



DIGITAL DOMAIN HOLDINGS LIMITED
數字王國集團有限公司 (Stock Code : 547)
(Incorporated in Bermuda with limited liability)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

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ABOUT THIS REPORT



Digital Domain Holdings Limited (the “Company”) is pleased to present the Environmental, Social and Governance Report (“ESG Report”) for the financial year of 2017. The report involves environmental and social impacts, policies and initiatives of the Company and our major subsidiaries, (collectively called “the Group” or “We”) demonstrating our approaches, commitment and strategies to sustainability and highlights our environmental and social performance during the reporting period from 1 January 2017 to 31 December 2017. Additional information in relation to the Group’s corporate governance and financial performance can be referred to the Company’s Annual Report 2017.

We prepared this ESG Report in compliance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). Throughout this report, we focus on the aspects that are material to stakeholders including clients, communities, employees, institutions, governments, non-governmental organizations, shareholders, subcontractors, suppliers and industry associations, who are critical to the Group’s access. Those aspects and key performance indicators (“KPI”) defined in the ESG Reporting Guide which are considered to be relevant and material to the Group’s businesses and operations will be presented under four subject areas, namely, environmental protection, employment and labour practices, operating practices and community investment. In addition, a complete list of index in compliance with the ESG Reporting Guide is also available at the end of this Report.

ABOUT THIS REPORT



The present scope of ESG reporting covers the principal business of the Group operating in the region of Hong Kong Special Administrative Region (“Hong Kong” or “HKSAR”) of the People’s Republic of China (“PRC”) and Taiwan, which generally include post-production work on advertisements, feature films, television programmes, music videos, internet and mobile application content, and visual matters for corporate events.

In order to define what are relevant and material to our business in relation to sustainability, the key is to understand what issues our stakeholders are most concerned with. We define our stakeholders as people who affect our business or who are affected

by our business. Our stakeholders include the shareholders, employees, suppliers, customers, environment and community. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. We are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with follow-up actions in a timely manner. If you, as one of our stakeholders, have any questions about the content of the ESG Report or comments on the Group’s sustainability issues, please contact us via enquiry@ddhl.com.

ENVIRONMENTAL PROTECTION

2.1 Corporate Environmental Policy

The Group constantly sees that a healthy environment is indispensable to the well-being of human beings and every member of the society. The Earth, our precious planet, is the most valuable asset for us. The Group always sees itself accountable to protect this planet and to build a sustainable future for our generations and their generations. We are committed to upholding high environmental standards to fulfil relevant requirements under applicable laws or ordinances during the operation of the business, including all necessary requirements under the Environmental Protection Law of the PRC.



Being a production house for visual effect, we do not operate any factories or manufacturing businesses at the moment. As a result, the Group does not directly produce greenhouse gas in the operation. Nevertheless, the Group, in alignment with our environmental vision, pledges to upholding high environmental standards to fulfil relevant requirements under applicable laws and regulations throughout the operation. In addition, we continue to work with our partners together to, in different aspects, reduce our environmental impact throughout our operation because we believe we are all accountable to protect the earth and to build a sustainable future for our generations and their generations.

2.2 Energy Efficiency Management

Realizing that our major contribution to the greenhouse gas emission and energy footprints lies on the electricity consumption, we actively manage to raise the awareness for energy saving among all employees. Observing the "Indoor Temperature Energy Saving Charter" and the "No Incandescent Light Bulbs ("ILB") Energy Saving Charter" introduced by the Environment Bureau of the HKSAR Government, the Group developed a number of "reducing carbon footprint" initiatives and efficiency practices to reduce our greenhouse gas emission and to conserve energy usage, including:

- LED lighting systems are widely set up in workplaces;
- indoor temperature is maintained at an optimal level for comfort;
- equipment, machines and electronic devices shall be turned off after office hours;
- signages are put on at appropriate areas to raise the awareness of energy saving;
- encouraging employees to make the best use of the telephone and video conference facilities so as to avoid unnecessary travel arrangement.

ENVIRONMENTAL PROTECTION

2.3 Non-Hazardous Waste Management

Believing that every small step will make a difference, the Group also promotes other environmental friendly measures so as to reduce disposal of non-hazardous waste (such as used paper) throughout the entire operation in addition to implementation of energy saving initiatives in workspaces. We encourage our employees to reduce paper usage by using double-sided copying and by a frequent use of electronic information systems for material sharing or internal administrative documents as part of our environmental protection campaigns.

The Company introduced the e-communication system with its shareholders and non-registered holders in order to encourage our investors to be in pace with the Company's latest corporate information published on the websites of the Company and the Hong Kong Stock Exchange, additionally reducing paper consumption remarkably.

During the reporting period, we produced approximately a total of 43.0 tons of non-hazardous waste.

