



China Display Optoelectronics Technology Holdings Limited

華顯光電技術控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

Environmental,
Social and
Governance Report

2019





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01

Chairman's Statement



For the twelve months ended 31 December 2019 (the "Review Period"), China Display Optoelectronics Technology Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") continued to promote reform and transformation. In a difficult industrial environment, the Group, together with TCL China Star Optoelectronics Technology Co., Ltd. (formerly known as Shenzhen China Star Optoelectronics Technology Co., Ltd., "TCL CSOT"), focused on semiconductor display technology and provided display technology services for global first-tier brands by maximizing the advantages of scale and efficiency. According to the statistics from IHS Markit, a market research institution, the Group ranked fifth among Chinese display module makers in 2019 in terms of sales volume.

During the Review Period, the Group strictly abided by the laws and regulations in the People's Republic of China (the "PRC") on environmental protection, fire safety and employment, refined administrative systems, and vigorously conducted energy conservation and emission reduction activities in a socially responsible manner. The Group also carried out numerous activities for the betterment of employees and the community, so as to foster harmony between the Group and its stakeholders. In terms of production, the Group further optimized production capacity efficiency comprehensively, and improved management innovation and decision-making capability. During the Review Period, the renovation of Huizhou production line which is part of the smart factory project of the Group, had been completed and overall production capacity of the Group increased by 38.7% year-on-year.

In 2020, the COVID-19 pandemic affects the whole world. Since the outbreak of the pandemic, the Group has proactively responded to governmental call and prioritized in protecting employees' safety and preventing the spread of the pandemic, quickly launched pandemic prevention and control plans, established a leading group and an implementation group for pandemic prevention and control, and ensured the safety, stability and high quality of production and operations. The Group will stay committed to its social responsibility and better reward our stakeholders.

LIAO Qian

Chairman

Hong Kong, 22 June 2020

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02

About the Group



2.1 CORPORATE PROFILE

Founded in August 2004, the Group is among the key suppliers of small and medium-sized display modules in the PRC, and is primarily engaged in the research and development, manufacturing, sale and distribution of LCD modules mainly for devices. The Group has its manufacturing plants in the PRC and distributes its products in Asia, with focus on Hong Kong and the PRC markets.

2.2 CORPORATE GOVERNANCE

Governance Structure

With the mission of developing into a leading LCD module enterprise, the board of directors (the "Directors") of the Company (the "Board") is primarily responsible for maintaining sound corporate governance and business practices. There are four special committees under the Board, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. The Board is responsible for formulating business plans, long-term strategies and business development objectives of the Group. Matters relating to professional expertise are approved by the special committees before being submitted to the Board for consideration in accordance with their respective terms of reference.



About the Group

Corporate Governance

As at the date of this report, the Board comprises 7 Directors, all possessing professional background and/or extensive professional expertise specifically required to supervise and monitor the Group's strategy. For the year ended 31 December 2019 and as at the date of this report, the composition of the Board is detailed as follows:

Non-executive Director

Mr. LIAO Qian (*Chairman*)

Executive Directors

Mr. LI Jian (resigned on 7 March 2019)

Mr. OUYANG Hongping (re-designated as Chief Executive Officer on 7 March 2019)

Mr. WEN Xianzhen

Mr. ZHAO Jun (appointed on 7 March 2019)

Mr. ZHAO Yong (resigned on 7 March 2019)

Independent Non-executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

The Board holds regular Board meetings to review the Group's financial and operational performance, discuss and devise development plans, and monitor the undertaking of social responsibility.

During the Review Period, the Board held four regular meetings and four additional meetings. For the year ended 31 December 2019, the Group held three general meetings. Members of the Board performed their duties diligently in accordance with the terms of reference and relevant laws and regulations, and, among others, reviewed the remuneration policy and structure, discussed the long-term incentive plan and compensation packages of Directors, assessed the completeness and accuracy of financial reports, monitored the legitimacy of the Group's business, and evaluated the effectiveness of internal control and risk management systems.



About the Group

The Company formulates a risk management and internal control plan every year. Staff at the relevant departments are requested by the Company's internal control unit to conduct a self-evaluation on internal control, to allow the Company to identify any deficiencies in its internal control practices. Quarterly results of the risk management and internal control evaluation are reported to the management and independent Directors by email on a quarterly basis, and semi-annual results are submitted to the Board half-yearly for the preparation of risk management and internal control report. As a subsidiary of TCL Technology Group Corporation (formerly known as "TCL Corporation", hereinafter "TCL Technology", together with its subsidiaries, collectively "TCL Technology Group"), the Company's risk management and internal control systems and their effectiveness are annually reviewed by Da Hua Certified Public Accountants, the external auditor engaged by TCL Technology. During the year ended 31 December 2019, the continuing connected transactions conducted with subsidiaries of TCL Communication Technology Holdings Limited from January to March 2019 had not been included into the actual utilized amount of the relevant annual cap, due to the misunderstanding on the restructuring of TCL Technology by staff of the Group; as a result, the actual transaction amount from selling products to TCL Technology Group exceeded the relevant annual cap during the year ended 31 December 2019 under the Master Sale and Purchase (2018 Renewal) Agreement. Further details on exceeding the annual cap were set out in the announcement of the Company dated on 18 March 2020. Thereafter, realizing that the incident was due to the staff's misunderstanding on the restructuring of TCL Technology (which is an unusual and complex transaction), the Company has adopted the measures disclosed in the announcement dated on 18 March 2020, in particular, the Company has strengthened staff's training on corporate transaction procedures to effectively prevent the re-occurrence of similar incidents in the future. Further, the Directors, through the Audit Committee, have routinely reviewed the effectiveness of all material aspects of the internal control and risk management systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function. In light of the reinforced internal measures and policies adopted by the Group after the above incident, the Directors concluded that the risk management and internal control systems were adequate and effective during the year ended 31 December 2019 despite the occurrence of such incident.

The Group has adopted a set of internal control policies and procedures to ensure the safekeeping of accounting records and the credibility of financial reports and the compliance with relevant laws and regulations. For further details of the Group's corporate governance, please refer to the Group's Annual Report 2019.



About the Group

2.3 TECHNOLOGY INNOVATION

Research and Development in Technology

Strategies for Research and Development in Technology for 2019

Keeping up with market trends:

Overall layout of the blind hole screen, overcoming technical bottlenecks, and realizing rapid mass production



Seeking outperformance in particular areas:

Key breakthroughs in ultra-narrow lower bezel, under-display fingerprint sensor, and flexible screen

Benchmarking against high-end products standards:

Meeting first-tier customers' technical requirements on the products actively, and tracking the development trend of cutting-edge technology

The Group has a strong research and development ("R&D") team whose professional background covers machinery, electronics, optics, information and software. Its members have extensive industrial experience with open-minded thinking, and continuously strengthen technology research capability to stay at the forefront of the display device industry. As at 31 December 2019, the average age of the staff in the R&D department was about 30 years old, and 85.7% of them had a bachelor's degree or above and approximately 61.2% of them had over five years of industry experience.



