

ZHICHENG

TECHNOLOGY GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8511

2021

Environmental, Social and
Governance Report

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ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

1. ABOUT THIS REPORT

Zhicheng Technology Group Ltd. (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”, “**Zhicheng**” or “**we**”) (Stock Code: 8511) is a smart manufacturing solution provider with its focus on cutting-edge precision three-dimensional testing solutions and precision machining solutions. The shares of the Company (the “**Shares**”) were successfully listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 20 April 2018, which marked a key milestone for the Group. The Group is committed to offering a wide variety of services from customized solution concept and design to procurement of machinery, auxiliary tools and software to system installation and debugging. With a concerted effort made by the Group and its fellow employees, the Company has expanded to serve more diverse industries including aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries.

The Group had been persisting in developing new technology, including new auxiliary tools design software applications. As at 31 March 2021, the Group has 16 registered patents, including 6 invention patents and 10 utility model patents, and 8 invention patents in the registration process.

The Group acknowledges the significance of effective environmental, social and governance (“**ESG**”) initiatives at operation level. The direction of the Group’s ESG practices is governed by the board of directors of the Company (the “**Board**”), ensuring that the ESG strategy reflects the Company’s core values.

We had a designated working group (“**ESG Working Group**”), which comprised of employees from various departments, to gather relevant information and data for the preparation of such report.

This report describes the ESG initiatives of the Group for the financial year ended 31 March 2021 (the “**ESG Report**” or the “**Report**”). The contents of this Report provide its stakeholders with an overview of the Group’s efforts regarding ESG impacts arising from its daily operations. The reporting period of this Report is from 1 April 2020 to 31 March 2021 (the “**Reporting Period**”).

1.1 Reporting Standard, Scope and Boundary

This Report complies with the provision of the ESG Reporting Guide as set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange, and is prepared in accordance with the four reporting principles: materiality, quantitative, balance, and consistency; and the “comply or explain” provisions contained therein. It is recommended that this Report is read in conjunction with the Company’s Annual Report 2021, in particular the corporate governance information as disclosed according to Appendix 15 of the GEM Listing Rules.

Zhicheng is a smart manufacturing system solution provider offering advanced solutions and technological applications which mainly involves precision testing and processing. The Report focuses on the business operations in the Company’s headquarter and its local subsidiary in Guangzhou, Guangdong province of the People’s Republic of China (the “**PRC**”). The Group’s business presence in Beijing, Xi’an, Chongqing, Changchun, Nanjing and Hong Kong. All of the above are not included in the Report due to the non-significant environmental and social impact. Disclosure on health and safety measures taken with respect to the latest Coronavirus Disease 2019 (“**COVID-19**”) pandemic which happened in early 2020 has been included in the context. The content of this ESG Report focuses on material sustainability areas based on our most significant economic, environmental and social impacts, and the area of greatest interests of our stakeholders. As there were no changes to the business scope, our ESG management approach, initiatives and strategy remained unchanged.

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1.2 Contact Information

The Group highly values comments and suggestions from its stakeholders. We welcome any feedback and we can be reached at:

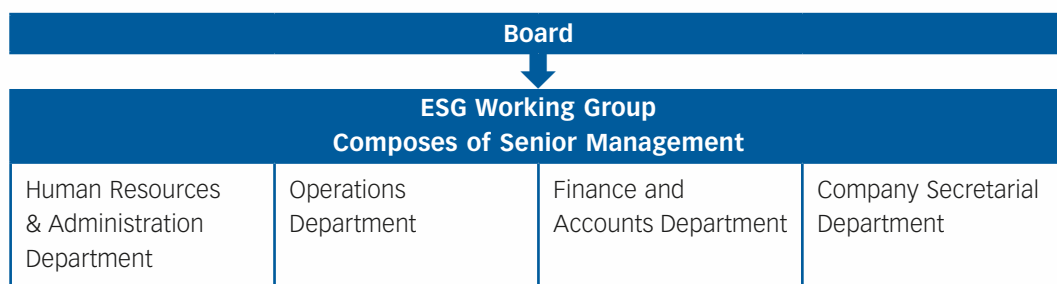
Email: info@ztecgroup.com

Tel: 86-020-32219108

Fax: 86-020-32219493

1.3 Statement of the Board

The ESG Working Group is authorized by the Board to carry out ESG-related tasks. While the ESG Working Group looks after the day-to-day management of ESG issues, the Board is responsible for the oversight of the overall management and decisions relating to the sustainability governance of the Group.