2.4 Environmental Performance

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, our environmental performance of "Energy Use and Emissions" and "Use of Resources" during the reporting period are tabulated as below.

Table 1 – Energy Use and Emissions

Energy Use and Emissions	Unit	2017
Electricity	kWh	1,539,588
Unleaded Petrol	L	18,075
Diesel	L	0
Greenhouse Gas	CO ₂ e (tonnes)	1,506
Nitrogen Oxides (NOx)	g	101,236
Sulphur Oxides (SOx)	g	266
Particulars Matter (PM)	g	9,700

Table 2 – Use of Resources

Resources use	Unit	2017
Paper	Piece (kg)	272,750 (1,363.75)
Water	m ³	3,500

Despite the nature of our business has no direct adverse impact on the environment and natural resources, the Group will continue our committed long-term strategy in environmental protection and strive to build a green and healthy environment to fulfil our responsibilities as a responsible corporate citizen.

EMPLOYMENT AND LABOUR PRACTICES

3.1 Employment and Labour

The Group is fully aware that human capital is the most important asset for our long-term operation and business development. As such, the Group pledges to invest resources to provide a desirable workplace, continuous training and prospective career opportunities to our employees, setting itself in a good position to maintain a robust business performance.

Our corporate philosophy emphasizes that equality and diversity should be highly respected during the process of employment, remuneration, promotion and termination. In our employee inclusion, we strictly follow the relevant laws and regulations and our employment policies to select candidates based on skillsets, experience and expertise and offer equal employment opportunities to different genders, age groups and nationalities. We also comply with regulations related to child labour and forced labour.

Our employees are mainly located in Hong Kong, the PRC and Taiwan. The Group safeguards the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong, Taiwan and the PRC, offering a competitive remuneration package, including internal promotion opportunities and performance-based bonus, to recruit and retain our experienced employees.

As a caring employer, we fully comply with the local labour legislations that we are subject to. In the PRC, we have participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC. In Hong Kong, we provide medical insurance, maternity leave, incentive and bonus etc. to all our full-time employees. We have also participated in the Mandatory Provident Fund (MPF) Scheme, prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). We comply with the Minimum Wage Ordinance, Employment Ordinance and the Employees' Compensation Ordinance by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees. In Taiwan, the Group, on a monthly basis, contributes labor pension to individual accounts of labor pension at the Bureau of Labor Insurance, Ministry of Labor for employees in compliance with the Labor Standard Act and Labor Pension Act.

EMPLOYMENT AND LABOUR PRACTICES

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, the details of the workforce of the Group during the reporting period are tabulated as well as presented in graphs below.

Table 3 – Workforce

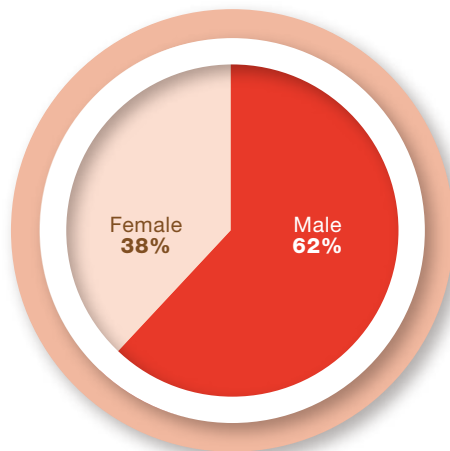
	2016	2017
Total Number of Full-Time Employees	172*	190 [#]
Turnover rate by Gender (%)		
Female	13.95	52.78
Male	19.77	56.78
Turnover rate by Age Group (%)		
Under 30 years old	21.51	68.75
30 – 50 years old	12.21	42.86
Over 50 years old	0	0
Turnover rate by Geographic Region (%)		
Hong Kong	1.74	10.71
Mainland China	31.98	64.86
Taiwan	–	42.86

* The figure only covers employees hired by the Headquarter in Hong Kong and by the subsidiaries in Beijing and Shanghai.

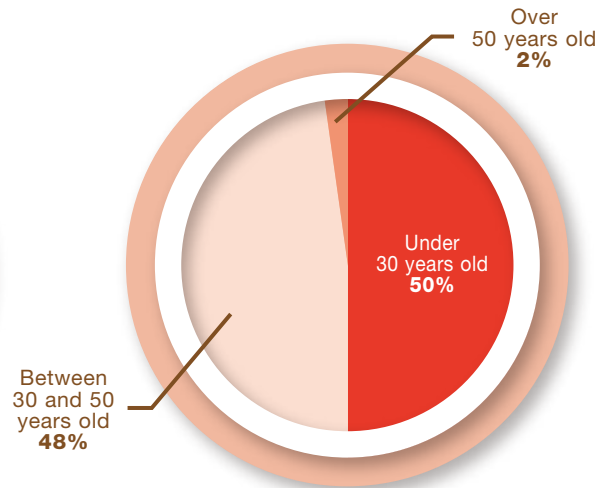
[#] The figure only covers employees hired by the Headquarter in Hong Kong and by the subsidiaries in Beijing, Shanghai and Taiwan.

