

RUIYUAN
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浙江瑞遠智控科技股份有限公司

Zhejiang RuiYuan Intelligent Control Technology Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)

Stock code : 8249

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT

2022

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1. ABOUT THIS REPORT

Zhejiang Ruiyuan Intelligent Control Technology Company Limited (the “Company”), together with its subsidiaries (collectively the “Group” or “we”), are pleased to publish our seventh Environmental, Social and Governance Report (“ESG Report” or “this Report”), which outlines the Group’s principles and concepts of sustainable development in practicing sustainable development and fulfilling corporate social responsibility, and describe our vision and mission for sustainable development.

REPORTING GUIDE

This Report has been prepared in accordance with the ESG Reporting Guide (the “Guide”) set out in Appendix 20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the contents covered herein have met the requirements of the “Comply or Explain” provisions and the reporting principles (materiality, quantitative, balance and consistency) set out in the Guide. Readers may also refer to the “Corporate Governance Report” section in this Annual Report for a comprehensive understanding of the Group’s ESG performance.

Materiality: The importance of ESG issues, important stakeholders, and the process and results of their engagement have been identified and disclosed in this Report.

Quantitative: The statistical criteria, methods, assumptions and/or calculation tools used for reporting key performance indicator, and the source of the conversion factors have been disclosed in this Report.

Balance: This Report presents the Group’s performance for the reporting period in an unbiased manner, avoiding selections, omissions or formats of presentation that might improperly influence the decisions or judgements of the readers of the report.

Consistency: This Report is disclosed using statistical methods consistent with those in the 2021 Report. Any changes to statistical methods or key performance indicators or any other relevant factors that affect the meaningful comparisons will be explained in the report.

SCOPE OF THE REPORT

This Report discloses the Group’s policies, measures and key performance indicator (“KPI”) for sustainable development in relation to its business for the period from 1 January 2022 to 31 December 2022 (hereinafter referred to as the “Year” or the “Reporting Period”). Unless otherwise stated, this Report covers the businesses under the Group’s direct control and collects data from the head office of Ruiyuan IC and the offices of its two subsidiaries to assess the KPI in the environmental aspect.

REPORTING LANGUAGE

This report is published in both Traditional Chinese and English. In case of discrepancies, please refer to the Traditional Chinese version.

APPROVAL OF THE REPORT

This report was confirmed by management and adopted by the Board on 24 March 2023.

FEEDBACK

We value your views on this report and should you have any enquiries or suggestions, please contact us by email at: ruiyuan_icttech@yeah.net.

2. SUSTAINABLE DEVELOPMENT OF ENTERPRISES

The principal activities of the Group engaged in the design, manufacture and sales of CNC machine tools optical and mechanical products, sales of controller systems for electronic equipment and electronic component and subassembly for electronic appliances in the PRC. We always keep our mission of social responsibility in mind. We are committed to corporate governance and continue to minimise the environmental and social impacts of our operations, comply with the laws and regulations of each location in which we operate and continue to create value for our stakeholders.

2.1 BOARD STATEMENT

We believe that paying attention to various ESG issues and formulating reasonable energy-saving and environmental protection target measures are crucial to the long-term development of enterprises. As the leader of the Group's ESG efforts, the Board makes key decisions on various ESG issues for the Group, establishes a stable governance structure, reviews ESG issues and strategies, identifies and supervises the ESG risks faced by corporate in our day-to-day operations, reviews the achievement of environmental targets set, reduces the environmental impact of our business operations and ensures sustainable development in line with our own development path. The Board will continue to prioritise the key issues identified by stakeholders and review and formally approve the ESG Report for disclosure in accordance with the Group's policies and its own business.

2.2 ESG GOVERNANCE

We believe that corporate sustainability is fundamental to the sound operation of a business and we have established a robust ESG governance structure during the reporting period, with three key components, namely the Board, the ESG Committee, as well as the Group's various departments. The Board is primarily responsible for overall responsibility and directly sets the management policy for ESG. With the authorisation and approval of the Board, the ESG Committee, comprising senior management and staff from different departments, including the Group's Chief Executive Officer, Risk Management Department, Human Resources Department and Administration Department, is responsible for the implementation of policies and the collection of ESG data on a day-to-day basis, as well as making appropriate adjustments to business operations in accordance with the relevant policies to ensure that the corporate achieves its set sustainability objectives and ESG compliance. In the process of implementing ESG management measures, various departments need to cooperate accordingly and integrate relevant policies into the daily operations of various departments.