This ESG Report has been reviewed by the ESG Working Group and approved by the Board. The Board sets out ESG goals and targets on specific KPIs and areas of concerns for the Company. Annual review on the ESG initiatives is carried out by the Board, with the help of the ESG Working Group to make sure adequate measures has been taken to enhance sustainability governance. We aim to reduce carbon footprint by raising employees' ESG awareness, ultimately driving the change of behavior towards incorporating ESG initiatives into our operational strategy. Zhicheng strives to provide a supportive working environment to our employees, while minimizing any environmental impact caused by our operational activities.

This Report is available on the websites of the Company (<http://www.ztecgroup.com/>) and Hong Kong Exchanges and Clearing Limited ("HKEX") news website (<https://www.hkexnews.hk>).

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1.4 Materiality Assessment

As identified by the materiality assessment, the ESG Report covers the overall performance, risks, strategies, measures and commitments of the Group's ESG aspects on its principal business operations.

Material issues were identified and summarized as follows:

ESG Reporting Guide Reference	Material Issues
A. Environmental	
A1. Emissions	Greenhouse Gas Emissions
A2. Use of Resources	Energy consumption
A3. The Environment and Natural Resources	Environmental stewardship
A4. Climate Change	Climate related risks and mitigation
B. Social	
B1. Employment	Employment and labour practices
B4. Labour Standards	
B2. Health and Safety	Occupational safety measures
B3. Development and Training	Employee Development
B5. Supply Chain Management	Selection of suppliers
B6. Product Responsibility	Quality Control
B7. Anti-Corruption	Whistle-blowing policy
B8. Community investment	Donation and charity work

1.5 Stakeholders Engagement

We understand that stakeholders' engagement plays a pivotal role to our continuous effort in improving our ESG standard. Therefore, we have built and maintained our various communication channels for our stakeholders. We endeavor to provide our stakeholders with clear information about our business operations and ESG issues.

During the Reporting Period, the Group engages with our stakeholders' through multiple communication channels, summarized as follows:

Shareholders	Regulators	Community
<ul style="list-style-type: none"> Annual general meetings Announcements and circulars, annual reports and other disclosure Documents and press releases 	<ul style="list-style-type: none"> Communications achieved via both written and electronic means Swift response to any new measures implemented by the government 	<ul style="list-style-type: none"> Participation in events and community services

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Employees	Customers	Business partners & Suppliers
<ul style="list-style-type: none"> – Performance review and training – Equal opportunity provider with zero discrimination 	<ul style="list-style-type: none"> – Feedback collected every 6 months from customers by QC Team – Participation in trade shows and exhibitions 	<ul style="list-style-type: none"> – Participation in suppliers expo and conferences – Robust procurement & selection procedures prior to engagement of suppliers



Trade Expo for our Suppliers



Annual General Meeting – 2020

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2. OPERATIONAL PRACTICES

2.1 Product Responsibility

The Group is committed to providing high quality and responsible services to its customers. Customer satisfaction is our key to success. With Zhicheng, we believe that delivering the best quality service is vital to the survival of our business, and is of utmost priority for us. The Group devotes itself to meeting the evolving needs of its customers, while much effort has been placed for maintaining quality control of our products.

During the Reporting Period, there was no material complaint or damage claim on our product and service quality from our clients.

During the Reporting Period, the Group was not aware of any breach of relevant laws and regulations on advertising and labelling in relation to products and services that had a significant impact on the Group, including but not limited to the Advertising Law of the People's Republic of China and the Trademark Law of the People's Republic of China.

