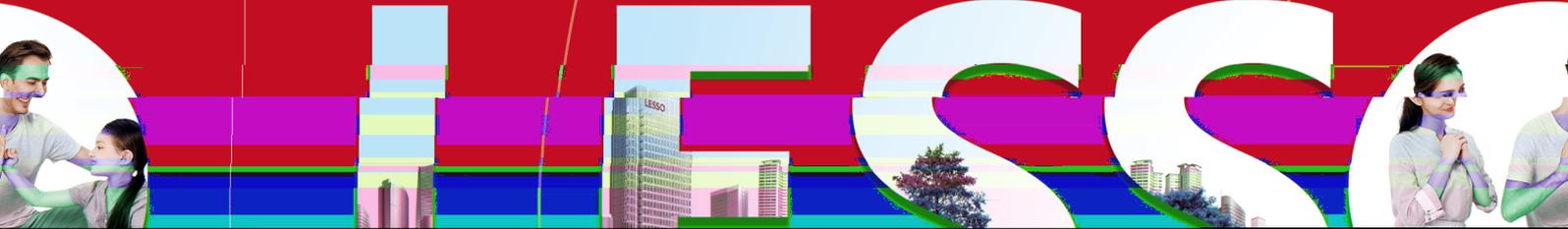


# LESSO 联塑

CHINA LESSO GROUP HOLDINGS LIMITED  
中國聯塑集團控股有限公司

Incorporated in the Cayman Islands with limited liability  
於開曼群島註冊成立的有限公司

Stock Code 股份代號 : 2128



This is the fifth corporate social responsibility (CSR) report by China Lesso Group Holdings Limited and its subsidiaries. The report systematically explains the Group's philosophy of corporate social responsibility, its practices and performance in fulfilling its corporate social responsibility towards shareholders, customers, business partners, the environment, employees and society for the year 2019, and the Group's outlook for its endeavors.

### Period Covered by this Report

This report principally covers a period from 1 January to 31 December 2019, and part of both the previous financial year and the year 2020.

2019 1 1 2019 12 31

### Scope of this Report

This report covers the performance of China Lesso Group Holdings Limited and its subsidiaries, but does not include that of its overseas subsidiaries.

### Definitions

For the sake of optimal expression and readability, "China Lesso Group Holdings Limited and its subsidiaries" are alternatively referred to as "China Lesso", "Group", "Company" or "We" in this Report.

### Basis of Preparation

Most of the information disclosed in this report was prepared in strict compliance with the *Environmental, Social and Governance (ESG) Reporting Guide* of The Stock Exchange of Hong Kong Limited and was published as required by *GRI Standards* of Global Sustainability Standard Board.

ESG  
GRI  
GRI Standards

### Information Description

All data disclosed in this report come from the official documents, statistical reports or relevant public information of the Company. The Company guarantees that this Report is free from any false records, misleading statements or material omissions.

# CHAIRMAN'S MESSAGE

Economic growth in China continued to slow down in 2019 in the face of mounting uncertainties worldwide. However, the drastic changes in the marketplace created an ideal opportunity for companies to prove their organic strengths and achieve new successes. In 2019, as a leading large-scale industrial group that manufactures building materials and interior decoration products in mainland China, China Lesso adhered to the brand culture – "building a relaxing life for residents", and fulfilled its responsibilities as a corporate citizen seizing opportunities in the new era, while deepening the connotation of "quality Lesso products". Meaningful connections between the Company and its clients, the environment, business partners and local communities have been established relying on high-quality products and services, more eco-friendly corporate operations, more forthright partnerships, more thoughtful staff care services, and more effective measures aimed at promoting the public's well-being. Thus, we shaped a harmonious symbiotic relationship and built a better future together with stakeholders.

**Quality Products and Services that Connect Us with the World.** Adhering to a core branding strategy focusing on "quality, platformisation and globalisation", we broadened our market reach along the industrial value chain, and continuously built on our core competitiveness. We further developed the technological innovation management system, accelerated commercialisation of innovation project findings, and drove corporate development through technology innovations. We tightened up quality assurance operations, developed high-quality, innovative and practical products, and continued to enhance the standard of one-stop services, with the aim of making life easier and more enjoyable for consumers worldwide. We actively developed the modern agriculture business, supported national strategies such as Beijing-Tianjin-Hebei integrated development, put forward integrated solutions on infrastructure construction in the Xiongan New Area, and contributed to major construction projects such as the Beijing Daxing International Airport and to the sustainable development of Chinese cities.

**Environmental protection that connects us with nature.** Climate change poses a serious challenge to the sustainable development of mankind. We are fully

2019

aware of this challenge, and have continuously built on the Group's energy and greenhouse gas management capabilities. We rigorously implemented multi-dimensional and full-process environmental management policies to reduce pollutant emissions and resource consumption, continuously promoted the Green Office campaign, and contributed to the sustainable development of enterprises and the environment. We actively advocated green concepts, and organised public welfare events on environmental protection leveraging our competitive advantages in the environmental protection industry, joining hands with other members of society to build a green ecosystem.

**Harmonious relationships that connect us with the society.** Upholding the "people first" principle, we have safeguarded the basic rights and interests of employees, paid due attention to their career development, and promoted their physical and mental well-being to create a strong sense of happiness. We fostered mutually beneficial and win-win partnerships, continued to improve supplier management, and achieved mutual development with suppliers and distributors by introducing a points-based distributor management systems, offering lectures for clients and organising conferences for distributors. We cemented partnerships with higher education institutions, and actively promoted industry development to lay the groundwork for win-win development for all parties involved. We facilitated efforts to improve infrastructure in poor areas relying on our own strengths, sought to eradicate poverty through education, and organised charity and volunteer services, in line with our commitment to building a more harmonious and better society.

Looking ahead to the future, guided with the service philosophy of "improving the quality of life in cities", we will forge ahead and continuously build on our CSR fulfillment capabilities through concerted efforts and based on thorough analysis of the needs of different stakeholders, seizing opportunities brought by national policies and infrastructure construction projects. We will pay due attention to the opinions and suggestions of people from all walks of life, and make further contributions to the sustainable development of the Chinese society!

# ABOUT US

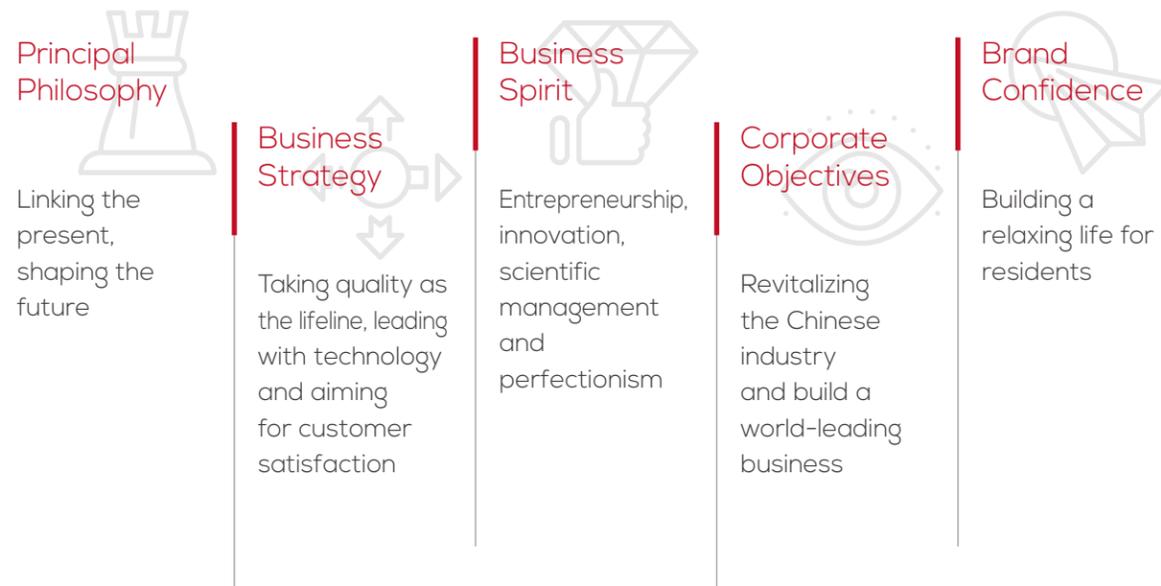
## Company Overview

China Lesso Group Holdings Limited (stock code: 2128.HK) is a large-scale industrial group that manufactures building materials and interior decoration products in China. The Company was listed on the main board of the Stock Exchange of Hong Kong Limited (SEHK) in June 2010. Headquartered in Shunde, Guangdong province, the Group has more than 80 subsidiaries (in which it owns a controlling shareholding) and 27 main production bases in 16 provinces across China and in Indonesia, etc.

The Group's products are classified into four business categories, namely piping systems (a full range of plastic pipes and pipe fittings applied to such fields as water supply, drainage, power supply and telecommunications, gas transmission, household furnishing, floor heating, fire service and agriculture), building materials and interior decoration products (including sanitary fittings and ware, integrated kitchens, wardrobes and doors and windows, and water purifiers), environmental protection (covering a diverse range of businesses such as wastewater, waste gas, solid waste and hazardous waste treatment and disposal, soil remediation, environmental testing, technical consulting services, specialized operation of environmental protection facilities, marine environmental protection, environmental protection investment and basic scientific research), and specialized market platforms.

2128.HK  
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80 27  
16

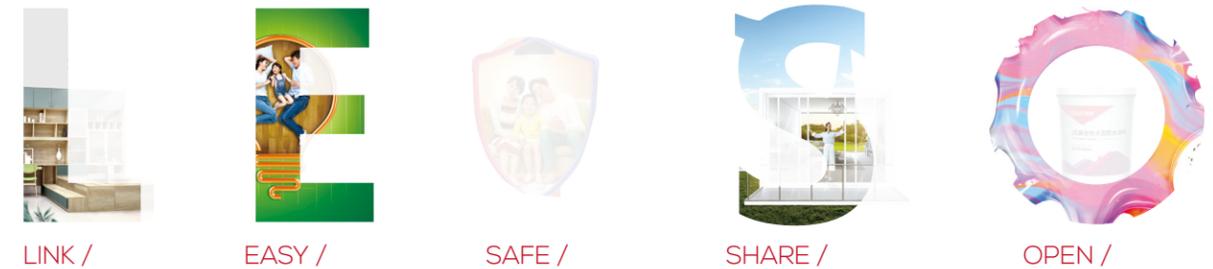
## Corporate Culture



## Brand Architecture

"Lesso" represents such aspects as "Link, Easy, Safe, Share and Open" of China Lesso's corporate culture. The corporate logo in red symbolizes the vibrancy and sustainability of life, and reflects the vitality, passion and prosperity of China Lesso. It also represents our employees' tireless endeavor to build a booming business.

LESSO

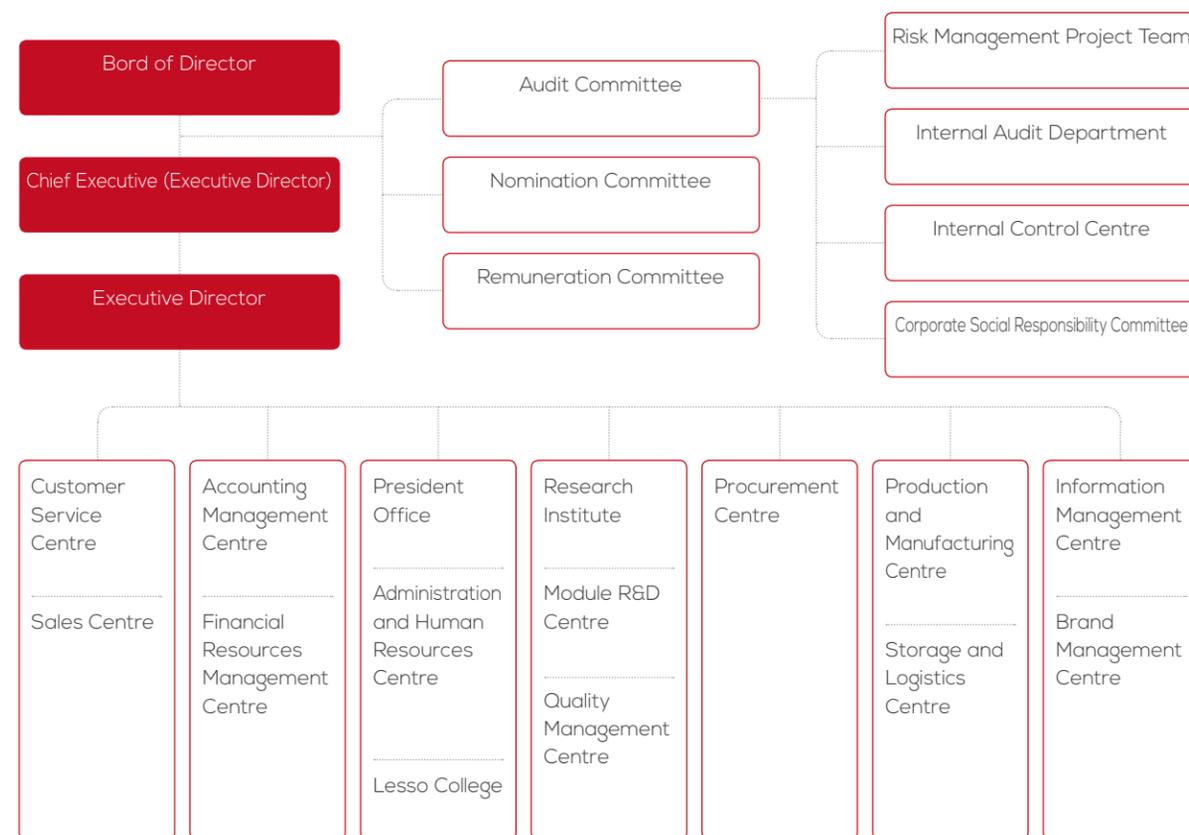


# CORPORATE GOVERNANCE

The Group has established a standardized corporate governance structure, and formulated rules and systems in compliance with the requirements for the Company's development such as the *Articles of Association* and *Director Nomination Policy*, thus perfecting internal control systems and standardizing corporate governance in accordance with requirements of the *Securities and Futures Ordinance*, *Cayman Islands Companies Law*, *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong*, *Company Law of the People's Republic of China* and other laws and regulations.

The Group implements the Chief Executive Accountability System under the Board of Directors (the "Board"). The Board has three subordinate committees - Nomination Committee, Audit Committee and Remuneration Committee, the latter two of which are chaired by an independent non-executive director. For details about the Board of Directors and the committees under the Board of Directors, please refer to the *2019 Annual Report of China Lesso Group Holdings Limited*.

2019



Organizational Structure of China Lesso

## Stepping up Communication with Investors

The Group has established an investor information database to analyze the register of shareholders, and maintained close relationships with investment analysts, portfolio managers and other investors. The Board maintains an on-going dialog with shareholders and investors via regular earnings conferences, general meetings, investor receptions, non-pre-scheduled investor conferences and roadshows organised by various institutions, responsiveness on phone calls and emails, reception of research and investigation personnel and other methods to reinforce connection and communication with capital markets and the management of information disclosure and to enhance transparency. China Lesso held ten Board meetings in 2019.

2019

10

## Anti-corruption and Anti-fraud Campaigns

The Group has formulated an *Anti-fraud Management System* and build an anti-fraud management team to prevent incidents that incur losses on the interests of the Company and our shareholders. It also created many reporting channels for handling complaints and whistleblowing of fraudulent actions. Additionally, the Group has been careful to protect the identities and information of whistleblowers, and attaches great importance to the confidentiality of the information collected by whistleblowers for reporting. The Group received three corruption/fraud-related reports in 2019.

2019

3



## Risk Management

The Group formed a risk management project team, and established a set of risk management systems and policies, including *Contract Regulations, Assets Management System and Capital Management System*, in a bid to efficiently manage the Group's risks, which serve as a reasonable guarantee for the Group's compliance with laws and regulations, assets security, financial reporting as well as the truthfulness and completeness of relevant information. For details about internal control and risk management, please refer to *2019 Annual Report of China Lesso Group Holdings Limited*.

2019

## Internal Audit

The Group conducted supervisory audits on its staff and the employees of its subsidiaries focused on operational and managerial aspects, and engaged a third-party company to revamp internal control processes to improve the level of regulatory compliance of its business operations, pursuant to the *International Standards for Professional Practice of Internal Auditing of IIA, Audit Law of the People's Republic of China, Rules for Internal Auditing of the People's Republic of China* and other law and regulations, and based on the *Company's Articles of Internal Auditing*.