2. SUSTAINABLE DEVELOPMENT OF ENTERPRISES (CONTINUED)

2.3 COMMUNICATION WITH STAKEHOLDERS

In order to meet the expectations of our stakeholders, we continue to strengthen our engagement with stakeholders such as shareholders, investors, customers, employees, suppliers, regulators, the community and the media, and pay close attention to their views and suggestions on our ESG performance, which will serve as a basis for us to continuously adjust our sustainability strategies and develop together with our stakeholders.

Stakeholders	Communication channels
Customers	<ul style="list-style-type: none">• Daily operation/communications• Site visit by customer relationship managers• Phone call
Shareholders/Investors	<ul style="list-style-type: none">• Annual general meetings• Investors meetings• Interim reports and annual reports• Corporate communications• Announcement of results
Employees	<ul style="list-style-type: none">• Performance evaluation• Meetings and interview• Employee suggestion box• Employee opinion survey• Employee communication conferences• Business briefing
Suppliers	<ul style="list-style-type: none">• Management process for suppliers• Site inspection
Business Partners	<ul style="list-style-type: none">• Visits• Meetings
Regulators	<ul style="list-style-type: none">• Written response to public consultation• Compliance report
Media	<ul style="list-style-type: none">• Announcement of results• Senior management visits

2. SUSTAINABLE DEVELOPMENT OF ENTERPRISES (CONTINUED)

2.4 MATERIALITY ASSESSMENT

The Group's management and the ESG Committee confirmed that the results of the materiality assessment for 2021 remain relevant for the current year as (i) there were no significant changes in the Group's business and operating environment during the reporting period; and (ii) the results of the materiality assessment for 2021 continue to respond to stakeholders' expectations of the Group. Based on the analysis of the results of the materiality assessment from stakeholders, the Group's management has identified 26 materiality issues, 16 of which are topics of high materiality, 5 are topics of moderate materiality and 5 are topics of materiality. The following issues are highlighted in this Report to reflect our contribution to the ESG work.

Topics of high materiality

- Compliance with laws and regulations
- Product liability
- Prevention of child labour and forced labour
- Waste management
- Data security
- Market competitiveness
- Employee Health and Safety
- Energy consumption and efficiency
- Supply Chain Management
- Product design and life cycle
- Staff Development and Training
- Emissions Management
- Customer Service
- Labour practice
- Water consumption and efficiency
- Use of resources

Topics of moderate materiality

- Anti-Corruption
- Reporting mechanisms
- Business Ethics
- Intellectual property protection
- Staff Benefits

Topics of materiality

- Promotion and product service labels
- Staff engagement, diversity and inclusion
- Greenhouse gas emissions
- Climate change
- Caring for Community

3. COMPLIANCE OPERATIONS

We believe that compliance operations play a decisive role in the sustainable development of enterprises and the promotion of long-term corporate benefits. The Group has strictly complied with the laws and regulations relating to the operation of enterprises in the locations where it operates, and has also put in place corresponding internal control and risk management systems to enhance its corporate governance capabilities and build a standardised and compliant corporate image, thereby laying a sound foundation for the Group's long-term business development. During the reporting period, the Group was not aware of any material breach of relevant laws and regulations.

3.1 ENTERPRISE ANTI-CORRUPTION

The Group operates in strict compliance with the relevant national anti-corruption laws and regulations such as the Law of the People's Republic of China on the Supervision Law of the People's Republic of China, the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, and the Anti-Money Laundering Law of the People's Republic of China, and complies with the requirements of integrity and honesty during the course of its operations.