2.2 Quality Control

As a system solution provider for manufacturers, we understand that constant and meticulous quality management is the key. As such, Zhicheng has in place three teams, namely the Quality Control ("QC") Team, the Research and Development ("R&D") Team and the Procurement Team, to work seamlessly in collaboration, enhancing our high-quality service to be delivered at our customers' satisfaction. To enhance our customer journey, we welcome feedback from customers at any time to our dedicated team. We value these feedbacks as they sustain the long-lasting relationship between our customers and the Group.

The Group satisfies ISO9001 management standards and we pledge to offer our clients a 1-year warranty for our service products. Awarded the Certification of New High-tech Enterprise, we only offer mature high standard precision system solutions and there has been no safety issues nor complaints received for our product offerings.

2.3 Suppliers selection

The Group believes that a strong establishment of a cooperation relationship with suppliers would enhance the continuous improvement on the Group's operational flow and quality of service. Especially, the provision of high standard precision system solutions requires a robust and rigorous selection mechanism for its suppliers to assure its product quality. As such, our product cycle initiates with the Procurement Team and R&D Team working in collaboration in the vendor selection processes, and the testification of sample products. Not only we take into account normal screening criteria such as price, reputation, product quality etc., the Group adheres to fair operating practices and take into account of potential environmental and social risks which may exist along our supply chain. The Company tends to avoid suppliers who impose severe environmental or social impact, and ESG concerns has become one of our selection criteria upon vendor selection. To mitigate the risk of over-reliance on any single supplier, the Procurement Team has in place a list of qualified suppliers to enhance flexibility and control and the list of suppliers is updated from time to time. Sustainable, fair-trade and environmentally friendly products are preferred and procurement decisions are not solely based on price concern.

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In addition, we constantly review on the service quality of our suppliers. Corporate due diligence and credit checks are performed leveraging on public data gathered when a supplier is included in our qualified suppliers list.

Once we have sourced the right suppliers, the Group enters into legally binding service agreements and non-disclosure agreement with them to define detailed terms of service and deliverables.

The Group believes that effective communication is the key to maintain a long-term relationship with suppliers, and only a trusting relationship with our suppliers could manage our environmental and social risk while enhancing our operating efficiency.

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

Geographical region	Number of suppliers
China	40
Hong Kong	3
Germany	1
Others	1
Total:	45

2.4 Data privacy and Cybersecurity

As a responsible system solutions provider, we strictly abide by the relevant laws and regulations of the Cybersecurity Law of the PRC in respect of network security and the protection of personal information. In such, we place great focus on ensuring and safeguarding information security and data privacy. Disciplinary rulings will be implemented to further safeguard the behaviours of all employees, vendors and R&D professionals. In the data gathering process, user agreement and privacy policy has to be agreed prior to accessing the application, and we aim to minimize data gathering. Transmission of any documents containing sensitive data are protected by secured passwords. Confidentiality agreements are also in place when sharing of information is required. The sharing of information between apps is enabled only through API interface access to prohibit direct database access. Sensitive data, such as private personal data, shall be marked for destruction and can only be access by authorized users. A robust incident reporting regime is implemented and employees are required to report on any incidents of data leakage, with subsequent remedial actions to be taken.

We offer information security training to all our employees to tackle with potential data compliance problems that our employees may encounter during the R&D process.

2.5 Intellectual Property Right Protection

As a knowledge-driven enterprise, we continuously enhance our protection for our intangible assets. Intellectual property rights and patents registered have powerfully guaranteed our technical capacity and strengthen our market position as a three-dimensional precision system solutions leader. We have applied for patents with regard to our intellectual property rights. As at 31 March 2021, the Group has 16 registered patents, including 6 invention patents and 10 utility model patents, and 8 invention patents in the registration process. Our team will continue to monitor online for any infringement of our copyright and combat against any piracy acts.

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2.6 Advertising and labelling

The Group conducts limited advertising activities and therefore does not involve significant advertising related risks. We strictly abide by the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other relevant laws and regulations. All information about the Group's products and businesses is subject to strict review before it is made public to eliminate any use of false information in advertising, promotion and exhibitions to mislead customers.

