



VIXTEL TECHNOLOGIES HOLDINGS LIMITED

飛思達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8342



Environmental, Social and
Governance Report **2017**

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

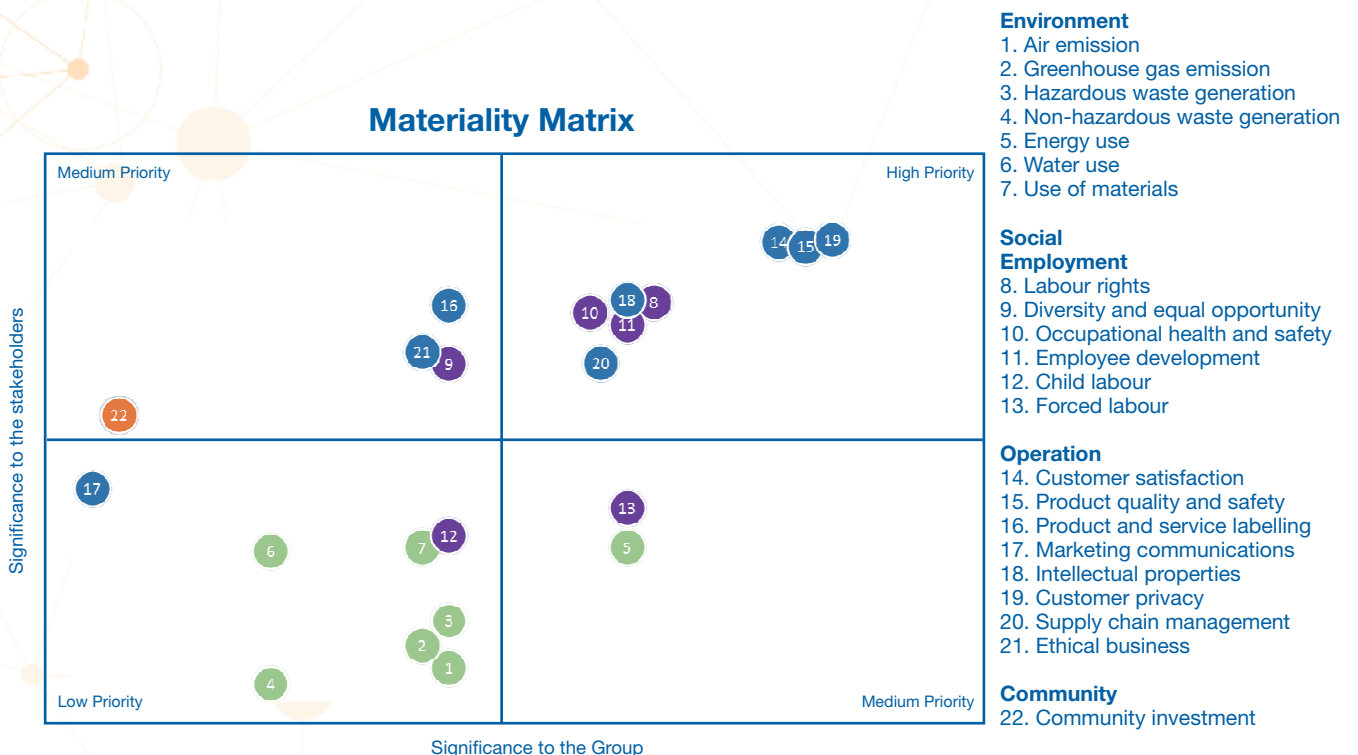
Being engaged in the business of application performance management (“APM”) and network performance monitoring for over a decade in China, Vixtel Technologies Holdings Limited (hereinafter referred to as “We”, “Vixtel”, the “Company”) and its subsidiaries (collectively, the “Group”) recognizes that it is vital to embrace its corporate social responsibility (“CSR”) to meet the growing expectations from stakeholders in CSR, apart from making profit in the business. Therefore, we endeavour to integrate CSR into our daily business operation by taking the needs and expectations of the stakeholders on CSR into account.

