



TSC Group Holdings Limited
TSC 集團控股有限公司*

股份代號：206

2017年



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

環境、社會及管治報告

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THE REPORT

This Report provides an annual update on the performance in 2017 in various aspects of Environmental, Social, and Governance of TSC Group Holdings Limited (hereinafter referred to as “the Group” or “TSC”).

Reporting Scope

This Report covered the operating sites of the Group’s Qingdao facility manufacturing base, Qingdao TSC Offshore Equipment Company Limited (TSC-OE), and TSC Oil and Gas Services Group Holdings Limited (TSC-QD).

Reporting period: 1 January to 31 December 2017.

Reporting cycle: This Report is published once a year concurrently with the Company’s Annual Report.

Reporting reference

This Report has been prepared pursuant to the “Environmental, Social and Governance (ESG) Reporting Guide” published by the Hong Kong Stock Exchange in December 2015.

II. COMPANY BACKGROUND INFORMATION

TSC was founded in 2005 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) on 5 June 2009 (Stock Code: HK00206). Currently, TSC has 27 wholly-owned subsidiaries worldwide.

The Group’s main business areas include: the design, manufacture, installation, and commissioning of capital equipment, packages on land and offshore rigs, oilfield expendables and supplies, as well as the provision of engineering services.

III. CORPORATE SOCIAL RESPONSIBILITY (CSR) VISION, ASPIRATIONS, POLICIES AND STRATEGIES

TSC is dedicated to becoming an outstanding corporate citizen in each of the communities it operates in around the world.

“We view a high degree of social responsibility, environmental protection, safety and sustainable economy as key factors in ensuring business continuity and success.”

The Group pursues the values of tolerance, openness, reliability and cooperation in both business development and social activities, and have introduced effective tools to ensure full implementation of social, safety and environmental policies within the Group. These areas of work involve the Group’s employees, business associates, supply chain partners, as well as individual communities and cultures around the world.

III. CORPORATE SOCIAL RESPONSIBILITY (CSR) VISION, ASPIRATIONS, POLICIES AND STRATEGIES *(Continued)*

All TSC employees participate in and support the Group's philosophy of corporate social responsibility, with an emphasis on the following aspects:

- Human Resource Management;
- Corporate Citizenship Behaviours;
- Occupational Health and Safety;
- Supply Chain Management;
- Environmental Sustainability;
- Business Ethics.

IV. CORPORATE GOVERNANCE

All Directors of the Group recognise that good corporate governance is an indicator of company modernisation, as well as a prerequisite to business continuity. For a long time, TSC has invested large amounts of resources and manpower into developing appropriate business management practices according to the needs of the business. TSC continually integrates the essence of corporate governance into its management structures and internal control procedures. The Group is striving to maintaining the highest standards of ethics and integrity in all aspects of business activities, and to ensure that the Group's operations are fully compliant with applicable laws and regulations. All Directors believe that implementation of comprehensive and high-standard corporate governance allows the Group to achieve greater efficiencies in all aspects of sustainable development, as well as safeguarding and maximizing the interests of stakeholders.

V. STAKEHOLDER ENGAGEMENT

TSC is striving to promoting communication with its stakeholders. The Group's stakeholders are comprised of customers, employees, community groups, government bodies, etc. and the Group had unscheduled communication with them through various means for achieving transparency as well as mutual understanding of the Group's aspirations for corporate social responsibility, in the aim for catalysing TSC to achieve its goal of sustainable corporate development.

V. STAKEHOLDER ENGAGEMENT *(Continued)*

Key stakeholders and corresponding communication channels are as follows:

Key Stakeholders	Principal Communication Channels
Customers	Visits and meetings Telephone conferences Customer questionnaires E-mails
Employees	Employee newsletters Group intranet
Community organisations	Volunteer activities Charitable activities Unscheduled meetings with each organisation

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS

Human Resource Management

Employment Policies

TSC is striving to maintain the equality in employment opportunity. Every vacancy in the Group is publically advertised online or via other appropriate channels. A fair selection process is conducted on each applicant's competence, skills, etc. The Group will not refuse the applications because of the attributes such as race, skin colour, gender, language, religion and/or political reason, etc.