IIA

## Intellectual Property Protection

The Group places great emphasis on intellectual property protection. In 2019, it protected its rights against infringement on the "Lesso" trademark and brand name by means of serving lawyer's letters, complaints to industrial and commercial administrations and appealing to courts, and rulings on long-standing unsolved cases have been enforced, effectively defending the Group's brand image and its customers' rights and interests. Furthermore, a patent incentive mechanism was introduced to summon up development staff's enthusiasm for applying for intellectual property and patents.

# SOCIAL RESPONSIBILITY MANAGEMENT

Taking the establishment of a perfect social responsibility management system as the basis for managing and promoting the performance of its corporate social responsibility, the Group continuously optimised the social responsibility management mechanism as well as the multi-level, multi-dimensional and routinised stakeholder communication mechanism, strove to earn the trust and support of stakeholders based on an in-depth understanding and management of their expectations and needs, and sought to achieve mutual development with them.

## Philosophy of Social Responsibility

The Group is committed to fulfilling its corporate social responsibility and has integrated the relevant practices into its daily business management and operations. While developing its business, the Group fulfills its economic, environmental and social responsibilities.

## Organizational Structure of Social Responsibility

The Group has been improving its corporate organization for fulfilling its corporate social responsibility, implementing a "four-tiered approach" to corporate social responsibility work units and driving the orderly performance of its corporate social responsibility from all angles.

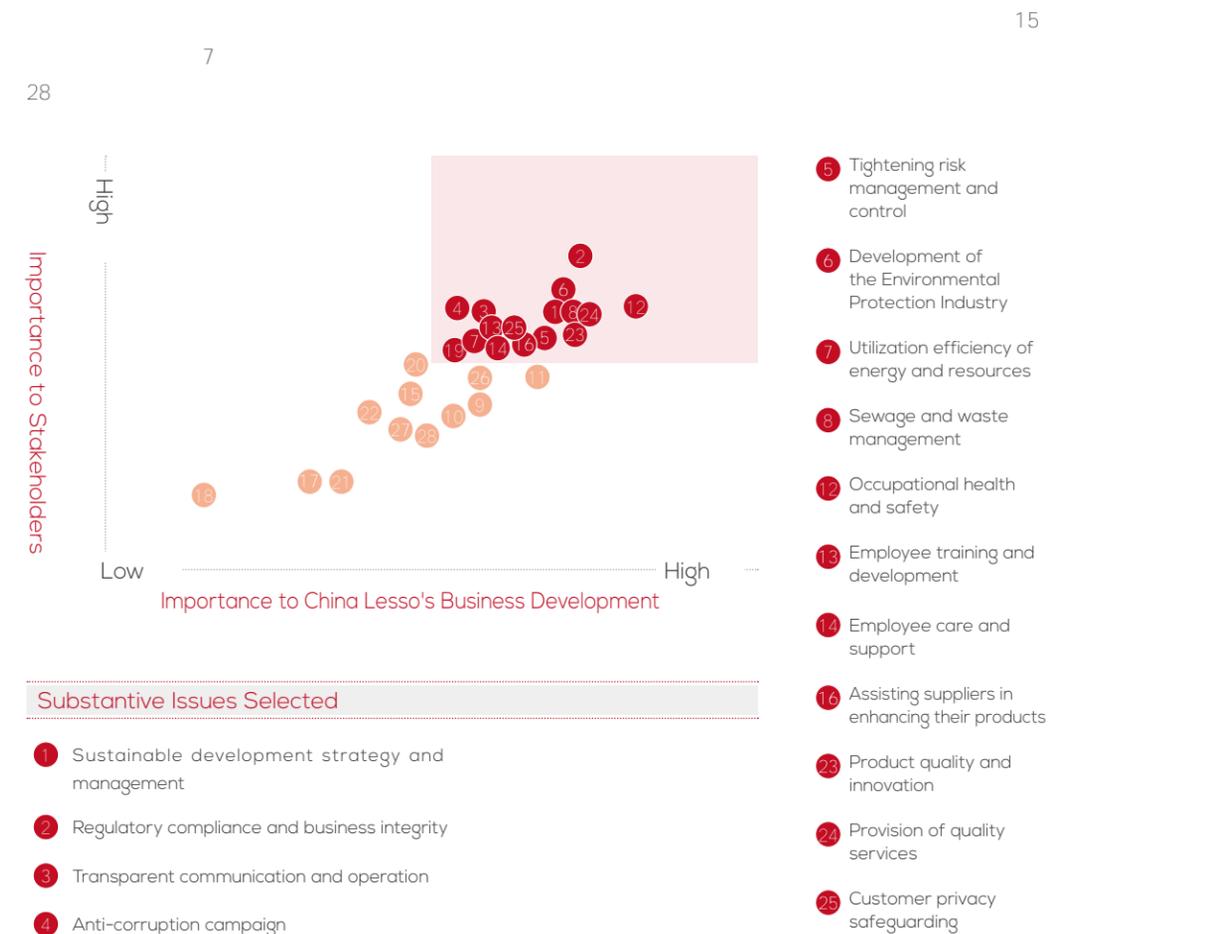


## Communication with Stakeholders

Stakeholders	Expectations and Demands	Communication and Feedback Methods
Employees	<ul style="list-style-type: none"> <li>Protection of legitimate rights and interests</li> <li>Promotion of employees' growth and development</li> <li>Caring about employees' personal well-being</li> </ul>	<ul style="list-style-type: none"> <li>Diversified and equal employment, improvement of the remuneration and benefits system</li> <li>Streamlined career development paths</li> <li>Caring for employees health</li> </ul>
Partners	<ul style="list-style-type: none"> <li>Establishment of a fair and transparent industrial chain</li> <li>Win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of supply chain management</li> <li>Implementation of technical exchange and cooperation</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Returns and growth</li> <li>Risk control</li> <li>Corporate governance standards</li> </ul>	<ul style="list-style-type: none"> <li>Regular disclosure of business information</li> <li>General meetings, investor conferences and Board meetings</li> <li>Steady and solid operation in compliance with laws and regulations</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Poverty alleviation</li> <li>Promotion of community development</li> <li>Volunteer services</li> </ul>	<ul style="list-style-type: none"> <li>Poverty alleviation donations</li> <li>Charitable activities</li> <li>Volunteer services provided by employees</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Product quality guarantee</li> <li>Provision of quality services</li> <li>Honest operation</li> </ul>	<ul style="list-style-type: none"> <li>Strict quality management</li> <li>Improvement of products and services</li> <li>Protection of customer information security</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Energy saving and emission reduction</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Green industry development</li> <li>Green operation practices</li> <li>Environmental governance reinforcement</li> </ul>
Government	<ul style="list-style-type: none"> <li>Operation in compliance with laws and regulations</li> <li>Support for economic, green and sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Tax compliance</li> <li>Active response to national policies</li> </ul>

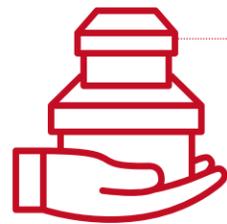
## Analysis of Substantive Issues

In order to further improve the substance of this Report, the Group has surveyed internal and external stakeholders and selected substantive issues from the two perspectives of "the importance of such issues relating to China Lesso's business development" and "the importance of such issues relating to the stakeholders" and disclosed the key points thereof in this report in an effort to respond to the expectations and demands of every stakeholder.



## LESSO HAS BEEN ACTIVELY INVOLVED IN THE FIGHT AGAINST COVID-19

Epidemic control is the top priority, and we are duty bound to make our own contribution. Ever since the virus outbreak, the Group has set up an anti-epidemic leadership group led by the Board chairman immediately in line with the government's call to action, leveraging its unique resources. On the one hand, we assigned workers to assist with the construction of many "Xiaotangshan" hospitals in Wuhan and other areas, and we donated medical materials in serious short supply to support frontline workers in hospitals. On the other hand, we resumed business and production activities in an orderly fashion to ensure reliable supplies of related products and meet the emergency construction needs, fulfilling our corporate social responsibility with concrete actions.



We have donated a total of approximately

RMB **4.02** million

worth of medical masks, goggles, protective clothing and pipes and fittings (as of the end of April 2020)

**402**

2020 4

### Cash and in-kind donations, and patriotism

All people have come together in the fight against the coronavirus, the success of which depends on human effort. All the Group's subsidiaries monitored regional epidemic containment efforts closely, and promptly supported the efforts and contributed to the epidemic control campaign by donating fully integrated supplies to related organizations in areas affected by the outbreak.

### Support hospital construction

Occupying a frontier position in the fight against the epidemic, hospitals play an extremely important role in helping patients and saving lives from Covid-19. Immediately after the outbreak, the Group donated to Xiaotangshan hospitals in Wuhan and other regions HDPE double-wall corrugated pipes, PE, PVC-U, PP-R and other water supply/drainage pipes and fittings and power and communication pipes and fittings such as PVC trunking and pipes, and provided technical support for construction and installation of mechanical equipment, working against time to support hospital construction.

HDPE PE  
PVC-U PP-R  
PVC



Supplies to be delivered to the Leishenshan Hospital in Wuhan



Supplies sent to the Xiaotangshan Hospital in Xian, Shanxi



Under-supplied materials donated to the government of Yunan District, Yunfu

### Donations of medical supplies

All major hospitals were confronted with worsening shortages of medical supplies as the epidemic spread further. Relying on its extensive corporate procurement networks, the Group made appeals to various parties to secure medical protective supplies, and donated substantial quantities of under-supplied epidemic control materials to local hospitals near its headquarters and the government of the Yunan District, Yunfu, offering solid support on supplies for epidemic control efforts.

### A model corporate citizen in facilitating business re-opening

Epidemic prevention and containment require swift actions as well as holistic planning. The Group resolutely enforced epidemic prevention and control policies, tightened up relevant management and control measures pursuant to arrangements made by the local government, and supplied anti-epidemic materials, pushing forward orderly re-opening of businesses while ensuring the personal safety of our employees.

### Safe return of employees

The Group arranged for employees to return to work in batches at staggered times to avoid cross-infection on their way back after the extended Chinese New Year holiday. Vehicles were hired to send employees back to workplace, and personnel files were managed for staff members returned from other provinces employing the "one handbook per person" model to ensure safe and orderly resumption of business and production activities.



Employees returning to work on hired vehicles



An epidemic prevention check point at the plant entrance

### Orderly production

During the Covid-19 outbreak, the Group has offered effective guidance on epidemic control and work resumption to raise the employees' awareness of the importance of epidemic prevention and containment measures. We conducted regular cleaning and disinfection inside factories on a daily basis, and adopted rigorous management measures among on-the-job employees such as body temperature monitoring and staggered lunch breaks, effectively enforced job-accountability among main entities responsible for epidemic prevention and control, stepped up relevant publicity efforts, and actively restarted business and production operations in an orderly fashion while ensuring work safety and effective epidemic control.



Production activities restarted in an orderly fashion, with effective control implemented across the different stages of the production process from raw materials all the way through to finished products



Adhering to a core branding strategy focusing on "quality, platformization and globalisation", the Group has always benchmarked its technology development efforts against the international standards in its pursuit of innovation-driven growth, promoted production process management and control in a deep-going way, and provided clients with increasingly diverse products and services offering the optimal price-performance ratio, in line with its commitment to reviving home-grown industries and establishing itself as a world-class conglomerate.

- Customer satisfaction: 99%
- 230 patents were filed
- 51,359 person-times of safety awareness training activities were organised

• 99%

• 230

• 51,359

## QUALITY PRODUCTS AND SERVICES THAT CONNECT US WITH THE WORLD

## Product innovations

Innovation is what motivates businesses to deliver sustainable development. The Group ratcheted up technology research and innovation efforts to consistently improve product quality, and diversified product lines to meet the actual needs of different consumers, with the aim of making life more enjoyable for people across the world. In 2019, the Group invested a total of RMB 856 million in research and development and technological innovation initiatives.

2019  
8.56

### Forging Innovation Ability

Upholding the branding philosophy of "entrepreneurship, innovation, scientific management and perfectionism", the Group has continuously revamped the technology innovation management system, boosted the development of scientific research and innovation platforms, achieved highly efficient allocations of internal and external innovation resources, and built on the team of innovative professionals, injecting fresh momentum for business development.

#### Enhancing R&D management

We further developed the R&D management system with the launch of the third phase of the product lifecycle management initiative, introduced the project management model, and improved management efficiency through the integration with the OA system and the addition of reporting functionality.

OA

#### Building an R&D platform

With the establishment of the "Workstation for Academicians and Experts in Guangdong", we carried out a full range of basic and applied studies on materials, equipment, and processes to improve the overall technological standard of the plastic pipe industry, focusing primarily on the key technologies of plastic processing and molding and generic issues in the industry, unlocking the full potential of the academicians team.

#### R&D team-building

Through collaboration with Academician Qu Jinping of South China University of Technology and his innovative team, we built the "China Lesso Plastic Pipe Workstation for Academicians", and jointly conducted research projects such as the "Two-way Stretching PVC Tube Continuous Forming Technology". During the joint construction of the workstations, China Lesso, Academician Qu and his team co-founded Guangdong Liansu Technology Industrial Co., Ltd. (as the "Professional Degree Postgraduate Joint Training Base" of South China University of Technology) to step up the training human resources for technology innovations.

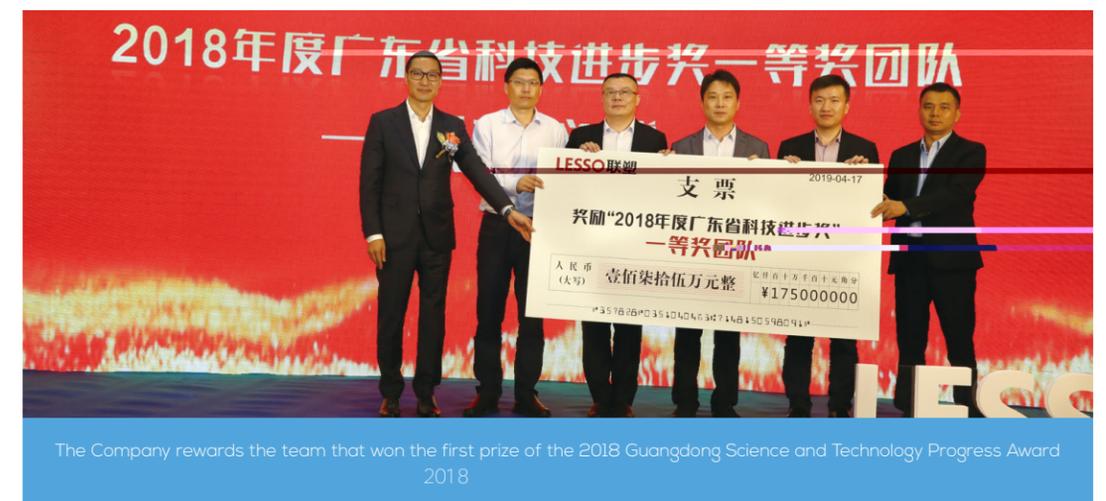
PVC

#### CASE

China Lesso held the Technological Innovation Conference that marks the inauguration of the academicians workstation, the provincial key laboratory, and the Provincial Industrial Technology Innovation Association

China Lesso held the 2019 Technological Innovation Conference at the Group's headquarters in April 2019, marking the inauguration of the academicians workstation, the provincial key laboratory, and the Provincial Industrial Technology Innovation Association. In the future, leveraging these innovation and R&D platforms, China Lesso will play an active role in the development of core technologies, projects aimed at tackling generic issues in the industry and training of high-end professionals, as well as technological cooperation and exchanges, consistently building on its innovation capabilities, and promoting the development of the plastic pipe industry as a whole.

2019 4 2019



## Conversion of Innovation Results

The Group stepped up the conversion of findings of innovation initiatives, promoted new product development on a comprehensive scale, continuously tightened up patent-based protection of independent innovations, and delivered positive results in terms of socioeconomic growth and environmental protection alike through technology innovation.