2.7 Aftersales service

The Company is proud to report that we have received zero complaints from customers and there were zero product recall consecutively for 3 years. Our dedicated QC Team has a standard operating procedure in place to reach out each of our customers every six months to identify needs for improvement. These valuable feedbacks not only sustain a long-lasting relationship between our customers and the Group, the rewarding experience has brought about many new businesses by word of mouth.



The Company adopts a robust incident reporting regime and in the event of any complaints is received from customers, responsible employees are required to provide a written report for any complaints filed and escalate to management.

QC Team attends to all after-sales issues and provides quality technical support, trainings and other ad hoc issues which may arise. We offer webinars, trainings and organize exhibitions from time to time for any new technological updates and we invite our clients to participate in these events for free.

2.8 Anti-corruption

The Group upholds the highest standard of corporate governance and adheres to the values of honesty and integrity when engaging in the Group's business activities. The code of ethics guidelines stipulated that all employees including the directors must comply with the applicable laws and regulations with regards to corruption, extortion, fraudulent activities and conflict of interest in every legislation in which the Group operates. The Group aims to promote workplace awareness about business integrity and we endeavour to maintain sound corporate governance and risk management to protect the interest of our stakeholders. Trainings materials were circulated to directors and employees on topics on corruption and conflict of interest from time to time.

The Group complies with relevant laws and regulations of the Prevention of Bribery Ordinance of Hong Kong, the Criminal Law of the PRC 〈中華人民共和國刑法〉 and the Anti-Unfair Competition Law of the PRC 〈中華人民共和國反不正當競爭法〉.

We have a zero-tolerance policy on corruption, bribery, extortion, fraud and money laundering.

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Online training material for Directors and Employees

Whistle-blowing policy

We have adopted a whistle-blowing policy enabling all levels and operation to report about possible breach of rules and misconduct. Employees who discover any corruption, bribery, or money laundering incident can report to the Board directly. Zhicheng requires employees to report any suspected cases on corruption and misconduct anonymously to protect the legitimate interest of the whistle-blower. Investigation will be carried out independently and will be escalated to relevant regulatory and law enforcement bodies when necessary.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

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3. WORKPLACE AND EMPLOYMENT

3.1 Labour standard

We strive to retain high caliber talents by providing a gratifying and rewarding workplace to our employees, offering them opportunities to learn, grow and succeed. As an equal opportunity employer, and we help our employees to reach their full potential.

Employment contracts and orientation briefings, are formally documented by our human resources (“HR”) department. Our staff handbook sets out provisions on business conduct, work ethics, trainings and regulations, dismissal policies and required responsibilities of employees. The staff handbook is distributed to each employee upon onboarding.

We strictly adhere to relevant laws and regulations including the Labour Law of the PRC and the Labour Contract Law of the PRC. We respect human rights and we have zero tolerance towards discrimination and forced child labour. The HR department has adequate measure in place to verify candidates’ age to ensure no use of child labour. Prior to on-boarding of any new employees, thorough background check will be conducted to ensure the candidate is fit and proper for role. If any candidates were found to be child labour, their employment contract would be immediately terminated.

During the Reporting Period, the Group was not aware of any incident of non-compliance relating to compensation and dismissal, equal opportunity, diversity, anti-discrimination, and cases associated with child labour.