About the Group

➤ **Research and Development Achievements**

The Group always keeps track of customer demand closely in order to transform technical capabilities into commercial value. During the Review Period, the Group achieved breakthroughs in various core technologies:

- Launching the mass production of waterdrop screen, full screen with ultra-narrow bezel, blind hole and other technologies
- Completing the technical development of COF (Chip on film) products and the research and development of the active-matrix organic light-emitting diode ("AMOLED") lighting platform
- Developing the test system for integration of display and touch control independently
- Conducting research and development on using Dual Gate chip, double blind holes and 5G display module

The Group was granted 57 patents in 2019.

➤ **State-of-the-art Equipment and System**

Members of the engineering department of the Group are engineering technology professionals in bonding, lamination and assembly. Their ability to work independently in equipment testing, repair, maintenance, hardware design and software enhancement enables smooth production of the Group. They performed remarkably well in manufacturing capability enhancement.

By renovating and upgrading existing equipment, the Group transformed the manufacturing process from thin-film transistor (TFT) and On-Cell technology to In-Cell technology in Huizhou, ensured the smooth mass production of ultra-thin and ultra-narrow products, and overcame the limitation on R corner of the full screen and the manufacturing capacity of the blind hole project, switching over from notch screen and waterdrop screen to blind hole technology.

In terms of factory automation enhancement, in the Huizhou Production Base, 21 production lines in the bonding workshop and 11 production lines in the lamination workshop became fully automated, and the module workshop recorded an automation rate of more than 80%. Automation capacity of production lines increased significantly, with the production capacity of a single production line hitting a record high of 16,000 units per day. During the Review Period, the engineering department of China Display Optoelectronics Technology (Huizhou) Company Limited ("Huizhou CDOT") fully utilized their pioneering and innovative spirit and completed 630 micro-innovations.



About the Group

➤ Information-based Management

During the Review Period, the Group carried out optimization and improvement on the existing IT system infrastructure and optimized the backup environment; the VDI remote office system was expanded to whole-area (workshops and offices) coverage of wireless signal, laying a solid hardware foundation for the construction of intelligent factory. At the same time, the real-time monitoring system of network and server was introduced into the Company's whole-area (production and office) system, thus playing the role of prevention and proactive warning of network risk and security issues, and improving the Group's efficiency in responding to and handling of network abnormality.

The Group imported and extended the Manufacturing Execution System (MES) to customize and optimize products. Such system made the production and product quality inspection process transparent, helped managers trace the production history, and facilitated the sustainable development of the business. In terms of information safety management, the Group strengthened the prevention and control of information security on hardware and software to meet the requirements of first-tier brand customers. Such measure guaranteed the information safety of the Group, customers and stakeholders.

Wuhan China Display Optoelectronics Technology Company Limited ("Wuhan CDOT") and TCL CSOT share the same production plant. TCL CSOT takes the lead in the application and implementation of the production management system based on the domestic software system computer integrated system (CIM) as the manufacturing center amongst high-generation display panel factories in the PRC; such system is mainly responsible for equipment monitoring, logistics control and production management. On this basis, TCL CSOT implements the enterprise resource planning (ERP) system, product lifecycle management (PLM) system, business intelligence management (BIM) system, supply chain management (SCM) system, master data management (MDM) system, etc. to connect production, supply, sales, and logistics processes including the operation data of production equipment and automation equipment, data analysis and management of raw materials, transmission and analysis of production process data sets, finished goods and inventory data, logistics transportation and monitoring, and customer receipt and payment into an uninterrupted data stream, thereby building an industry benchmark factory for the construction of an intelligent display panel factory featuring high degree of automation, digitalization, visualization, modelization, and integration for the entire process from all-production-line automated organization and control of device production to strategic planning and decision-making.

2.4 SOCIAL RESPONSIBILITY

The Group has formulated and implemented a social responsibility management system highlighting the "customer-first approach and risk management; energy conservation & emission reduction and green production; caring for staff and compliance with laws and regulations; ongoing improvement and harmonious development". The Group integrated corporate governance into production operation in a flexible way, established corporate systems, improved the governance structure in strict compliance with laws and regulations, and performed corporate social responsibility. In order to meet stakeholders' requirements in undertaking corporate responsibility and fostering sustainable corporate development, the Group successively established and improved management systems in relation to social responsibility and obtained relevant certificates, including certificates in relation to quality (ISO9001: 2015), occupational health and safety (OHSAS18001: 2007), carbon footprint, environmental (ISO14001: 2015), toxic and hazardous substance (QC080000: 2017), energy (ISO50001: 2011), greenhouse gas (ISO14064: 2006), industrialization and informatization integration and other management systems.

During the Review Period, Huizhou CDOT followed the standard requirements of first-tier brand customers and comprehensively sorted out and improved relevant procedures and documents, enhancing 110 procedures and achieving a document optimization rate of 41% to facilitate the effectiveness of procedures and promote the executive force of documents combined with auditing.

During the Review Period, there were no significant complaints or incidents relating to the Group's social responsibility, demonstrating the Group's active undertaking of its social responsibility.



About the Group

- Certifications and reports for Huizhou CDOT's management systems are set out below:



ISO9001: 2015
Quality Management
System



QC 080000: 2017
Toxic and Hazardous
Substance Management
System



Carbon Footprint
Certification



ISO14001: 2015
Environmental
Management System



OHSAS18001: 2007
Occupational Health
and Safety Management
System



ISO50001: 2011
Energy Management
System



ISO14064: 2006
Greenhouse Gas
Management System



About the Group

- Certifications and reports for Wuhan CDOT's management systems are set out below:



ISO9001: 2015
Quality Management
System



QC 080000: 2017
Toxic and Hazardous
Substance Management
System



ISO14001: 2015
Environmental
Management System



ISO45001: 2018
Occupational Health
Management System



ISO/IEC 27001: 2013
Information Safety
Management System



IATF16949
Vehicle Quality
Management System



AEO Certificate



Industrialization and
Informatization Integration
Management System



About the Group

2.5 COMMUNICATION WITH STAKEHOLDERS AND ANALYSIS OF MATERIAL ISSUES

Communication with Stakeholders

The Group has a wide range of stakeholders, including governments, customers, shareholders/investors, employees, suppliers and communities. The Group maintains two-way communication with stakeholders through channels such as financial reports, ESG reports, surveys, regular dialogue and meetings. Details are set out in the table below:

Stakeholders	Communication channels
Governments	Meetings, document studies, government inspections and information disclosure
Customers	Customer approval, business training, customer satisfaction surveys and day-to-day communication
Shareholders/Investors	General meetings, investor meetings and industry conferences
Employees	Employee communication meetings, opinion box, social media, hotline and mailbox
Suppliers	Supplier training, supplier audit, regular meetings and day-to-day communication
Communities	Volunteer activities, charity events and day-to-day communication

Material Issues

We aim to understand and address issues that are most material to stakeholders and the Group. The Group believes the following material issues are the most significant:

Most concerned issue	Category	Corporate management indicator	Performance
Integrity and compliance in operations	Corporate governance	Complaints about non-compliance	Nil
Occupational health	Health and safety	Cases of occupational diseases	Nil
Production safety	Health and safety	(i) Serious casualties	(i) Nil
Management		(ii) General work-related injury ¹	(ii) 0.066%
Protection of intellectual property rights	Product responsibility	Number of patents	57 patents
Quality control	Product responsibility	Occurrence rate of product safety accidents	0%
Hazardous substance management	Product responsibility	Complaints about non-compliance with regulations on hazardous substances	Nil
Anti-corruption	Anti-corruption	Cases of corruption	Nil

Note:

1. General work-related injury = Number of work-related injury for the year/Total number of employees at the end of the year



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Corporate Operation

3.1 MARKET AND CUSTOMERS

The Group adopts a customer-oriented approach and places emphasis on brand and business development. While consolidating in-depth cooperation with customers, it seeks to explore more business channels. It concentrates on high-end products, maintains product quality and responds quickly to the changing market. Through years of customer relationship management experience, the Group has secured its position in the industry and laid a solid foundation for sustainable corporate development.

➤ Products

During the Review Period, the Group focused on high-end products in response to market demand. In terms of the rapid development of full-screen modules, the Group has always been in the leading position in the industry. Full screen notch modules, including notch, semi-circle notch cutting and waterdrop, began mass production in 2019; and the new product, blind hole screen, also began mass production at the end of 2019.

In 2020, the Group will begin the mass production of blind hole screen module products and is expected to launch flexible AMOLED products. In addition to mobile phone products, the Group has carried out a broader and deeper cooperation with Baidu in the smart home business. Baidu's smart home products combined with our display module products are consistently praised in the market and sold well across the PRC. In addition, the introduction of Xiaomi, Alibaba and other customers have enabled us to flourish in the smart home business.



Corporate Operation

> Customer

In 2019, the Group continued to manufacture products for global tier-one brand customers such as Samsung and Huawei, and became their direct suppliers. Currently, the Group has established partnerships with five of the top six mobile phone companies in the world, namely Samsung, Huawei, Xiaomi, OPPO and vivo. Meanwhile, the Group has also carried out a strategic cooperation with Shenzhen Transsion, which is well known as the “King of Africa”, to focus on comprehensive and high-end mobile phones. In the future, the Group will increase the spending on R&D and actively participate in the R&D of high-end products of major customers, creating opportunities for further cooperation.

> After-sales services

The Group has a set of well-established after-sales service procedures. Customer complaints will follow the “2485 Principle”, and customers’ feedback, questions and difficulties will be well-handled. During the Review Period, the Group introduced the “pre-sales, in-sales and after-sales service concepts” to further improve customer service quality.



3.2 QUALITY CONTROL

The Group aims at first-tier brand customers and establishes high-quality governance and prevention system, securing customers by excellent product quality.

> Implementing strategic planning and improving the system to meet the requirements of first-tier brands

At the beginning of 2019, the Group formulated the strategic positioning of “high quality, low cost and high efficiency”, specified the quality orientation of “excellent quality”, and enhanced quality goals from “research and development quality” to “product output quality” by benchmarking against first-tier brand customers.



Corporate Operation

> Stable improvement in product quality

The Group aimed at first-tier brand customers, and conducted a comprehensive review on management system process targeting the overall operation and management procedures, so as to reduce ineffective process and improve value-added process. Huizhou CDOT's optimization rate of documents on the process, standard and guidance in relation to quality was 41%.

The Group further improved its quality management IT system, beginning to promote the utilization of optimized Manufacturing Execution System (MES). Product traceability was guaranteed by the system and important materials can be traced back to a single product of the supplier. In addition, the Group established and improved the supplier management system, warehouse management system and product lifecycle management (PLM) system, guaranteeing the improvement of quality.

During the Review Period, the Group actively conducted quality improvement activities and secured more than RMB16.0 million of economic benefit.

The Group's quality management was excellent. Customers' online return rate and internal quality failure cost rate improved by 19.3% and 19.8% year-on-year, respectively, while external quality failure cost rate decreased by 6.2% year-on-year.

External quality failure cost rate:

Accumulated economic losses caused by after-sales quality issues of products in 12 months/Accumulated sales in 12 months

Internal quality failure cost rate:

Accumulated economic losses caused by internal product quality issues in 12 months/Accumulated sales in 12 months

> Product Safety

To ensure product safety, the R&D department of the Group carries out the design tasks according to the standards and specifications. During the various stages such as new product development, trial production and mass production, each project team of the Group will conduct a number of reliability tests on product safety and various functions by phases.

The Group ensures product safety according to the Group's Product Recall Management Process. If any safety issues are spotted on unshipped products, the Group will immediately terminate the production of such products and analyze them separately for improvement. If shipped products are involved, the Group will report the spotted issues to customers and recall the products.

As the PRC and the industry currently have no relevant laws and regulations on module products' safety. To protect the environment and to reduce the hazardous substances' harm to human body, the Group complies with the European Union's Restriction of Hazardous Substances (RoHS) Directive (Directive on Limiting the Use of Hazardous Substances in Electronic Products), the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), Ozone Depleting Substances (Montreal Protocol), European Union POPs Directive and other regulatory requirements to conduct production activities.

During the Review Period, there were no product recall or product safety incidents for the Group. In terms of customer satisfaction, the Group ranked among the top in the industry.



Corporate Operation

> Advertising and Labelling

The Group complies with the Advertising Law of the People's Republic of China to handle the products' packaging and labels. During the Review Period, the Group's advertising, packing and labeling were in line with the principles of authenticity, legality and fairness.

As the Group's products are non-terminal products, they have no separate packaging and labels. According to customer requirements, information such as product model, name and quantity will be marked on the packaging boxes of products, and environmental protection labels such as RoHS/HF and other marks required by customers will be affixed to meet customer and relevant laws and regulations requirements. If customers find that there are no specified labels on the packing boxes for the Group's products, they may negotiate with the Group to return the products or allow the Group to re-affix relevant labels.

Meanwhile, the Group will not advertise to consumers. When the Group's staff introduce the products to customers, they will adhere to the principle of being honest and will not conduct false advertising. In the unlikely event of any false advertising, the Group will communicate with customers to correct the errors, and release statements through appropriate media within the same scope for rectification.