EMPLOYMENT AND LABOUR PRACTICES

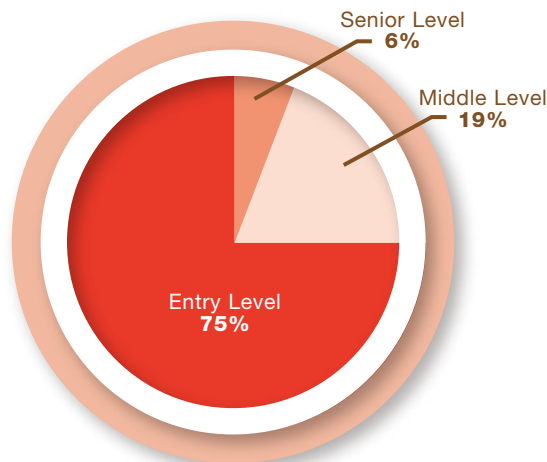
**Total Workforce
by Gender in 2017**



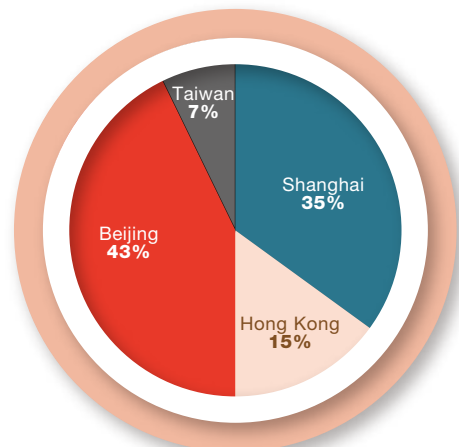
**Total Workforce
by Age Group in 2017**



**Total Workforce
by Employment Type in 2017**



**Total Workforce
by Geographic Region in 2017**



EMPLOYMENT AND LABOUR PRACTICES

3.2 Training and Recruitment

We believe that competence, work experience and skill-sets of our staff plays an important role in maintaining our operation efficiency. In order to recruit and retain talented employees, we ensure that our professional training and development programs continuously evolve to keep pace with the industry latest standards and create a listening culture through support and coaching. The Group aims to uphold a fair and equitable human resource policy, in which quality and merit of the candidates are the most important elements to be assessed during recruitment and promotion processes.

Every position is characterized by its job nature resulted in different needs of skill-sets and work experience. The Group ensures that every new joiner has received proper orientation training and mentoring programs in order to help them adapt to the new working environment affirmatively and quickly. Master-apprentice relation is very important in our business practice. Experienced employees continuously train the junior employees through daily operation until they become experienced enough to continue this tradition. Through this mentoring program, the Group can nurture employees to elevate their personal qualities, reinforce their skill sets and keep up with the most updated professional knowledge.

During the reporting period, the board of directors of the Company were provided with training materials on the relevant rules and regulating updates. In addition, the newly appointed directors were provided a comprehensive induction package covering the responsibilities and liabilities of a director of a Hong Kong listed company and the Guide on Directors' Duties issued by the Companies Registry in Hong Kong to ensure that he is sufficiently aware of his responsibilities and obligations under the Listing Rules and other regulatory requirements.

Moreover, the Group promotes open and direct communication between employees and management. The management constantly encourage the staff members to communicate with them. Causal and festival gatherings such as Christmas and Chinese New Year dinners are organized to enhance the harmonious sprit throughout the Group.

EMPLOYMENT AND LABOUR PRACTICES

3.3 Health and Work Safety

Our Group strives to safeguard the health and safety for our employees as part of the Group's long-term plan. We have developed and adopted health and safety policies including prohibition of smoking in the workplace, abuse of alcohol and drugs, identification and prevention of risks and hazards in the working area, and follow-up actions for accidents or personal injuries. We require our employees to strictly adhere to and comply with such policies, which are set out in our employee handbook.

Providing a comfortable and safe working environment and protecting our employees from occupational hazards are a very important part of the Group's operation. The Group adopts an open-space design for our workplaces in the PRC so that the employees feel like working home in the offices. Ample space between workstations, clean and tidy common space such as corridors and pantry, sufficient ventilation and lighting system are essential in our offices. Moreover, occupational safety guidelines including appropriate working postures and posters of proper lifting method are accessible from the intranet and are put up at appropriate locations in offices respectively to raise the safety awareness of employees.

We at all time require our employees to strictly adhere to and comply with such policies, which are set out in our employee handbook. During the reporting period, the Group has achieved zero work-related fatalities and 76 lost days due to work injury.



