

# ENVIROMENTAL, SOCIAL AND GOVERNANCE REPORT 2021

PHOENITRON HOLDINGS LIMITED

STOCK CODE: 8066.HK

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## ABOUT THE GROUP

Phoenitron Holdings Limited (hereby referred to as “Phoenitron” or the “Company”, together with its subsidiaries, the “Group”) is a conglomerate, principally engaged in the manufacturing and sale of smart cards, provision of customized smart card application systems, provision of financial and management consultancy services, sale and trading of scrap metals and investment in the media and entertainment industry for the year ended 31 December 2021 (the “Current Year”). The Group headquarters in Hong Kong and its investments are across the Greater China.

### **Contract manufacturing and sales of smart cards**

During the reporting period, we focused on strengthening our relationships with existing customers and at the same time expanding the client base and overall market share. Management also made greater efforts in implementing cost-cutting/streamlining measures and increasing productivity and operational efficiency. Apart from the existing SIM card services, we will also be searching for opportunities to provide certain higher value-added card services (for example, machine-to-machine (M2M) smartcard related business) in the coming year.

### **Investment in the media and entertainment industry**

The Group plans to develop new businesses in the advertising, media and entertainment industry. The investment in a TV Play "Snow Leopard II" (the "Target TV Play") is in line with the Group's plan of development in the advertising, media and entertainment industry. The directors of the Company (the "Directors") consider that the investment in the Target TV Play would be beneficial to the Group as it represents a first step forward in the implementation of the Group's development plan. The Directors also believe that the investment in the Target TV Play will provide additional income to the Group which strengthen our financial base. Apart from the Target TV Play, the management will also be looking for other similar investments in the future.

## ABOUT THE REPORT

The Group launched its sixth "Environmental, Social and Governance Report" (the “Report”) with pleasure, which highlights the Group’s policies, measures and performance in the environment, social and governance aspects. The Report is written in both Chinese and English, and it has been posted on the website of the Group at ([www.phoenitron.com](http://www.phoenitron.com)) and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at ( [www.hkexnews.hk](http://www.hkexnews.hk) ) .

### **SCOPE OF REPORT**

The Report mainly reports on the sustainability performance of the Group during the Current Year. Same as previous year, the reporting scope for the Current Year covers the operation of the Shenzhen plant (the “Shenzhen Plant”) of the Group concerning the contract manufacturing and sales of smart cards business, which accounted for nearly 100% of the Group's total turnover. The Group will regularly review the reporting scope based on the principle of materiality to ensure that comprehensive and accurate information will be provided to investors and other stakeholders.

## REPORT STANDARDS

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "Guide") in Appendix 20 to the "Rules Governing the Listing of Securities on GEM" of the Stock Exchange, and is based on four reporting principles, including Materiality, Quantitative, Balance and Consistency. A complete index that references the Guide is inserted at the end of the Report for readers' easy reference.

Reporting Principle	Definition	Application of the Reporting Principle
<b>Materiality</b>	Focusing on environmental, social and governance issues that have a significant impact on the Group and its stakeholders.	The Group identified environmental, social and governance issues that have a significant impact on the Group's business through board questionnaires and made a disclosure on their key points.
<b>Quantitative</b>	Key performance indicators should be measurable and comparable, where appropriate.	Mid-term and short-term environmental goals have been set in the Current Year. The Group records and estimates quantitative data and compares it with past performance where feasible.
<b>Balance</b>	The Report should present the Group's environmental, social and governance performance of the Current Year in an unbiased manner, selective or omissive reporting should be avoided.	The Report presented the Group's environmental, social and governance performance in an objective manner and also described the facing challenges and solutions.
<b>Consistency</b>	The Report should be disclosed in a consistent manner, so that indicators can be compared meaningfully and corporate performance can be understood.	Wherever feasible, the Group uses consistent statistical methods. In the event of any changes that may affect comparisons with previous reports, the Group will make an explanation accordingly.

## CONFIRMATION AND APPROVAL

The information cited by the Group comes from official internal documents and statistical reports of the Group. The Group has internal control and formal review procedures to ensure that the information presented in the Report is accurate and reliable. The Report was confirmed and approved by the Company's board of directors (the "Board") on 27<sup>th</sup> April 2022.

## FEEDBACK

The Group values stakeholders' views and suggestions. Should you have any comments or suggestions regarding the Report and the sustainability performance of our Group, please contact us:

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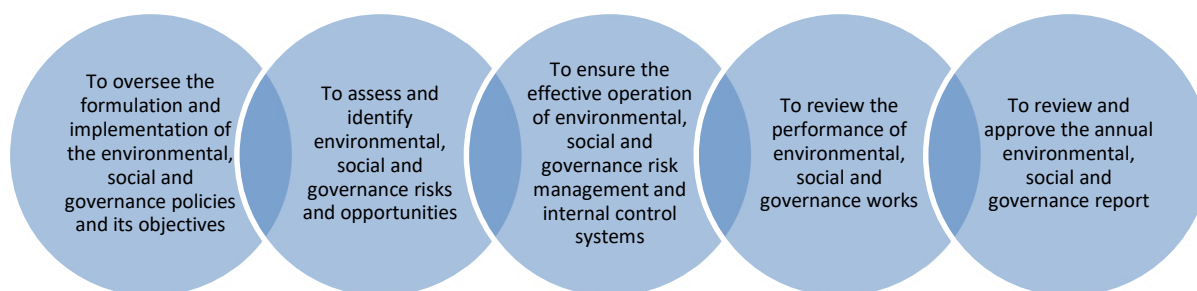
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## SUSTAINABILITY GOVERNANCE

The Group believes that good corporate governance is the cornerstone of sustainable development and that effective management can build long-term sustainable value for shareholders and enhance investor confidence. The Board is fully aware of the importance of sustainable development and promises to incorporate environmental and social considerations into the business decision-making process, and referring to the opinions of internal and external stakeholders to realize the corporate value of business, environment and society in parallel.

The Board is responsible for overseeing the management of the Group's business and financial position and has the highest supervisory responsibility for the Group's sustainability matters and is responsible for overseeing the Group's sustainability policies, initiatives and performance, including.



### Structure of the Sustainable Development Working Group

The Board also authorizes the sustainable development working group (the “Working Group”) to take charge of the carrying out of sustainable development works, which include collecting and analyzing data as well as identifying, assessing and managing significant environmental, social and governance-related issues. The Working Group also regularly reviews the progress in relevant objectives. An executive director of the Group serves as the head of the Working Group, who is responsible for leading the Working Group and reporting regularly to the Board. The Group's company secretary acts as the deputy team leader of the Working Group and is responsible for the effective management of relevant issues, ensuring the Group's compliance with relevant regulations and, where necessary, identifying and engaging relevant experts to provide assistance to strengthen the Group's ability to respond to relevant issues. The Group's Senior Finance Manager acts as the coordinator of the Working Group and is responsible for the communication and liaison of the members of the Working Group and coordinating the working arrangements between external experts and internal members of the Group.

