	70.7%
	Female	34.3%	29.3%
	Sub-total:	100%	100%

Employee Structure		2019	2018
		Distribution%	Distribution%
By Age	18-25	18.6%	24.0%
	26-35	47.8%	47.4%
	36-45	23.9%	21.8%
	46-55	9.0%	5.3%
	56 or above	0.7%	1.5%
	Sub-total:	100%	100%
By Geographical location	Hong Kong	2.2%	4.5%
	China	97.8%	95.5%
	Sub-total:	100%	100%

3.2. Labour Practices and Compliance

The Group complies with the laws and regulations relating to employment, child and forced labour practices. A competitive remuneration and benefit package are structured to encourage a positive and stable workforce with a wide range of additional benefits such as medical and dental insurance, educational allowance, meal allowances and performance bonus. The Group's recruitment procedures are strictly abided by the guidelines as set out by our Human Resource Department, so that suitable candidates are hired in accordance to the job requirement and candidates' expectation. During the Reporting Period, there was also no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration against the Group.

3.3. Occupational Health and Safety Policies and Compliance

Ensuring the occupational health, safety and well-being of its employees is important as human resource is one of the Group's most valuable assets. In compliance with related occupational health and safety regulations in Hong Kong and PRC, instructions and guidelines on employee's health and safety precautions are developed and communicated to maintain a healthy and safe working environment for employees. During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations and there was no work-related injury.

3.4. Development and Training Policies

The Group adopts a policy aiming to create an environment of continuous improvement in which employees are encouraged to pursue excellent performance at work and career development. The Group provides equal opportunities for employees in respect of recruitment, training and development, and job advancement. Besides, the Group encourages lifelong learning and offers educational allowances to its employees for knowledge enhancement and career development. The objective of the Group's human resource management is to reward and recognise performing employees by reviewing their salaries and wages through the annual performance appraisal system based on employees' performance, experience and qualifications.

During the year, our senior management has dedicated approximately 50 hours in participating in training and development.

In relation to directors' training, the Company provides study materials for directors to self-study at their own pace. Study materials of the Listing Rules, and The Codes on Takeovers and Mergers and Share Buy-backs were provided to directors in this regard.

4. SOCIAL PERFORMANCE

4.1. Supply Chain Management

The Group's procurement policy is to ensure that products and services are procured in an honest, competitive and transparent manner. Conscious attention is being paid to the selection of suppliers of product and services. The Group believes that a strong establishment of a cooperation relationship with suppliers would enhance the continuous improvement on the Group's operational flow and service quality.

Products and services suppliers are selected based on tender terms and selection criteria including product quality, price stability, delivery arrangement, customer service quality and payment terms. Sourcing for supplies is generally executed by the Group's Procurement Department and there is a total of 170 selected suppliers in the approved suppliers' list. The Procurement Department would regularly review the performance of the suppliers and communicate the updated suppliers' list to employees.

During the Reporting Period, the number of suppliers by geographical location is as follows:

By geographical location	Number of suppliers
Hong Kong	36
China	134
Total	170

4.2. Product Responsibility and Quality Assurance

The Group is committed to providing high quality and responsible services to its customers. To formalise the commitment, the Group's policy requires suppliers, who would want to join its E-procurement platform, to register and provide all necessary business information such as their business license, address and the legal representative of the business entity before they are being granted a website security certificate to be listed on the E-procurement platform. On the other hand, a quality guarantee deposit is given to its E-procurement customers for after sales service quality assurance purpose. Besides, system training and technical support are provided on a customer need basis. A customer service hotline is also available to take enquires and feedback from customers. These valuable feedbacks can sustain a long-lasting relationship between our customers and the Group. During the Reporting Period, there was no significant complaint received in the service quality and delivery. The Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to product responsibility.

Protecting Intellectual Property Rights

The Group registered its corporate logo and domain names as they are important to its brand and corporate image. The Group complies with the intellectual property (the "IP") rights regulations. During the Reporting Period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

Consumer Data Protection and Privacy

The Group's code of ethics stated the requirement of employees to ensure the safekeeping of all personal data, trade secrets and proprietary information they have accessed to or collected from customers, suppliers and business partners. The Group complies with the Personal Data (Privacy) Ordinance and is strictly abided by the regulation in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and confidentiality.

4.3. Anti-corruption

To uphold and promote the highest standards of ethical corporate practices and integrity when engaging in the Group's business activities, we adopted the code of ethics guidelines which stipulated that all employees including the directors must comply with the applicable laws and regulations with regards to corruption, extortion, fraudulent activities and conflict of interest in every legislation in which the Group operates. Directors and employees should not offer to, solicit or accept anything of material value from their colleagues, customers, suppliers or competitors of the Group to ensure businesses are conducted in an honest and fair manner. The Group complies with relevant laws and regulations of anti-corruption law of Hong Kong, Criminal law of the PRC 《中華人民共和國刑法》 and the Anti-Unfair Competition Law of the PRC 《中華人民共和國不正當充競爭法》.

Preventive Measures and Whistle-blowing Procedures

The Group's whistle-blower policy enables our employees to report suspected corruption, fraud, misconduct, conflict of interest, malpractice, coercion or harassment in strict confidence. These acts, if proven, would result in disciplinary action including dismissal. All suspected frauds will be investigated by the Audit Committee in strict confidence. Employees are given a copy of the Group's code of ethics so that they understand their obligation to adhere to the ethical standard of the Group. During the Reporting Period, there was no related fraudulent cases reported against the Group.

4.4. Community Care

The Group does not have a specific policy on community care but recognises the importance of corporate social responsibility. The Group is committed to conducting business in every aspect to minimise any potential environmental and social impact to its stakeholders, especially its employees and the community members. For the year ended 31 December 2019, the Group has made a donation to a charity organisation focusing on education to the general public. The Group has been and will continue to explore opportunities in contributing to educational and environmental related programs in future charity or community events to play a part in making a difference and strengthening the Hong Kong community.