	Key measures	Applications	Implications
Facility agriculture	Development of square PVC-U cultivation tubes specially designed for facility agriculture.  PVC-U	Soilless cultivation of vegetables and flowers in greenhouses and for home gardening purposes.	Provision of eco-friendly facilities for soilless cultivation.
Floating bridges	Floating bridge overall design, construction, anchoring measures and typhoon prevention solutions.	Maritime tourism.	Stimulating the development of the maritime tourism market.
Mariculture cages	Replacing traditional offshore cage culture with highly intensive deep-sea cage culture.	Mariculture.	Improving the safety level and efficiency of mariculture activities.
Fresh air system	Improved product mix of fresh air systems based on explorations and studies of special ducts of fresh air systems.	Fresh air systems in residential buildings.	Introducing to consumers a lifestyle that combines functionality, convenience, health and safety.

31	patents were granted, out of the 230 patents filed for	230	31
78	invention patents were filed for	78	
31	utility model patents were granted, out of the 150 patents filed for	150	31
2	appearance patents were filed for	2	



The Group received the honorary titles of the **"4th-Batch Manufacturer Champion Demonstration Enterprise" from the Ministry of Industry and Information Technology (MIIT)** and **"2019 National Intellectual Property Advantage Enterprise" 2019**

"Research and Development and Industrialization of High-performance Thick-wall High-density Polyethylene (HDPE) Pipe and Fittings", an innovation project led by China Lesso as the lead developer, won the **first prize of Guangdong Science and Technology Progress Award**  
HDPE



### Appraisal meeting on the "Key Technology for Manufacturing Continuous Glass Fiber Reinforced Polyethylene Composite Pipes and Industrialization Thereof" project

The appraisal meeting on the "Key Technology for Manufacturing Continuous Glass Fiber Reinforced Polyethylene Composite Pipes and Industrialization Thereof" project, led by China Lesso as the lead developer, was held at the Group's headquarters in November 2019. At the meeting, Vice President Dr. Song Keming delivered a summary report on the work involved in the project, research technology, etc. Characterised by fast production speed and high efficiency, the technology was unanimously approved by members of the appraisal panel for reaching the internationally advanced standard.



The Group's leaders pose with the guests for a group photo

2019 11

## Rigorous Production Process Control and Management

Always committed itself to guarantying customer satisfaction, the Group has implemented strict quality assurance measures, and enforced work safety requirements throughout business and production processes all the way from raw material selection, formulation and production through to product storage, honouring its responsibility toward every single production step, product and customer.

### Quality Assurance

Adhering to the quality management philosophy of "Troika"( process, quality and character), the Group has continuously optimised the product quality management system through the introduction of quality-oriented information technology, and consistently reduced the scrap rate, customer complaint rate and return rate through quality tracking. No major quality incident occurred in 2019.

2019

#### Quality Management and Control

- We continued to improve the product quality management system, clarified product quality assessment criteria, and effectively enforced quality-based accountability layer-by-layer.
- We launched the "Quality Safety Month" campaign, and held the Group's production quality analysis conference to further improve our understanding of quality control.
- As regards existing quality issues, we researched into potential solutions, designated employees to oversee rectification activities, and required the relevant departments and workshops to enter into a quality accountability statement to specify post-specific quality management responsibilities for individual staff members.

#### Product Quality Inspection

- We consistently improved various production and testing systems, and performed comprehensive multi-dimensional inspections from the incoming of raw materials, product design and sample creation to production and product delivery. It relies on the three inspection system of "self-inspection, mutual inspection and sampling inspection" to control production and ensure stable product quality.

#### Quality Appraisal

- We rate and assess internal pipeline companies based on product performance assessment indicators every year. Rectification notices are issued to departments failing to deliver the required performance, requesting them to make rectifications.

#### Training of Quality Management Staff

- We provided internal trainings on big data management and practical skills to improve staff members' professional competence.
- We organised "quality revolution" training as well as training activities in leading enterprises jointly with the Light Industry Quality Association to promote communications and exchanges.
- External lecturers were hired to diversify teaching and learning resources.

#### Product Anti-counterfeiting Applications

- Barcode and QR code anti-counterfeit labels are printed on products or packaging materials.
- Pipeline product anti-counterfeit measures have been implemented on a comprehensive scale, and an anti-counterfeiting group was set up to crack down on counterfeit goods, with the introduction of an anti-counterfeiting inquiry system.
- We established product authenticity verification and feedback portals on the Group's WeChat public account, Weibo account and official website, and published anti-counterfeit articles from time to time to encourage consumers to participate in anti-counterfeiting queries.

Percentage of products recalled due to safety or health risk to the total number of products sold: 0%

Investigated and handled 82 anti-counterfeiting cases, including 27 cases in South China and 55 in other regions in the country

Cracked 18 counterfeiting dens, including 6 in South China, and 12 in other regions

0%

82

27

55

18

6

12

### Product Recall Process

The Group has established a rigorous product recall process. For any products identified as unqualified, the Group immediately initiated the product recall process to protect consumers' health and safety with practical actions.

#### The product recall process

If a recall is required after review, the quality control department files a letter of contact and notifies the distributor of information about the recall as soon as possible.

The customer service department stops receiving orders and making deliveries of the recalled products, and the warehousing department arranges personnel to conduct a warehouse inspection and return the recalled products to the production workshop for processing.

The warehousing department records the number of returned products and notifies the quality inspector to conduct inspection and confirmation. The warehouse processes the recalled products within one business day.

The production workshop receives the recalled product and processes the product within one working day, and fills in the relevant receipt.

The quality control department issues a report to the responsible department and asks the relevant departments to take corrective measures.

Recall records are organized and saved and a recall management file is established.

### Work safety

The Group regards work safety as the foundation of the corporation. It has strictly abided by the requirements of the *Work Safety Law* and other relevant laws and regulations, and improved internal safety management systems. In addition, it has consolidated the foundation of work safety, and promoted the safe production culture in order to create a solid safety guarantee for developing the Group into a world-class enterprise.

**713** safety responsibility agreements were signed

**713**

**8,239** safety hazards investigations were conducted

**8,239**

**51,359** person-times of safety awareness training activities were organised

**51,359**

**122** fire emergency drills were organised

**122**

### Improve safety management

- We set up the Safety Supervision Department, which is independent of the entire production system, and required the department to operate in strict compliance with work safety requirements.
- We ramped up investment in equipment improvement and automation initiatives, and compiled operating standards for automated production equipment; and eliminated hidden safety hazards in production processes so as to prevent work safety accidents at source.
- We assembled a special-purpose equipment safety management team to tighten up management of related equipment, and held regular meetings of the team to actively rectify issues detected.

### Work Safety Training

- We developed separate safety training plans for employees in different positions to familiarise them with information about related hazards, possible injuries and the corresponding protective specific to their positions.
- We built venues for empirical training on work safety to further diversify the forms and content of safety education, and help employees improve safe production capacity.

### Work Safety Implementation

- Target-accountability statements were signed, and the work safety accountability policy has been enforced level-by-level.
- We continued to promote the *Work Safety Inspection System*, investigated and eliminated all kinds of safety hazards involved in production operations, and worked to reduce work-related accidents arising from unsatisfactory safety performance of equipment.
- A foolproof method was adopted to improve equipment-level protection, and damages caused to employees by misoperations were avoided by installing fully enclosed protective devices and infrared photoelectric fences.
- We strengthened the construction of the building complex management system to ensure the normal operation of firefighting equipment.

### Dissemination of the Safety Culture

- Regular pre-shift post-shift meetings were held to notify staff members of work safety accidents, and effectively warn them against safety risk.
- We implemented 6SK management (sort, set in order, shine, standardize, sustain, safety and keep healthy) in workshops to create a clean and safe working environment through concerted effort.

6SK 6SK



### Fire safety emergency drill

In June 2019, the Group held a fire evacuation and escape drill in the Chongkou dormitory building, where the fully automatic fire monitoring system was applied for the first time. In addition to review the operation of the existing firefighting facilities and equipment, the exercise raised staff members' fire safety awareness, and improved their self-rescue skills.

2019 6



Fire Surveillance Centre

## Building Quality Life with "Craftsmanship"

Upholding the branding strategy of "building a relaxing life for residents with quality Lesso products", the Group is committed to developing high-quality, innovative and practical furnishing products in line with consumers' actual needs. We will contribute to regional construction and development, making urban living more enjoyable.

### Serving the Lives of Residents

Guided by product value, the Group has never stopped diversifying its pipes, building materials, interior decoration products and other offerings, in line with its commitment to making life easier and more enjoyable for consumers worldwide with high-quality, safe, durable, eco-friendly and easy-to-assemble products.

Water supply pipes, drainage pipes, communication pipes, gas pipes, home decoration pipes, heating pipes, fire pipes and agricultural pipes.

#### Building Materials and Home Furnishing Products

Plumbing and sanitary ware, integrated kitchen and doors and windows, decorative plates, water purifiers, waterproof and sealant, fire fighting apparatus, valves, wires and cables, lighting and sanitary materials.

#### Pipeline Products

A global specialized market platforms integrating furnishing, building materials and consumer products.

**One-stop services:** Covering logistics, warehousing, distribution, installation, consulting human resources, etc. services.

#### Specialized Market Platforms

## Modern Agriculture Development

The Group established Guangdong Lesso Tianying Facilities Agricultural Technology Co., Ltd., which specialises in R&D, production, promotion and application of modern agricultural facilities, greenhouses and irrigation equipment, and supporting facilities, pipes and building materials. In addition, it has engaged in "industry-university-research" cooperation with South China Agricultural University and Guangdong Provincial Centre of Facility Agriculture Engineering Technology Research to provide clients with integrated modern facility agriculture industry solutions, contributing to the modernisation of the agricultural industry.



### Facility Agriculture Projects

Construction of various types of greenhouses, and the creation of the "Five Smart Systems" - greenhouse framework, environmental regulation, seedling cultivation, automated control, and harvesting support. Field surveys are performed based on clients' actual needs to develop integrated standard solutions for intelligent modern facility agriculture businesses.

- Independent R&D and production, and standardization of facilities, pipes, building materials and supporting facilities to make after-sales maintenance services easier to perform.
- Automated supervision system that keeps track of real-time changes in environmental indicators, and controls production operations safely and efficiently.

### Water-saving Irrigation Systems

High-quality automated water-saving irrigation systems, including sprinkler irrigation, drip irrigation, courtyard irrigation, coupling assembly, filter, controller and rainfall sensor series.

- High precision irrigation is achieved using intelligent control systems to ensure reliable water supply, improve quality and increase production.
- Save land resources and labor costs, reduce water consumption, and improve water efficiency.

### Leisure Agriculture

Small soilless cultivation devices (e.g. triangular soilless cultivation racks, PVC vertical soilless cultivation racks, PVC plug-in pipe cultivation racks and balcony wall-mounted cultivation racks) suitable for balconies, courtyards, schools, restaurants and airports. They have a relatively small footprint and are easy to manage.

- A diverse range of products is available to suit different spatial requirements, offering improved user experience and practicality as well.
- Professional cultivation instructions, with after-sales services provided for seedlings, fertilisation and disease prevention and control.

PVC PVC



Scan the code to watch "Made in Foshan - China Lesso Commits Itself to Accelerating the Upgrading of Marine Fisheries through Effective Ecological and Environmental Protection"

### Boosting Regional Development

The Group actively supported Beijing-Tianjin-Hebei integrated development and other national strategies leveraging its product and brand advantages, developed integrated solutions for infrastructure construction in the Xiongan New Area, and contributed to the development of major projects such as the Beijing Daxing International Airport, boosting regional development with premium quality products.



#### Case: Lesso took part in Xiongan Expo with its pipeline products

With the main theme "Qiongan, an Eco-friendly and Smart City", China (Xiongan) Infrastructure Investment and Urban Construction Expo was held in Xiongan county in March 2019. China Lesso brought its pipeline products to the exposition to showcase its latest urban underground piping systems, sponge city, smart pipe network and pipeline products, contributing to infrastructure developing in the Xiongan New Area with fully integrated infrastructure solutions.

2019 3



Lesso brought its pipeline products to the Xiongan Expo

CASE

Lesso products are extensively used at Beijing Daxing International Airport

Relying on its strengths building materials applications, the Group supplied high-quality water supply, drainage and firewater systems at the Daxing International Airport, which played an important role in ensuring the successful launch of the airport.

Reliable water supply at the Daxing airport via Lesso pipes

Lesso PP-R water supply pipes are manufactured with recyclable and environmentally friendly raw materials offering exceptional performance in terms of heat resistance, pressure resistance, energy saving and durability. The products do not produce any heavy-metal or other health-threatening substances, ensuring high-quality water supplies for customers at the airport. In addition, featuring unique electrofusion connection and hot fusion butt technology, Lesso PE water supply pipes are widely noted for reliable connection and low installation costs, and contributed significantly to the successful construction of the airport water supply system at the airport.

Lesso drainage pipes are effectively applied in the Daxing airport

Lesso HDPE Winding Structure Wall Reinforced Pipe (type B) is lightweight, pressure-resistant, corrosion-resistant and easy to use, and offers high-quality interfaces, and a high degree of ring-stiffness, contributing to the secure and smooth drainage system at the airport. Furthermore, Lesso PVC pipes and fittings are essentially lead-free, eliminating the risk of secondary pollution in the airport's drainage system.

Lesso firewater pipes guarantee fire safety at the Daxing airport

Lesso steel wire frame plastic (PE) composite water supply pipe is corrosion-resistant, non-scaling, smooth, heat-resistant and wear-resistant with low resistivity and exceptional quality. It is used for underground firewater supply at the airport and effectively supplies water for fire protection, thus playing an important role in the airport's the fire protection system.

	PP-R	
	PE	
	HDPE	B
	PVC	
	PE	



Lesso pipes are widely applied in the Daxing International Airport

The Ultimate User Experience

Upholding the business strategy of "customer satisfaction first", the Group has continuously improved the workflow of one-stop services, innovated existing service models, and enhanced service quality, ultimately bringing improved user experience to its clients.

One-stop Services

The Group provides clients with one-stop services covering various services before, during and after sales of products. It has consistently improved the standards of such services by assembling professional sales teams, optimizing service processes and diversifying services provided, effectively addressing clients' concerns with high-quality services.

The entire service process



We understand customer needs, collect customer feedback, and develop reasonable and effective product supply and technical service plans, making effective preparations in terms of production, inspection, sales and transportation activities.

We develop teaching plans and easy-to-understand handouts and provide free engineering technical manuals.

We provide satisfactory answers to questions or provide reasonable solutions to customer questions within the shortest time possible.

We adhere to the service concept of "quick response, quality service, transmitting technology and timely delivery", establishing technical support, product quality follow-ups and effective information feedback and improvement mechanisms.

Employees are assigned to work in frontline positions, and products detected with quality issues caused by mishandling or other human errors are immediately replaced or returned to ensure high product quality.

We rush to the scene to solve problems for users.

CASE

"Lesso Classroom for Clients" offers more value-added services for clients

In 2019, leveraging the technological and resource strengths of the online learning platform, the Group brought more training and value-added services to its clients, and introduced new courses on WeChat marketing, business etiquette, dressing tips, workplace communication and communication skills in the "Lesso Classroom for Clients" to empower the clients and bring about long-term, win-win cooperation between them and the Group.



Login page of "Lesso Classroom for Clients"

Expanding Sales Channels

With the concept of cooperation, win-win, intelligence and internationalization, the Group has built a global O2O specialized market platform, shifting from a single offline sales network to a combined online-offline network. Efforts have been made to continuously ratchet up the development and management of offline sales networks, leaving customers with diverse experiences and services.

020

Showrooms in Shopping Malls

These showrooms sell furnishing products and building material to market insiders and general consumers alike, bringing together innovation and creativity to ensure an excellent shopping experience. They are also well integrated into the local communities.

Service Outlets and Warehouse Showrooms

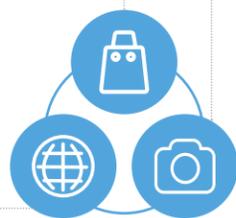
Brick-and-mortar service outlets located across the world that provide pre-sale, after-sales and sales-related services.

**Service outlets:** Convenient transaction points where face-to-face supports such as order fulfillment, communications with suppliers and cross-border shipment tracking, are provided.

**Warehouse showrooms:** As an extension to the service outlets, these showrooms have a special product display section, allowing customers to get a more complete offline shopping experience.

Website

Simple and user-friendly international trade is conducted via the online sales platform.