We are pleased to issue the second Environmental, Social and Governance (“ESG”) Report, which was prepared with reference to Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“HKEx”). The scope of the ESG Report includes our headquarters in Beijing, our branches in Guangzhou and Shanghai and our research and development (“R&D”) centres in Hefei and Harbin of China and covers our ESG performance from 1 January 2017 to 31 December 2017 (“the Reporting Period”).

We value your feedback and opinion which can help us improve our ESG performance. Please feel free to contact us via email at info@vixtel.com.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In order to understand and address the concerns of our key stakeholders in relevance to our business operation, we carried out a stakeholder engagement activity through an online questionnaire to identify the material ESG issues to the Group. The questionnaire serves as a platform to communicate with our internal and external stakeholders, including those from the board of directors, employees, customers and suppliers to obtain their opinions. A materiality assessment was then conducted to provide us insights into the formulation of the ESG reporting and upcoming CSR strategic goals. Their valuable feedback helps us identify the material topics, as shown in the materiality matrix below:

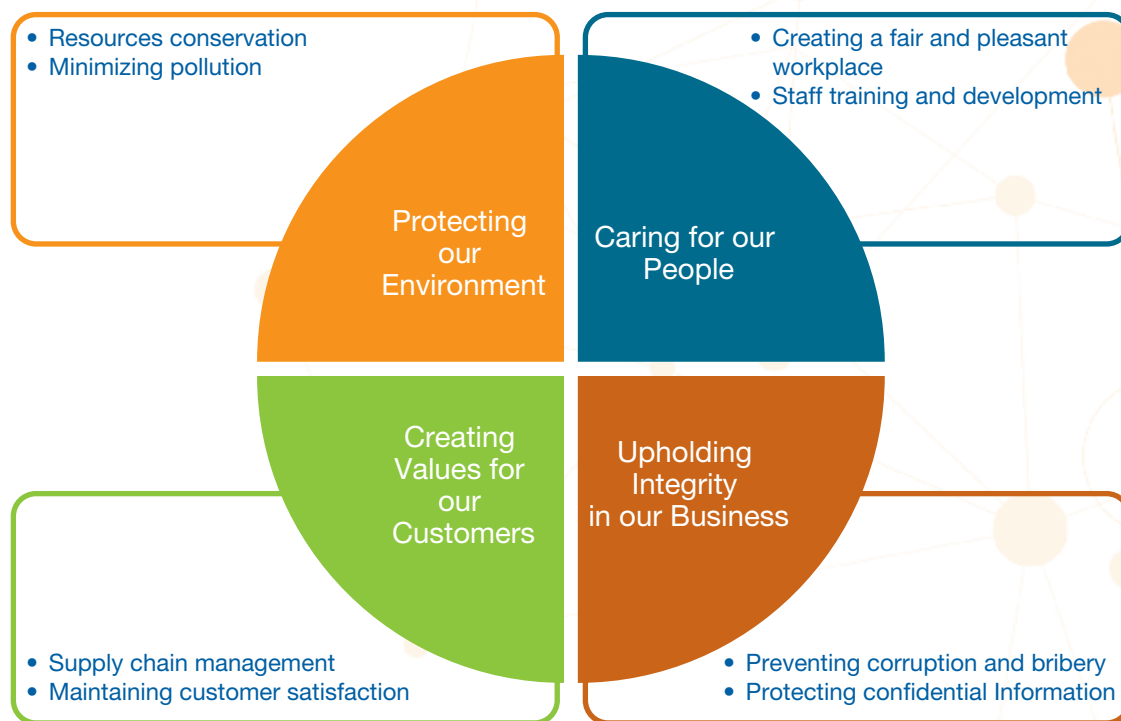


Based on the above analysis, the most material ESG topic to the Group had been identified and our stakeholders would like us to focus on customer privacy, products quality and safety, customer satisfaction, labour rights, intellectual properties, employees development, occupational health and safety and supply chain management. With these results in mind, we will continuously formulate corresponding ESG strategies, improve our performance and work towards sustainability to fulfill the expectations of our stakeholders in the future.

CORPORATE SOCIAL RESPONSIBILITY POLICY

To integrate CSR into our business, to ensure the compliance with the relevant laws and regulations, and to continuously improve our ESG performance, we have developed and implemented the Group’s CSR policy, which enables us to formulate appropriate strategies and manage the environmental and social issues in our daily operations.