In order to strengthen the attractiveness of all positions, the Group's remuneration system is based on job grade and performance. In addition to assuring employees' stable income from the basic pay portion, the Group also provides rewards in association with the employee's performance for recognition and retention of outstanding employees.

Furthermore, the Group purchases additional commercial insurance for those employees who have reached a certain level of seniority (such as critical illness insurance, aviation accident insurance, passenger train insurance, ship accident insurance, and vehicle passenger (including the company shuttle bus) insurance for provision of additional coverage for employees. In addition, each mainland Chinese employee is entitled to sick leave benefit better than the statutory requirement. While the statutory requirement allows the employees' wages to be deducted by 30% during sick leave period, the Group provides employees with 6 days of paid sick leave in a year during which no wage deduction is required. Other employee benefits include free shuttle bus for pick-up, transport allowances, and call-time allowances, etc.

Note: Salary levels of the Group and its subsidiaries already met the local (Hong Kong and Qingdao) minimum wage standards.

The Group is striving to promotion of the principle of harmony between work and family and hence does not encourage overtime work. The Group strictly controls the number of overtime hours by means of approval processes, all overtime works must be approved by department managers and abide by the local labour laws.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Human Resource Management *(Continued)*

Employment Policies *(Continued)*

The Group strictly complies with legal requirements relating to bilateral termination of employment contracts in each of its operating locations (Hong Kong and Qingdao).

During the reporting period, the Group did not identify any legal violation or complaint regarding discrimination or other employment practices.

As of 31 December 2017, this report covered the number of employees and average monthly employee turnover rate for the Qingdao operating sites:

	Number of Employees	Average Monthly Employee Turnover Rate (%)
Gender		
Male	281	1.51
Female	62	3.02
Job type		
Full-time	343	1.80
Part-time	0	0
Age		
18 – 30	86	2.66
31 – 45	193	1.85
46 – 60	59	0.40
> 60	5	0
	Total: 343	Overall average: 1.80

Policies for prohibition of Child Labour and Forced Labour

TSC strictly complies with relevant employment laws and regulations in each of its operating areas pertaining to child labour and forced labour. As a result, all job applicants are required to provide personal identification documents for verification. Prior to confirmation of employment contracts, the Group allows sufficient time for employees to read and understand the relevant terms and conditions, and contracts are to be signed only when employees fully understand the content.

During the reporting period, the Group did not identify any complaint or legal violation regarding child labour or forced labour.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Human Resource Management *(Continued)*

Policies for Career Development and Employee Development

The Group practises meritocratic principles and regularly provides its employees with the opportunity for promotion, which is based on a comprehensive evaluation of both employee's work performance and competence.

The Group also emphasises on training of potential talent, by assigning the Group's internal training team responsible for the talent development.

The Group has implemented 2 major training programs:

1. Cedar Program:

This program develops high-potential talent and builds high-performance teams. Through the systematic training courses, the talent is developed into two directions (management and technology), and four types of talent (high potential talent, the global key talent, local key talent and technical expert). Talents shall be developed as core teams in TSC after accumulated three to five years of working experience.

2. Spring Rain Project:

This project develops the internal training team in the company and could effectively inherit technology and corporate culture of TSC. Through systematic training, the Group firstly trains up a group of influential staff through sharing by a ratio of 1 to 3 mentoring models. They will then be developed as a high performing training team after accumulated three to five years of experience.

Apart from those trainings for enhancement of job competence, the Group also focused and arranged the relevant trainings for raising environmental awareness of the employees. Accumulated number of environmental training hours were 230 hours in 2017.

For the Qingdao operating sites covered by this report in 2017, the monthly average proportions of employees who have attended training and the monthly average number of trained hours achieved by each employee were as follows:

	Monthly Average Proportion of trained employees (%)	Monthly Average Number of Trained Hours per employee
Gender		
Male	3.31	0.0834
Female	2.81	0.0770
Employee level		
Senior management	2.43	0.0435
Middle management	2.07	0.0315
Junior employee	3.42	0.0927
Overall average	3.20	0.0820

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Corporate Citizenship Behaviours

TSC is striving to becoming an excellent corporate citizen within the operating communities around the world. Through the community engagement approach such as volunteering activities or participation of community services, the Group is continuously communicating and meeting with various organisations of the local communities for understanding their expectations and endeavouring to fulfill the community needs.