> Customer Privacy Protection

The Group complies with the Patent Law of the People's Republic of China, the Anti-unfair Competition Law, Several Provisions on Prohibiting Infringements upon Trade Secrets, and the Intellectual Property Law of the People's Republic of China, and formulates the customer information security management system and remedy measures pursuant to such laws. The Group sets up different levels of confidentiality for various customers, establishes access restrictions for customers' product production and storage areas, and limits the use of photography equipment. The Group manages customers' documents and files in a confidential manner to protect their intellectual property and trade secrets. In case of the occurrence of customer privacy leakage, the Group will immediately recover and delete relevant information, report to customers proactively, apologize to customers sincerely and negotiate subsequent handling. During the Review Period, the Group did not record any incidents relating to customer information leakage.

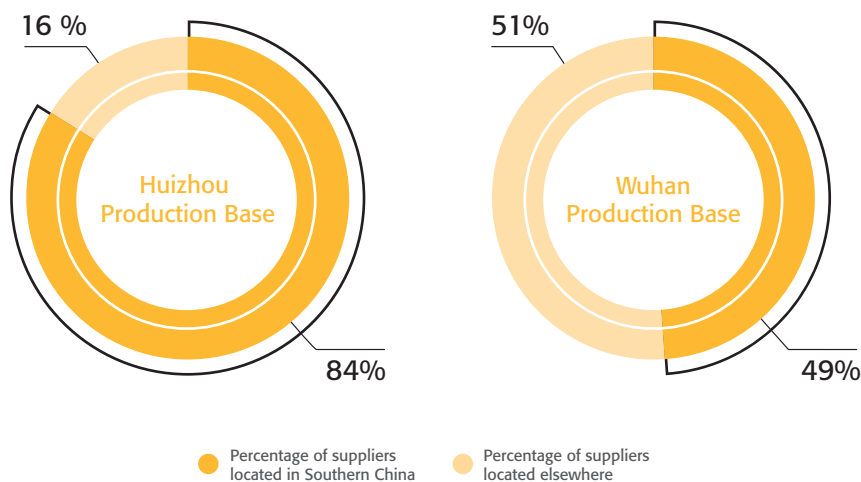
3.3 SUPPLY CHAIN MANAGEMENT

The supply chain is not only integral to product quality, but also plays an important role in sustainable corporate development. Attaching great importance to supply chain management and guidance, the Group has established and improved the supply chain management system on an ongoing basis.

The Group selects suppliers strictly based on a well-established mechanism to meet the goals of mutual benefit and sustainable development. When selecting suppliers, in addition to considering factors such as suppliers' strength, quality, service and pricing, the Group also evaluates other factors such as suppliers' commitment to social responsibility and geographical locations, in order to assess the relevant social and environmental impact.

In 2019, the Group optimised the management mechanism of social responsibility in the supply chain, stipulating that social responsibility audit shall be conducted when introducing new suppliers for manufacturing main materials. Suppliers can be included into the Group's "Qualified Suppliers List" only if they pass the audit and sign the letter of social responsibility commitment.

More than 70% of suppliers of the Group are located in Southern China, close to two main production bases of the Group.





Corporate Operation

3.4 TOXIC AND HAZARDOUS SUBSTANCE MANAGEMENT

In 2019, the Group obtained the certification of “QC080000: 2017 Toxic and Hazardous Substance Management System”. In terms of the management in toxic and hazardous substance of new materials, the Group strictly controls the introduced materials to ensure that they meet environmental standards from the source; the Group also introduces some strict measures on research and development, materials, and manufacturing process to enable the products to comply with domestic and international laws and regulations including the European Union’s RoHS Directive (Directive on Limiting the Use of Hazardous Substances in Electronic Products), halogen-free legislation, the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), the ban on using “conflict minerals” and the Montreal Protocol.

> Green Procurement

The Group is committed to the concept of green procurement under sustainable development. To reduce the environmental impact of suppliers, the Group requires its business partners to comply with the standards set out in QC080000: 2017 Toxic and Hazardous Substance Management System. Suppliers are required to sign the Environmental Protection Agreement and the Environmental Compliance Statement. Meanwhile, the Group also regularly asks suppliers for RoHS and halogen-free test reports so as to meet the Group’s control standards on toxic and hazardous substances. The quality control department of the Group regularly conducts X-ray fluorescence spectrometry inspection on incoming raw materials according to high, medium and low risk levels, and material suppliers are subject to annual assessment of QC080000 Toxic and Hazardous Substance according to the Group’s Qualified Supplier Management Process.

> Responsible Minerals

In recent years, as mines controlled by armed forces in conflict areas are often associated with severe human rights violations and environmental pollution during the mining process, as well as providing financial support for armed forces, enabling continued armed conflict and causing more severe humanitarian disasters. Thus, the international community is very concerned about four types of metals (often referred to as 3TG or conflict minerals), namely gold, tin, tungsten and tantalum, produced from armed conflict regions in Africa, which comprise the Democratic Republic of Congo and its nine neighboring countries (namely Angola, Burundi, the Central African Republic, the Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia).

While the Group’s products contain 3TG, the Group does not procure 3TG directly. Our suppliers purchase or use 3TG produced from various places worldwide. As an enterprise valuing social responsibility, the Group undertakes to neither procure nor support the use of conflict minerals that aid or support, whether directly or indirectly, the armed conflict in the Democratic Republic of Congo and its nine neighboring countries.

To fulfill such undertaking, the Group follows the principles of the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas issued by the Organisation for Economic Co-operation and Development, establishing responsible mineral procurement management system. We inform the procurement prohibition requirements to all first-class suppliers whose products may comprise conflict minerals, and coordinate the supply chain including first-class suppliers and secondary-class suppliers to conduct due diligence on the source of conflict minerals, striving to ensure that smelters in the supply chain are from the list of smelters published by the Responsible Minerals Initiative.

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Environmental Report



4.1 ENERGY AND RESOURCES CONSERVATION



Total electricity
consumption (kWh)
39,359,766



Total water
consumption (tonnes)
201,314



Total CO₂
emission (tonnes)
37,101



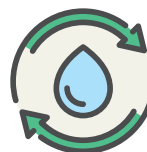
Total packaging materials
consumption (tonnes)
3,996



Environmental
investment (RMB)
1,291,363



Electricity saved
(kWh)
5,380,000



Water saved
(tonnes)
55,700



Environmental Report

In 2019, the Group continued to follow the principle of energy conservation, emission reduction and green production. Faced with the challenges of energy control arising from further improvement in the automation rate of production equipment, the Group provided training to all employees to raise their awareness of energy conservation, and implemented effective energy conservation and consumption reduction systems and regulations through measures such as daily audit and management by the energy conservation team to reduce the consumption of water and electricity. For product packaging design, the Group adhered to the philosophy of “saving and sharing” and reused backlight packaging materials to reduce environmental impact.