Protection of Customer Rights and Interests

The Group attaches due attention to the protection of customers' interests and information security, and identifies, understands and satisfies their needs to continuously improve service quality and customer satisfaction.

Responsible Marketing	Customer Feedback	Protecting Customer Privacy
The Group has formulated the <i>Management Measures on Advertising Resources</i> to unify the application specifications of advertising, label use and marketing activities, and insisted on conforming product labeling and advertisement with the requirements of laws, regulations, rules and other regulatory documents, in order to ensure the authenticity and reliability of product promotion to achieve responsible marketing.	The Group listens to customers' voices via telephone, WeChat, email, fax and corporate communication (cc), and timely conveys customer feedback to relevant departments, and continuously follows up feedback until the customer is satisfied.	The Group attaches great importance to customer privacy and information security, strengthens customer information management and guards against customer privacy leakage risks with strict and standardized processes and operational procedures to ensure customer privacy.
	CC	

Customer satisfaction: 99%

Complaints arising from leakage of customer privacy: 0

Valid complaints on products or services received: 15

Customer complaint response rate: 100%

99%

0

15

100%



As globalisation continues to deepen, climate change poses a serious challenge to the sustainable development of mankind. By gradually improving environmental management, practising green operations, improving the utilization efficiency of energy resources, and strictly managing waste discharge, the Group has actively responded to climate change, and effectively passed on the philosophy of green development to the public, contributing to the construction of a "Beautiful China".

- 23.96 million Wh of PV power generated in 2019
- 3.75 million tons of water resources recycled in 2019
- 107,731.24 tons of waste recycled in 2019

- 2,396
- 375
- 107,731.24

Note: The recycled waste includes plastics, engine oil, oil barrels, tinplate cans, etc.

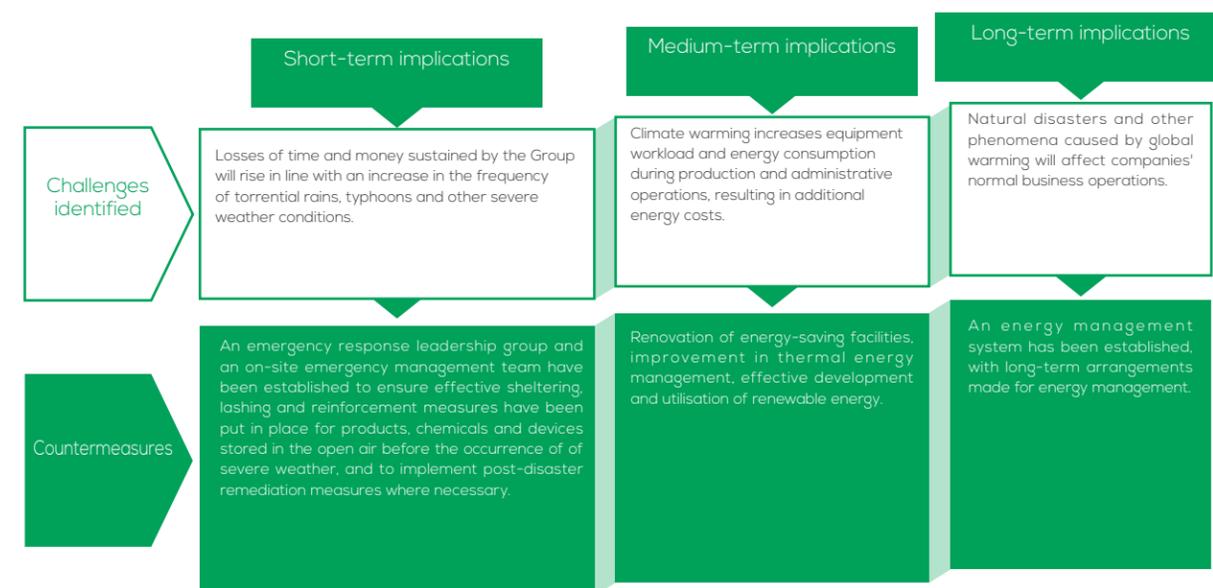
## ENVIRONMENTAL PROTECTION THAT CONNECTS US WITH NATURE

## Responding to Climate Change through Concerted Efforts

In line with the government's appeal to develop "ecological civilization", the Group worked out effective countermeasures to climate change based on a clear understanding of the challenges involved, and continuously built on its energy and greenhouse gas management capabilities to tackle issues caused by climate change in accordance with the *Energy Conservation Law of the People's Republic of China*, facilitating the formation of a community of shared future for mankind.

RMB 14.10 million was invested in production facility transformation projects aimed at reducing energy consumption

1,410



### Energy Management System

The Group compiled and rigorously enforced the *Energy Management Handbook* as well as procedural documents concerning the energy system, built the energy management system, conducted energy management work in a systematic fashion, continuously pushed forward certification of the energy management system, and further systematised, institutionalised and informatised energy management operations. As of the end of 2019, the Group delivered on the overall energy management target of consuming 39 kilograms of standard coal or less per ton of products, and passed the ISO 50001: 2018 energy management system certification.

2019  
39  
/ ISO  
50001 2018

### Energy Consumption Management

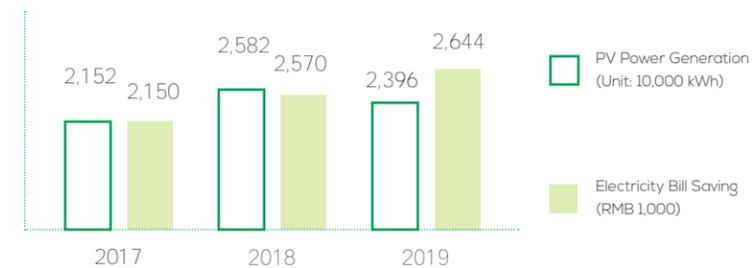
The Group proactively eliminated backward production capacity, replaced high-energy-consumption production equipment in some plants with energy-saving equipment, and reduced heat loss and power consumption by applying cotton insulation in heating parts of the machines; replaced some equipment and motors with servocontrol systems; and installed LED lighting systems in some plants to reduce lighting-related energy consumption.

LED

### Thermal Management

The Group launched the air compressor waste-heat recovery project: By transforming the air compressor room, thermal energy recovered is used for hot water and heating supplies in cafeterias and dormitories, resulting in more effective recovery of thermal energy.

### PV Power Generation and Electricity Bill Savings at the Group (2017-2019)



Note: This year, the basis for calculating PV tariff savings is corrected to the PV tariff bill, so the result is more accurate than in previous years.

### Development of Renewable Energy

The photovoltaic projects of the Hainan and Maoming subsidiaries were completed and connected to the grid for power generation. As of the end of 2019, the installed capacity of the Group's distributed solar power generating units was 23.96 MWh.

2019  
2,396

### Energy Consumption 2017-2019

2017-2019

	Electricity/10,000 kWh	Diesel/Ton	Gasoline/Ton	Natural Gas/10,000m <sup>3</sup>	Lubricating Oil/Ton
	/	/	/	/	/
2017	83,916.55	2,403.09	485.13	358.15	190.37
2018	98,759.51	1,826.64	634.05	499.38	105.82
2019	107,922.78	2,740.50	908.96	311.16	97.64

### Greenhouse Gas Emissions in 2017-2019

2017-2019

	Nitrous Oxide/Ton of CO <sub>2</sub> e	Carbon Dioxide/Ton of CO <sub>2</sub> e	Methane/Ton of CO <sub>2</sub> e
	/	/	/
2017	232.50	449,727.00	3.57
2018	319.26	574,062.61	4.21
2019	485.53	609,140.31	6.05

Note: From 2018 onwards, the statistics scope of GHG emissions has been based on Category 1 plus Category 2 and GWP 310 for NOx and GWP 21 for methane are introduced into the GHG calculations for mobile and stationary sources. Greenhouse gas emissions disclosed in the 2017 report have been recalculated in this report, so the 2017-2019 data can be compared. Category 1 measures direct greenhouse gas emissions from operations owned or controlled by the Group; and Category 2 measures indirect greenhouse gas emissions caused by the electricity externally purchased by the Group.

2018  
310 21 2017  
2017-2019



### Treatment of Wastewater

The Group treats industrial wastewater and domestic sewage separately and discharges them in strict compliance with the *Law of the People's Republic of China on Prevention and Control of Water Pollution* and other relevant laws and regulations, and engages properly qualified companies to process non-recyclable wastewater to avoid water pollution. In 2019, we discharged a total of 2,431,009 tons of domestic wastewater in compliance with the regulations.

2019  
2,431,009

**Canteen sewage:** It is strictly forbidden to wash dishes with phosphorus-containing detergent or pour any residual oil or leftovers from the canteen into the sewage; and domestic waste filtered from the sewage of the canteen is treated in compliance with the *Regulations on Waste Management*.

**Sanitary wastewater:** The operation of toilet facilities should be regularly checked, and septic tanks should be cleaned once a year.

**Rainwater control:** Rainwater control Rainwater collection pipes should be installed to separate rainwater from sewage; and it is strictly forbidden to stack industrial or domestic waste in the open air to prevent the rainwater from being polluted.

### Waste Management

The Group introduced the *Regulations on Waste Management* in strict compliance with the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* and other regulations, rigorously controlled and managed hazardous and non-hazardous waste generated during production and business activities, and minimised the environmental impacts of waste materials by cutting down on their volume and conducting harmless treatment and recycling.

### Amount of Recycled Waste (2017-2019)

	Hazardous Wastes		Non-hazardous Wastes	
	Used Oil Barrels/Ton /	Used Oil/Ton /	Plastics/Ton /	Used Tinplate Cans/Ton /
2017	9.42	122.05	5,874.71	48.14
2018	34.14	33.68	9,942.28	105.78
2019	604.48	15.65	105,989.85	1,121.26

Note: Recycled wastes include not only wastes generated in the year but also wastes properly stored but not disposed of in previous years. In addition, this year the Group has strengthened the monitoring of its subsidiaries' waste recycling statistics, so the scope of waste recycling statistics is more complete than those of previous years.

### Control of Hazardous Wastes

With regard to the treatment of hazardous wastes, the Group has strict control measures in place throughout the entire process of classification, procurement, storage, use, disposal, fixed placement and transfer to qualified third-party companies to ensure regulatory compliance in the disposal of hazardous wastes, and third-party monitoring is accepted; and ink coding has been replaced by laser coding to prevent secondary pollution caused by hazardous waste ink.

The Group produced **6,336** tons of hazardous wastes, and **6,242** tons were disposed of in compliance with the regulations

**6,336**  
**6,242**

Note: Hazardous wastes not being disposed of this year have been properly stored and are to be disposed of in compliance with the regulations.

Hazardous Waste Type	Treatment Method
Used mineral oil	Outsourced to recycling companies, classified storage and recycling.
Used emulsion	
Printer ink and paint	Outsourced to recycling companies.
Mercury-containing waste	
Waste acid, waste liquid from laboratories	
Waste halogenated organic solvents	Outsourced to qualified waste treatment service providers.
Waste organic solvents	
Waste chemical containers, empty cans	
Sludge	

### Treatment of Non-hazardous Wastes

For non-hazardous wastes generated during operation, the Group has entrusted qualified recycling companies for processing or secondary processing to promote sustainable use of resources.

The Group produced **82,505.14** tons of non-hazardous wastes, and **82,004.17** tons were disposed of in compliance with the regulations

Note: Non-hazardous wastes not being disposed of this year have been properly stored and are to be disposed of in compliance with the regulations.

Non-hazardous Waste Type	Treatment Method
Copper scraps	
Leftover bits and pieces of copper composite strips	
Iron scraps, waste aluminum materials	Sold to recycling companies.
Used plastic bags, cardboards, packing materials	
Tin dross, pins and wires of electronic components	
Waste plastics, plastics contained in non-conforming products	Processed as re-grind materials.
Domestic waste	Stored by classification, packed using garbage bags and put into garbage cans with covers, sterilised regularly and delivered to the sanitation department.

### Waste Gas Management

The Group switched to pipeline transportation to control the spread of exhaust gas, adopted fixed-point unloading to ensure centralised dust control, and started to use water-based working paint, in strict compliance with the *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution* and other laws and regulations; used technological means to apply strict management and well-targeted treatment of exhaust gas during the gas generation, propagation, collection, etc. stages, so as to reduce the emissions of exhaust gas, dust and other volatile gases in plants, thereby ensuring compliance with the dust and exhaust gas emission requirements specified in the "Limits on Air Pollutant Emissions" of the Guangdong Province and other national and regional standards, and protecting employees' health and the surrounding environment.

### Greenhouse Gas Emissions in 2019

2019

Waste Gas Type	NO <sub>x</sub>	SO <sub>x</sub>
Emission/Ton	/	2,032.52

Note: The Group accelerated the phasing out of obsolete production capacity during the year, resulting in a significant decrease in emission data as compared to those of previous years.



### Employing new technology to reduce exhaust gas pollution

The Group developed an environmental protection system for VOC waste gas treatment, which collects exhaust gas in production areas and filters the gas through water spray, demisters, activated carbon absorption, catalytic combustion and plasma photocatalytic oxidation to effectively reduce dust in plants. Exhaust gas concentration in the plants has been lowered to below 0.76mg /m<sup>3</sup> as a result.

VOC

0.76 /m<sup>3</sup>

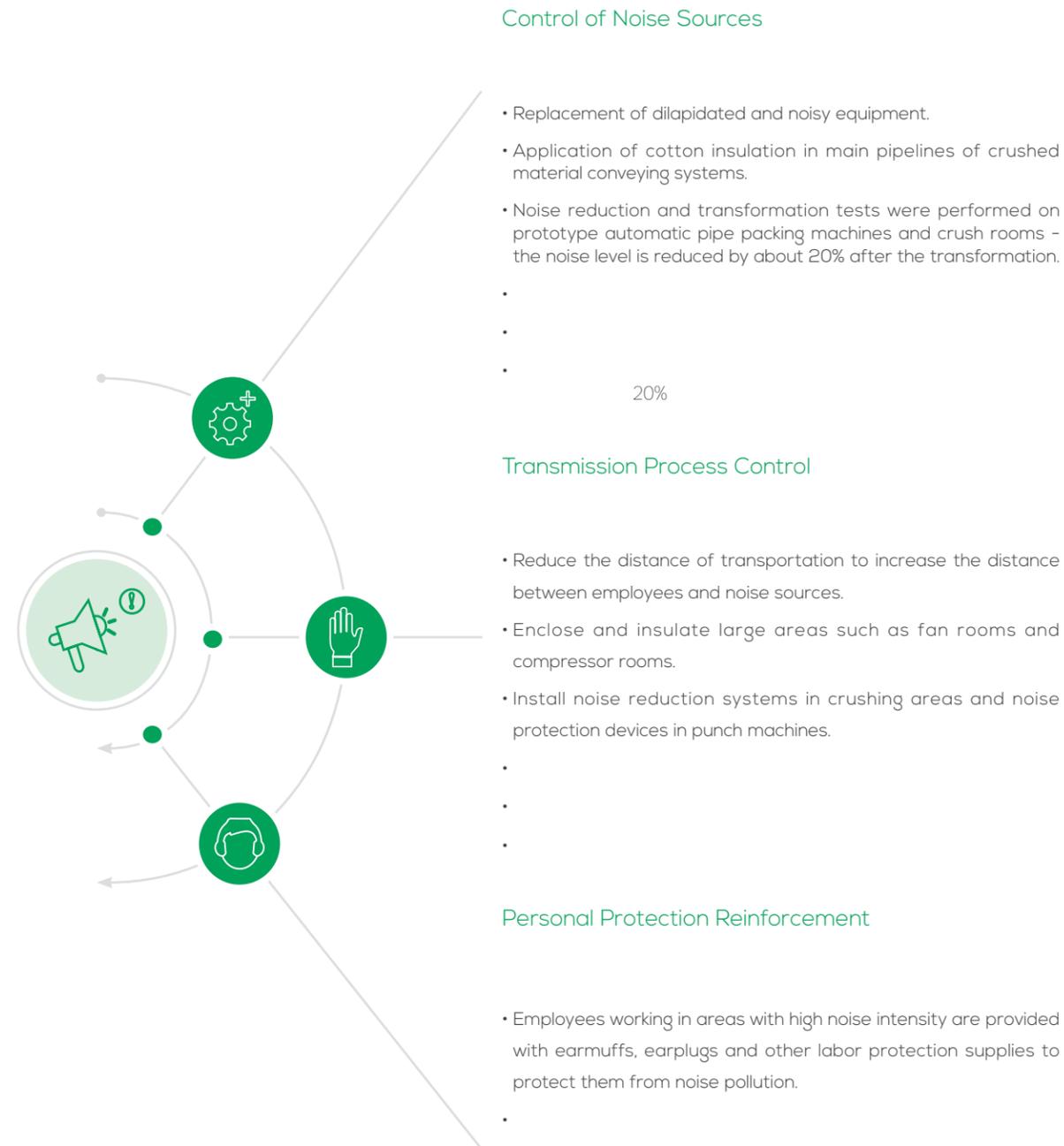


VOC exhaust treatment and environmental protection system

VOC

## Noise Control

Pursuant to relevant provisions of the *Emission Standard for Industrial Enterprises Noise at Boundary*, the Group continuously researched into and piloted various noise reduction solutions to reduce noise pollution from the source, reduce noise during the transmission process, and ramped up personal protection for staff to prevent production-related noise pollution from adversely affecting employees' health or the environment.