In 2017, the community activities by the Group have gone further to support education. By lending the production areas to Ocean University of Qingdao for provision of on-site visit and learning venue to the Association of Chartered Certified Accountants (ACCA) college, this activity has benefitted 22 persons in total.

Occupational Health and Safety

Occupational Health and Safety Policy

All Group's employees at managerial level or above, labour union chairperson and OHS employee representatives are members of the Safety Committee which is responsible for relevant occupational health and safety matters in the Group.

The Group's commitment:

In order to continuously reduce the occupational health and safety impacts from the relevant business activities, the Group not only adheres to laws, regulations and industry standards as the baseline, and is also striving to achieve the corporate safety target of "Zero Occupational Disease" and "Zero Major Accident".

The Group insists on the "Stop Work" policy. Whenever there is a threat to personal safety, all individuals have the right to stop work in order to prevent the occurrence of work-related incidents.

The Group is concerned with employees' health and safety, and is striving to identify various opportunities for prevention of occupational disease through enhancement of work environment. The Group actively responds to issues raised by employees in relation to occupational health and safety, recognises and rewards those employees who have contributed to the continual improvement in these topics. The Group also ensures that all employees and stakeholders understand their responsibilities on the safety of their own and others affected by them. TSC provides suitable personal protective equipment (PPE) free of charge to its employees including helmets, safety goggles, protective masks, safety gloves, safety belts, half-face and full-face purifying respirators, etc. Each year the Human Resources Department arranges with qualified medical institutions to provide free-of-charge physical examinations to those employees with hazards of occupational disease and to follow up with any problematic case. During the reporting period, the Group has arranged 32 employees of relevant departments to undertake physical examination, from which no confirmed case of occupational disease was identified.

The Group considers the mental health of employees to be valuable asset, and eases the pressures encountered by employees in their work through the establishment of psychological courses and group sharing activities, etc.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Occupational Health and Safety *(Continued)*

Occupational Health and Safety Policy *(Continued)*

Some of the Group's subsidiary companies, e.g. Qingdao TSC Offshore Equipment Company Limited, have already successfully achieved the occupational health and safety management system (OHSAS 18001). These companies have identified in details the sources of hazards in the workplace and have undertaken risk assessments according to the requirements of the aforementioned system. Relevant companies have evaluated the workplace on the occupational hazards in September, in order to ensure all positions with hazards were under appropriate control. TSC regularly holds different events for promoting knowledge of occupational health and safety and enhancing employee awareness, such as Occupational Disease Prevention Promotion Week, Work Safety Week, morning meetings, work safety analysis conferences, operational trainings e.g. welding safety, gas safety training, etc. In the various health & safety activities, there was a total of 413 participants, with 754 training hours in total. In addition, all workplaces strictly comply with the 7S system, namely Seiri (sorting), Seiton (set in order), Seisou (shine), Seiketsu (standardise), Shitsuke (sustain), Safety and Saving, including the use of display boards and the posting of safety signs to raise employees' awareness of safety.

As of 31 December 2017, the Group did not identify or receive any critical legal violation against the relevant health & safety regulations, also did not have any incident of fatality nor the number of working day lost due to work-related injury.

Supply Chain Management

Policies for managing Environmental and Social Risks in Supply Chain

Supplier management of the Group complies with QHSE criteria, one of the supplier selection criteria is evaluating their performance of corporate social responsibility. Suppliers are required to sign and comply with TSC's stipulated supplier code which contains clauses relating to environmental protection, anti-bribery, etc. The Group actively encourages communication with the suppliers through multiple channels (including telephone, e-mail, questionnaire, and training, etc.) to elaborate the corporate's social responsibility requirements to suppliers for promoting the benefits in achieving corporate social responsibility by both sides.