➤ **In 2019, the Group mainly underwent the following energy conservation and consumption reduction practices:**

- During the Review Period, the Group only utilized electricity as the source of energy. The Group compiled and analyzed information on “total electricity consumption”, “electricity consumption per unit” and other key electricity consumption facilities including air-conditioners, air compressors and production equipment on a monthly basis. The Group saved 5,380,000 kWh of electricity and 55,700 tonnes of water throughout the year. The Group used tap water as production water source. In Huizhou, the Group recycled the discharging water from the water-washing mounters of 19 production lines, collecting 50,000 tons of recycled water annually. During the Review Period, the Group had no issues arising from water source.
- In 2019, the Group launched the electricity conservation project “Reduce the Unit Electricity Consumption of Air Conditioning” in Huizhou, achieving remarkable results. The assessment criterion (“unit cooling area * electricity consumption during cooling time”) decreased by 6.5% year-on-year, saving 310,000 kWh of electricity. In addition, the Group reduced electricity consumption for production by improving production efficiency and reducing defect rates, facilitating the year-on-year decrease in the Company’s overall electricity consumption per unit. The Huizhou Production Base saved a total of more than 4,950,000 kWh of electricity throughout the year.
- In 2019, the Wuhan Production Base of the Group passed the supervision and audit certification of the ISO50001 Energy Management System. Wuhan CDOT launched the “Dark Light Factory Project” for lighting management and control, saving 190,000 kWh of electricity; meanwhile, it achieved energy conservation by reducing the airflow of the fan filter unit (FFU) and partially turning off the FFU to lower the coverage rate to improve the airflow, saving 240,000 kWh of electricity. The Wuhan Production Base saved a total of 430,000 kWh of electricity throughout the year.



Environmental Report



In 2020, adhering to the concept of energy conservation and consumption reduction, the Group will stay committed to energy conservation and emission reduction, and continue to promote energy conservation and consumption reduction in production equipment, air-conditioning equipment and air pressure equipment.

Notes:

1. Electricity consumption per unit = Total electricity consumption/Total sales volume
2. Water consumption per unit = Total water consumption/Total sales volume
3. Packaging material consumption per unit = Total packaging material consumption/Total sales volume



Environmental Report

4.2 EMISSIONS REDUCTION

The Group manages industrial wastewater, air and greenhouse gases emission, and hazardous and non-hazardous waste in accordance with the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Water Pollution of the People's Republic of China, the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China and the Environmental Protection Law on Solid Wastes Pollution of the People's Republic of China. During the Review Period, the Group invested RMB1.29 million in environmental protection management to further reduce the emissions of wastewater, waste and waste gas. Professional tests conducted by independent third parties showed that the Group's treatment and emissions of wastewater, waste and waste gas met the national standards in 2019.

The Group does not consume any natural resources directly during the production process. The Group's impact on the environment mainly comes from industrial wastewater. Specific management measures of the Group are as follows:

Industrial wastewater

Significant impact on the environment and natural resources	Management measures
Industrial wastewater	Before discharging, the Group will process the industrial wastewater to ensure it meets the discharge standards. Discharge amount and indicators have been installed with warning system and will be monitored by the environmental protection departments in real-time.

Industrial wastewater of the Group mainly comes from the cleaning process of the Huizhou Production Base. During the Review Period, the Huizhou Production Base applied ultrasonic cleaning in place of chemical water in the cleaning process, so as to meet the production requirements of high-end laminated module products. As a result, the industrial wastewater per unit decreased by 63% year-on-year. On the other hand, as the Wuhan Production Base is located in the panel factory of TCL CSOT where the cleaning process is carried out by the panel factory of TCL CSOT, the Wuhan Production Base did not produce industrial wastewater during the Review Period.

In 2019, details of the Group's overall wastewater emissions are as follows:

Indicator	Unit	2019
Total industrial wastewater	tonnes	13,624
Industrial wastewater per unit	g/unit	123.0



Environmental Report

Waste

Indicator	Waste Emissions Targets	2019 Targets	Management measures
Hazardous waste	Hazardous waste per unit not more than 5% increase year-on-year	≤0.32g/unit	<ol style="list-style-type: none"> 1) It is classified, collected, delivered to units possessing hazardous waste treatment qualification, and handled in accordance with laws and regulations by means of cleaning, utilization, disposal, incineration, etc. Its disposal information will be registered on the Solid Waste Management Platform of Guangdong Province/Hubei Province as per government requirements. 2) It is recycled by suppliers, for instance, chemical containers are generally recycled by suppliers, with a recycle rate of over 90%;
Non-hazardous waste	Non-hazardous waste per unit not more than 10% increase year-on-year	≤2.6g/unit	<ol style="list-style-type: none"> 1) It is classified into two categories, namely recyclable and non-recyclable waste; 2) Recyclable waste, such as paper and metals, is recycled by waste collectors; 3) Non-recyclable waste is handed over to sanitation workers for disposal; 4) We promote waste classification knowledge among our staff, conserve paper and packaging materials and reduce waste production.

- During the Review Period, Wuhan Production Base increased the number of production lines and led to an increase in rags containing hazardous substance which are required for installing equipment. Therefore, the Group's hazardous waste increased to 49 tonnes (2018: 21 tonnes) and the hazardous waste per unit increased to 0.4g/unit (2018: 0.3g/unit), failing to meet the goal.

In 2019, details of the Group's overall hazardous waste emissions are as follows:

Indicator	Unit	2019
Total hazardous waste	tonnes	49
Hazardous waste per unit	g/unit	0.4

During the Reporting Period, although other non-hazardous waste increased 35.3% year-on-year to 234 tonnes (2018:173 tonnes) as a result of increase in production lines, the Group still met its goal. Details of non-hazardous waste are as follows:

Indicator	Unit	2019
Total non-hazardous waste	tonnes	234
Non-hazardous waste per unit	g/unit	2.1



Environmental Report

Greenhouse Gas Emission

Significant impact on the environment and natural resources	Management measures
Waste gas (which is greenhouse gas)	Discharged after being filtered, adsorbed and purified using activated carbon and tested by a third-party organization as meeting Air Pollutant Emission Standards of Guangdong Province and Hubei Province.

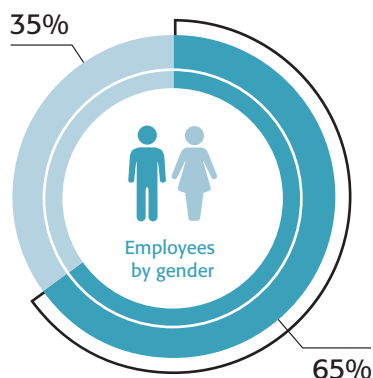
During the Review Period, the significant air emissions of the Group were greenhouse gas emissions. The Group established a greenhouse gas management system in accordance with the ISO14064-1 standard. In 2019, in order to meet the order demand of major customers, the Group set up more automated production lines, leading to an increase in the total electricity consumption. However, as the Group's total sales volume increased by 83.5% year-on-year in 2019, the CO₂ emissions per unit decreased from 465.7 g/unit in 2018 to 334.8 g/unit in 2019, representing a year-on-year decrease of 28.1%. During the Review Period, the total CO₂ emission of the Group was 37,101 tonnes.