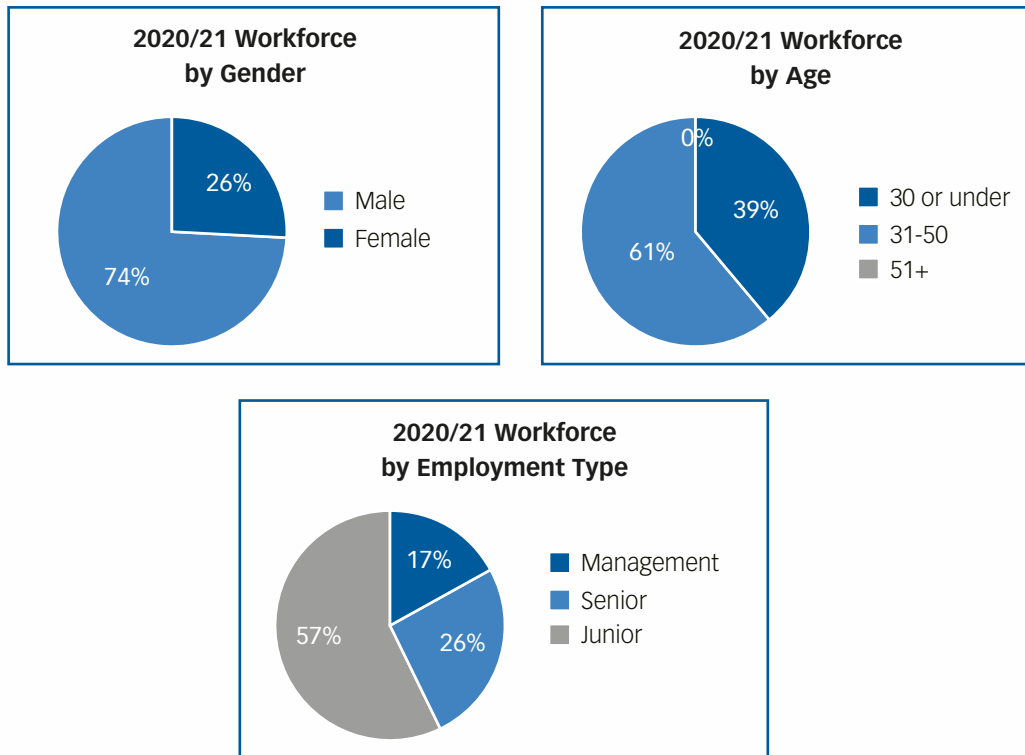
Equal Opportunities, Diversity and Inclusion

We embrace diversity and inclusion. Our recruitment policy stipulates that we recruit candidates based on their experience and expertise, and do not discriminate on grounds of gender, disability, pregnancy, marital and family status, racial background, religious belief, age or sexual orientation. The Group is an equal opportunity employer and we do not see disability as any disadvantage.

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As at 31 March 2021, the Group had a total of 23 employees. The annual turnover rate was 9%.

Breakdowns of workforce is shown as follows:



Note: Turnover rate is defined as the rate of employees who voluntarily resign or leave because of retirement, dismissal, or other reasons, and is calculated according to the following formula:

$$\text{Turnover rate} = \frac{\text{number of employee left during the year}}{(\text{number at beginning of year} + \text{number at end of year})/2}$$

Employee Turnover Rate by Gender	
Male	Female
11%	0%

Employee Turnover Rate by Age		
Under 30	31-50	50+
0%	14%	0%

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3.2 Workplace Safety & Well-being

Safety

We pledge to offer a healthy and safe workplace for our employees and it is of paramount importance to safeguard the well-being of our employees. As a responsible employer, we assess and identify potential safety risks, take preventive measures and offer necessary training and information from time to time with regard to workplace safety. Regular inspection of the emergency exits have been carried out to ensure they were kept clear. Fire drills are organized from time to time familiarizing our employees with the evacuation routes and the proper usage of life-saving gears such as fire extinguishers.

Employees' Well-being

We value the well-being of employees. While medical insurances are in place to provide full coverage of personal health care, we also strive to guarantee reasonable working hours, wage and welfare. Employees are also entitled to paid statutory holidays and special leave allowances, such as maternal leaves, paternity leaves, study leaves and exam leaves etc. We encourage our employees to further their education and will provide subsidy upon request.

COVID-19

With the challenges brought by the massive global outbreak of the COVID-19 pandemic, our Company has adopted a series of measure to accord the priority to the health and safety of all our staffs. We adopt a proactive approach in responding to the PRC State Council's preventive and control measures of A Class infectious diseases in relation to the battle against COVID-19. In doing so, a "Work from Home" regime was launched since February 2020, allowing employees to work from home to minimize commute and the possible spread of virus. Online webinars were provided to employees to illustrate the expected deliverables of their respective duties under the Work from Home arrangement.