The Board also revised the "Group Environmental and Social Policy" during the Current Year and set an environmental target to reduce the emission intensity of Shenzhen Plant by 5% in 2025 compared to 2020, thereby further improving the Group's direction and commitment to sustainable development. The Board will regularly review relevant policies and measures to ensure their effective implementation, so as to lead the Group in implementing corporate sustainable development.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK MANAGEMENT

Effective risk management is an important part of the corporate governance strategy and is vital to the future development of the Group. Under the supervision of the Board and the Working Group, each of the Group's operations will understand the sustainability risks in its operations through data analysis and regular visits to identify key issues and address them in a transparent and accountable manner in order of priority, assessing the relevant performance and reporting in a timely manner. The key environmental, social and governance risks identified by the Group are set out below.

Risk Category	Risk Description	Measures
Waste gas and greenhouse gas emissions	The Group generates waste gas and greenhouse gas emissions (e.g. carbon dioxide) during the manufacturing and transportation process, and with the increasing tightening of national and regional environmental protection policies, the Group's operations will be subject to more stringent regulation. If the Group does not have effective emission reduction measures in place, it will increase the risk of non-compliance and result in higher operating costs for the Group.	<ul style="list-style-type: none"> <li>• Establish "Environmental System Operation Control Procedures" and set up environmental targets for electricity, water and paper consumption;</li> <li>• Selecting a more environmentally friendly transportation service provider; and</li> <li>• Encourage employees to use electronic communication technology for meetings and reduce unnecessary business trips.</li> </ul>
Hazardous waste	The Group generates different types of hazardous waste during the manufacturing process. These hazardous wastes need to be handled in accordance with safe storage standards and a recycling process that meets local environmental requirements, otherwise they may cause pollution to the surrounding environment and increase the risk of non-compliance. In addition, in the event of a waste oil spill, the Group may be required to bear additional financial expenses for aftercare work.	<ul style="list-style-type: none"> <li>• For hazardous waste management, the Group has different fire-fighting equipment at hazardous waste storage sites;</li> <li>• Provide regular training to all employees on hazardous waste sorting and storage; and</li> <li>• Develop environmental management objectives, targets and management plans for hazardous waste emissions.</li> </ul>
Impact on the surrounding environment	The Group's daily operations may have different degrees of impact on the neighboring communities, including air quality, waste leakage, soil and water pollution and noise pollution. If the Group fails to identify and effectively control the relevant environmental factors, there will be an increased risk of non-compliance, including litigation, fines and orders to cease project operations, which could further affect the Group's reputation.	<ul style="list-style-type: none"> <li>• Establish the "Emergency Response Plan Management Procedures" to mitigate the pollution of the atmosphere and adjacent water and soil caused by the accident;</li> <li>• Establishing environmental objectives, targets and management plans to strictly enforce noise control; and</li> <li>• A monitoring company was engaged to conduct noise inspections to ensure that noise emissions comply with operational standards and local laws and regulations.</li> </ul>
Climate change	Climate change has led to an increase in the frequency of extreme weather events such as typhoons, rainstorms and flooding and earthquakes. These extreme weather events will cause temporary suspension of the operation of the production facilities and the safety of the staff, resulting in reduced productivity or additional expenses to the Group as a result of litigation and compensation, respectively.	<ul style="list-style-type: none"> <li>• The Group has incorporated climate change issues into the "Group Environmental and Social Policy" with a view to reducing greenhouse gas emissions in its operations in order to reduce the impact of its operations on climate change; and</li> <li>• Timely assessment of climate risks and implementation of mitigation measures, and incorporation of</li> </ul>

		climate change into the risk management process.
Health and safety	There are a number of safety risks inherent in the manufacturing industry. If employees are not sufficiently aware of safety or do not follow the procedures, it may lead to a major safety incident resulting in serious injury or death of employees. This would expose the Group to legal risks, including litigation, fines and compensation, and affect the reputation of the Group.	<ul style="list-style-type: none"> <li>• Formulated a “Group Environmental and Social Policy” setting forth the Group's commitment to occupational health and safety;</li> <li>• Each of the business units has also formulated occupational safety management system and set up a task responsible department to conduct occupational hygiene works; and</li> <li>• Shenzhen Plant has formulated the “Occupational Health Management System” and the “Social Accountability Management Handbook” to work out management measures in respect of all safety issues to safeguard the health and safety of employees.</li> </ul>
Product quality	With the rapid development of technology, hacking attacks and information theft are becoming more and more common. If the products do not have adequate data security measures, the chance of data leakage will increase and customers will suffer losses. The Group is also exposed to legal risks of litigation and fines, which may damage the relationship between the Group and its customers.	<ul style="list-style-type: none"> <li>• Formulated a security protection mechanism in accordance with the “Confidentiality Management System of Customers’ Information”; and</li> <li>• Adopted measures to protect intellectual property rights in accordance with the “Management Manual” to reduce the risk of data leakage during operations.</li> </ul>
Business ethics	Corruption such as bribery, corruption, conspiracy to defraud, facilitation payments and misappropriation of public funds are not only detrimental to the Group's own interests, but are also serious commercial offences that pose significant legal risks to the Group's operations, including litigation, fines or imprisonment of relevant persons. In addition, if the Group is suspected of violating the relevant laws, it will seriously damage the reputation of the Group.	<ul style="list-style-type: none"> <li>• Formulated a series of anti-corruption policies and codes, such as the “Group Environmental and Social Policies” as well as the “Anti-corruption and Anti-bribery Control Procedure” and “Gift and Gifting Procedure” of the Shenzhen Plant;</li> <li>• The Group has also included anti-corruption related clauses into business contracts with suppliers, and required suppliers to sign the “Letter of Undertaking of Non-bribery/Non-corruption for Suppliers”;</li> <li>• Regularly reviews the anti-corruption mechanism through the internal audit system; and</li> <li>• Provided employees with anti-corruption trainings.</li> </ul>

## COMMUNICATION WITH STAKEHOLDERS

The Group strives to maintain good communication with stakeholders<sup>1</sup> and will take into consideration the stakeholders' views in developing various policies and measures in order to ensure that the Group meets their expectations and requirements on business operations. By communicating with internal and external stakeholders through diverse channels, the Group is able to understand their views accordingly.