The Group has supplier quality assurance personnel (SQA) to evaluate various aspects of suppliers on regular basis, and to conduct audits on suppliers annually for verification of compliance with various aspects of TSC requirements. In early 2017, annual supplier evaluation has been proceeded according to the requirements of American Petroleum Institute. It covered 57 suppliers in total, 7 of which has gone through on-site assessment and the remaining 50 suppliers were evaluated by questionnaire, qualification document review, etc.

Currently, the Group's key material suppliers are based in China, USA and UK. As of 31 December 2017, there were a total of 137 qualified suppliers for provision of materials to TSC.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Supply Chain Management *(Continued)*

Policies for managing Environmental and Social Risks in Supply Chain *(Continued)*

Apart from considering the aforesaid evaluation scope, the Group also supports the reduction in emission of greenhouse gases and will prioritise the use of local suppliers possessing the same conditions as by non-local counterpart. Overseas procurement will proceed only when there is no appropriate local supplier, currently the proportion of local suppliers exceeds 95% of all existing suppliers. As of 31 December 2017, the geographical distribution of the Group's suppliers was as below:

Geographical locations	Number of suppliers
China	136
USA	1
Total	137

Environmental Sustainability

The Group's commitment:

In China's 12th Five Year Plan, various pollution control requirements and targets were strictly implemented in response to the crisis of environmental pollution encountered by China. Although the Group's industry is not seriously discharging pollutants, the Group enforces policies for prevention of environmental pollution with the role of being a responsible enterprise.

The Group's environmental protection policy includes the 5R principle, namely Refuse, Reduce, Reuse, Repair, and Recycle, as well as the effective use of materials and energy.

The Group also actively responds to employees' concerns regarding the environment, recognises and rewards those employees who contribute to continual improvement in environmental protection. This ensures all employees and stakeholders aware of their responsibilities towards the surrounding environment.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Environmental Sustainability *(Continued)*

Policies for Reducing Emission

I. Greenhouse Gas (GHG) Emission Policies

The Group understands that the emission of greenhouse gases (GHG) is one of the main causes of global warming at present. In order to mitigate the situation of pollution, the Group aims to reduce GHG emissions through the following measures:

1. Prioritise the use of renewable energy sources as well as products of low energy consumption and high efficiency in order to reduce energy consumption;
2. Newly purchased equipment should comply with the national grading for energy consumption and equipment of low energy consumption should be prioritised in procurement; currently equipment of low energy consumption occupies 2% of all equipment at sites and this proportion will gradually increase for reducing emission in accordance to this policy;
3. Avoid unnecessary overseas business travels in order to reduce emission of carbons generated by transportation (such as aeroplanes);
4. Prioritise the use of local suppliers to reduce energy consumption resulting from the transportation of cargoes;
5. Promote the importance of “Reducing Carbon Emissions” along the supply chain;
6. Spray-painting and shot-blasting facilities are equipped with dust-removal and poison-removal ventilation as well as filtration systems, in order to reduce pollution caused by exhaust gas emissions;
7. Environmentally-friendly materials are used when renovating office buildings. Air quality testing was performed before they are used; office buildings are only put into use when air quality met the specified standards.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Environmental Sustainability *(Continued)*

Policies for Reducing Emission *(Continued)*

I. Greenhouse Gas (GHG) Emission Policies *(Continued)*

In 2017, GHG emission sources and volumes of the Group's operating sites in Qingdao covered by this report were listed as below:

GHG Emission Sources	Annual consumption	GHG Emission Volumes (tonnes carbon dioxide equivalent)
Diesel fuel consumption from mobile sources (litres)	21,300	56.85
Gasoline consumption from mobile sources (litres)	23,118	52.55
Propane consumption (kg)	5,122	15.37
Carbon dioxide consumption from fire extinguishers (kg)	50	0.05
Power consumption of manufacturing facilities (kWh)	1,168,038	1,216.63
Total GHG emissions		1,341.45
Production volume (tonnes)		106.17
GHG Emission Intensity		12.63 (tonne carbon dioxide equivalent/tonne)

II. Wastewater Discharge Policies

The technology in the manufacturing process does not involve the discharge of large amount of water or waste water. As a result, measures are generally regulated to daily operations:

1. Water is reused in exhaust gas handling system in spray-painting process;
2. Water conservation signs are put up in washrooms, pantries, canteens and dormitories.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Environmental Sustainability *(Continued)*