We have also restricted on the mode of transportation for our employees in case of any business trips required. For any business trips, if unavoidable, employees are restricted from taking any means of public transportation, such as airplanes, high speed trains, etc. Private cars will be the only allowed means of travel if needed to minimize the risk of virus spreading.

We provide masks and hand sanitizers for our employees when they attend work in the office and remind them constantly of personal hygiene. A new thermometer is purchased for employees to check for symptoms. We assume every responsibility to assure that all necessary preventive and protective measures are taken to minimize occupational safety risks, we pledge to provide a blame-free environment and encourages employees to stay home if they are ill.

With consistent safety trainings and strict adherence to health and safety laws and regulations, the Group had zero work-related fatality and injury resulted in loss days during the Reporting Period and in each of the past three years (2020: Zero).

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3.4 Development and training

The Group aims to create an environment of continuous improvement in which employees are encouraged to pursue excellent performance at work and career development. The Group provides excellent opportunities for employees in respect of training and development and job advancement. We recognize the importance to empower our employees and equip them with the necessary skillset and knowhow to drive excellence. Comprehensive development plan has been established to enable our employees to develop themselves to their fullest potential and deliver the best to meet clients' expectations.

With the pandemic lockdown, however, most of our previous physical conferences and trainings were put on halt. Trainings are mostly conducted via online means for the year. This year we have provided our employees and directors with online trainings on topics of anti-bribery and corruption, group medical and safety insurance knowledge, software operations and project management for all employees to raise awareness of ethics and to improve on operational efficiencies.

On-the-job trainings are provided based on the requirements of respective job positions and the strengths of employees. For every new joiners of the Company to familiarize themselves with job-related requirements, induction training will be provided to new joiners. Each of our new joiners will be guided by a senior staff demonstrating standard operating procedures for operational tasks. We encourage life-long learning, and we provide sponsorship for employees' education related to attainment of relevant professional qualifications.

We care for our employees and believe that harmonious employment relationship is conducive to the stable development of the Group. Annual performance appraisal is conducted to assess employees' performance and training needs, and enable them to have a better understanding of their strengths and track progress against their career goals. We aim to unleash our employees' potential to the full and we ensure their dedication in professional development is well rewarded.



Training on Anti-Bribery and Corruption

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Group Medical Insurance Online Training

During the year, our staffs dedicated 287 hours in aggregate participating in training and development activities.

Percentage of trained employees – by Employment Type		
Senior	Management	Junior
17%	26%	57%

Average training hours received by employees – by Employment Type		
Senior	Management	Junior
10 Hours	13 Hours	13 Hours

Percentage of training received by employees – By Gender	
Male	Female
71%	24%

Average hours of training received by employees – By Gender	
Male	Female
12 Hours	13 Hours

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4. ENVIRONMENTAL PROTECTION

ENVIRONMENTAL POLICIES

We endeavor to minimize our carbon footprint of our business operations on the environment, and we are committed to integrate environmental considerations into our business processes. We seek to educate our employees on their awareness to preserve the environment, and require our employees to follow practices to minimize environmental impact.

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

4.1 EMISSIONS

Greenhouse Gas

As a system solution provider, majority of our operations are conducted in an office environment and limited environmental impact is caused directly by our operations. Our principal business operations do not involve activities that directly emit greenhouse gases (“GHG”) or other air pollutants.

Carbon footprint arising from our day-to-day operations is mainly from electricity consumption for our offices. GHG emissions are not identified as material to the Group. We strive to minimize resource consumption and encourage our employees to adopt best practices as detailed in our Green Office Policy.