## Conservation of Resources

The Group continuously pushed forward resource consumption reducing in production processes and in offices, and promoted green production and green office by recycling production water, reducing packaging materials, and saving office consumables, thus minimising the consumption of natural resources involved in business development operations.

### Water Conservation

The Group pays due attention to the conservation and protection of water resources. It recycles virtually 100% of production water, and has installed a cooling water tower to offset water evaporated during the water cooling and production process, effectively reducing the amount of water resources consumed; and equipped the production water recycling pool with water purification devices to reduce water consumption, and improve water quality and efficiency at the same time.

Annual water consumption: **4,042,900** tons

**404.29**

Water resources recycled: **3,749,800** tons

**374.98**

Note: The Group accelerated the phasing out of obsolete production capacity during the current year, resulting in a significant decrease in water consumption compared to those of previous years.

### Minimising the Use of Packaging Materials

The Group reduces the use of packaging materials by using automatic equipment, implementing packaging-free strategies and recycling waste materials. As a result, the lifecycle of materials has increased, and secondary pollution has been avoided with lower resource consumption. In 2019, 7,488 tons of packaging materials were consumed for finished products.

2019  
7,488

### Green Office

The Group has made effective efforts to promote the "green office" campaign, incorporating environmental protection into routine operations in offices. IT systems and electronic display screens are used in routine communications, notification and production lines to make offices "paperless". Refillable printer toners are used, and the use of toner cartridges has been reduced; employees are encouraged to practise double-sided printing and print informal documents on used paper to save office consumables and effectively improve resource efficiency.

## Building Green Cities

Leveraging its professional strengths in environmental protection, the Group has supported sustainable construction and development of cities, and promoted environmental protection across different sectors of society through concrete actions, boosting sustainable development of society and the environment.

### Development of the Environmental Protection Industry

The Group has actively supported and effectively enforced national environmental protection policies, vigorously developed the environmental protection industry focusing on solid hazardous waste treatment, service project design, environmental testing and water supplies as the main development directions, and provided professional services covering the entire project construction process such as feasibility study reports, environmental impact assessment, environmental protection design, construction, pre-launch commissioning, environmental monitoring and supervision, and clean production audit; established a post-doctoral research station, and received hundreds of patents on core technologies; got actively involved in the formulation of a number of provincial professional standards aimed at reducing waste pollution and creating a highly livable ecological environment.



**HONOURS**

China Lesso won the **"2018 Environmental Innovation Enterprise" award** in recognition for its 100% lead-free PVC pipeline products, which are regarded as a remarkable innovation and contribution to market development

PVC
2018

### Environmental Protection Engineering

The environmental protection engineering design institute affiliated to the Group has been officially qualified as a grade-A environmental engineering design unit and grade-B public utility design unit by the Ministry of Housing and Urban-Rural Development; carried out enterprise - university - research institute joint development initiatives leveraging the unique competitive advantages of Lesso pipeline products, and established an exceptional management team and professional teams, providing environmental engineering services covering many industries ranging from environmental protection design, municipal sewage and industrial wastewater treatment, black and odorous water treatment, comprehensive rural environment treatment, sponge city creation, urban underground pipeline networks, soil remediation, urban water supply and drainage engineering to marine environmental protection.

### Environmental Impact Assessment

Officially certified by the Ministry of Environmental Protection as a grade-B environmental impact assessment unit, the Group's environmental engineering design institute provides planning project and construction project environmental impact assessment report compilation services and construction completion acceptance check-related services for light industry companies and businesses specialising in textile and chemical fiber, chemical and petrochemical medicine, metallurgical machinery, building materials, thermal power, agriculture, forestry, water conservancy, transportation, etc. helping them accurately identify and assess the environmental impacts of proposed projects.



On-site project inspection

### Environmental Monitoring

Guangzhou Huaqing Environmental Monitoring Co., Ltd., an affiliate of the Group, was one of the first third-party testing agencies to receive the CMA qualification certificate in the environmental monitoring service market, and is capable of monitoring more than 1,000 environmental indicators divided into 15 general categories, including water and wastewater, air and waste gas, noise and vibration, soil and sediment, marine sediment, solid waste, ionizing radiation and electromagnetic radiation, securing economic development amid environmental changes.

CMA

15



An environmental monitoring laboratory

## Environmental Consulting Services

The Group's environmental engineering design institute provides a wide variety of professional services ranging from project site compliance and pollution control planning, pollution permit application and development of regional environmental solutions to environmental consultancy services and environmental training during project development and operation, and environmental protection supervision and administration services during and after administrative approval of construction projects. It also offers one-stop environmental advisory services to government agencies at various levels and private and public enterprises alike.

## Treatment of Hazardous Waste

The Group has set up hazardous waste disposal facilities in Yunfu (Guangdong), Hainan, Jiangsu and other parts of China. Its hazardous waste disposal centre in Hainan is the only general hazardous waste disposal centre approved by the state in the Province. The centre is equipped with temporary hazardous waste storage facilities, physical and chemical treatment workshops, and wastewater treatment workshops, with a primary waste processing capacity of 20,000 tons per year.

20,000 /

### CASE

#### Joint development of Lulian Environmental Technology Project to promote the green circular economy

The ceremony for the collective inauguration of major projects in the Hengshanqiao Intelligent Power Equipment Industrial Park (Changzhou, Jiangsu) was held in May 2019, marking the formal launch of Jiangsu Lulian Environmental Technology Co., Ltd. (hereinafter referred to as "Lulian Environmental"). Lulian Environmental, an affiliate of China Lesso, specialises in harmless treatment and recycling of solid waste applying the internationally leading pyrolysis carbonization technology, through co-processing of sludge and industrial solid waste with low and medium value clean energy. Once it reaches the target production capacity, the project will process 300,000 tons of solid waste every year, offering an effective solution to the handling of public utility sludge and general industrial solid waste in the region.

2019 5

30



The inauguration ceremony

## Promoting the Environmental Protection Philosophy

The creation of a "green ecosystem" is dependent on the participation of all members of the society. The Group has promoted the "green development" philosophy toward the public, and organised environmental charity events to advocate green social development, working together with others to build a green ecosystem.

### CASE

#### Lesso lead-free pipelines make life healthier



A poster of the campaign

In line with its commitment to making our society more eco-friendly and making home healthier, China Lesso took the lead in releasing the first lead-free PVC pipes, fittings and profile products, and kicked off a publicity campaign dubbed "A Healthy Life Free of Lead" on video-sharing social network Tiktok to raise the public's awareness of "lead-free pipelines", and disseminate environmental protection knowledge among young consumers, calling on all the people to say no to lead-containing PVC products to protect their health.

PVC

PVC



Enterprises and society have always been closely related, and mutually dependent. Guiding business development with the "people first" principle, the Group is fully committed to supporting and giving back to society, providing its employees with optimal supports, and to making meaningful contributions to the industry and local communications. The ultimate goal is to create a harmonious and enjoyable social ecosystem.

- Total number of staff training hours: 117,039
- Total number of suppliers: 3,644
- Local sourcing rate: 94%
- Investment in charitable events: RMB 7,481,500

- 117,039
- 3,644
- 94%
- 748.15

## HARMONIOUS RELATIONSHIPS THAT CONNECT US WITH THE SOCIETY

## Improving Employee Well-being

Upholding the "people first" principle, we safeguard the basic rights and interests of employees, and pay due attention to their career development. We established a staff growth platform, and fostered their physical and mental well-being to create a strong sense of gain and happiness, with the aim of delivering growth for both employees and the Group.

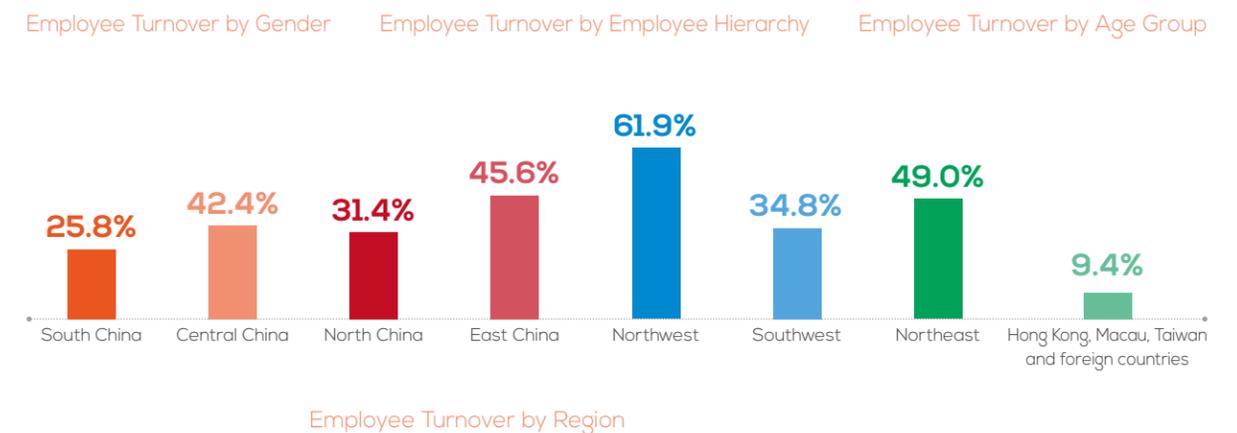
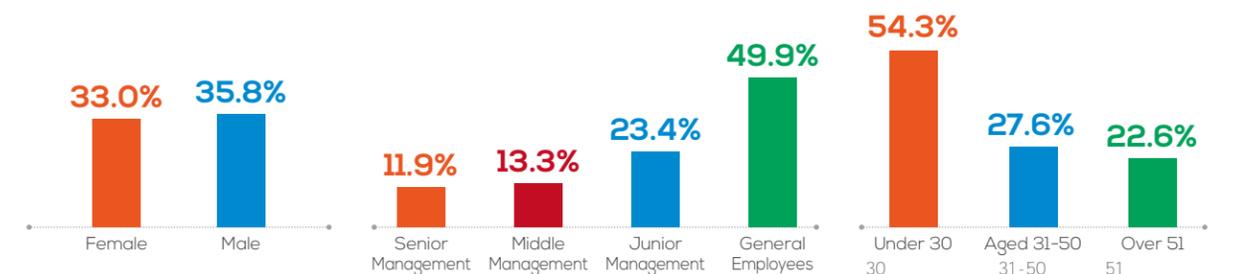
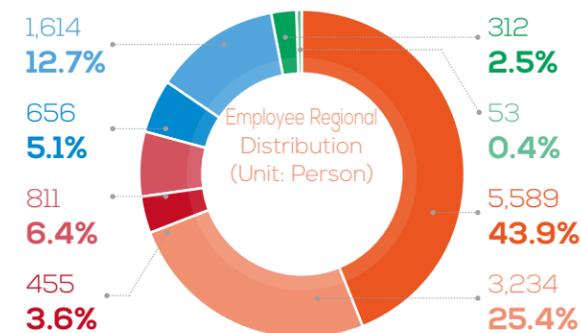
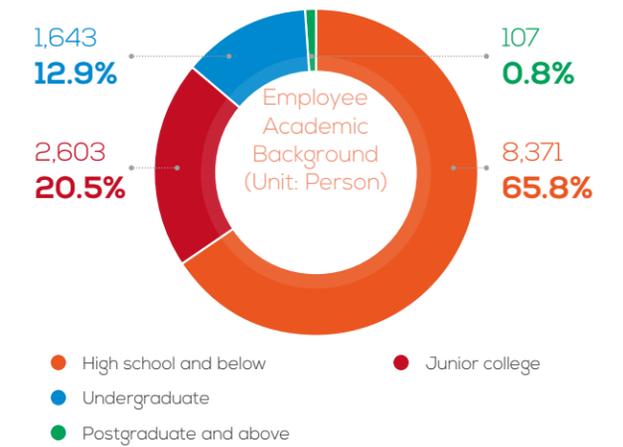
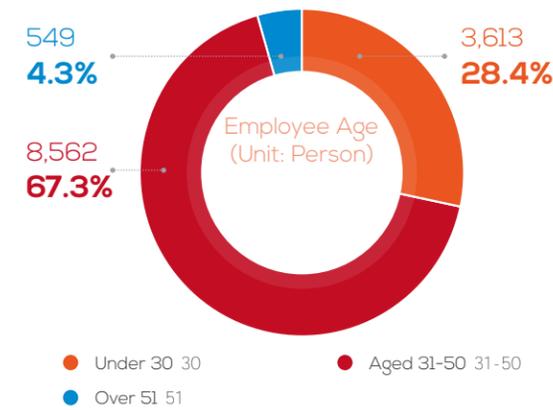
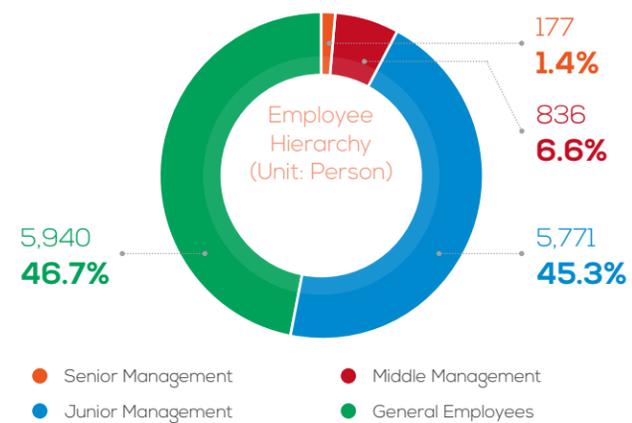
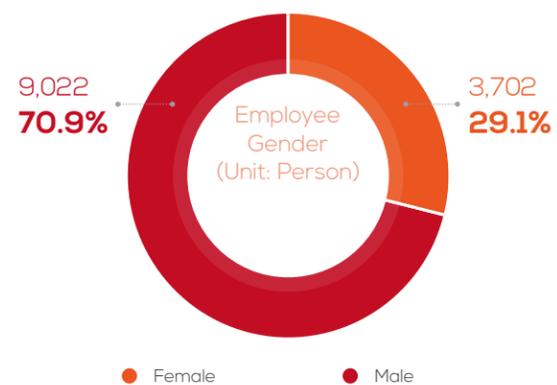
## Safeguarding the Rights and Interests of Employees

The Group has introduced the *Guidelines on Labor Relations Management* in strict compliance with the *Labor Law of the People's Republic of China* and other relevant laws and regulations, safeguarded the legitimate rights and interests of employees, and listened to their voice to create a harmonious employer-employee relationship.

## Diversified HR Structure

Human resources are critical to business development. The Group has attracted talent from various sources to build multi-layered, high-quality professional teams, bringing diverse human resources together to build up momentum for future success.

Total Headcount: **12,724** Person



Note: The employee turnover ratio is calculated as: number of employees belonging to the category left / total number of employees in the category.

### Upholding Employment Equality

Strictly abiding by relevant policies and regulations, the Group has always advocated equal employment focusing on impartiality and openness, and enter into labor contracts with employees based on the principles of equality, voluntariness and consensus. We resolutely put an end to any discrimination against employees due to factors such as age, gender, marital status, disability, ethnicity, race and religious beliefs, oppose any form of child labor and forced labor and strive to create a fair and lawful working environment for employees.