<b>The board of directors, the management and the staff</b>	<ul style="list-style-type: none"> <li>• Meetings of the Board, internal communication, company activities and company meetings</li> </ul>
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>• Annual general meetings, company website, annual reports, meetings, seminars and letters</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Meetings with customers, emails and phone calls</li> </ul>
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>• Meetings, letters, phone calls, site visits and seminars</li> </ul>
<b>Suppliers and contractors</b>	<ul style="list-style-type: none"> <li>• Suppliers evaluation and meetings, emails and phone calls</li> </ul>
<b>Banks</b>	<ul style="list-style-type: none"> <li>• Meetings, emails and phone calls</li> </ul>
<b>Community groups</b>	<ul style="list-style-type: none"> <li>• Community investment plans, donations, volunteers and philanthropy activities</li> </ul>

## SIGNIFICANT SUSTAINABLE DEVELOPMENT ISSUES

During the Current Year, the Group has delegated an independent sustainable development advisor to conduct one board questionnaire that aimed to understand the Board's opinion on each environmental, social and governance issue in business operations. Based on the findings, the Group identified six significant sustainable development issues as its future sustainability direction and focused on them in the Report.

### SIGNIFICANT SUSTAINABLE DEVELOPMENT ISSUES (BY SIGNIFICANCE)

Scope	Significant Sustainable Development Issue	Measures Implemented by the Group
Decent Working Environment	Provide a safe working environment and protect employees from occupational hazards	Formulated the "Occupational Health Management System" to provide employees with protective equipment, occupational physical examination and occupational health training.
	Establish a complete employment management system	Offers the staff a diversified and inclusive working environment by virtue of the employment system and the "Diversification and Inclusiveness Policy", both of them are formulated in accordance with the "SA8000 Social Accountability Management Standard".

<sup>1</sup> "Stakeholders" or "interested parties" represent groups and individuals who have significant impacts on the enterprise's businesses, or those who are affected by the enterprise's business, including internal board of directors, management and general staff, external shareholders and investors, customers, suppliers and contractors, government and regulatory authorities, banks and community groups, etc.



	Prevention of child labor and forced labor	During the recruitment process, the Group's personnel and administration departments will verify the identity documents of job applicants to ensure compliance with the minimum working age requirements of local laws and regulations. In accordance with the "Social Accountability Management Handbook", no deposit may be collected from employees or employee identification documents may be kept, and all employees are required to work on a voluntary basis.
	Enhance employees' knowledge and skills to perform their job duties	Established an induction training management system and on-the-job training for new employees.
Operational Responsibility	Prevention of bribery, extortion, fraud and money laundering	An anti-corruption mechanism is in place for employees to report any corruption cases. Meanwhile, the Group provides anti-corruption training to its employees to enhance their awareness of anti-corruption.
	Managing health and safety, advertising, labelling and privacy issues in relation to products and services provided and developing remedies	Established ISO 9001:2015 quality management system to control the quality of each product in accordance with the "Management Handbook" for full inspection and analysis of the production process.

Going forward, the Group will strengthen communication with internal and external stakeholders and through diversified communication channels such as focus group interviews and stakeholder questionnaires, collect their opinions and expectations on operation of the Group so as to improve its sustainability strategy and measures.

## DECENT WORKING ENVIRONMENT

Employees are the Group's most valued asset and the cornerstone of corporate growth. The Group is committed to providing a good, happy and healthy working environment for its employees, whereby enabling them to settle down in their works and stretch their potential to the full. The Group has formulated a series of personnel policies such as the "Group Environmental and Social Policies", the "Human Resources Management Procedure", the "Occupational Health Management System" and the "Social Accountability Management Handbook", so as to explain employees' rights and interests and work arrangements.

### HEALTH AND SAFETY

The Group emphasizes occupational health and safety of employees and is committed to offering them a safe and healthy working environment. The Group has formulated the "Group Environmental and Social Policies" that sets forth the Group's commitment to occupational health and safety. Each of the business units has also formulated occupational safety management system and set up a task responsible department to conduct occupational hygiene works. Among them, the Shenzhen Plant has formulated the "Occupational Health Management System" and the "Social Accountability Management Handbook" to work out management measures in respect of all safety issues to safeguard the health and safety of employees.

Health and Safety Measures	
Employees' protection	For the sake of employees' safety, the Group provided employees with protective equipment and developed an operation code for production equipment to ensure operation safety.
Guidelines for handling chemicals and hazardous materials	The Group has also established guidelines on the use and transportation, identification and storage, leakage and disposal, and regularly reviewed the chemical use procedures and its protective measures, so as to ensure compliance with the requirements of operation and local laws, as well as mitigating the impacts of safety risks and hidden dangers on operation and employees.

Enhance employee's awareness of occupational safety and emergency response	The Group provided occupational health training to employees. At the same time, in response to potential risks of safety incidents and environmental disaster, the Group has developed emergency response management plans and measures, and conducted fire drills and emergency drills periodically to enhance employees' emergency awareness.
Regular inspection of emergency equipment	The Group will also inspect and maintain emergency equipment as and when appropriate. In case of safety incidents, the Group will conduct post-incident investigations to find out the causes, and corrective and preventive measures will be taken in the case of absence of or deviation from operational procedures.
Health of employees	The Group provides annual occupational hygiene and health check-ups for its employees and regularly provides various sports and recreational activities for its employees to improve their overall health.

## EMPLOYMENT SYSTEM

A sound employment system contributes to attracting talents and stabilizing team morale, thus maintaining the Group's competitiveness. For this purpose, the Group has, based on the requirements under the "SA8000 Social Accountability Management Standard", formulated a series of personnel policies related to recruitment, dismissal, remuneration, promotion, working hours, rest periods, equal opportunities, diversification, anti-discrimination, other benefits and welfare.

Employment Responsibilities	Management Measures
Recruitment and dismissal	Adopting a strict recruitment and selection procedures and based on the principle of merit-based recruitment, the Group selects suitable candidates in a fair, open and just manner. The Group or employees may also propose to terminate the labor contract as required, and complete the leave procedures in accordance with the requirements.
Compensation, benefits and promotion	The Group pays remuneration and benefits based on the functions of employees, which include housing and communication allowance, work injury insurance, pension insurance, medical insurance, meal allowance and social insurance, etc. After evaluation by departments, outstanding employees will be granted year-end bonuses and win a promotion opportunity.
Working hours and rest periods	The Group arranges the working hours of employees in accordance with the "Attendance Management System", and also provides different paid-leaves for employees, including annual leave, marital leave and maternity leave, etc.
Staff complaint and suggestion mechanism	The Group has developed an "Employee Complaint and Suggestion Management System" for the employees to file complaints and make suggestions for improvement to the management on the company's operation. All complaints and suggestions are seriously handled on an objective and confidential principle.
Talent diversification	The Group understands that talent diversification is conducive to business development of the Group in the long run. To this end, the Group strives to create a diversified and inclusive environment for employees. In terms of employment matters such as recruitment and promotion, the Group has formulated the "Diversification and Inclusiveness Policy" and undertook that all employees and job applicants will be provided with equal opportunity.
Anti-discrimination	The Group prohibits any form of discrimination and sexual harassment behaviors. All decisions about recruitment and promotion are made based on job requirements, the Group will not subject employees and job applicants to unfair treatment because of age, gender, sexual orientation, marital or family status, disability, race, nationality, religion or political view.