The Group has established Anti-Corruption Policy and always requires employees to abide by relevant corporate regulations with strict and high moral standards. The Company's administration department is responsible for receiving complaints about incidents of corruption and taking relevant measures; and for disseminating our anti-corruption policy to employees and enforcing relevant regulations. We have zero tolerance for corruption and strictly prohibit the abuse of authority, company assets, and information for personal gain or for the benefit of others to occur. We also regularly organise anti-corruption and anti-fraud training for all employees of the Company to avoid any acts which would violate the interests of the Company such as abusing power for personal gains. During the reporting period, we have provided anti-corruption trainings to our directors and staff, including requiring directors to read the Prevention of Bribery Ordinance and attend relevant anti-corruption training, issuing a management manual on honesty to our management staffs and requiring employees to study Prevention of Bribery Ordinance of Hong Kong etc.

The Board is responsible for maintaining adequate system of internal controls and risk management within the Group and for reviewing their effectiveness. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations.

An anti-corruption complaint channel is in place to encourage employees, customers, suppliers and other stakeholders of the Company associated with our business to report any suspicions of bribery or improper behavior by phone or email. If irregularities are found, we accept accountability to the person concerned in an open and rational manner and we do not object to employees or other stakeholders reporting violations to the relevant government authorities in accordance with the law. During processing period, we will also protect the information of the whistleblower and oppose any retaliation. Once any retaliation against reporting is found, we will discipline the person concerned and terminate the employment contract depending on the actual situation.

During the reporting period, the Group has not received any new litigation or discovered any cases of corruption, bribery, extortion, fraud and money laundering against the Group or its employees.

3. COMPLIANCE OPERATIONS (CONTINUED)

3.2 CUSTOMER PRIVACY PROTECTION

We recognise the data privacy is crucial to the Group and regard the customer data as the confidential document of the Company. Therefore, the Group strictly complies with the Law of the People's Republic of China on Guarding State Secrets and the Regulation on the Implementation of the Law of the People's Republic of China on Guarding State Secrets and other laws and regulations related to information security for safeguarding the privacy of our customers. In order to protect the customer privacy, we have established a code of conduct for our business operations and services to strictly regulate the professional conduct and work procedures of our staff in handling and maintaining customer data privacy, and to cultivate their sense of responsibility in handling data in accordance with customer privacy regulations. Meanwhile, we restrict staff access and rights to customer data and corporate data. Our staff will only access customer and Group data with authorisation to minimise the risk of leakage of confidential information.

3.3 INTELLECTUAL PROPERTY PROTECTION

The Group attaches importance to the protection of its intellectual property rights and closely monitors the situation of trademark in the market to prevent any infringement of the Group's intellectual property rights, such as counterfeit trademarks. Meanwhile, we also respect the intellectual property rights of others and require our employees to obtain the permission of the copyright owner when using copyright restrictions, including but not limited to intellectual property rights, legal patent rights, trademark rights and copyright restrictions. If any of our staff are found to be in breach of the rules, we will take disciplinary action as appropriate.

The Group also strictly complies with the Advertising Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Implementation Rules for Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations for the business information disclosure. The Group is also aware of its obligations under the Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong and the GEM Listing Rules, of which the overall principle is that the inside information must be announced immediately after a decision is made. We have a responsibility to deliver complete and true information to the public in an appropriate manner, carefully handle the release of information, advertising, labelling and related matters, and strictly prohibit fraudulent use of false and misleading product descriptions.

During the reporting period, the Group was not aware of any legal or regulatory issues that violated the health and safety, advertising, labelling and privacy of products and services and had a material impact on the Group.

3. COMPLIANCE OPERATIONS (CONTINUED)

3.4 SUPPLY CHAIN MANAGEMENT

The Group attaches great importance to the sustainable development of the supply chain, and regards the supply chain as an important link for us to achieve good cooperation with suppliers and achieve long-term development together. We also strictly comply with the Law of the People's Republic of China on Tendering and Bidding, the Implementation Regulations of the Law of the People's Republic of China on Tendering and Bidding and other laws and regulations, and pay attention to sustainable management in both upstream and downstream of the supply chain.