Policies for Reducing Emission *(Continued)*

III. Waste Reduction Policies

In accordance with the 3R principle:

1. Optimise industrial processes, improve utilisation of steel plates and reduce the quantity of scrap steel materials;
2. Undertake classification of hazardous wastes, affix hazardous waste labels, and arrange recycling and disposal with qualified subcontractors; currently the identified hazardous wastes included: waste oil residues, scrap paint containers, waste mineral oils such as the waste paint residues recycled from water curtain system amounted to 2.19 tonnes in a year and these hazardous wastes were passed to qualified agencies for handling;
3. Undertake simple classification of general waste and regularly sell it to recyclers;
4. Recycle scrap iron pieces from the machining process; scrap steel was recycled by qualified agencies and currently the recycling rate reached 95%;
5. Prepare hazardous waste management plans on an annual basis, establish waste reduction targets with all relevant departments, undertake monthly evaluations, and adopt appropriate control measures for waste reduction if required;
6. Adopt lean production methods to change paints of low consumption in small packages, reducing waste paint residues and the number of paint containers used;
7. Strengthen management controls to reduce leakage of various oil products;
8. Strengthen quality control to reduce waste that arises from noncompliance in product quality;

The Group has demonstrated the following performance of waste reduction in the reporting period through the implementation of the aforesaid policies and measures:

Types of Wastes	Annual weight (tonnes)	Intensity per production unit (tonnes/tonnes)
Hazardous wastes	9.82	0.0925
Scrap steel	18.78	0.1769
Scrap paper cartons	0.71	0.0067
Scrap wooden boxes	4.50	0.0424
Domestic wastes	9.20	0.0867

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Environmental Sustainability *(Continued)*

Policies for Efficient Use of Resources

Green Office Policy:	The use of office resources is reduced by using double-sided printing instead of single-sided printing; the prioritisation of paperless offices; reminding employees and visitors to save water in daily operations; using water-saving device in toilets and automatic taps in newly-built office blocks, as well as LED lighting; currently energy saving lighting occupied 12% of all lightings at the operating sites and this proportion will be gradually increasing in accordance to the replacement plan; automatic lighting control in public areas; using solar panels to power road lights in newly-built factories and using translucent tiles in construction to make full use of natural light, etc;
Green Procurement Policy:	Environmental safety assessments must be conducted before chemicals are procured so that toxic and hazardous products can be substituted with products that are non-toxic or of low-toxicity; in addition, the Group is striving to use environmental materials, currently environmental procurement occupied 40% of total procurement;
Green Manufacturing Policy:	Optimise industrial processes, improve utilisation of steel plates and reduce the quantity of scrap steel materials; in 2017 the Group has raised the utilisation rate of steel plates and extruded profiles as follows:

Utilisation rate	Steel plates	Extruded profiles
2017	83%	90%
2016	75%	85%
Annual comparison	↑8%	↑5%

Through the implementation of the aforesaid green management, the Group has implemented the following performance in resource conservation during the reporting period:

Measures for conservation	Savings
Newly established buildings – use of LED energy saving lightings	1,881 kWh per month
Newly established road lights in factory – use of solar panels for electricity	52,200 kWh per month
Newly established water curtain system for absorption of paint exhaust gas	5 cubic meters per month

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Environmental Sustainability *(Continued)*

Policies for Efficient Use of Resources *(Continued)*

During the reporting period, major resources consumed at the Group's operating sites were listed as below:

Resources	Annual consumption	Intensity of Consumption per production unit
Municipal Electricity (KWh)	1,168,038	11,001.58
Fresh Water (cubic meters)	12,393	116.73
Wooden Packaging materials (tonnes)	24.9	0.23

Policies for mitigation of impacts to Environment and Natural Resources

Provision of green products/operating processes:

Provide products that have undergone strict approval by classification societies to satisfy the environmental protection requirements of offshore products and prohibit the use of asbestos in factories;

Provision of environmental protection training to employees:

Training programs are formulated so that environmental awareness amongst employees is improved, as well as improvements made to on-site environmental protection controls;

Promotion of environmental protection along the supply chain:

The requirement to be environmentally-friendly is a target in supplier evaluation.