During the Current Year, the Group employed a total of 120 employees. The proportions of male and female employees were 70% and 30%, with the majority of employees falling into the age groups of below 30 and 30-40, which accounted for 84% of the total number of employees. The new hire and employee turnover rates were 43% and 46%, respectively.

## LABOR STANDARDS

The Group recognizes that both the employment of child labor and forced labor violate basic human rights and international labor conventions. Therefore, the Group prohibits the employment of child labor and any form of forced labor, and has set forth in the “Social Accountability Management Handbook” and the “Human Resources Management Procedure” its commitment to and measures for child labor and forced labor.

Measures to Avoid the Employment of Child Labor	
Age checking	In the process of recruitment, the personnel and administration department of the Group will verify the identity documents of the job applicants to ensure that they meet the minimum working age requirements of local laws and regulations.
If it is found that a child labor is hired by mistake	The Group shall immediately cease their works. Besides, the Group shall take remedial actions and be responsible for all required expenses of the child labor under legal working age according to the “Child Labor Rescue Management Procedure”.
Avoiding Mandatory Labor Measures	
Requirement of “Social Accountability Management Handbook”	It is stipulated in the “Social Accountability Management Handbook” that no deposits shall be taken from employees or no employees’ identity documents shall be withheld, and all employees are required to work on a voluntary basis. The Group has formulated resignation procedures, pursuant to which, employees can apply for resignation as required and obtain wages to which they are entitled to leave freely.

## DEVELOPMENT AND TRAINING

The Group is committed to providing employees with diversified training and development opportunities to enhance their work skills and professional knowledge, thus maintaining the Group’s overall competitiveness. The Group has formulated the “Group Environmental and Social Policies” to implement training and development policies. At the same time, the Shenzhen Plant has also developed well-established employee training plan in accordance with the “Training Control Procedure” and the “Orientation Training Procedure for New Employees”. A training file is created for each employee to record the training content and performance of the employee. The following are the training contents of this year.

Training Type	Training Content
Orientation training	New hires are required to accept orientation training, which mainly includes the study of corporate culture, teamwork and disciplines, product quality and safety awareness. They are also required to have pre-job internship to make sure that they are fit for the job requirements.
Technical training	According to the production process and employee position requirements, trainings of job professional knowledge, process flow, machine operation and new product will be provided to employees.
Vocational training	Job-related training, such as fire safety, anti-corruption and green procurement training, is provided to employees according to their job needs, thereby enhancing their professional knowledge and skills.

Percentage of Employee Accepting Training	Total Training Hours Received by Employees	Percentage of Employees Subject to Regular Appraisal
95%	1282 hours	57%

## OPERATION RESPONSIBILITY

The Group upholds the highest standards of business ethics and provides customers with high quality products and services. The Group has established the “Group Environmental and Social Policies” and a series of policies on product responsibility, anti-corruption and supply chain management to standardize daily operating procedures.

## PRODUCT RESPONSIBILITY

The Group adopts strict standards for the production process of its products. The Shenzhen Plant has formulated policies on product quality, complaint handling procedures and customers’ privacy protection to ensure that product quality meets the requirements of customers and local policy.

Product Responsibility	Management Measures
Product quality	The Group has established a quality management system that complies with ISO 9001:2015 certification, and comprehensively monitors and analyses the production process in order to control the product quality effectively and ensure that the product quality can be complied with the customer requirements. The Group also regularly reviews the quality management system and adopts improvement measures to improve the production process and enhance product quality. There was no case of product recall during the Current Year.
Label management	The Group attaches different labels to raw materials, semi-finished products and finished products for classification management and traceability purposes. In accordance with “Control Procedures on Product Identification and Traceability”, all labels set out information such as product name, product number, quantity and inspector’s name for future quality monitoring and management purposes.
Customers’ privacy	The Group attaches great importance to customers’ privacy and has formulated a security protection mechanism in accordance with the “Confidentiality Management System of Customers’ Information”, with an aim to protect customer product data at different stages such as receipt, storage, internal transmission, processing, delivery and destruction. Customer data shall be classified and archived according to the degree of confidentiality, access rights and operation records are set to ensure the security of customer data. If any security breaches and data leakages are discovered, the Group will immediately take remedial measures, notify customers and discuss solutions.
Intellectual property	The Group respects intellectual property rights and prohibits any employee from disclosing any customers’ intellectual property rights and related information to third parties without the customers’ approval. The Group adopts measures to protect intellectual property rights in accordance with the “Management Manual” to reduce the risk of data leakage during its business operations.
Complaint handling	The Group has established a customer complaint mechanism for customers to make complaints about product quality issues. The Group will investigate relevant complaints and formulate corrective measures to meet customer requirements. During the Current Year, the Group received a total of five customer complaints mainly about product quality problems, including card appearance and card milling issues. As such, the Group analyzed the reasons and took corrective measures. During the Current Year, all complaints have been properly resolved.

## ANTI-CORRUPTION

Honesty, fairness, transparency and accountability are the important core values of the Group. The Group firmly believes that the effective implementation of the anti-corruption policies will not only gain the continuous trust from customers, but also enhance employees’ recognition and sense of belonging. The Group adopts a zero-tolerance attitude towards any form of corruption and bribery. The Group has formulated a series of anti-corruption policies and codes, such as the “Group Environmental and Social Policies” as well as the “Anti-corruption and Anti-bribery Control Procedure” and “Gift and Gifting Procedure” of the Shenzhen Plant, all of these clarify the Group’s position on anti-corruption.

The Group strictly prohibits any bribery, blackmail, fraud and money laundering by employees during the operation process. Employees should not accept or request gifts and gifting from any suppliers. If it cannot be refused due to special circumstances, employees should report to the upper management to avoid conflicts of interest and handle them in accordance with relevant policies. The Group has also included anti-corruption related clauses into business contracts with suppliers, and required suppliers to sign the “Letter of Undertaking of Non-bribery/Non-corruption for Suppliers” to ensure that they are aware of the Group’s requirements and expectations for maintaining business ethics and corporate integrity.