We select suppliers who share same ESG vision to jointly undertake environmental and social responsibility, and established a standardised tender procurement process to review and carefully evaluate the sustainability performance of suppliers. When selecting suppliers, the price and quality of products are not our only criteria. Under the same conditions, we prefer to cooperate with suppliers with lower environmental and social risks. We also require suppliers to abide by local laws and business ethics, and suppliers are strictly prohibited from engaging in any immoral or illegal acts such as corruption and bribery. In order to ensure the stability of the supply chain, we have established a supply chain tracking management system to facilitate the management of the source, quality and after-sales service of goods and services. Unqualified purchases of products or services are directly returned.

Our procurement management department has established and implemented tender procurement plans, specifying the criteria for supplier admittance and conducting regular evaluations against the criteria to ensure that the products or services provided by suppliers are always available to meet the ever-increasing demands of our growing business. If a supplier is found to be unable to provide qualified products or services in accordance with the contract, we will review the supplier and terminate the cooperation.

During the reporting period, the Group had 10 major suppliers, all of which were from China, 7 from Zhejiang Province, 2 from Jiangsu Province and 1 from Guangdong Province.

4. PRODUCT AND SERVICE PRIORITY

4.1 PAYING ATTENTION TO CUSTOMERS' NEEDS

RuiYuan IC always upholds the business philosophy of “customer-oriented”, and attaches great importance to their opinion. The Group has established a plan to handle customer enquiries, complaints and after-sales services to fully meet the customers' needs. We have also set up a customer-specific channel. Our sales staff regularly contacts customers through meetings or telephone interviews to understand their feedback, inquiries and complaints, so that we can improve our own services level and further meet customers' expectations. If a complaint is received and a product recall is required, we will immediately communicate with the affected customers to understand their appeals, actively follow up the situation, and provide remedial solutions to compensate for the losses of customers. Then, we will conduct a comprehensive internal analysis of customer feedback and complaints to further improve our service quality.

During the Year, the Group did not receive any complaints about its products and services.

4.2 REGULATION OF PRODUCT QUALITY

The Group understands that product quality is an important guarantee for us to enhance our brand reputation and maintain business stability. Therefore, we strictly manage the quality of our products and are committed to providing healthy and safe products and services to put our customers' needs first. We strictly comply with the Product Quality Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other laws and regulations related to product responsibility.

We also regulate safety and health regulations and conduct regular quality sampling tests on product quality to ensure the quality of our products and services. During the Year, the Group did not have any cases of product recalls due to safety and health reasons.

5. NURTURING CORPORATE TALENT

The Group fully understands that employees are the cornerstone of the long-term development of the company, and is committed to creating an equal and diverse workplace environment. We pay full attention to the demands of each employee and actively safeguard the interests of employees. As of 31 December 2022, the Group have 11 employees in total, all of whom are based in Eastern China¹; 8 female employees and 3 male employees; 8 full-time junior employees, 1 full-time intermediate management and 2 full-time senior management; 1 employee aged below 30, 9 employees aged 30-50 and 1 employee aged above 50. In 2022, the turnover rate of the Group was 0.

5.1 REASONABLE AND LEGAL RECRUITMENT

The Group respects the personal values of its employees and strictly complies with the Labour Law of the People's Republic of China, the Labour Contract Law, Law on the Protection of Minors and the Prohibition of Using Child Labour and other laws and regulations related to labour and employment. Our talent selection mechanism always adheres to the three elements, i.e. fairness, democracy and competitiveness, and continues to improve human resource management policies and systems. During the interview, candidates' nationality, race, colour, religion, age, gender, political affiliation, sexual orientation, disability, family status and other legally protected categories will not affect our final decision to ensure that candidates who pass the interview are competent for the job and meet our development needs.

In order to protect the mutual interests of the Group and our employees, we sign a legally binding employment contract with each employee who joins us and agree on the regular terms and conditions of work in writing. The Human Resources Department verifies the identity documents of new employees before they join us to eliminate the occurrence of child labour from the root. When employees tender their resignation, we will follow our internal procedures to process their resignation and arrange for the HR department to understand the reasons for their resignation so that we can continue to improve our internal operational mechanism. We promise that employees will not be subject to any discrimination at any stage of work, including recruitment, training, promotion, resignation, termination of employment, working hours and leave, benefits and remuneration. The Group will take disciplinary action if any irregularities are found.