100% employment contracts signed

### Staff Remuneration and Benefits

The Group has formulated the *Remuneration Management Regulations of China Lesso*, in which it rationally states the salary level and a dynamic incentive mechanism to fully motivate employees. We have rigorously enforced national and local social security mechanisms in strict compliance with various laws, regulations and employment policies, paid contributions to social insurance (e.g. medical care, pension, unemployment, work injury and maternity insurance) and supplementary medical insurance for employees, and established multi-level, three-dimensional and comprehensive insurance institutional systems to effectively protect the rights and interests of employees. We have kept abreast of the latest national and local policies on human resources, and sought to secure welfare benefits offered by the national and local governments for the employees - we assisted more than 30 staff members in successfully applying for the "Shunde Talent Card" over the past three years.

100% social insurance coverage

### Democratic Communication and Feedback

The Group has continuously improved the mechanism of equal and open dialogue and broadens the channels for employees to participate in democratic management. By means of employee satisfaction surveys, democratic meetings and staff congress, employees are encouraged to make their voice heard, and participate in corporate governance in an orderly fashion, with efforts made to ensure that employees exercise their rights to know, participate, vote and supervise.

100%

30

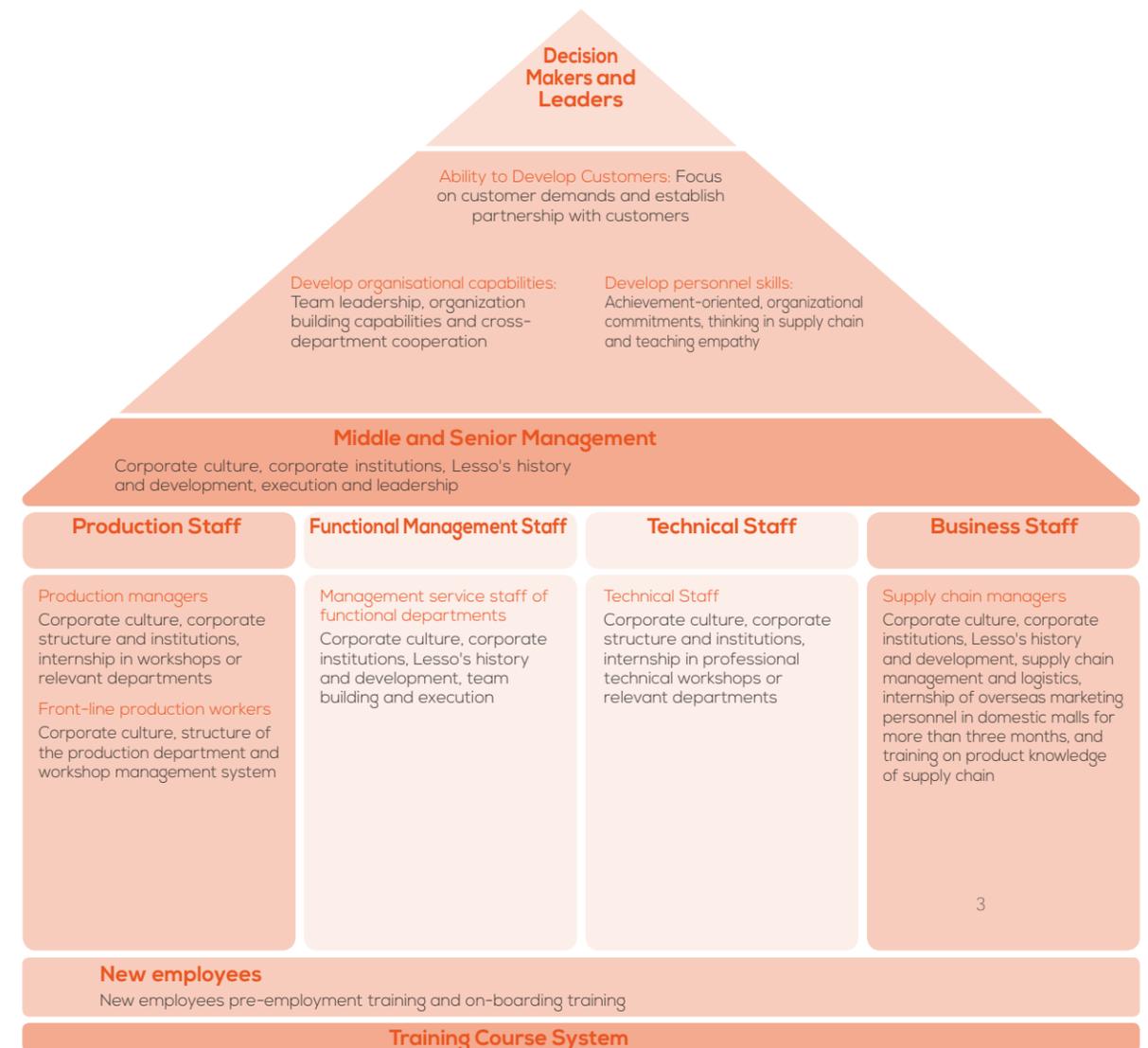
100%

### Building a Career Development Platform for Employees

The Group continued to provide highly diversified training to create a multi-faceted growth platform to meet the career development and personal growth needs of employees, helping them fulfill their full potential and grow together with the Company.

#### Diversified Training for Employees

The Group has established and continuously improved the employee training system, continuously improved the quality of internal trainers, and launched a broad range of training programs allowing staff members to build on their value proposition based on the actual needs of employees based in China and overseas, and improved their professional expertise and qualifications, helping them achieve all-round career development.



Total number of staff training hours: **117,039**

**117,039**



Employee Training by Gender

Employee Training by Type

**CASE**

**Lesso College provides training for internal lecturers**

In September 2019, Lesso College kicked off a week-long "Flipped Course - Learning Practical Skills through Actions", attracting more than 30 in-house trainers from the production centre, customer service centre, department of quality management and the Research Institute. Instead of following the conventional training model where "the trainers teach and the trainees listen", the course is divided into two parts: "hands-on learning" and a "Q&A - feedback" session. The immersive teaching approach allows internal trainers to better understand their roles and responsibilities, keep track of the design and applications of action learning, efficiently and effectively present the value of the course, and get new inspirations and rethink their teaching methods, which in turn positively affects teaching quality.

2019 9

30



Internal trainers working on a new course

**Special Training Programs**

**Lesso Evening Classes:** Lesso College launched evening classes covering 9 major issues confronting the management. The evening courses enable employees to strike a balance between work and in-service training, as well as effectively improving their leadership, execution and communication skills.

9



Lesso Evening Classes

**"7 o'clock English Class":** Lesso College hired staff members who had studied abroad as lecturers to teach their colleagues everyday English required for serving customers. "7 o'clock English Class" has contributed positive to the Group's globalisation strategy.

7

7



Lecturers and trainees in "7 o'clock English Class"

7

**Online training:** Lesso Classroom for Clients offer video lectures covering 86 subject matters including product knowledge and managerial skills; in partnership with Yingsheng University, Lesso School provides staff members with online learning resources, empowering the Group's internal training platform.

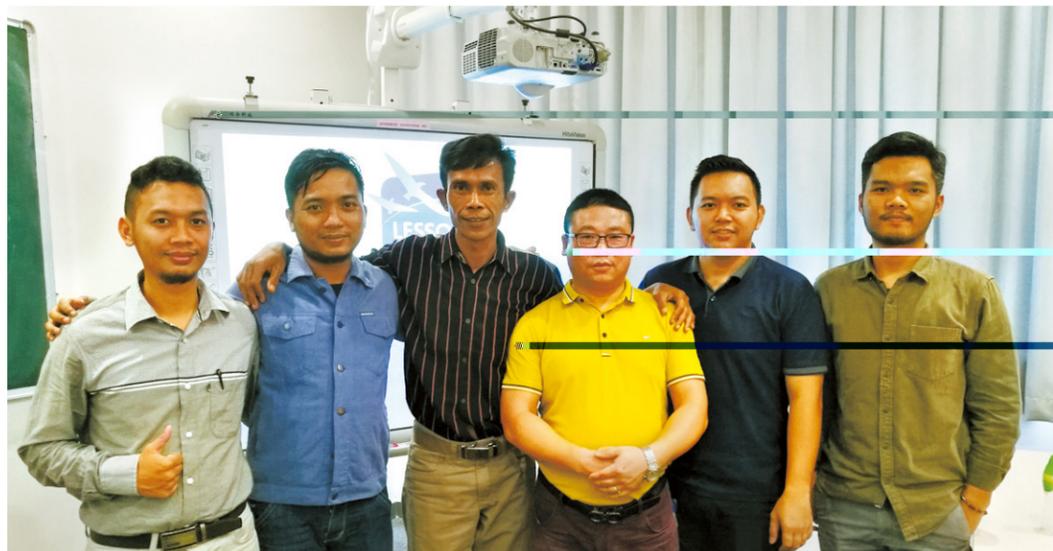
86

CASE

Core staff members from Indonesia trained at the headquarters

A number of core employees from the Group's production base in Indonesia attended a two-month professional training course in August 2019, and on-the-job practical training was also offered. The professional course covers topics such as product raw materials, process procedures, quality testing, standard certification, warehousing and logistics, while the on-the-job practical training sought to develop well-targeted post-specific internship plans based on the trainees functions, with supervision provided by the lecturers. The training effectively improved the professional skills of the trainees and their ability to solve production-related problems, helping them apply the expertise and skills learned in actual business operations. The trainees will work together with the management to effectively develop the Indonesia production base, and build on Lesso's brand awareness among the local public.

2019 8



Core staff members from Indonesia attending a training course at the headquarters

HONOURS

Two employees were officially selected as "**High-tech Professionals with Outstanding Contributions in Foshan**"

2

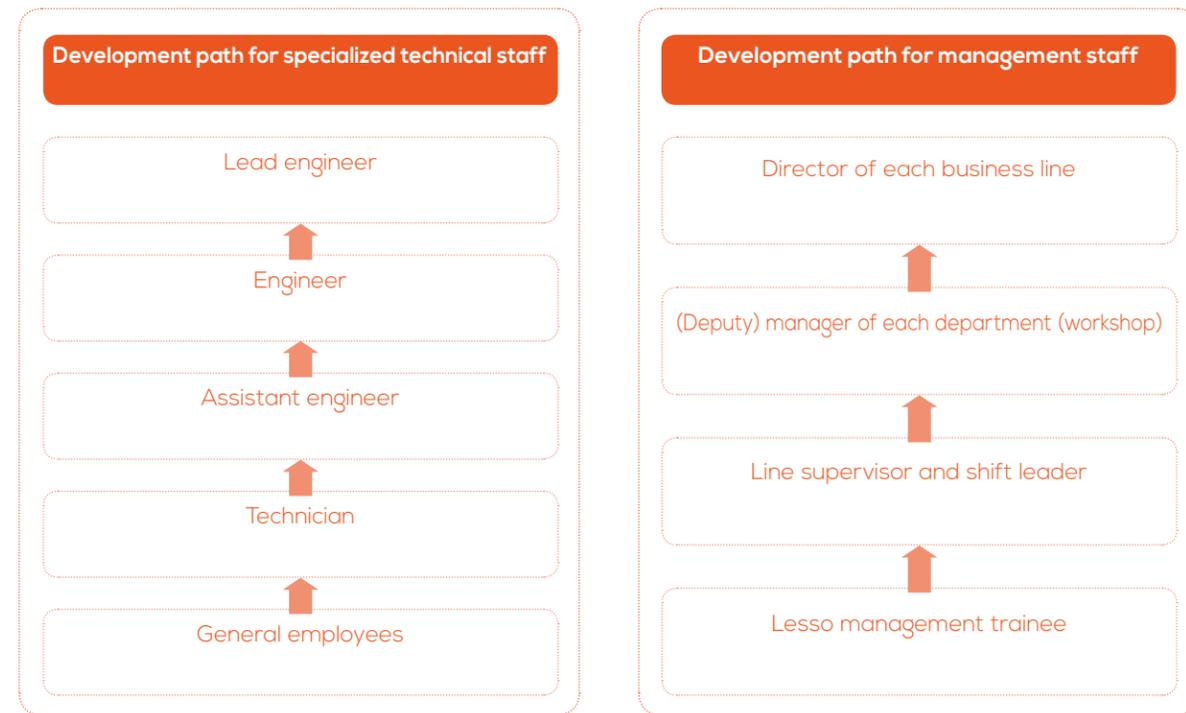
Multi-channel Employee Development

Focusing on unblocking career development channels for staff members, the Group has continuously improved the internal professional development system, and set well-defined career development objectives and paths to offer employees excellent prospects for promotion and broaden the scope for personal development. We implement closed-loop performance management to help employees improve their capabilities and efficiency, unlock their full potential, and help them improve their value proposition at work, aligning their personal aspirations with the Group's strategic goals.

Staff Training Schemes



Streamlined career development paths



**CASE** Sharpening skills through contests

The Group held a "Skills Contest" in 2019, which was warmly received across the departments and subsidiaries, with thousands of employees attended the event. The contest created a favourable competition and learning atmosphere at the Company. The participants demonstrated remarkable enterprising spirit, and showcased their ingenious designs and superb skills, inspiring their colleagues to improve existing practices and honing their skills at the same time. The annual contest not only was a test on staff members' professional competence and achievements, and inspired them to continuously improved their professional expertise in pursuit of excellence, providing customers with improved products and services.



The annual "Skills Contest"

Building a Strong Sense of Happiness among Employees

The Group ensures the safety and health of employees by providing staff training and physical examination services and a diverse range of leisure activities. Special support is offered to employees in need to build a favourable and enjoyable work environment.

Occupational Health and Safety

Placing due emphasis on the health of employees, the Group further developed the work safety management system and policies in strict compliance with occupational health-related laws and regulations, held safety and health related training courses to improve staff's awareness of the importance of occupational safety and related skills, provided employees with labour protection supplies and fitness facilities to protect the physical well-being of staff members. No major accidents or cases of occupational diseases occurred in the Group in 2019.

Work Injury and Lost Days due to Work Injury		2019
Lost days due to work injury (working day)	/	3,884
Number work-related fatalities (person)	/	0
Rate of work-related fatalities (%)	%	0
Frequency rate of disabling injury per 1,000 people (‰)	‰	8.79

Occupational Disease Prevention

The Group arranges medical checkups for prospective, existing and outgoing employees based on the exposure to health hazards depending on the specific positions held by them. In 2019, medical examinations were provided for 1,484 staff members working in special positions to investigate into and eliminate hidden risks. Every year, a professional third-party agency is engaged to conduct on-site occupational hazard tests, examine the different types of occupational hazards in each position, analyse occupational health hazards, and implement well-targeted countermeasures.

### Personal Protection

The Group provides employees with personal protection products offerings different types and levels of protection, e.g. earplugs and earmuffs, dust or gas masks, chemical overalls, anti-static shoes and electrician shoes, based on the actual needs of different positions. The use of such items is subject to rigorous supervision and control.

### Health and Fitness Facilities

The Group installed "low-noise centrifugal air cabinets" to reduce the temperature of air supplied and at manual workstations in plants, effectively improving the working environment for employees. In addition, fitness facilities have been made available in each subsidiary to promote the physical well-being among staff members.

### Staff Care

The Group has consistently broadened living spaces for employees, and improved the quality of life for them by organising various forms of entertainment and sports events to celebrate Womens' Day (March 8), Youth Day (May 4), corporate anniversaries and the Mid-Autumn Festival. Donations and special supports are given to employees with special difficulties to create a positive and healthy atmosphere and moral attitude, building a strong sense of happiness and belonging among staff members.

### Broadening Living Spaces

Livings for employees		2019
No. of Employees Living in Company Accommodation (Person)	/	6,516
Green space (m <sup>2</sup> )	/m <sup>2</sup>	377,539.24
Office Floor Area (m <sup>2</sup> )	/m <sup>2</sup>	98,969.65
Cafeteria Floor Area (m <sup>2</sup> )	/m <sup>2</sup>	121,614.70
Floor Area of Company Accommodation (m <sup>2</sup> )	/m <sup>2</sup>	154,198.00
Public Spaces (m <sup>2</sup> )	/m <sup>2</sup>	975,837.81

### Diverse Employee Activities



Lesso employees participate in "Shunde Charity Campaign - '3861' Hike for Charity"



March 8 Women's Day events held by Lesso's headquarters and subsidiaries



"Readers Month" at the headquarters



Plant sports meeting celebrating the 33<sup>rd</sup> anniversary of China Lesso



The Group gave special gifts on a traditional festival to employees with special difficulties



Outdoor team-building events held by Lesso's headquarters and subsidiaries

## A Champion of Win-win Partnership

Were it not for the concerted efforts made by its partners, the Group would not have achieved the impressive progress in business development. While continuously improving supply chain management, we cemented partnerships higher education institutions, sought cooperation opportunities on an extensive scale, and actively promoted the development of the industry as a whole to create a favourable environment for win-win development for all parties involved.