If any corruption cases or suspected cases are discovered, the Group will immediately commission relevant business department to investigate and report the results to the audit committee and management. At the same time, the Group regularly reviews the anti-corruption mechanism through the internal audit system to ensure the effectiveness of the mechanism.

In order to strengthen employees’ awareness of anti-corruption and corporate integrity culture, the Group provided 114 employees with 2 hours of anti-corruption trainings during the Current Year. During the Current Year, the Group did not receive any corruption litigation cases against the enterprise or its employees.

## SUPPLY CLAIM MANAGEMENT

Good supply chain management is essential for both provision of quality products and daily operations of corporate. The Shenzhen Plant regulates the procurement and supplier selection process in accordance with the “Social Accountability Management Handbook”, “Purchasing Control Procedures” and “SA8000 Social Accountability Standards”. As a responsible company, the Group believes that the suppliers’ environmental and social performance including human rights, environmental protection, labor safety, forced labor and child labor should also be considered in the procurement process other than considering only the price, quality, delivery capability, service, integrity and compliance. Furthermore, purchase raw materials with relatively less environmental impact where practicable.

In order to ensure that suppliers comply with the Group’s requirements and local laws and regulations, the Group requires suppliers to sign the “Environmental Protection Commitment Agreement” and undertake to comply with the requirements of the Group’s “SA8000 Social Accountability Standards”, so as to ensure that suppliers’ supplies will be complied with the Group’s requirements for environment, human rights, and employee safety and labor. The Group will also inspect the suppliers’ supply performance through questionnaires and field visits. If the performance is found to be unsatisfactory, the Group will discuss with them to understand their difficulties and formulate solutions to ensure that the suppliers meet the supply requirements. In addition, in order to strengthen employees’ awareness of green procurement and the sustainable development of suppliers, the Group also regularly arranges trainings for employees to understand the current development of green procurement in the industry and enhance employees’ perception and awareness.

During the Current Year, the Group engaged a total of seven major suppliers, and all of them were from Mainland China and were engaged in accordance with practices. All major suppliers were mainly providing product raw materials and equipment.

## BUILDING A GREEN ENVIRONMENT

As a responsible corporate citizen, the Group is fully aware of the importance of practicing environmental protection and incorporates it as a core part of its operational objectives and decision-making process. The Group has formulated the “Group Environmental and Social Policies” and implemented various measures on emission management, resource use, environment and natural resources, and climate change. The Shenzhen plant has formulated an “Environmental System Operation Control Procedure”, which sets medium and short-term environmental targets for electricity, water, paper and noise emissions, and establishes a number of management plans and measures covering production processes, material procurement and administrative management to achieve resource conservation.

### Medium-term Environmental Objectives

Reduce Emissions Intensity by 5% in 2025 (2020 as the benchmark)	2025 Objectives	2021	2020
Energy intensity (by output value)	28.3	29.5	29.8
Non-hazardous waste density (per square meter of area)	5.2	5.17	5.52
Intensity of water consumption (by number of employees)	25.0	23.5	26.3

### “2021 Annual Environmental Objectives, Indicators and Management Plan”

Environmental Category	Environmental Management Indicators	Progress on the Current Year Objectives
Power consumption	Monthly electricity consumption is maintained at not more than 17kWh for every 1,000 smart cards produced.	Up to standard
Water consumption	Monthly water consumption is not more than 1 cubic meter per person.	Not up to standard (The Group will review the objective and the measures that can be implemented)
Paper consumption	Monthly paper consumption is not more than 28 reams of paper.	Up to standard
Noise emission	The noise emission of the Shenzhen Plant must comply with the national standard GB12348-2008, maintaining not more than 60 decibels during the day and not more than 50 decibels at night.	Up to standard

## CLIMATE CHANGE

Climate change is one of the major global issues and the Group is aware of the different impacts and risks that climate change brings to its daily operations. Accordingly, the Group has included policies and strategies in the “Group Environmental and Social Policies” to address climate change, and adopted various response measures to mitigate the risks and impacts on the Group:

- Implement energy-saving measures in all facilities under the Group to reduce carbon emissions from production and operations;
- Timely assess the risks of climate change and implement measures to mitigate these risks;
- Purchase raw materials from suppliers and deliver finished products to customers in a more economical mode;
- Product and packaging innovations to achieve more efficient use of consumer goods and energy consumption; and
- Encourage employees, suppliers and customers to minimize carbon emissions in their daily business activities.

## RESOURCE CONVERSATION

### Energy

Environmental Category - Energy Saving Plan	
Objective	Save energy resources - monthly electricity consumption is maintained at not more than 17kWh for every 1,000 smart cards produced.
Measures	<ul style="list-style-type: none"> <li>• Post energy-saving signs to improve employees' awareness of electricity conservation;</li> <li>• Regularly repair and maintain electrical equipment, and arrange transformations for high energy consumption equipment;</li> <li>• Require employees to turn off unnecessary office equipment when they leave the office, and set to power-saving mode when idle; and</li> <li>• Implement sub-divisional lighting and remove some lamps to reduce excessive lighting.</li> </ul>

	2021	2020	2019
Gasoline (MWh)	61.0	69.5	43.7
Electricity (MWh)	2,096.3	2,200.3	2,207.8
<b>Total energy consumption (MWh)</b>	<b>2,157.3</b>	<b>2,269.8</b>	<b>2,251.5</b>
Energy intensity (MWh/HK\$ million (by output value))	29.5	29.8	38.7

During the Current Year, the Group consumed a total of 2,157.3 MWh, of which 2,096.3MWh was electricity consumption, accounting for 97% of the total consumption.

### Water Consumption

Environmental Category - Water Consumption Plan	
Objective	Water conservation - monthly water consumption is not more than 1 cubic meter per person.
Measures	<ul style="list-style-type: none"> <li>• Calculate the water consumption monthly, analyze the water consumption data and take water conservation measures as needed;</li> <li>• Regularly inspect and maintain water facilities, modify and repair appliances that consume large amounts of water; and</li> <li>• Post water-saving signs to enhance employees' awareness of water conservation.</li> </ul>

Water Consumption	2021	2020	2019
<b>Total water consumption (m<sup>3</sup>)</b>	<b>2,819.1</b>	<b>3,265</b>	<b>3,310</b>
Intensity of water consumption (m <sup>3</sup> /employee (by number of employees))	23.5	26.3	26.3

The total water consumption of the Group was 2,819.1 m<sup>3</sup> and the intensity of water consumption was 23.5 m<sup>3</sup> per employee. The Group sourced water from municipal supply and faced no issue in sourcing water fit for purpose.