Our CSR strategy focuses on four areas, namely “Protecting Our Environment”, “Caring for Our People”, “Creating Values for our Customers” and “Upholding Integrity in Our Business”, as illustrated below:



UPHOLDING INTEGRITY IN OUR BUSINESS

We believe integrity is the foundation for all successful business. We have developed strict policies and relevant management system to safeguard customer privacy and our intellectual property (“IP”), as well as prohibition of bribery and corruption at our workplace in order to create an ethical culture and a sustainable business.

Anti-corruption

We are committed to uphold the highest standards of integrity when carrying out our business activities. We strictly prohibit any form of unethical acts including fraud, corruption or bribery in our daily operations. Policy on anti-corruption and anti-bribery with associated management system is in place to minimize and mitigate possible risks that could arise in our business activities, such as during procurement, sales, outsourced services, facility maintenance and quality assurance. To further eliminate the risks and protect our business, apart from our employees, we also require our business partners, including the service providers, contractors and suppliers, to sign a probity agreement and observe our ethical standards and requirements before they are on-board.

We review our management system regularly and make improvements where necessary. A comprehensive whistle-blowing system is in place to encourage our employees and business partners to report suspicious or actual misbehaviour and misconduct. An immediate investigation will be carried out to verify the cases with remedial action taken where appropriate. The identity of the whistle-blower with the reporting information is kept confidential. Any confirmed cases and violation of the probity agreements will result in the termination of business relationship and disciplinary actions.

During the Reporting Period, no non-compliance with the relevant laws and regulations that have significant impact on the Group relating to bribery, extortion, fraud and money laundering had been identified.

Protection of intellectual property and confidential information

Our success is built upon technological innovation and our good records in safeguarding confidential information of our customers. In order to do so, we are dedicated to protect the intangible assets of the Group and the confidential information of our customers.

The Group highly respects and values intellectual property as it motivates entirely creative invention and advanced technology application. An “Intellectual Property Management Guideline” has been established for all departments to follow when handling IP products including patents, copyrights, trademarks, undisclosed technical and trade information to secure the intellectual property rights. We will take disciplinary actions against employees who breach the IP laws and regulations and our internal rules.

In order to safeguard our customers’ confidential information and to prevent unintended disclosure of information to the unauthorized persons or third parties, we have launched our “Customer Privacy Policy” which contain relevant guidelines on how we collect, implement, disclose, transfer and store customer data. An Information Security Management System (“ISMS”), which is certified in accordance with the international standard of ISO 27001 standard, has been implemented to prevent the loss, misuse and disclosure of the received customer personal data due to information security incidents. We also require all the suppliers and services providers to sign a confidentiality agreement to further prevent the leakage of the confidential and sensitive information.

During the Reporting Period, no non-compliance with the relevant laws and regulations that have significant impact on the Group relating to privacy matters and intellectual property rights and methods of redress had been identified.

CREATING VALUES FOR OUR CUSTOMERS

The Group's long-term goal is to become an international leading provider of APM products and services. To achieve that we are committed to the greatest value for our customers through providing competitive products and technological solutions, as well as upholding the highest standards in our supply chain.

Supply chain management

We strive to maintain long-term business relationship with our suppliers. We have developed a comprehensive management system for evaluating the new and existing suppliers in order to ensure their competency and business capability for product or service provision. Apart from compliance with local laws and regulations, suppliers are required to go through a strict assessment on their product quality, delivery time, price and services to ensure that their products or services are of high standard and meet our requirements. Only those suppliers who can satisfy our requirements are qualified as our approved suppliers, and only those approved suppliers are allowed to supply necessary products and services for our operations. We also conduct performance assessment on our existing suppliers once every six months to ensure that they can maintain the required product/service quality. Suppliers will be disqualified if they fail to meet our standards customarily.

Besides, we have established the Supplier's Code of Conduct ("CoC"), which describes the principles towards human rights, labour practices, environmental, health and safety to enhance the overall sustainability performance along our supply chain. Suppliers are required to operate in accordance with the principles set out in the CoC and are highly encouraged to perform the sustainable practices beyond the CoC for greater mutual benefits.