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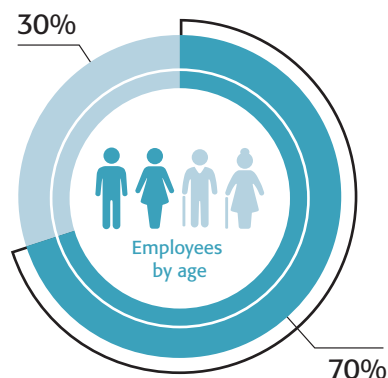
05

Employee Report

As at 31 December 2019, the Group had 6,101 employees. During the Reporting Period, the Group's total employee turnover rate was 8.84%, of which the turnover of employees aged 30 years old or below was 10.2% and the turnover of employees aged 31 years old or above was 5.6%. The turnover of male employees was 10.2% and the turnover of female employees was 6.3%.



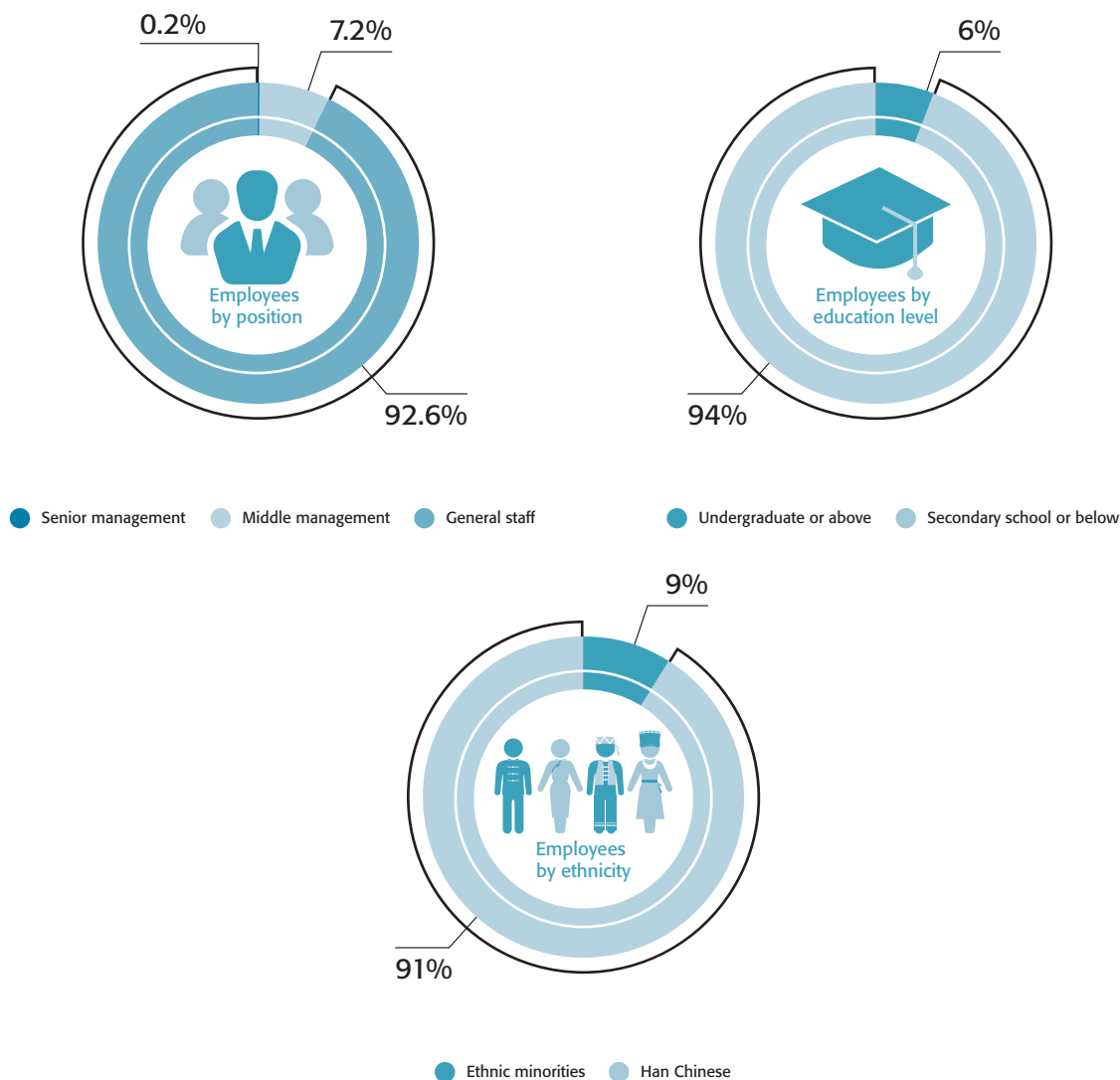
● Male ● Female



● Aged 18 to 30 ● Aged 31 or above



Employee Report



5.1 HEALTH AND SAFETY

The Group maintains workplace safety and employees' occupational health in accordance with the Safety Production Law of the People's Republic of China, the Law on the Prevention and Control of Occupational Disease of the People's Republic of China, and the Fire Prevention Law of The People's Republic of China. The Group has established the OHSAS18001 Occupational Health Management System and passed the SGS certification. The Group has formed a special safety management team for occupational health and safety management of the staff, and formulated a comprehensive set of procedures to provide guidance for relevant initiatives. Each of the management members has signed a "safety responsibility statement", which stipulates that promoting health and safety is their important task and will be appraised. The Group conducts safety training and emergency drills on a regular basis, with a view to raising occupational health and safety awareness among the management, risk-prone employees and general staff and improving their relevant skills. Through regular safety checks, the Group has identified potential hazards and rectified them in a timely manner.