### Raw Materials and Packaging Materials

The Group uses paper, raw materials and packaging materials (including plastic and wood) during its production process. During the Current Year, the Group consumed a total of 132.1 tonnes of such materials. The use of such materials by the Group reduced by 4% as compared to the previous year, mainly due to intensified COVID-19 epidemic, tight global supply of chips and logistics delays resulting in a reduction in production.

## THE ENVIRONMENT AND NATURAL RESOURCES

The Group understands that the operation process will have a significant impact on the surrounding environment and natural resources. As such, the Group regularly monitors the impact of its business operations on the environment, identifies and manages major environmental risks. In response to chemical leakage, fire and other environmental accidents, the Group has formulated the “Management Procedures for Emergency Response Plans” to reduce pollution to the atmosphere and adjacent water and soil caused by accidents.

Before plant construction or any project expansion, the Group will also conduct environmental assessment to identify and evaluate the potential impact of the project on the surrounding environment and environmental factors to ensure that the impact on the surrounding environment is minimized during the construction period.

The production equipment of the Shenzhen Plant generates noise pollution during its operation process. As such, the Group has formulated the “Environmental System Operation Control Procedures” to implement noise control, and conduct daily inspections and maintenance of plant machinery and equipment to ensure that the noise emissions of the plant meet the requirements of national standards. In addition, the Group also regularly entrusts an external testing company to conduct noise monitoring for the plant in accordance with the noise standard “National Standard GB12348-2008 of the People’s Republic of China”. The Group will implement improvement measures based on the relevant testing results.

## EMISSION MANAGEMENT

The emissions from the daily business operations of the Group include greenhouse gases, air pollutants, hazardous and non-hazardous wastes, and sewage. The Group is committed to reducing emissions, so as to reduce the impact on the surrounding environment. The Group has formulated the “Group Environmental and Social Policies” and “Environmental System Operation Control Procedure” to specify the Group’s policies and measures for emission management.

### Air emissions

The Group’s main air emissions come from combustion of energy used by vehicles, mainly including nitrogen oxides, sulphur oxides and respirable suspended particulates. During the Current Year, the emissions of nitrogen oxides, sulphur oxides and respirable suspended particulates were 2.02, 0.51 and 0.19 kg respectively, similar to the previous year.

Air Emissions <sup>2</sup> (kg)	2021	2020	2019
Nitrogen oxides	2.02	2.01	1.74
Sulphur oxides	0.51	0.56	0.37
Respirable suspended particulates	0.19	0.19	0.16

Regarding air pollutant emissions, the Group has made different requirements for transportation arrangements and business trips, such as integrating transportation arrangements and selecting more environment-friendly transportation service providers to minimize emissions. At the same time, the Group encourages employees to use electronic communication technology for meetings to reduce unnecessary business trips.

### Greenhouse gas emissions

In order to calculate the greenhouse gas emissions generated by its operations, the Group continued to commission Carbon Care Asia, a consultancy firm, to conduct a carbon assessment. Carbon assessment is quantified in accordance with the guidelines<sup>3</sup> issued by the National Development and Reform Commission of the People’s Republic of China, as well as international standards such as ISO 14064-1 and the Greenhouse Gas Protocol.

<sup>2</sup> Only air pollutant emissions related to fossil fuel combustion from mobile sources are included.

<sup>3</sup> "Greenhouse Gas Emission Accounting Methods and Reporting Guidelines for Electronic Equipment Manufacturing Enterprises (Trial)"



During the Current Year, the Group's total greenhouse gas emissions amounted to 1,635.1 tonnes carbon dioxide equivalent, mainly come from purchased electricity outside in scope 2, accounting for 74.9% of the total emissions, followed by the combustion of mobile source fossil fuels and fugitive emissions related to refrigerants in scope 1, accounting for 25.1% of the total emissions. Compared with the previous year, the Group's greenhouse gas emissions increased by 5%, mainly due to increase in refrigerant consumption.

Greenhouse Gas Emissions (tonnes carbon dioxide equivalent)	2021	2020	2019
Scope 1 : Direct greenhouse gas emissions <sup>4</sup>	410.9	215.0	183.2
Scope 2 : Energy indirect greenhouse gas emissions	1,224.2	1,342.4	1,347.0
<b>Total greenhouse gas emissions</b>	<b>1,635.1</b>	<b>1,557.4</b>	<b>1,530.2</b>
Intensity of greenhouse gas (tonnes carbon dioxide equivalent/HK\$ million (by output value))	22.3	20.5	26.3

In order to further formulate emission reduction objectives, the Group will continue to formulate the directions and measures of emission reduction by assessing and recording annual air pollutants and greenhouse gas emissions data, and disclose the Group's performance during the year to stakeholders.

### **Waste**

The Group is committed to reducing the generation of hazardous and non-hazardous waste in its daily operation, including waste reduction at the source, classification for collection and recycling. For hazardous waste management, the Group also places various firefighting equipment at the storage places of hazardous waste. Meanwhile, the Group also regularly provides training on the classification and storage of hazardous waste for all employees and enhances their knowledge of disposing of hazardous wastes.

Environmental Category - Management Plan for Hazardous Waste	
Objectives	All types of waste are disposed of in accordance with regulatory requirements to reduce the impact on the environment.
Measures	<ul style="list-style-type: none"> <li>• All types of identified hazardous waste are stored at designated points with fire prevention measures in place;</li> <li>• Store scrapped lamps, oily waste rags, etc. in a fixed location and clearly label the recycling details;</li> <li>• Handing over the scrapped pen refills, ink cartridges, printing oil bottles, etc. to the management department for collection and storage, and recording the collection schedule; and</li> <li>• Overall transfer of all solid and liquid hazardous waste once a year by an environmental company.</li> </ul>

### **Manage Non-Hazardous Waste**

Environmental Category - Management Plan for Paper Conservation	
Objectives	Save paper by using no more than 28 reams of paper per month.
Measures	<ul style="list-style-type: none"> <li>• Promote the use of electronic communication as a communication channel for daily work;</li> <li>• Encourage employees to use double-sided printing and refuse excessive printing;</li> <li>• Regularly inspect paper consumption equipment to ensure that problems are dealt with as soon as possible; and</li> <li>• Promote the importance of paper conservation among employees and strengthen their awareness of paper conservation.</li> </ul>

<sup>4</sup> Scope 1 includes the combustion of mobile source fossil fuel and fugitive emissions related to refrigerants. There were no stationary emission sources during the Current Year.