Meanwhile, we value the diversity and inclusion of our Board members and staff. As such, we have adopted a policy of diversity on the Board, which takes into account a number of factors, including but not limited to gender, age, culture, educational and professional background, skills, knowledge and experience, to achieve diversity on the Board.

During the reporting period, the Group did not violate any laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, etc., and there was no case of non-compliance in relation to employment, using of child labour or forced labour.

¹ Based on actual working location

5. NURTURING CORPORATE TALENT (CONTINUED)

5.2 DISCOVERING POTENTIAL OF TALENT

The Group pays attention to exploring the potential of employees. We support employees' personal career development and provide employees with training suitable for their career development needs to help them achieve their career development goals. We will continue to standardise and improve our systematic training to provide better training programs for employees in different positions.

In addition to internal training, we encourage employees to participate in external seminars, sharing sessions, exchange sessions, etc. We also invite external professionals to provide training courses to help our staff gain a better understanding of industry-related laws and regulations, and to familiarise them with the latest developments in the industry and apply them in practice. Meanwhile, we will provide exam holidays and cash subsidies for employees participating in advanced training to support employees to participate in relevant courses and seminars, etc., to improve vocational skills, so as to improve employees' skills and knowledge in all aspects and help employees realise their potential.

During the reporting period, various types of training organised by the Group have taken into account the needs of each employee. For the percentage of staff training by gender, the percentage of training for both male staff and female staff was 100%; for the percentage of staff training by employment type, the percentage of training for junior employees, intermediate management and senior management was 100%. The following table shows the average number of hours of training for employees by gender and employment type.

	Average training hours (Hours)	Percentage of trained ² (%)
Female employees	18.75	100%
Male employees	18	100%
Junior employees	148	100%
Intermediate management	18.5	100%
Senior management	37.5	100%

² Updated calculation method for the year: Number of employees received training in the category/Total number of employees received training in the category, subject to rounding

5. NURTURING CORPORATE TALENT (CONTINUED)

5.3 STAFF BENEFIT PACKAGES

The Group values the attraction and retention of talent, and we offer competitive remuneration and a comprehensive benefits package to our staff. Our Remuneration Committee has established a comprehensive remuneration management system that combines market rates with our own circumstances to provide competitive remuneration for our employees. In addition, we also make regular adjustments to salaries and benefits through staff appraisals and annual reviews of salary structures as a basis for judgement.

The Group strictly complies with Labour Law of the People's Republic of China, and other laws and regulations, and provide all employees with "five insurances and one fund", including basic medical insurance, basic endowment insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund, to help them solve the worries of life. We also focus on work-life balance and our employees are legally entitled to rest on statutory holidays. In addition, we also offer sick leave, annual leave and other holidays.

During the reporting period, no employees of the Group resigned and the Group was not aware of any breaches of laws and regulations relating to leave and other benefits entitlements that would have a material impact on the Group.

5.4 EMPLOYEE HEALTH AND SAFETY

We are committed to being an employer and creating a safe and comfortable working environment for our employees while they work hard. We strictly comply with the Law of the People's Republic of China on the Prevention and Control of Occupational Disease, the Production Safety Law of the People's Republic of China, the Fire Production Regulation of the People's Republic of China, the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents, the Regulations on the Supervision and Administration of Occupational Health in the Workplace, the Regulation on Work-Related Injury Insurance, and other laws and regulations, and have implemented a series of occupational safety and health measures to reduce the risk of occupational injuries.

In order to enhance the awareness of occupational safety and self-protection of our employees and to provide comprehensive occupational safety protection, we provide professional safety skills training to our employees according to the characteristics of different positions, divisions and posts. Training includes safety regulations, understanding of potential hazards in the workplace and the corresponding emergency response measures, regular updates on occupational safety information to employees and general occupational health education. We have also set up a safety incident reporting system through which employees can report potential hazards so that the company can respond proactively in the shortest possible time and initiate relevant investigations to minimise the impact and damage. We have also introduced a no-smoking requirement in the workplace so that no one is allowed to smoke in our premises to protect the health of our employees.

During the Year, the Group was not involved in any breach of any relevant laws and regulations relating to the provision of a safe working environment and the protection of employees from occupational hazards, nor did it receive any lost of work days due to work-related injuries or have any cases of death of employees at work in the past three years.