Employee Report

Management Measures

Comprehensive Safety System

During the Review Period, the Group spared no effort to continuously invest in and improve production safety, with a total of approximately RMB4.59 million invested to enhance production safety. In 2019, the Group did not have any serious injury or fatal accidents of employees and the lost days due to work injury was 49.5 days. Specifically:

- *Huizhou Production Base*

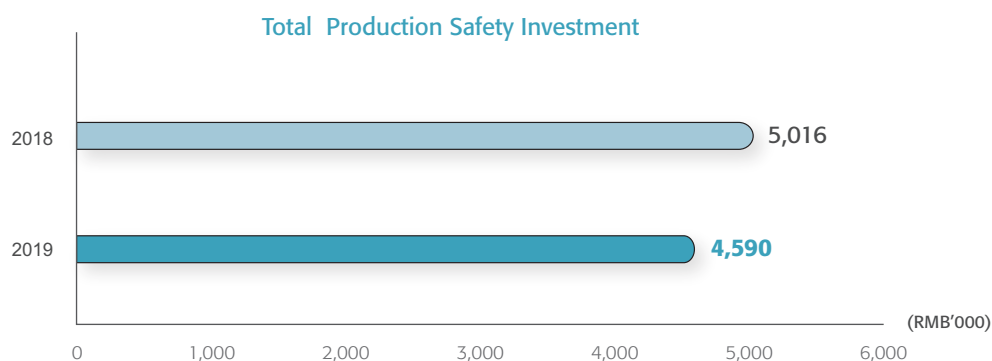
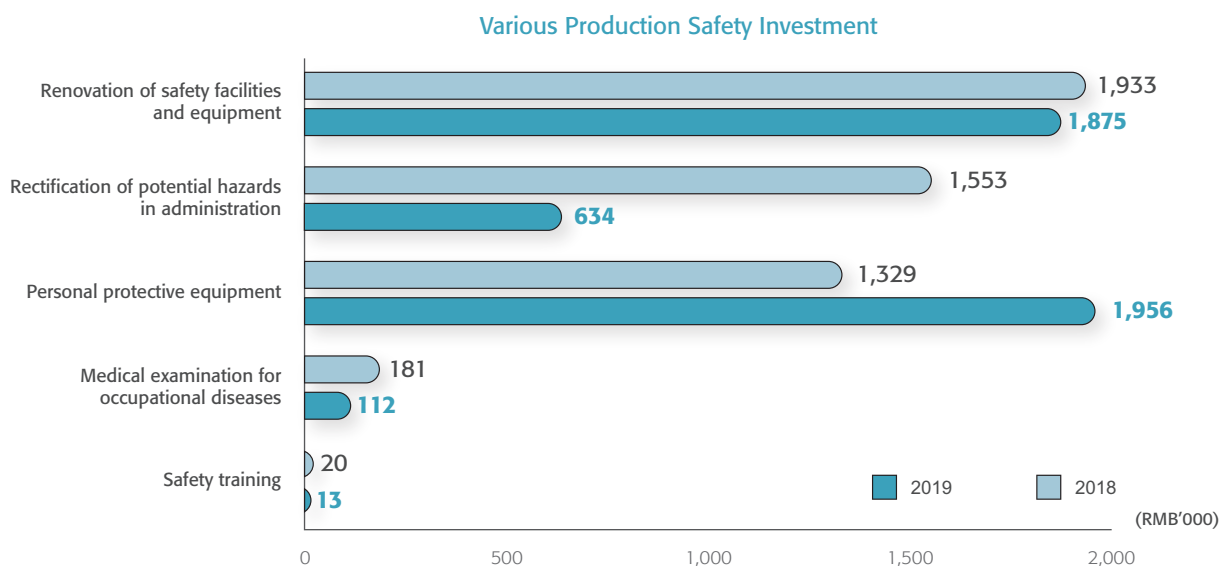
In Huizhou, the Group constantly enhanced the safety management organization, improved the safety management protection system, and earnestly implemented the national production safety policy of “giving first priority to safety, laying stress on prevention and taking comprehensive measures”; strictly executed production safety policies, orders, regulations, standards, systems and rules issued by the state and other higher authorities; performed requirements prescribed by the “production safety accountability system” under which the general manager and the safety director of each division are jointly responsible for the leadership on production safety, adopted the measure of “one leader taking on two responsibilities” for production safety, clarified the production safety management responsibilities for each level, and required members of each level to sign a production safety responsibility statement. In addition, Huizhou CDOT withdrew and used production safety funds for improving production safety conditions and facilitating production safety initiatives in accordance with relevant regulations; formulated production safety rules and regulations and operational procedures for the unit, developed and implemented production safety education and training plans for the unit to equip practitioners with production safety knowledge necessary for their roles and acquaint them with relevant production safety rules and regulations and operational procedures through production safety education and training; provided practitioners with personal protective equipment that meets national or industrial standards, taught them to use the equipment according to instructions and monitored whether they used the equipment properly. The general work-related injury incident rate of the Huizhou Production Base was 0.066%, representing a year-on-year decrease of 50%.

- *Wuhan Production Base*

In Wuhan, the Group introduced safe design standards and acceptance systems for processes and equipment, and 100% of the equipment passed the safety inspection, which ensured the safety of processes and equipment. In addition, Wuhan CDOT educated its staff about safety precautions to raise their safety awareness, and improved the preventive system for safeguarding internal security to create good security conditions for the development of Wuhan CDOT. The general work-related injury incident rate of the Wuhan Production Base was zero.



Employee Report



Safety Inspection

The Group has operated in a lawful and compliant manner during the Review Period. During the Review Period, there were no major or serious production safety accidents, occupational diseases and industrial poisoning accidents. Specifically:

➤ Huizhou Production Base

In Huizhou, the management members, safety officers, and firefighters at each level of the Group conducted fire safety inspection and supervised the progress of rectification projects. Huizhou CDOT used the information system to track and rectify potential safety hazards. Generally, over 99% of potential safety hazards can be rectified in a timely manner.



Employee Report

➤ **Wuhan Production Base**

In Wuhan, the management members, system and safety officers, and emergency response team at each level of the Group carried out safety accountability enforcement and work safety inspections on a level-by-level basis to jointly achieve the safety targets for 2019. During the Review Period, Wuhan CDOT conducted safety inspections and patrols on a daily basis, and organized 12 comprehensive safety inspections participated by leaders at the factory director level, 8 special safety inspections, and other seasonal safety inspections. It identified a total of 1,852 potential hazards throughout the year. Generally, 98.5% of potential hazards can be rectified in a timely manner.

In addition, the Group organized a campaign to eliminate major potential hazards (a total of 18 categories, such as hazardous chemicals storage, unauthorized wiring and connection of electric wires, and non-compliance operation of forklifts) in Wuhan Production Base, completed 32 company-level potential hazard self-inspections and self-rectifications, with a year-on-year decrease of 1.99% in recurrence rate of high risk potential hazards. During the year, Wuhan CDOT conducted a total of 36 operation behavior observations as per labour behavior-based safety (BBS), in which 43 on-site and standard operating procedure (SOP) issues were identified and improved, with an improvement rate of 99%.

Production Safety Training, Promotion and Education

Production safety training is crucial to safe production, enhancing staff's safety performance and reducing human error. During the Review Period, special operation personnel of the Group were all licensed. No unlicensed personnel were permitted to engage in such kind of licensed work.