Waste	2021	2020	2019
<b>Total output of hazardous waste (tonnes)</b>	0.5	0.5	0.5
Density (tonnes/thousand m <sup>2</sup> )	0.08	0.08	0.08
<b>Total output of non-hazardous waste (tonnes)</b>	31.0	33.1	31.5
Density (tonnes/thousand m <sup>2</sup> )	5.17	5.52	5.25

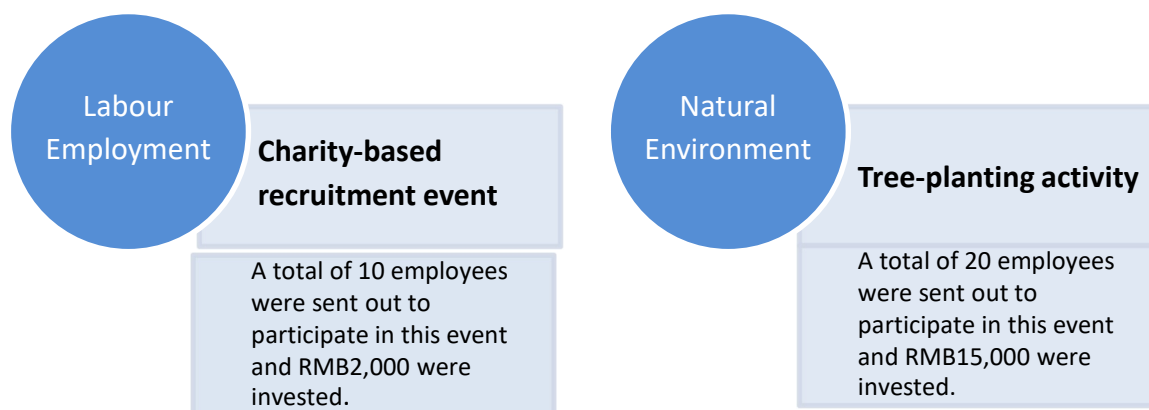
During the Current Year, the Group generated a total of 0.5 tonnes of hazardous waste, mainly including waste oil from the Shenzhen Plant. All hazardous waste has been collected by qualified recycling companies. Meanwhile, the Group generated 31 tonnes of non-hazardous waste including packaging paper, plastic and other daily waste during the Current Year. Packaging paper and plastic are delivered to recyclers for recycling and sale, while general daily waste is disposed of upon unified collection.

### **Wastewater discharge**

The wastewater of the Group mainly comes from the domestic wastewater in Shenzhen Plant. In order to ensure the safe discharge of wastewater, the Group has established a set of sewage discharge system in accordance with the DB44/26-2001 secondary standard of "Guangdong Province Local Standard Water Pollutant Discharge Limits". The domestic wastewater from the Group is discharged into the septic tank via the pipeline, and then discharged into the municipal sewage pipeline after being processed by the septic tank.

## **MUTUAL DEVELOPMENT WITH COMMUNITY**

Practicing the tenet of "from the community, for the community", the Group is committed to performing corporate social responsibility to give benefit to the surrounding communities. The Group has formulated the "Group Environmental and Social Policies" and the "Giving Back to the Society and Social Investment Management System" to implement the Group's direction of community investment. The Group encourages employees to actively participate in the public affairs and serve various surrounding communities in order to bring positive impacts to the society. Same to the previous year, the Group allocated a total of RMB17,000 and 100 hours for different activities in the community during the Current Year.



Looking ahead, the Group will continue to participate in all kinds of community projects and give back to the society.

## COMPLIANCE PERFORMANCE

Level	Laws and Regulations that have Significant Impacts on the Group	Significant Impacts on the Group	Ways to Ensure the Compliance with these Laws and Regulations
Emissions	"The Environmental Protection Law of the People's Republic of China"	The Group has implemented the ISO 14001 environmental system. It has entered into an agreement for directional recycling with a professional company on the generation of the environmentally hazardous waste. This portion of expenditure is approximately RMB30,000 each year.	The Group conducts daily business operations in strict accordance with the environmental protection law and invites third party to conduct ISO 14001 external audits to ensure the operation of the Group meets the standards.
Employment	"The Labor Law of the People's Republic of China"	The restrictions of national labor regulations on overtime hours have a certain impact on the hiring of employees by the Group. The Group needs recruited more employees, and the overall wage expenditure has increased by approximately 5-10%.	The Group will continue to strictly follow the labor laws stipulated by the state and sign labor contracts with employees to protect their rights and interests.
Health and safety	"The Production Safety Law of the People's Republic of China"  "The Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases"  "The Fire Control Law of the People's Republic of China"	The Group considers that safety is an important element of its production operations, which enables the Company to develop continuously and steadily. The Group pays attention to the health and safety of employees and strives to reduce the harm to employees caused by production operations. In addition to a series of occupational safety measures, the Group also regularly provides employees with relevant training on production safety, fire protection, and occupational health.	In addition to a series of occupational safety measures, the Group also regularly provides employees with relevant training on production safety, fire protection, and occupational health.
Labor standards	"The Labor Law of the People's Republic of China"  "The Law of the People's Republic of China on the Protection of Minors"	The Group prohibits child labor and forced labor. The Group strictly complies with the national labor regulations and protects the rights and interests of minors. The Group is aware that violating laws and regulations will be subject to penalties by regulatory authorities.	In the process of recruitment, the Group will check employed persons' identity supporting documents to ensure they meet the working age.
Product responsibility	"The Product Quality Law of the People's Republic of China"	The Group attaches importance to product quality and regards high-level product quality as its operation goal.	The Group has established a quality management system that meets ISO 9001:2015 certification. The Group monitors and analyses the entire production process to control product quality. Meanwhile, the Group regularly conducts training on product quality for employees to ensure improvement of product quality in the production process.

During the Current Year, the Group did not violate the above relevant laws and regulations that had a significant impact on the Group. Meanwhile, for the anti-corruption aspect, the Group has no relevant laws and regulations that have a significant impact on the Group.