Product responsibility

We strive to provide the best customer experience with our high-quality products and services. We offer wide range of IT technology solutions and products that are user-friendly and provide diversified supporting services such as on-site customer training and free remote technical support. In order to meet the evolving needs of our customers and offer better products that satisfy their expectations, we continuously look for improvement through making significant investment in R&D.

We care for the quality of our products. We have established the quality management system which is certified under the international ISO 9001 standard. We ensure the quality of our products meet the requirements of our clients by providing sufficient training, carrying out rigorous product and services testing, and conducting regular monitoring. Moreover, an IT disaster recovery plan is in place for unintended events such as fire, administrative error, loss of power, server failure so that our employees are able to effectively respond to, and recover the important data from the servers in case of emergency. This helps to minimize the negative impacts on the business operations and on our customers.

Regarding corporate branding and promoting our products and services, we have implemented an internal guideline on corporate promotion and advertising, so as to properly manage information disclosure and external promotion activities. Our Integrated Management Department follows the guidelines to design promotion campaigns and to ensure the information provided is correct. This practice helps us to make sure that our customers can receive correct products or service information and descriptions.

Soliciting feedbacks from customers

Listening to our customers about their opinions and suggestions on our products and services is an important process to understand our existing performance and for our continuous improvement. We constantly interact with our customers by reviewing their enquiries and feedback as well as analyzing results of customer satisfaction questionnaires. Their views on the quality, after-sales service, price and the delivery time of our products and services help us devise relevant improvement plans and strategies accordingly.

Besides, corresponding customer complaint handling procedures are implemented to handle potential complaints from customers when such communications are received. We take prompt actions to investigate and verify the cases, analyze the root causes and take corrective measures to prevent the reoccurrence of similar cases in the future.

During the Reporting Period, no non-compliance with the relevant laws and regulations that have significant impact on the Group relating to health and safety, advertising and labelling and methods of redress had been identified.

CARING FOR OUR PEOPLE

We recognize that employees are our most valuable assets. Therefore, we strive to provide a fair and pleasant workplace where our employees can enjoy decent working conditions and develop new skills. With this in mind, we offer an attractive remuneration package to all employees including competitive salary, fixed working hours, holidays, overtime compensation and social insurance coverage etc., which are set out in our staff handbook and comply with relevant national labour laws and regulations.

We are committed to the principles of equal opportunity and fair competition. We have a comprehensive appraisal system to assess our employee's performance based on their contributions to the Company, as well as their attitude, discipline and cooperativeness. Those staff members who are performing well are rewarded through salary adjustment, discretionary bonus announcement and promotions. Similarly, for recruitment and promotion considerations, decisions are made solely based on the candidates' qualifications, experience, technical level and performance during interviews or assessments, and without discrimination on grounds such as gender, age, ethnicity, disability, pregnancy and sexual orientation or other unrelated matters in respect of job duties.

We respect human rights and freedom. We strictly prohibit child labour and forced labour in our workplace. All new hired staff members must undergo identity and job reference checks to ensure their eligibility on the related job positions, and thus help prevent the employment of child and forced labour.

During the Reporting Period, no non-compliance with the relevant laws and regulations that have significant impact on the Group relating to employment practices, preventing child and forced labour had been identified.

Healthy and safe workplace

We take full responsibility to provide a healthy and safe working environment for our employees. Our “Office Safety Management Procedure” has outlined the safety preventive measures and practices for all employees to follow. Regular inspections are carried out to ensure our workplace are safe, and that applicable safety measures are properly maintained. While we strive to maintain a safe and hygienic working environment, we are aware of emergencies that might still happen at our workplace. An accident contingency plan is thus in place to prepare for emergency situations. Fire drills are conducted to our employees regularly to raise their safety awareness and to ensure that they are well-equipped to respond to the emergency situations.



Company trip to Hainan Sanya to appreciate their contribution in 2017.