ENVIRONMENTAL KPIS	QUANTITY	UNIT
Air Emission		
Nitrogen oxides (NOx)	*	Kg
Sulphur oxides (SOx)	*	Kg
Respirable suspended particulates (RSP)	*	kg
GHG emissions		
Scope 1 – Direct emissions	*	tonnes CO ₂ e
Scope 2 – Energy indirect emissions	6.06	tonnes CO ₂ e
Scope 3 – Other indirect emissions	*	tonnes CO ₂ e
Total GHG Emissions	6.06	tonnes CO ₂ e
GHG emission intensity (By floor area)	0.023	tonnes CO ₂ e/m ²
Water consumption		
Water (m ³)	104.25	Cubic metre
Total Water intensity (m ³ /Gross Floor Area (m ²))	0.389	m ³ /Gross Floor Area (m ²)

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Note:

Scope 1 emissions come from direct GHG emissions from combustion of fuels in stationary or mobile sources (excluding electrical equipment) to generate electricity, heat or steam, which is not applicable to our business due to the fact that we do not involve in direct production.

Scope 2 emissions come from indirect GHG emissions from the generation of purchased electricity.

Scope 3 emissions include other indirect GHG emissions that occur outside the Company such as emissions from business travel of employees and paper waste disposed at landfills, the Group's operation does not produce significant amount of scope 3 emissions and thus relevant figures are not disclosed.

The gross floor area during the Reporting Period was 268 m².

* Emissions not disclosed as the amount is insignificant

Consumption data comparison	2020/21	2019/20	2018/19
Electricity consumption (kWh)	7,245.51	6,595.08	6,534.32
Total Electricity intensity (kWh/Gross Floor Area (m ²))	27.03	38.21	37.86
Total GHG Emission (tonnes of CO ₂ e)	6.06	5.42	3.54
GHG Emission Intensity (tCO ₂ e/Gross Floor Area (m ²))	0.023	0.031	0.021

4.2 Waste management

Due to the business nature, the amount of hazardous waste is not material to the Group's operation. Non-hazardous wastes produced during the Reporting Period were mainly general office wastes and domestic refuse, which included used paper, used stationery, etc. All these wastes were collected and disposed of properly. There is no applicable data of non-hazardous wastes produced from our operations, as waste is collected and handled by designated service provider hired by the property management company of the commercial building where our office is located.

We encourage our employees to apply the 3R principle – "Reduce, Reuse, Recycle" and think thoroughly before they trash any office waste/computer waste. The Group endeavored to minimize waste through the following initiatives and we target to go paperless in our operation by stages.

- Encourage the use of electronic communication and electronic filing system
- Reuse and recycle paper, and promote double-sided printing if needed
- Reuse stationery and reduce the use of disposable tableware
- Recycle ink cartridges and copier toner containers
- Focus on software improvisation and purchase computer hardware only when necessary
- Affix "Recycle" stickers to remind co-workers on importance of correct procedures of recycling
- Minimize packaging materials for corporate gifts and souvenirs

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4.3 Green Office Policy

As our key approach to managing indirect carbon emissions and other air emissions, we have adopted a “green office” policy. The Board has set forth a target to structurally lay out guidelines of the Green Office Policy for employees to follow, with detailed steps documented and implemented.

Energy and Water Conservation Initiatives

- Maintain optimal room temperature to reduce air conditioning load
- Affix “Save Energy” stickers to remind employees to switch off all electrical appliances, lights and office equipment when they are not in use
- Keep all windows and door shut when air conditioning is turned on
- Use and purchase only energy-saving electrical appliances
- Utilize day-time natural lighting in offices and install LED lighting system with better energy efficiency
- Place water-saving notices in the pantry
- Repair pipes and drainage immediately when dripping problem is found

There is no issue in sourcing water that is fit for purpose whereas the Group considers its water consumption level is reasonable. The Group targets to remain its water and electricity consumption each year at minimal level by implementing the measures as shown above.

There is no applicable data of packaging material as we do not involve the use of any packaging material.