## OVERVIEW OF KEY PERFORMANCE INDICATORS

### ENVIRONMENTAL PERFORMANCE

Environmental Key Performance Indicators		2021	2020	2019	Unit
Atmospheric pollutants <sup>5</sup>	Nitrogen oxides	2.02	2.01	1.74	kg
	Sulphur oxides	0.51	0.56	0.37	kg
	Respirable suspended particulates	0.19	0.19	0.16	kg
Greenhouse gas	Scope 1 <sup>6</sup>	410.9	215.0	183.2	tonnes carbon dioxide equivalent
	Scope 2 <sup>7</sup>	1,224.2	1,342.4	1,347.0	tonnes carbon dioxide equivalent
	Total greenhouse gas emissions	1,635.1	1,557.4	1,530.2	tonnes carbon dioxide equivalent
	Intensity of greenhouse gas emissions (by output value)	22.3	20.5	26.3	tonnes carbon dioxide equivalent/ HK\$ million
Hazardous waste	Total hazardous waste	0.5	0.5	0.5	tonne
	Intensity of hazardous waste (by per thousand square metre)	0.08	0.08	0.08	tonne/thousand m <sup>2</sup>
Non-hazardous waste	Total non-hazardous waste	31.0	33.1	31.5	tonne
	Intensity of non-hazardous waste (by per thousand square metre)	5.17	5.52	5.25	tonne/thousand m <sup>2</sup>
Energy	Gasoline	61.0	69.5	43.7	MWh
	Electricity	2,096.3	2,200.3	2,207.8	MWh
	Total energy consumption	2,157.3	2,269.8	2,251.5	MWh
	Intensity of energy (by output value)	29.5	29.8	38.7	MWh/ HK\$ million
Water consumption	Total water consumption	2,819.1	3,265	3,310	m <sup>3</sup>
	Intensity of water consumption (by number of employees)	23.5	26.3	26.3	m <sup>3</sup> /employee
Main raw materials and packaging materials	Total main raw materials and packaging materials	132.1	137.8	130.0	tonne
	Intensity of main raw materials and packaging materials (by output value)	1.80	1.81	2.23	tonne/ HK\$ million

<sup>5</sup> Including only atmospheric pollutant emissions related to the combustion of mobile source fossil fuels.

<sup>6</sup> Scope 1 includes the combustion of mobile source fossil fuels and fugitive emissions related to refrigerants. There were no stationary emission sources during the Current Year.

<sup>7</sup> Scope 2 represents the electricity use of purchased energy.

## SOCIAL PERFORMANCE

Employee Distribution		2021	2020	2019	
Number of employees	Gender	Male	84	86	87
		Female	36	38	39
	Age	Below 30	53	58	58
		30-40	48	48	50
		41-50	17	17	17
		Above 50	2	1	1
	Position	Main leaders	2	2	2
		Senior management	11	11	11
		Middle management	10	10	10
		Ordinary employees	97	101	103
Total number of employees		120	124	126	
Number and percentage of new hires	Gender	Male	39 ( 46% )	41 ( 48% )	41 ( 47% )
		Female	12 ( 33% )	15 ( 39% )	15 ( 38% )
	Age	Below 30	30 ( 57% )	35 ( 60% )	35 ( 60% )
		30-40	19 ( 40% )	19 ( 40% )	19 ( 38% )
		41-50	2 ( 12% )	2 ( 12% )	2 ( 12% )
		Above 50	0 ( 0% )	0 ( 0% )	0 ( 0% )
	Position	Main leaders	0 ( 0% )	0 ( 0% )	0 ( 0% )
		Senior management	0 ( 0% )	0 ( 0% )	0 ( 0% )
		Middle management	0 ( 0% )	0 ( 0% )	0 ( 0% )
		Ordinary employees	51 ( 53% )	56 ( 55% )	56 ( 54% )
Percentage of new hires		43%	45%	44%	
Number and percentage of employee turnover	Gender	Male	41 ( 49% )	42 ( 49% )	37 ( 43% )
		Female	14 ( 39% )	16 ( 42% )	13 ( 33% )
	Age	Below 30	33 ( 62% )	36 ( 62% )	34 ( 59% )
		30-40	22 ( 46% )	22 ( 46% )	16 ( 32% )
		41-50	0 ( 0% )	0 ( 0% )	0 ( 0% )
		Above 50	0 ( 0% )	0 ( 0% )	0 ( 0% )
	Position	Main leaders	0 ( 0% )	0 ( 0% )	0 ( 0% )
		Senior management	0 ( 0% )	0 ( 0% )	0 ( 0% )
		Middle management	0 ( 0% )	0 ( 0% )	0 ( 0% )
		Ordinary employees	55 ( 57% )	58 ( 57% )	50 ( 49% )
Percentage of employee turnover		46%	47%	40%	

Occupational Safety and Health Performance	2021	2020	2019
Number and rate of work-related fatalities	0 (0%)	0 (0%)	0 (0%)
Number of work injury	0	0	1
Lost days due to work injury	0	0	2

Staff Training			2021	2020	2019
Number and percentage of trained individuals <sup>8</sup>	Gender	Male	80 ( 95% )	82 ( 95% )	87 ( 100% )
		Female	34 ( 94% )	34 ( 89% )	39 ( 100% )
	Position	Main leaders	2 ( 100% )	2 ( 100% )	2 ( 100% )
		Senior management	11 ( 100% )	11 ( 100% )	11 ( 100% )
		Middle management	10 ( 100% )	10 ( 100% )	10 ( 100% )
		Ordinary employees	91 ( 94% )	93 ( 92% )	103 (100%)
Average training time (hour)	Gender	Male	10.3	10.3	10.8
		Female	11.5	10.5	11.7
	Position	Main leaders	6	6	4
		Senior management	6	5.5	6
		Middle management	11.2	9.6	8.2
		Ordinary employees	11.3	11	12
Number of employees who receive a regular performance and career development review	Gender	Male	54	56	56
		Female	14	17	17
	Position	Main leaders	2	2	2
		Senior management	11	11	11
		Middle management	10	10	10
		Ordinary employees	45	50	50

Location of Suppliers	2021	Percentage of Suppliers Implementing Relevant Practices <sup>9</sup>
Mainland China	7	100%

<sup>8</sup> For 2021, breakdown of trainees by gender: male (70%) and female (30%); breakdown of trainees by position: main leaders (2%), senior management (10%), middle management (9%) and ordinary employees (79%). For 2020, breakdown of trainees by gender: male (71%) and female (29%); breakdown of trainees by position: main leaders (2%), senior management (9%), middle management (9%) and ordinary employees (80%). For 2019, breakdown of trainees by gender: male (69%) and female (31%); breakdown of trainees by position: main leaders (2%), senior management (9%), middle management (8%) and ordinary employees (81%).

<sup>9</sup> The Group selects suppliers in accordance with the "Social Accountability Management Handbook", the "Procurement Control Procedures" and the "SA8000 Standards for Social Responsibility".

## "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" CONTENT INDEX

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	<b>Quantitative :</b> Information on the standards, methods, assumptions and/or calculation tools used to report emissions/energy consumption (where applicable) and the source of conversion factors used should be disclosed.	4
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