Prevention and control of the epidemic

The situation of the COVID-19 epidemic remained critical in 2022. In order to ensure the safety of employees and reduce the spread of the epidemic, we regularly disinfect and clean the office and ask employees to take personal protection. Meanwhile, when the epidemic situation was severe, we always reminded employees to maintain social distance at work and not to encourage gatherings. The office method was changed to email transmission and video meetings for online meetings to reduce the risk spreading the epidemic.

6. BUILDING ENVIRONMENTAL PROTECTION ENTERPRISE

The Group is committed to its environmental responsibilities and actively promotes the implementation of energy saving and environmental protection measures to minimise the environmental burden arising from its operations. We strictly comply with the environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. During the reporting period, the Group was not aware of any cases of non-compliance with environmental protection laws and regulations.

6.1 WATER CONSERVATION

The Group is concerned about the growing importance of water-related issues and our water supply is mainly from the local municipal water supply system. We did not encounter any problems with access to water. During the reporting period, our head office and the offices of our two major subsidiaries used 195,000.0 litres of water in total during the course of their operations, with a water consumption intensity of 6.05 litres per thousand RMB revenue.

In order to avoid wastage of water resources, we have established a series of water conservation measures, such as regular inspection of water pipes for leaks and seepage, and contacting maintenance staff to carry out repairs as soon as possible to ensure maximum efficiency in the use of water resources. Meanwhile, we put up water-saving posters to cultivate employees' awareness of water conservation.

6.2 ADVOCATING ENERGY CONSERVATION AND EMISSION REDUCTION

The Group's energy consumption mainly comes from the electricity consumption required for daily operations and the gasoline consumption generated by vehicle transportation. During the reporting period, the energy consumption and intensity of our head office and the offices of our two major subsidiaries are as follows:

Energy consumption items	Unit	2022
Total energy consumption	GJ	88.75
Energy consumption intensity	MJ/RMB'000	2.76

We implement all feasible green office measures that can reduce greenhouse gas emissions, improve energy management levels, advocate energy conservation, and rational use of energy. We encourage employees not to turn on lighting equipment or other electronic equipment such as computers and printers when it is not necessary to avoid wasting electricity. We set up independent control switches for the lighting system of the office for sub-area management, use natural light as much as possible during the day when there is sufficient sunlight, and reduce power consumption. Meanwhile, we set the air-conditioning temperature at a comfortable temperature suitable for employees to work in, and allow employees to wear casual clothes to work in daily work, so as to reduce the burden on the environment caused by excessive use of air-conditioning.

6. BUILDING ENVIRONMENTAL PROTECTION ENTERPRISE (CONTINUED)

6.3 WASTE MANAGEMENT

As our business does not involve production, the non-hazardous waste generated from the operation of our head office and the offices of our two main subsidiaries during the reporting period was office domestic waste, a total of 2.00 kilograms of office and domestic waste was generated, and each employee generated 0.2 kilograms, which was the same as last year. For hazardous waste, it comprised 10 pieces of used batteries and 6 pieces of used ink and toner cartridges.

We encourage our staff to recycle waste that can be recycled, thereby reducing waste generation and increasing the proportion of waste recycled to avoid wastage of resources. The waste generated will be disposed of centrally by the building management. For the waste paper generated in the office, we encourage our staff to recycle and use environmentally friendly paper to reduce pollution at source. We also contact colleagues by email during office activities to reduce paper consumption, and if printing is required, we use ink-saving mode to print on both sides to reduce consumables. During the year, we used a total of 96.25 kilograms of paper. Waste electronic products, batteries, computers and waste ink cartridges are considered hazardous waste and will be handled in accordance with regulations and will be collected by contacting recyclers who are qualified to handle them, so as to effectively manage waste collection and disposal and reduce the impact on the environment.