### Creating a Responsible Supply Chain

The Group has tightened up and improved supply chain management and related services; and assisted suppliers and distributors in various aspects of production and business operations to promote IT applications throughout supply chains and improve the capabilities of relevant entities in fulfilling their responsibilities, building on the overall competitiveness amid mutual development of the Group and its suppliers and distributors.

Total Number of Suppliers: **3,644**

**3,644**

A Breakdown of Suppliers	2019/
South China	1,694
Central China	507
North China	180
East China	787
Northwest	169
Southwest	226
Northeast	75
Hong Kong, Macau, Taiwan and foreign countries	6

Local sourcing rate		94%
Ratio of suppliers selected based on the ISO 9000 Quality Standards to the total number of suppliers	ISO 9000	100%
Ratio of suppliers selected based on the ISO 14000 Environmental Standards to the total number of suppliers	ISO 14000	100%
Ratio of suppliers selected based on the ISO 18000 Occupational Health Standards to the total number of suppliers	ISO 18000	100%

Note: Since 2019 the calculation method of the localized procurement rate has been changed to the ratio of the company's purchases in the country where its production and operation are located to the total purchases; the scope of statistics excludes overseas affiliates.

2019

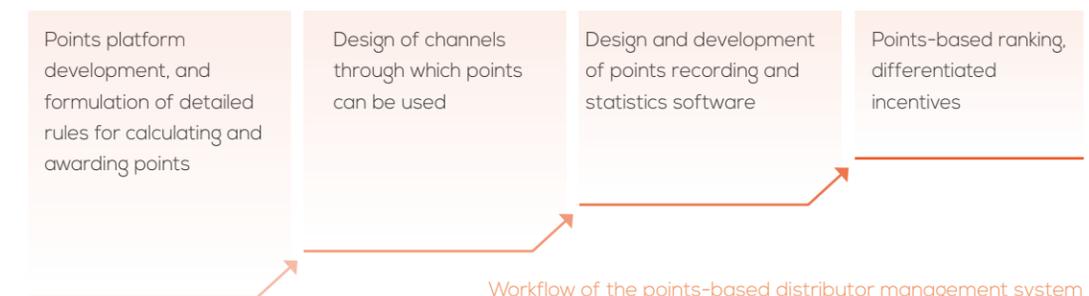
### Strengthening Supply Chain Management

The Group has formulated the *Supplier Management Measures* to provide systematic management and professional support, ensuring compliance with supplier selection criteria and supplier-related regulations; established a points-based distributors management model to incentivise distributors to improve the standard and quality of their management operations and services, and build a highly effective supply-chain ecosystem that is open and inclusive, dynamic and impartial, developed based on the principle of "survival of the fittest".



#### Points-based distributor management

The Group introduced the points-based management system for Group-level suppliers to positively incentivize its distributors, taking the actual circumstances into account, with a view to further strengthening distributor management and services, and closely integrating production and sales operations. Designed to align distributors' business priorities with the Group's sales strategy, the new system conduces to synergistic development between the Group and the distributors, as well as to quantitative assessment of the distributors' practices by the Group, thereby ensuring win-win and stable development for both sides.



## Building Stronger Ability to Fulfill Responsibilities along Supply Chains

The Group has established close ties with up- and down-stream businesses across the supply chain to help suppliers improve production processes and grow together. Furthermore, we provides distributors with business, legal and IT supports, and continuously developed the Lesso Classroom for Clients to provide improved theoretical and practical training, helping them improve service quality and create a sustainable business ecosystem.

### Legal support

Our legal, business service and anti-counterfeiting teams have established effective long-term communication mechanisms to understand distributors' business practices in real time. Feedback issued by the business service and anti-counterfeiting teams is analysed, and advice and suggestions are then put forward accordingly.

### IT support

The Group has developed online platforms, such as dealers' online ordering systems, internal communication systems, and online shopping mall "LS DiDi" for distributors to improve the efficiency of the order placement process and communications between them and the Group.

### Business support

The Group assigns business support teams to work in regional markets to maintain and manage relationships with local distributors, and provide them with sales, public relations and negotiation-related supports to safeguard their rights and interests.

### Training support

We continued to develop the Lesso Classroom for Clients, and added new training contents in partnership with Yingsheng Learners Platform to provide distributors with a diverse range of training courses on products, sales, service processes and Lesso's corporate culture.

### CASE

## 2019 Lesso Distributors Conference 2019

In January 2019, Lesso distributors across China attended the annual distributors conference at the Group's headquarters, with the main theme "Enterprising Innovation, Management Optimisation and Shared Development". On the basis of summarising experiences gained and achievements made in the previous year, the Group put forward requirements for distributors in terms of setting reasonable business targets and ensuring regulatory compliance. It also shared insights on the latest market trends and information about new Lesso products, elaborating on distributor support plans to build a better future through collaboration with distributors.

2019 1



2019 Lesso Distributors Conference 2019

### CASE

## Lesso creates a completely new power supply pipeline business ecosystem via the the new wealth creation scheme

Lesso's latest power supply pipelines were released at a conference in October 2019, attracting distributors and partners from around the country to witness the launch of Lesso's new pipeline business ecosystem and new wealth creation scheme that seeks to translate the Group's unique pipeline ecosystem resources into stronger core competitiveness combining the "supply and service chains", thus delivering the optimal synergistic effects in operations.

2019 10  
2019

+



Release of the new wealth creation scheme benefiting distributors

## Growing with Higher Education Institutions

The Group continued to deepen partnerships with higher education institutions, and established a fully integrated cooperation mechanism combining enterprises and education and research institutions to step up the training of creative professionals, build on businesses innovation capacities and competitiveness, and achieve win-win results for all parties.

Through collaboration with Academician Qu Jinping of South China University of Technology and his innovative team, we built the "China Lesso Plastic Pipe Workstation for Academicians", and jointly conducted research projects, and co-founded Guangdong Liansu Technology Industrial Co., Ltd. (as the "Professional Degree Postgraduate Joint Training Base" of South China University of Technology) to improve our product R&D capabilities and ensure a reliable supply of highly qualified human resources at the same time.

"Core Technology of High-Performance Environmentally Friendly Plastic Pipe Manufacturing and Applications Thereof", a project jointly developed by the Group and South China University of Technology, Sun Yat-sen University, Guangdong Provincial Institute of New Materials, Fudan University, won the "First Prize of Science and Technology Progress Award of China Light Industry Federation (2019)".

2019

Hunan Huaqing and the School of Food Science and Technology, Hunan Agricultural University, jointly established the "Agricultural Product Safety Technology Exchange Center" as the school's teaching training base to promote in-depth technological partnership between the company and the school, facilitating communications between their technical staff and researchers with respect to technical issues arising from R&D projects.

Shaanxi Lesso and Xian University of Science and Technology have entered into an enterprise - higher education - research institute partnership to engage in joint technological studies and HR training. The pair is seeking to bring their collaborations to a new level in terms of joint R&D, commercialisation of research findings and sharing of human resources.

Hainan Lesso has embarked on two joint projects with Hainan University - the "Graduate Workstation" and the "Internship Training Base", laying a solid technical foundation for the introduction of a long-term continuous university-enterprise research mechanisms. The initiatives will help both parties improve their high-tech R&D capabilities, and step up the application and development of technological innovations.



Hainan Lesso and Hainan University jointly unveiled the "Graduate Workstation" and the "Internship Training Base"

## Advancing with the Industry

The Group actively promoted industry development, engaged in collaborations with up- and down-stream enterprises on an extensive scale, and stimulated the overall development of the market through concrete actions, facilitating the formation of a more dynamic business ecosystem.



### China Lesso and Ba Steel partner up to infiltrate local markets in five Central Asian countries

China Lesso and Xinjiang Ba Steel International Trade Co., Ltd. ("Ba Steel") officially entered into a strategic partnership at the headquarters of Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. in May 2019. The deal will help both companies enhance the quality, breadth and depth of bilateral collaborations and benefit from more market opportunities, leveraging Ba Steel's full-established sales channels and high-quality client resources, as well as China Lesso's large-scale manufacturing strengths, complete plastic pipe product lines and well-established service network.

2019 5

CASE

China Lesso Hosted the 6<sup>th</sup> China International Plastic Pipe Conference

The Group hosted the 6<sup>th</sup> China International Plastic Pipe Conference in Guangzhou in November 2019. In his speech titled "Continuous Development and Application of High-Performance and Environmental-Friendly PVC Piping Systems", Vice President and Chief Engineer, Dr. Song Keming, talked about the emerging trend toward the development of high-performance and environmentally-friendly PVC pipe products, and elaborated on the development of lead-free PVC pipes and fittings and solutions, outlining high-performance PVC products, future development trends and applications. Dr. Song shared his expertise and unique insights with the audience, inspiring them to think about the future development directions of the PVC pipeline market.

2019	11		
		PVC	PVC
		PVC	PVC



Dr. Song Keming gave a speech at the 6<sup>th</sup> China International Plastic Pipe Conference

HONOURS

Lesso's valve products received honorary titles "Famous National Water Supply and Drainage Industry Brand (2017-2018)" and "National Water Supply and Drainage Industry Outstanding Contribution Enterprise (2017-2018)"

2017-2018  
2017-2018

Expressing Love with Charity Events

Adhering to the philosophy of "supporting and giving back to society", the Group pays due attention to what the society actually needs, and proactively fulfills its social responsibilities; continuously organized and held charity and volunteer service events, and shared its achievements in business development with the society, expressing love through charity and volunteer activities.

External donations: RMB	7,481,500	748.15
Volunteer services:	177 hours	177
Participation in volunteer activities by employees:	70 person-times	70

HONOURS

Heshan Lesso Industrial Development Co., Ltd. won the **Charity Award**

Involvement in the "Tough Battle" of Poverty Elimination

Leveraging its competitive strengths, the Group partnered up with suppliers to improve infrastructure facilities in poor areas in line with relevant national policies, and participated in the campaign of "poverty alleviation through education", thereby making its own contributions to winning the "tough battle" of poverty elimination.



In April and December 2019, Sichuan Lesso donated pipes and fittings worth RMB 125,000 to two local townships in Deyang, Guangfu and Fengdian, to solve issues in the local irrigation systems. They also helped water supply stations in villages replace dilapidated pipelines, benefiting the local residents with improved infrastructure.

2019	4	12
	12.5	



In May 2019, the Guiyang subsidiary donated PE water supply pipes and fittings worth more than RMB 98,000 to the Puan Community, Qingchi Township, Jinsha County, Bijie City. The donated pipes and fittings were used in a drinking water safety project in Huaqiu Township, Tongzi County. The firm also donated 30 computers and bottle water cash coupons worth a total of RMB 110,000 to the A Gong Chui Long Primary School in Zhijin County to improve the local teaching condition, and meet the educational, etc. needs of local residents.

2019	5		
98,000	PE	110,000	30



In October 2019, Yunnan Lesso donated RMB 100,000 worth of PE water supply pipes to Qianwei, Jiangchuan District, Yuxi City, to replace old drinking water pipelines for local public institutions, enterprises and Qianwei Community, Yejashan Village and Zhuangzi Village, safeguarding drinking water safety and personal health for about 16,000 people.

2019	10		100,000
PE			
16,000			

**HONOURS**

Henan Lesso Industrial Co., Ltd. won the

**"Model Enterprise for Outstanding Contribution to Poverty Alleviation" award**

Shaanxi Lesso Technology Industrial Co., Ltd. received the

**"Honorary Certificate of Poverty Elimination in Qu'an Township"**

Sichuan Lesso Technology Industrial Co., Ltd. won the

**"Model Enterprise of Poverty Alleviation (2019)" award**

2019

**Volunteer Services**

The Group is always committed to helping people in need and fully performing its social responsibilities. Lesso volunteers have continuously organised volunteer service activities to express love to various sectors of society, and promoted social welfare harmony.

**Respecting and Supporting the Elderly**

The Group always respects and supports senior citizens, and has organised special volunteer service events on a regular basis to provide them with what they need and make life more enjoyable.



Lesso Volunteer Service Team provides senior citizens with special volunteer services

**Charity Donations**

The Group co-hosted "Lesso Donations 2019" with "Yi Dian Ai Xin" volunteer team, appealing to employees to donate clothes and other everyday necessities to people in need, spreading love across society.

2019



Clothes collected for charity donation

**Funding Students for a Better Future**

The Group truly cares about children, who are the hope of the future. We have donated stationaries and cash to children and students from poor families, and provided funding for students with special difficulties, paving their way to a bright future.



The Group has been closely involved with the "Funding Students with Love" campaign



Lesso Yunnan donated stationaries and cash to students from poor families near the company

# OUTLOOK

Upholding the branding philosophy of "building a relaxing life for residents with quality Lesso products", the Group has established the fundamental strategy for 2020 focusing on "thorough development of core businesses, diversification into global markets, business enablement through platformisation, and steady and sustainable development", adhering to the principle of "quality prioritisation, worldwide operations and resources optimisation", in line with its commitment to ensuring optimal quality in all business operations, from R&D, production, sales and logistics to after-sales services. We will continue to grow footprint on international markets, and establish ourselves as a global provider of fully integrated furnishing solutions, making life more enjoyable for families in China and around the world.

2020

## Building a Relaxing Life for Families Worldwide

Revolving around the actual needs of customers, we will step up R&D and innovation efforts as well as the commercialisation of research findings, optimise product quality management, ensure work safety, continuously diversify product lines, and make our products more competitive, catering to consumers' need for high-quality furniture and urban living.

## Promoting Sustainable Development between Businesses and the Environment

In line with the government's appeal to develop "ecological civilization", we will respond actively to climate change, further develop environmental management, step up "green operations", and mitigate the impact of production activities on the environment, thus facilitating the formation of a community of shared future for mankind.

## Building a Harmonious Society

Adhering to the principle of "people first", we will actively promote the well-being of employees, establish harmonious and mutually beneficial relationships with our partners, create a responsible supply chain in collaboration with up- and down-stream companies leveraging our professional strengths, get actively involved in social welfare causes, and share achievements in business growth with other members of society.

# REPORT INDICATOR INDEX

## Environment

Aspect	Indicator No.	Content	Location in the Report	Performance
AI Emissions	General Disclosure	Information on (a) policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste.	"Responding to Climate Change through Concerted Efforts", and "Greenification of Operations with Perseverance"	<i>Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Water Pollution, Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and Emission Standard for Industrial Enterprises Noise at Boundary</i>
		a b		
A1.1		The types of emissions and respective emission data.	"Treatment of Wastewater", "Waste Management" and "Waste Gas Management"	The Group legally discharged 2,431,009.00 tons of domestic wastewater; disposed 6,242.00 tons of hazardous waste and 82,004.17 tons of non-hazardous waste; 408,537.30 tons of NO <sub>x</sub> emissions and 2,032.52 tons of SO <sub>x</sub> emissions.
				2,431,009.00 6,242.00 82,004.17 NO <sub>x</sub> 408,537.30 SO <sub>x</sub> 2,032.52
A1.2		Total greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Responding to Climate Change through Concerted Efforts"	The Group's greenhouse gas emissions totaled 609,631.89 tons.
				609,631.89
A1.3		Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Waste Management"	The Group disposed of 6,242.00 tons of hazardous waste.
				6,242.00

Aspect	Indicator No.	Content	Location in the Report	Performance
	A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Waste Management"	The Group disposed of 82,004.17 tons of non-hazardous waste. 82,004.17
	A1.5	Description of measures to mitigate emissions and results achieved.	"Greenification of Operations with Perseverance"	Pipeline transportation and fixed-point unloading were adopted, and water-based paint was used as the replacement paint material to reduce exhaust gas and dust emissions in plants.
	A1.6	Description of how hazardous and non-hazardous wastes are handled, initiatives and results achieved.	"Waste Management"	Waste classification and treatment, volume reduction and harmless treatment or recycling were adopted to reduce the quantities of waste discharged.
<b>A2</b> Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	"Responding to Climate Change through Concerted Efforts", "Conservation of Resources"	<i>Energy Conservation Law of the People's Republic of China</i>
	A2.1	Direct and/or indirect total energy consumption by type (e.g. electricity, gas or oil) (in 1,000 KWH) and intensity (e.g. per unit of production volume, per facility).	"Responding to Climate Change through Concerted Efforts"	Energy/resources consumed: 1,079,227,800 kWh of power, 2,740.50 tons of diesel, 908.96 tons of gasoline, 3,111.6 million cubic meters of natural gas, 97.64 tons of lubricating oil 107,922.78 2,740.50      908.96 311.16              97.64

Aspect	Indicator No.	Content	Location in the Report	Performance
	A2.2	Total water consumption and intensity (e.g. per unit of production volume, per facility).	"Conservation of Resources"	The annual water consumption of the Group was 4,042,900 tons. 404.29
	A2.3	Description of energy use efficiency initiatives and results achieved.	"Responding to Climate Change through Concerted Efforts"	The Group established an energy management system, proactively eliminated backward production capacity, developed renewable energy resources, and cut back on energy consumption.
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	"Conservation of Resources"	The Group recycled virtually 100% of production water, and installed water purification devices to reduce water consumption, and improve water quality and efficiency at the same time.
	A2.5	Total packaging materials (in tons) used for finished products and with reference to per unit produced where applicable.	"Conservation of Resources"	7,488 tons of packaging materials were used for finished products. 7,488
<b>A3:</b> Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	"Noise Control"	<i>Emission Standard for Industrial Enterprises Noise at Boundary</i>
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	"Noise Control"	The Group replaced dilapidated and noisy equipment, enclosed and insulated areas with a high noise level such as fan rooms and compressor rooms, and provided staff with earmuffs, earplugs and other labor protection products to reduce the impact of noise on the environment and employees.