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4.4 Climate Change

Ever increasing intensity of rainstorms in Southern China is noticeably one of the inherent risks that the Company identifies in relation to climate change. Floods in China often cause annual loss in excess of US\$10 billion, affecting millions of lives, submerging roads and collapsing houses. China's flood risk has grown in many places, and is likely to grow further in the future. A recent study by researchers at the Guangdong Institute of Eco-environmental Science and Technology found 65% of Chinese cities faced a greater chance of experiencing extreme rainfall, while 75% of cities would likely suffer from extreme drought. Guangdong province in particular, where our headquarter is located, is often prone to severe flood caused by heavy rainstorms. The widespread flooding and landslide in the province's mountainous areas often affects many cities downstream. To mitigate the potential impact on our business operations caused by severe climate change, the Group has in place a flood event emergency response plan. Measures have been taken to ensure our staff's ability to work from home in case of any disruptive events. For safeguarding data, the most important asset of the Group, we have in place more than one data backup sites to ensure business continuity and smooth data recovery process.

GHG emission is by far the root cause to climate change. The burning of fossil fuels for electricity is one of the villains. The Group has in place a green office policy which encourages the reduce in consumption of electricity.

Landfill wastes also produce methane, which is another contributor to climate change. Discarded electronic waste is toxic to the environment as e-waste such as computers and other electronic appliances which contain a long list of hazardous substances, including polyvinyl chloride (PVC), polychlorinated biphenyl (PCB), brominated flame retardants (BFRs) and phthalates, lead, mercury, thallium and many more. Therefore, we strive to reduce electronic solid waste produced from our operations. Zhicheng is a leader in system solutions, and our team focuses on software applications development. We purchase computer hardware only when necessary to reduce electronic waste, and usually retired computer hardware will be recycled.

In order to help promoting environmental awareness among our employees, we often put up various notices to educate our employees on such.

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5. COMMUNITY INVESTMENT

The Group recognises the importance of corporate social responsibility. The Group is committed to conducting business in every aspect to minimize any potential environmental and social impact to its stakeholders especially its employees and the community members. This year, due to the COVID-19 pandemic causing most of our co-workers to work from home with the lockdown, our original plans for service campaigns and donations were on halt. We aim to resume our service projects once the pandemic is relieved.

5.1 Investing in Youth

The Group's social investment lies heavily in youth empowerment and development, as we believe that well trained young people are the ones to transform our world in the future. As a system solutions provider, we value creativity and passion from our young people. We offer internship opportunities for students each year to equip them with technical skills and practical experience to prepare themselves for the career development. The Group will continue to provide learning opportunities to young people and where the pandemic soothes, we shall organize service campaign in collaboration with local non-profit organizations.

5.2 Donation

Under the COVID-19 influences, our corporate social responsibility activities have its focus shifted to disease prevention. We are aware that as a global citizen, the way to curb the rise of coronavirus cases we should all play a part, hence we have donated masks, quarantine suits and goggles to overseas Chinese.

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APPENDIX

ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Subject Areas	Content	Section/Page in the ESG Report
A. Environmental		
A1. Emissions		
General Disclosure	Information on: <ul style="list-style-type: none"> (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.	15
KPI A1.1	The types of emissions and respective emissions data.	15
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	15
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	16
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	16
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	17
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) and steps taken to achieve them.	16
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	17
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	16

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Subject Areas	Content	Section/Page in the ESG Report
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	15
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	17
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	17
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	17
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	15
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	16
A4. Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	18
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	18
B. Social		
Employment and Labour Practices		
B1. Employment		
General Disclosure	Information on:	10
	(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.	

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Subject Areas	Content	Section/Page in the ESG Report
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	11
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	11
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.	12
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	12
KPI B2.2	Lost days due to work injury.	12
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	12
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	13
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	14
KPI B3.2	The average training hours completed per employee by gender and employee category.	14
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.	10
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	10

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Subject Areas	Content	Section/Page in the ESG Report
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	10
Operating Practices		
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	6
KPI B5.1	Number of suppliers by geographical region.	7
KPI 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.	6-7
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	6-7
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	6-7
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.	8, 12
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	8
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	8
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	7
KPI B6.4	Description of quality assurance process and recall procedures.	8

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Subject Areas	Content	Section/Page in the ESG Report
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	7
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.	8
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.	9
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	9
KPI B7.3	Description of anti-corruption training provided to directors and staff.	8
Community		
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 take into consideration the communities' interests.	19
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	19
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	19