6.4 GREENHOUSE GAS EMISSIONS

Our greenhouse gas (GHG) emissions are mainly from electricity consumption and company vehicle emissions. In order to achieve carbon reduction targets in line with the national Double Carbon Policy, we conducted a GHG assessment for the Group's headquarters and offices of its two principal subsidiaries in accordance with the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO 14064-1 as defined by the International Organization for Standardization. A summary of GHG emissions for the reporting period is as follows:

Greenhouse gas emissions performance³	Unit	2022
Direct GHG emissions (Scope 1)	tonnes CO ₂ e	4.60
Indirect GHG emissions (Scope 2)	tonnes CO ₂ e	5.23
Total GHG emissions (Scope 1 and 2)	tonnes CO ₂ e	9.83
GHG emissions intensity (thousand RMB revenue)	kg CO ₂ e/RMB'000	0.31

Scope 1: The GHG emissions generated from sources owned and controlled by the Group, including the use of fuel in the Group's vehicles.

Scope 2: GHG emissions from electricity generation, heating and cooling, or steam purchased by the Group, including the use of electricity in the Group's operations.

During the Year, the total GHG emissions from the operation of our headquarters and the offices of our two principal subsidiaries amounted to 9.83 tonnes of carbon dioxide equivalent and the GHG emission intensity was 0.31 kilogram of carbon dioxide equivalent per thousand RMB revenue. For emissions, a total of 5.10 kilograms of nitrogen oxides (NO_x); 0.02 kilograms of sulphur oxides (SO_x), and 0.46 kilograms of particulate matter (PM) were generated by the Group's vehicles.

³ Calculation using the emission factors in the Stock Exchange's Appendix II "Guidelines on Reporting of Environmental Key Performance Indicators", subject to rounding.

6. BUILDING ENVIRONMENTAL PROTECTION ENTERPRISE (CONTINUED)

We also focus on reducing energy consumption in our daily operations. We regularly maintain our vehicles to minimise petrol wastage, and promote green travel and encourage our staff to use public transport as the main means of commuting.

In order to better implement environmental protection responsibilities, we have linked environmental considerations to our business operations and set directional environmental targets:

Greenhouse gas emissions

Maintain or gradually reduce total greenhouse gas emissions from 2019 by actively implementing and executing the Group's energy conservation measures. During the Year, total greenhouse gas emissions decreased as compared to 2019.

Energy use efficiency

Maintain or gradually reduce total electricity consumption from 2019 by actively implementing and executing the Group's energy conservation measures. During the Year, total electricity consumption decreased as compared to 2019.

Water use efficiency

Maintain or gradually reduce total water consumption from 2019 by actively implementing and executing the Group's water conservation measures. During the Year, total water consumption decreased as compared to 2019.

Waste reduction

Maintain or gradually reduce total amount of waste generated from 2019 by actively implementing and executing the Group's material conservation measures. During the year, the total amount of hazardous waste generated remained the same as in 2019.

6.5 RESPONDING TO CLIMATE CHANGE

We are aware that climate change can have a long-term impact on business operations. We are committed to reducing our carbon emissions and continuing to address the risks that climate change poses to our business. During the Year, we have identified the risks associated with climate change, with the main physical risks identified.

Physical risks such as typhoons, flooding and extreme high temperatures may require the temporary closure of office premises and may have an impact on the Company's business. In response to these impacts, we have established emergency response plans for natural hazards and are continuously improving the relevant mechanisms. We also pay attention to weather forecasts and activate contingency plans in advance of extreme weather events to ensure business continuity. In the future, we will continue to identify the risks and opportunities brought about by climate change, and use this as a basis to continuously improve our carbon emissions management and actively take up our corporate responsibility to address climate change. We will continue to monitor updates to the PRC's policies and regulations in order to effectively monitor and manage the risks identified above.

7. SOCIAL WELFARE

We deeply understand that actively participating in social responsibility during business development and using our own resources to devote ourselves to social welfare so as to bring care to the people around us is a measure to maintain social prosperity and development. Therefore, we encourage our employees to participate in the community and provide opportunities to enhance our corporate values in any way we can. However, due to the impact of the COVID-19 epidemic in 2022, we tried to avoid large-scale external community activities to prevent the health of employees and the community from being affected, thus there are no relevant social activities arrangements during the year. We will not forget our social responsibilities. After the epidemic situation improves in the future, we will continue to participate in community charity activities and give back to the society with our own advantages.