# Society

Aspect	Indicator No.	Content	Location in the Report	Performance
B1 Employment	General Disclosure	Information on (1) policies, and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	"Safeguarding the Rights and Interests of Employees"	We have rigorously complied with the <i>Labor Law of the People's Republic of China</i> and other relevant laws and regulations, and formulated the <i>Guidelines for the Management of Labor Relations and Remuneration Management Regulations of China Lesso</i> to safeguard the legitimate rights and interests of employees.
B1.1	Total number of employees by gender, employment type, age group and geographical region.	"Diversified HR Structure"	Female: 3,702 / male: 9,022 Senior management: 177 / middle management: 836 / junior management: 5,771 / general employees: 5,940 Under 30: 3,613 / aged 31-50: 8,562 / aged 51 and above: 549 South China: 5,589 / central China: 3,234 / north China: 455 / east China: 811 / northwest: 656 / southwest: 1,614 / northeast: 312 / Hong Kong, Macau, Taiwan and foreign countries: 53 High school and below: 8,371 / junior college: 2,603 / undergraduate: 1,643 / postgraduate and above: 107	3,702 / 9,022 177 / 836 / 5,771 / 5,940 30 3,613 / 31-50 8,562 / 51 549 5,589 / 3,234 / 455 / 811 / 656 / 1,614 / 312 / 53 8,371 / 2,603 / 1,643 / 107
B1.2	Employee turnover rate by gender, age group and geographical region.	"Diversified HR Structure"	Female: 33.0% / male: 35.8% Under 30: 54.3% / aged 31-50: 27.6% / aged 51 and above: 22.6% South China: 25.8% / central China: 42.4% / north China: 31.4% / east China: 45.6% / northwest: 61.9% / southwest: 34.8% / northeast: 49.0% / Hong Kong, Macau, Taiwan and foreign countries: 9.4%	33.0% / 35.8% 30 54.3% / 31-50 27.6% / 51 22.6% 25.8% / 42.4% / 31.4% / 45.6% / 61.9% / 34.8% / 49.0% / 9.4%

Aspect	Indicator No.	Content	Location in the Report	Performance
B2 Health and Safety	General Disclosure	Information on (1) policies, and (2) their compliance with relevant laws and regulations that have a significant impact on the issuer, in regards to the provision of a safe working environment and protection of employees from occupational hazards.	"Occupational Health and Safety"	The Group has acted in strict compliance with the laws and regulations on occupational health.
B2.1	Number and rate of work-related fatalities.	"Occupational Health and Safety"	N/A	
B2.2	Lost days due to work injury.	"Occupational Health and Safety"	3,884 working days 3,884	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	"Occupational Health and Safety"	The Group further developed the safety management system and policies, held safety and health related training courses, provided employees with labor protection supplies and fitness facilities to protect the physical well-being of staff members.	
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Descriptions of training activities.	"Building a Career Development Platform for Employees"	The Group revamped the employee training system, continuously improved the quality of internal trainers, and launched various types of training programs and courses to enhance employees' professional expertise and qualifications.
B3.1	Number of employees trained, by gender and employee type (e.g. senior management, middle management).	Diversified Training for Employees"	Female: 36,893 / male: 80,146 person-time Senior management: 892 person-time / middle management: 3,446 person-time / junior management: 5,411 person-time / general employees: 107,290 person-time	36,893 / 80,146 892 / 3,446 / 5,411 / 107,290

Aspect	Indicator No.	Content	Location in the Report	Performance
	B3.2	Average hours for completion of training, by gender and employee type.	"Diversified Training for Employees"	Female: 10 hours / male: 9 hours Senior management: 5 hours / middle management: 4 hours / junior management: 1 hour / general employees: 18 hours 10 / 9 5 / 4 / 1 / 18
<b>B4</b> Labour Standards	General Disclosure	Information on (1) policies and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	"Upholding Employment Equality"	We have been in compliance with relevant laws and regulations such as the <i>Labor Law of the People's Republic of China</i> , and against any form of child labor and forced labor, to create a fair and legal employment environment.
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	"Upholding Employment Equality"	We have been against any form of child labor and forced labor to create a fair and legal employment environment.
	B4.2	Descriptions of steps taken to eliminate such practices when discovered.	"Upholding Employment Equality"	We have been against any form of child labor and forced labor to create a fair and legal employment environment.
<b>B5</b> Supply Chain Management	General Disclosure	Policies on managing environmental and social risks along the supply chain.	"Strengthening Supply Chain Management"	<i>Supplier Management Measures</i>
	B5.1	Number of suppliers by geographical region.	"Creating a Responsible Supply Chain"	South China: 1,694 / central China: 507 / north China: 180 / east China: 787 / northwest: 169 / southwest: 226 / northeast: 75 / Hong Kong, Macao, Taiwan, and foreign countries: 6 1,694 / 507 / 180 / 787 / 169 / 226 / 75 / 6
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	"Strengthening Supply Chain Management"	100% of suppliers were selected using the ISO 9000 quality standards, the ISO 14000 environmental standards, and the ISO 18000 occupational health and safety standards, respectively. ISO 9000 ISO 14000 ISO 18000 100%

Aspect	Indicator No.	Content	Location in the Report	Performance
<b>B6</b> Product Responsibility	General Disclosure	Information on (1) policies and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	"Rigorous Production Process Control and Management" "Protection of Customer Rights and Interests"	<i>Work Safety Law and Management Measures on Advertising Resources</i> . We provided products and services in accordance with the laws and regulations. Customers' needs are identified, interpreted and satisfied in a timely manner to safeguard the legitimate rights and interests and information security of customers.
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	"Rigorous Production Process Control and Management"	No product and service recall events that have significant impact on the operation of the Group during the reporting period.
	B6.2	Number of products and service-related complaints received and how they were dealt with.	"Protection of Customer Rights and Interests"	The Group received 15 valid complaints related to products or services, and the rate of response to customer complaints was 100%. We promptly communicated customers' feedback to the relevant departments, and made continuous follow-ups until the customer is satisfied. 15 100%
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	"Intellectual Property Protection"	The Group effectively safeguarded its intellectual property, and protected its rights against companies that violate the "Lesso" trademark or brand name by issuing lawyer's letters, and by filing complaints to industry and commerce administration authorities and lawsuits with courts.

Aspect	Indicator No.	Content	Location in the Report	Performance
	B6.4	Description of quality assurance processes and recall procedures.	"Quality Assurance"	The Group conducts comprehensive multi-dimensional inspection from the incoming of raw materials, product design and sample creation to production and product delivery. It relies on the three inspection system of "self-inspection, mutual inspection and sampling inspection" to control production and ensure stable product quality. A strict product recall process has been established. For unqualified products, the Group will initiate the product recall process as soon as possible.
	B6.5	Descriptions of consumer data protection and privacy policies, how they are implemented and monitored.	"Protection of Customer Rights and Interests"	The Group attaches great importance to customer privacy and information security, strengthens customer information management and guards against customer privacy leakage risks with strict the processes and operational procedures to ensure customer privacy.
<b>B7 Anti-corruption</b>	General Disclosure	Information on (1) policies and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	"Anti-corruption and Anti-fraud Campaigns"	<i>Anti-fraud Management System</i>
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	"Anti-corruption and Anti-fraud Campaigns"	The Group received three corruption/ fraud-related reports in 2019. 3

Aspect	Indicator No.	Content	Location in the Report	Performance
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	"Anti-corruption and Anti-fraud Campaigns"	The Group formed an anti-fraud management team to prevent incidents that incur losses on the interests of the Company and our shareholders. It also created many reporting channels for handling complaints and whistleblowing of fraudulent actions.
<b>B8 Community Investment</b>	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	"Expressing Love with Charity Events"	The Group pays due attention to what the society actually needs, and proactively fulfills its social responsibilities; continuously organised and held charity and volunteer service events, and shared its achievements in business development with the society, expressing love through charity and volunteer activities.
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture and sports).	"Expressing Love with Charity Events"	Leveraging its competitive strengths, the Group partnered up with suppliers to improve infrastructure facilities in poor areas, and participated in the campaign of "poverty alleviation through education", thereby making its own contributions to winning the "tough battle" of poverty elimination.
	B8.2	Resources allocated (e.g. money or time) to the focus areas.	"Expressing Love with Charity Events"	The Group donated RMB 7,481,500, and organised 177 hours of volunteer service, with 70 person-times participating in the volunteer activities 748.15 177 70

# HONOURS

## Honours Won for Environmental Efforts

Award Winner	Honour	Presented by
Lesso Technology Development (Guiyang) Co., Ltd.	Model Enterprise of Environmental Integrity	Qingzhen Branch of Guiyang Municipal Bureau of Ecology and Environment
Lesso Technology Development (Guiyang) Co., Ltd.	Advanced Unit of Energy Conservation and Emission Reduction of Guangzhou Province	Guizhou Province Energy Conservation and Emission Reduction Research Association
Guangdong Lesso Valve Co., Ltd.	Model Enterprise of Clean Production	Industry and Information Technology Bureau of Yunfu Municipality
Jiangsu Yongbao Environmental Technology Co., Ltd.	Director of China Association of Circular Economy	China Association of Circular Economy
Foshan Shunde Huifengyuan Environmental Engineering Management Co., Ltd.	Guangdong Environmental Protection Education Base	Guangdong Provincial Department of Ecology and Environment
Guangzhou EP Environmental Engineering Ltd.	Backbone Enterprise of China's Environmental Protection Industry	China Association of Environmental Protection Industry

## Safety-related Honours

Award Winner	Honour	Presented by
Shaanxi Lesso Technology Industrial Co., Ltd.	Work Safety Advanced Enterprise of 2018	Xianyang City Safety Production Committee
Shandong Lesso Technology Industrial Co., Ltd.	Work Safety Advanced Enterprise of the Year (2018)	Economic and Technological Development Zone Working Committee of the Party Committee of Linyi Municipality, Linyi Economic and Technological Development Zone Administration Committee
Shandong Lesso Technology Industrial Co., Ltd.	Fire Safety Advanced Enterprise of the Year (2018)	Economic and Technological Development Zone Working Committee of the Party Committee of Linyi Municipality, Linyi Economic and Technological Development Zone Administration Committee
Nanjing Lesso Technology Industrial Co., Ltd.	Grade-3 Certificate of Safety Production Standardisation	Emergency Management Bureau of Lishui District, Nanjing
Nanjing Lesso Technology Industrial Co., Ltd.	Safety Enterprise of Nanjing	Leadership Group for the Safety Enterprise Campaign in Nanjing
Henan Lesso Industrial Co., Ltd.	Work Safety Advanced Enterprise of the Year (2018)	Industrial Conglomeration Management Committee of Huaiyang County

## Product Quality-related Honours

Award Winner	Honour	Presented by
Shaanxi Lesso Technology Industrial Co., Ltd.	"Xianyang Quality Award" (2019) 2019	People's Government of the Xianyang Municipality
Shaanxi Lesso Technology Industrial Co., Ltd.	Vice President of Shaanxi Plastic Industry Association	Shaanxi Plastic Industry Association
Lesso Technology Development (Guiyang) Co., Ltd.	Top-100 Manufacturing Enterprises of Guizhou (2019) 2019 100	Guizhou Enterprise Confederation, Guizhou Provincial Entrepreneurs Association
Lesso Technology Development (Wuhan) Co., Ltd.	Top-100 Manufacturing Enterprises of Wuhan (2019) 2019 100	Wuhan Enterprise Confederation, Wuhan Entrepreneurs Association
Zhongshan Lesso Walton Coating Steel Plastic Pipe Co., Ltd.	Certificate of Quality Accreditation	China Quality Testing Alliance (Beijing)
Henan Lesso Industrial Co., Ltd.	Zhoukou City Thermoplastic Pipeline Innovative Technology Team	Zhoukou Municipal Science and Technology Bureau

## Social Honours

Award Winner	Honour	Presented by
Zhongshan Lesso Walton Coating Steel Plastic Pipe Co., Ltd	Guangdong Province Enterprise of Observing Contract and Valuing Credit	Guangdong Province Administration for Industry & Commerce
Lesso Technology Development (Wuhan) Co., Ltd.	Hubei "May 1" Labour Certificate	Hubei Federation of Trade Unions
Sichuan Lesso Technology Industrial Co., Ltd.	Model Enterprise for Poverty Alleviation (2019) 2019	Deyang Investment Enterprise Association, People's Government of Wanfu Township, Zhongjiang County
Shaanxi Lesso Technology Industrial Co., Ltd.	Honorary Certificate for Poverty Alleviation of Quan Township	CPC Party Committee and People's Government of Quan Township
Henan Lesso Industrial Co., Ltd.	Top-10 Corporate Taxpayers of 2018 2018	CPC Party Committee and People's Government of Huaiyang County
Henan Lesso Industrial Co., Ltd.	Model Enterprise for Poverty Alleviation through Private Forces in Huaiyang County	CPC Party Committee and People's Government of Huaiyang County
Henan Lesso Industrial Co., Ltd.	Model Enterprise for Outstanding Contribution to Poverty Alleviation	Industrial Conglomeration Management Committee of Huaiyang County
Lesso Technology Development (Guiyang) Co., Ltd.	Top-10 Taxpayers of Qingzhen City (2019) 2019	CPC Party Committee and People's Government of Qingzhen Municipality
Guangzhou EP Environmental Engineering Ltd.	Guangdong Province Enterprise of Observing Contract and Valuing Credit (2018) 2018	Guangdong Province Administration for Industry & Commerce
Guangzhou Huaqing Environmental Monitoring Co., Ltd.	Model Unit of Business Integrity	Credit Information Working Committee of China Cultural Information Association
Heshan Lesso Industrial Development Co., Ltd.	Charity Award	People's Government of Taoyuan Township, Heshan

# READER FEEDBACK

Dear Sir/Madam,

Thank you for taking the time to read this report. We look forward to receiving your opinions and suggestions so as to improve the compilation of the report and enhance our performance in the fulfillment of corporate social responsibility.

1 What is the stakeholder type that best describes your position

\_\_\_\_\_

2 Your opinion on this report:

	Very good	Good	Acceptable	Poor	Very poor
Structure of the report					
Information disclosure					
Layout and design					
Readability					
Overall evaluation					

3

- Chairman's message
- Socially responsible management
- High-quality services
- Green development
- Corporate governance
- Product diversification
- Win-win cooperation with partners
- Giving back to local communities
- Staff care

4 Do you have any other comments or suggestions regarding our Corporate Social Responsibility Report or performance?  
Please send email your feedback to China Lesso's CSR mailbox: [csr@lesso.com](mailto:csr@lesso.com).

CSR [csr@lesso.com](mailto:csr@lesso.com)



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