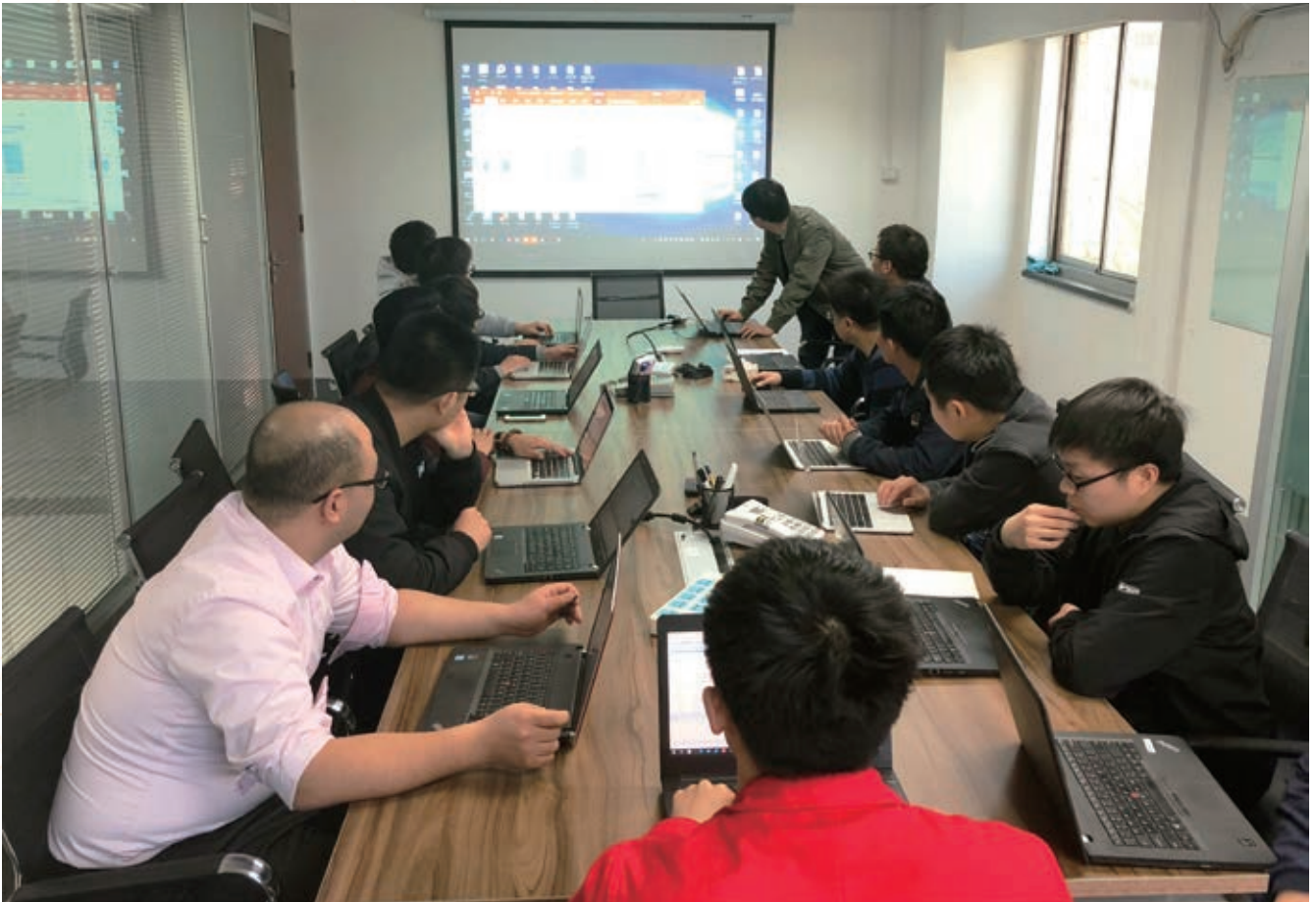
To promote a work-life balance and show our appreciation of our employees’ contributions, we organize recreational activities such as annual staff travel, quarterly department events and birthday parties to create a stronger bond among employees besides daily work interactions. We also provide comprehensive medical check-ups for their wellness advice.

During the Reporting Period, no non-compliance with the relevant laws and regulations that have significant impact on the Group relating to occupational health and safety had been identified.

Training and development

To maintain our competitive edge in the industry and long-term growth of Vixtel, in line with our training policy, we are committed to nurture our employees’ talents and maximize their potentials through providing employees with comprehensive training opportunities and a career development path.