OPERATING PRACTICES

4.1 Supply Chain Management

As a responsible corporate citizen, one of our missions is to disseminate the pursuit of sustainability into our core business. The Group has developed a series of management systems and procedures to be aligned with the corporate governance required by the Hong Kong Stock Exchange. Furthermore, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in our pursuit of sustainable development.

Whenever we are required to select our suppliers and contractors, we not only consider economic and commercial benefits during the tendering processes but we also evaluate the suppliers' and contractors' track records and capacity in compliance with all the applicable laws and regulations, safeguarding workers' health and safety, and mitigating environmental impacts.

We require our suppliers to comply with all the applicable laws and regulations to follow the principles of proper social, environmental and ethical conduct. We perform internal assessment annually to review the track records of those regular suppliers. In addition, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in our pursuit of sustainable development.

4.2 Intellectual Property Rights

Being involved in the innovative business, the Group safeguards the confidentiality of all customers and entrepreneurs and ensures that the customer's information is properly protected. Confidentiality agreement must be signed before business engagement with contractors. We also require our employees to strictly observe the procedure on handling the Group's confidential information set out in our confidentiality management policy handbook.

OPERATING PRACTICES

4.3 Anti-Corruption

The Group is committed to upholding a high standard of business ethics and to standard to prohibit bribery and corrupt practices. The Group has developed a series of company policies on anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). With principles of “Commitment, Assurance of High Quality, Fair Deals and Faithfulness”, all employees perform their duties with utmost level of good faith, determination and professionalism, and ensure that the reputation of the Group will not be tarnished because of misconduct and corruption behavior.

The Group conducts periodic and systematic fraud risk assessments and will effectively communicate its anti-fraud policy and procedures to all levels of employees. The Group continues to identify and monitor the effectiveness and deficiencies of its risk control in collaboration with external parties. During the reporting period, we comply with the corporate policy of anti-corruption and no cases of anti-corruption have been concluded.

4.4 Whistle-Blowing

In order to encourage our employees to report illegality, irregularity, malpractice, unethical acts or behaviours, inappropriate conducts or actions, which may damage the Group’s interests, we established whistle-blowing policy and implement procedures for the employees of the Company and its subsidiaries to report improprieties via a confidential reporting channel to the extent that is made possible to all employees.

The Group is committed to addressing the “whistle-blowers” concerns in a fair and reasonable manner and to handling the reports with due care and conducting a detailed investigation seriously for each reasonably established report.

All “whistle-blowers” who report in good faith are reasonably protected from retaliation or adverse consequence of their employment regardless of whether the allegation is substantiated.

COMMUNITY INVESTMENT

The Group is committed to making a better society through active community involvement. Both the Group and its employees have put their best effort in helping the local communities and people in need.

In line with this commitment, the Group has purchased charity moon cakes from Wing Lai Yuen during the Mid-Autumn Festival, which distributed the proceeds to Cornerstone Association, Banyan Services Association and The Hong Kong Federation of the Blind.

In addition, the Group has donated equipment including monitors, camera etc to the schools.

During the reporting period, we continue to collaborate with two institutions, Mars Era (火星時代) and Beijing Film Academy (北京電影學院), to provide their students an internship program so that the students are given an opportunity to work with our professionals and to be exposed to the state-of-the-art visual technology. We also open the internship program to public to recruit young generations who are enthusiastic in visual media production.

We always believe the proverb “deeds of giving are the very foundations of the world” and will consistently help and support people in needs.

SEHK ESG GUIDE

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Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	–	The Group has not identified any hazardous wastes that were produced by our core business.
KPI A1.4	Total non-hazardous waste produced and intensity	Environmental Protection	
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environmental Protection	

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Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection	
KPI A2.2	Water consumption in total and intensity		Not identified as material aspect.
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	–	The Group believes that our water consumption is mainly used for domestic use purpose and no issues are addressed at this moment.
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	–	Use of packaging material is not applicable to our core business.
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection	

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Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices	
KPI B2.1	Number and rate of work-related fatalities	Employment and Labour Practices	
KPI B2.2	Lost days due to work injury	Employment and Labour Practices	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices	

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Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices	
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	–	No such incidents were reported during the reporting period.

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Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices	
KPI B5.1	Number of suppliers by geographical region	–	No suppliers were contracted for the core business during the reporting period.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	–	Not identified as material aspect.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	Not identified as material aspect.
KPI B6.2	Number of products and service related complaints received and how they are dealt with	–	Not identified as material aspect.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Operating Practices	
KPI B6.4	Description of quality assurance process and recall procedures	–	Not identified as material aspect.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Operating Practices	

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Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B7: Anti-Corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	–	No concluded legal cases regarding corrupt practices were brought against the issuer or its employees during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Operating Practices	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Investment	
KPI B8.1	Focus areas of contribution	Community Investment	
KPI B8.2	Resources contributed to the focus areas	Community Investment	