During the reporting period, the Group did not identify at operating sites having any legal violation or complaint related to environment.

Business Ethics

All products must undergo quality inspection whereby the product's design, manufacture, installation and testing all conform to relevant standards, specifications and technical requirements, as well as satisfy relevant design parameters. In addition, all products must undergo rigorous approval and safety verification by classification. During the past year, only one issue with quality occurred about paint peeled from a component in a product which had already been shipped to the customer. A root cause analysis was undertaken and rectification measures were completed on site, in addition to inspections of work piece processing in the factory to ensure that no similar problems existed in processing.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Business Ethics *(Continued)*

All products must undergo the following rigorous quality control process:

1) Inspection of Materials

All raw materials must undergo incoming inspection based on their drawings, standards, specifications and technical agreements. All the materials should be qualified before storage.

Raw materials used in products that require classification must undergo classification society approval. All the materials should be qualified before storage.

2) Manufacturing Process

Verification and testing is conducted during the manufacturing process. Passed semi-finished products can proceed to the next stage.

Manufacturing processes for products that require classification must undergo classification approval, and can only be proceed if they get approval.

3) Final Inspection

Completed products undergo final inspection and comprehensive FAT testing.

Products that require classification must undergo classification approval and are only be delivered when a product qualification report has been issued.

4) Nonconforming Product Control

If nonconformities are found during the quality inspection process, the nonconforming product is analysed and processed. Nonconforming products should be segregated in the manufacturing process.

Apart from monitoring of product quality, the Group is also concerned on the protection of intellectual property. The Group has signed confidentiality agreement with employees for prohibition of employees disclosing product information to unauthorised personnel. For electronic information relevant to customers and own-branded products, such as specifications and drawings, they will be encrypted for protection from leakage. Where appropriate, the Group will even apply patent from the relevant authorities.

The Group has established a comprehensive complaint handling system. Sales and project management team will firstly communicate with customers to identify the details of nonconforming situation, then the quality management team will convene the relevant departments for cause analysis and proposal of corrective actions. Eventually sales and project management team will reply to customers with the solution and the implementation status.

During the reporting period, the Group did not identify any legal violation or complaint relevant to the product responsibility. Also, no product was recalled because of reasons from the product's health & safety.

Furthermore, as a responsible enterprise, the Group adopts "Zero Tolerance" approach to those behaviours which seriously violate the business ethics, such as bribery, extortion, fraud, money laundering.

VI. PERFORMANCE OF ENVIRONMENTAL AND SOCIAL ASPECTS *(Continued)*

Business Ethics *(Continued)*

4) Nonconforming Product Control *(Continued)*

The Group is striving to provide an integrity business platform and has continuously implemented the following measures, including:

1. In 2012, the Group formulated the “TSC Code of Business Conduct” to which all board members, managers, employees, agents and representatives must adhere; In 2017, the Group even announced and implemented the new revision of “Employee Handbook”, which contained the requirements for prohibition of bribery, and has been signed and acknowledged by all employees;
2. An Audit Committee, Remuneration Committee, Supervisory Committee and Nominating Committee have been set up under the Group’s Board of Directors with responsibility for corporate governance;
3. The Group has set up a whistle-blowing hotline through which suspected cases or incidents of business ethics violations can be inquired about or reported, and corrective measures have been formulated to eliminate the root cause of established cases;
4. Contracts of employment require employees to disclose conflicts of interest;
5. Open tendering policy has been formulated and “comparison of quotations amongst at least 3 suppliers” is required, whereby the supplier with competitive price will be selected;
6. Starting since 2013, procurement personnel must comply with the “Revised Integrity Self-Discipline Code of Conduct for TSC China (including China MRO) Procurement Personnel”;
7. The Group appoints independent auditing organisation to proceed auditing and reporting on an annual basis. In 2017, the content of internal control auditing would be separately disclosed on its own. Subsidiary companies would appoint the local auditing organisations to proceed individual reporting and tax calculation in accordance with the principles of the operating regions for enhancement of the Group’s internal control.

During the reporting period, the Group did not identify any reported case or legal violation relevant to the corruption.

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