With the principles of equal opportunity and fair competition in our mind, we have established a comprehensive training management system to address the training needs of our employees. The system helps to determine our training objective and to organize corresponding training programmes for our employees. Both internal and external training opportunities are provided to our employees at different position levels to strength their job-related knowledge, technical skills and personal competencies. We also promote self-learning with necessary resources provided (e.g. offering computers and study areas) to assist employees in achieving both personal and professional goals in their leisure time. The effectiveness of the implemented measures are regularly reviewed such that continual improvements can be made.



Internal technical training was provided to our staff to suit their operational needs.



PROTECTING OUR ENVIRONMENT

With growing concerns on global environmental issues such as climate change and resources depletion nowadays, the Group strives to contribute to protecting our environment by minimizing environmental pollution and resources consumption.

In practice, we have implemented an environmental management system (“EMS”) in our business operation, which is in conformity with the international standard of ISO14001, to manage the environmental risks in our operations. Under the EMS, we carry out appropriate actions to ensure compliance with the applicable environmental laws and regulations in China, and make continual improvements on our environmental performance.

We also provide regular training to enhance the environmental awareness of our employees, and to ensure their understanding on how to manage environmental issues such as proper waste storage and treatment and efficient use of resources.

During the Reporting Period, no non-compliance with the relevant laws and regulations that have significant impact on the Group relating to the air and greenhouse gas emission, discharges into water and land, and generation of hazardous waste and non-hazardous waste had been identified.

Preventing pollution to the environment

Due to our business nature, our business activities are mainly carried out within offices and R&D centres and thus we do not have intense direct emissions to the environment. Notwithstanding that, the Group is still striving to further minimize direct emissions from our operations, by managing the use of company vehicles and solid waste generation.

The Group has implemented a policy governing the use of company vehicles which helps to reduce the level of air pollutants emitted to the atmosphere. Besides, we opt for superior vehicle fuels with low sulphur content, and regular maintenance on our company vehicles are scheduled to improve their efficiency. We also require our drivers to switch off idling engines when the cars are in stationary states. In addition, employees are encouraged to use public transportation where practicable.

Our operations have generated a small amount of solid hazardous waste such as waste battery, fluorescent tubes, toners, and non-hazardous waste such as general office waste and domestic waste are generated from our offices and R&D centres. We understand that improper disposal of hazardous and non-hazardous waste can result in water and land contamination and thus we established a policy on solid waste management to control, handle and dispose of the produced waste. Wastes are sorted properly into three major categories: recyclable, non-recyclable and hazardous and are stored in designated areas. All the recyclable wastes are collected by the property management company regularly for recycling. The hazardous waste is properly stored with proper safety labels before they are recollected by services providers, or consigned to licensed waste collectors for handling. We also carry out regular inspection on waste management, and closely keep track of the amount of solid waste generated to ensure effectiveness of waste management.

Maximizing resources efficiency

In order to utilize our resources efficiently to reduce our carbon footprints and material wastage, we have developed an “Energy Use Policy” and “Green Office Management Procedure” to guide us on the efficient use of electricity, water, paper and other materials and nurture a green corporate culture.

Electricity

- Purchase lamps and other electronic appliances with higher efficiency
- Adopt natural lighting whenever possible
- Set electronic appliances in energy saving mode by default
- Switching off office equipment when they are not in use
- Set the temperature of air conditioning optimally to strike the balance between electricity use and employee comfort

Water

- Carry out regular water pipe maintenance to prevent any water leakage
- Opt for water saving devices and faucets

Paper

- Use electronic communication channels over paper
- Adopt double-sided printing to reduce paper use
- Reuse single-sided papers and letterheads
- Opt for the use of paper with high recycled content

Other Materials Use

- Use cleansing agents manufactured with no phosphate or phosphonates
- Use reusable products (e.g. rechargeable battery) instead of using single-use disposable items

Environmental performance

Our environmental performance data during the Reporting Period is indicated in the table below. We will continue to track our resources consumption and emissions, as this helps us track and monitor our environmental footprints, and thus enables us to formulate corresponding company policies and management procedures to meet the demand of business operation, while constantly improve our environmental performance in the future.

Vixel Technologies Holdings Limited

FY2017 Unit

Types of resources use

Electricity

137,008.80 kWh

Water

276.16 m³

Vehicle fuels

– Unleaded petrol

1,938.00 Litre

Type of Emission

Greenhouse gas emissions

– Scope 1

5.15 tCO₂e

– Scope 2

138.91 tCO₂e

Intensity

Energy Intensity

– Direct Energy

8.01 Litre per employee

– Indirect Energy

566.15 kWh per employee

Water Intensity

1.14 m³ per employee

Carbon Intensity

– Scope 1

0.021 tCO₂e per employee

– Scope 2

0.574 tCO₂e per employee

Note 1: The Group provides on-line solutions and services to our customers and thus “packaging material” is not applicable.

Note 2: Both hazardous and non-hazardous waste were collected and consigned to the service provider or the property management company for handling and treatment. Information on the actual weight of the collected waste is not available.

COMMUNITY INVESTMENT

The Group fulfils its social responsibilities by actively taking part and investing in the community. The Group has established a “Corporate Community Involvement Policy”, and through active partnerships with those established social organizations, supports social development and community projects and improves the local infrastructure and welfare of the underprivileged. In June 2017, we organized a 10-kilometre charity walk for our staff and raised funds for supporting the youth development. Around 60 employees with their family members participated in this event. They were divided into different teams to complete the walk within two hours in the Olympic Green (北京奧林匹克公園). The raised funds were wholly donated to China Children and Teenagers’ Fund to support the public welfare program named “Hello Kids”, where “Love Package” with daily necessities and stationery were delivered to 60 students to share our blessings and care. We also encourage our employees to actively participate in community projects such that more people can be benefited from us.



Vixtel organized the charity walk for fundraising and showed our care for the community



Our employees finished the 9 km of walk

HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures

A. Environment

A1 Emission

Information on:

- (a) the policies; and
- (b) compliance and material non-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, generation of hazardous and non-hazardous wastes, etc.

A2 Use of Resource

Policies on efficient use of resources including energy, water and other raw materials.

Policy/Procedure

Quality and Environmental Management Manual
 Company Vehicles Management Policy
 Solid Waste Management Policy

Quality and Environmental Management Manual
 Energy use Policy
 Green Office Management Procedure

Reference Section

Protecting our Environment – Preventing pollution to the environment

Protecting our Environment – Maximizing resources efficiency

HKEx ESG Reporting Guide General Disclosures

A3 The Environment and Natural Resources

Policies on minimizing the operation's significant impact on the environment and natural resources.

Policy/Procedure

Not applicable – the Group's operations do not have significant impact on the environment and natural resources.

Reference Section

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B. Social

B1 Employment

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.

CSR Policy

Staff handbook

Caring for our People

B2 Health and Safety

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.

Office Safety Management Procedure

Accident Contingency Plan

Staff Activity Guidelines

Caring for our People – Healthy and safe workplace

B3 Development and Training

Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.

Training Management Procedure

Caring for our People – Training and development

HKEx ESG Reporting Guide General Disclosures

Policy/Procedure

Reference Section

B4 Labour Standard

Information on:

CSR Policy

Caring for our People

(a) the policies; and

(b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.

B5 Supply Chain Management

Policies on managing environmental and social risks of supply chain.

Supplier Management System
Suppliers Code of Conduct

Creating Values for our customers – Supply chain management

B6 Product Responsibility

Information on:

Quality and Environmental Management Manual

Creating Values for our customers – Product responsibility

(a) the policies; and

Product Quality Management Procedures

Creating Values for our customers – Soliciting feedbacks from customers

(b) compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Information Security Management System

Upholding Integrity in our Business – Protection of intellectual property and confidential information

IT Disaster Recovery Plan

Customer Complaint Handling Procedures

Intellectual Property Management Procedures

Customer Privacy Policy

Corporate Promotion & advertising Guideline

HKEx ESG Reporting Guide General Disclosures

B7 Anti-corruption

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.

Policy/Procedure

Anti-corruption and Anti-bribery Management Procedures

Reference Section

Upholding Integrity in our Business – Anti-corruption

B8 Community Investment

Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.

Corporate Community Involvement Policy

Community Investment