➤ **Huizhou Production Base**

Over 14,626 employees on a cumulative basis participated in safety training and passed assessments to acquire safety-related knowledge. Such training raised their prevention awareness, thereby reducing the occurrence of production safety accidents.

➤ **Wuhan Production Base**

The base further improved the record management system for three-level safety education and established a lecturer evaluation mechanism; carried out induction training for approximately 12,000 new employees on a cumulative basis and 26 special training sessions on safety (equipment, hazardous chemicals, electrical, construction, fire protection, emergency, special equipment, hazardous waste disposal, etc.); achieved full coverage of safety training for special operation personnel and full qualification under the 24-study-hour system, with 100% of special operation personnel licensed; carried out spot checks on safety awareness of all employees of the plant by quiz, randomly checking 20,000 employees, with a passing rate of 96.3%; simultaneously administered operation safety examination for 900 field employees on a cumulative basis, with a passing rate of 80.3%; carried out interview regarding safety leadership of the Company, conducting on-site interviews with directors of the Company and two senior management members at factory director level; conducted a safety survey on nine management members at department head level, with a participation rate of over 80%; collected 15 effective questionnaires from managers with 100% of improvement rate on safety management suggestions; organized employees to study and interact regarding safety issues online; used new media to optimize the production safety suggestion channels of the factory for employees of all units to actively propose safety suggestions, with 100% of implementation of rectification and feedback.



Employee Report

Control of Risk-prone Operations and External Construction Parties

> Huizhou Production Base

The Office of the Work Safety Commission ("WSC Office") of Huizhou CDOT systematized management regulations on risk-prone operations and external construction parties and imposed more stringent control. Before each construction, the WSC Office will assess the risks that may exist before operation, conduct safety education on the relevant personnel, and inspect the operation site. Construction will not commence until it is confirmed that site safety conditions are met. During operations, the construction party shall conduct safety self-inspection on a daily basis, and the safety officer of the WSC Office will inspect the site on a daily basis or even station at the site to ensure the safety of operations.

> Wuhan Production Base

The factory ran safely and steadily throughout the year. No major safety incidents occurred during the safe production and operation of equipment, the new construction, reconstruction and expansion of projects, daily maintenance, and annual maintenance and overhaul. Wuhan CDOT achieved the Company's production safety goals with excellent standard and high quality, which was higher than the average level of industry safety management.

Emergency Drills

During the Review Period, in order to raise employees' fire safety awareness, enhance their skills to handle fire accidents, and examine the operability of emergency plans of the Company, Huizhou CDOT conducted 3 fire evacuation drills and 1 chemical accident drill; Wuhan CDOT conducted 13 emergency drills, mostly related to chemical leakage, fire, water leakage and equipment-related injury. During the Review Period, the Group did not record any fire and chemical spill accidents.

Information-based Safety Management

During the Review Period, the Group introduced production safety management software to promote information-based management. The software served to regulate the management of production safety information, strengthen production safety analysis, and keep abreast of developments in production safety of the Group, thereby preventing production safety issues due to management deficiency.

Occupational Health Management Policy and Measures

In accordance with the requirements of the Law on Prevention and Control of Occupational Diseases of the People's Republic of China and relevant laws and regulations, the Group established a comprehensive occupational health and safety management system and strictly enforced the requirements under the system, for example, conducting regular inspection and analysis of occupational hazards, conducting occupational disease education and training schemes, examining workers' safety protection and conducting occupational disease examinations for relevant employees before they take office/annually/upon their resignation.

During the Review Period, the Group increased the level of automation of production lines at each production base to reduce work positions exposed to occupational hazards. As at 31 December 2019, the number of the Group's employees exposed to occupational hazards was 234 (2018: 210), representing a year-on-year increase of 11.4%.

During the Review Period, the Group arranged occupational health checks for all current and former employees. No employees were diagnosed with occupational diseases in the medical examination.



Employee Report

5.2 EMPLOYMENT

During the Review Period, the Group complied with the related aspects in the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Implementation Regulation for the Labour Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labour, the Law on Minor Protection of the People's Republic of China, the Social Insurance Law of the People's Republic of China and SA8000 Social Responsibility Management System Standards and other applicable laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hour, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Group regards employees as the cornerstone of its sustainable development and believes that every one of them deserves respect.

According to the Labor Contract Law, the Group formulates the corresponding Attendance and Leave Management System, specifying the work and rest schedule of employees. All employees are entitled to various statutory paid holidays, such as paid annual leave, statutory leave, marriage leave, maternity leave, paternity leave, etc. The Group also formulates the Compensation and Welfare Management System to provide employees with reasonable, legal and competitive compensation and welfare, and formulates the Employee Promotion Management Measures to create a fair and just career development and promotion channel and give employees space for growth and development.

Adhering to the principles of "compliance with laws and regulations, fairness and impartiality, nepotism avoidance and meritocracy", the Group implements a recruitment and selection policy aiming at offering equal opportunities. The Group provides job applicants with equal opportunities, regardless of race, skin colour, religious belief, disability, political affiliation, age and gender.

"Actively recruiting and providing care and support for people with disabilities" is one of the Group's recruitment principles. During the Review Period, the Group hired a total of 30 persons with disabilities and was awarded the "Advanced Unit for the Employment of Disabled Persons" issued by Huizhou Disabled Persons' Federation.

Labour Standards

The Group is well aware that child labour and forced labour violate basic human rights and international labour conventions, and affect corporate and social sustainability. The Group complies with the related applicable laws and regulations in relation to child labour and forced labour, and constantly improves recruitment management procedures to prevent child labour, forced labour and under-age labour. Specifically, the Group conducts age verification through background investigation, identity document validation and other methods to prevent inadvertent recruitment of child labour, and adopts an approach stressing both education and protection for under-age labour to support their healthy development, physically and mentally.

The Group respects employees' will and rights. Hence, it enforces the requirements prescribed in the standard labour contract only and will not impose any unfair restrictions on the employment relationship between employees and the Group by any means, such as withholding deposits or identification documents. The Group formulates the Work Guidelines on Free Choice of Occupation and Non-forced Labour. Employees are entitled to choose occupation, work and terminate the labour contract at liberty in accordance with applicable laws and regulations.

During the Review Period, the Group did not identify any illegal cases of child labour or forced labour.



Employee Report

5.3 DEVELOPMENT AND TRAINING

Career Development Path

To nurture and promote talents, the Group has developed a “career development path” for each position, improved the criteria for performance appraisal, and encouraged employees to upgrade themselves. During the Review Period, the Group held a number of vocational certification sessions in Huizhou. Employees from various departments including the research and development department, engineering department, manufacturing department, quality control department, product management department participated in career path certification sessions. Upon accreditation and verification by a professional adjudicating panel, 123 of the participants met the required competency standards for their corresponding career levels and passed the certification.

Training

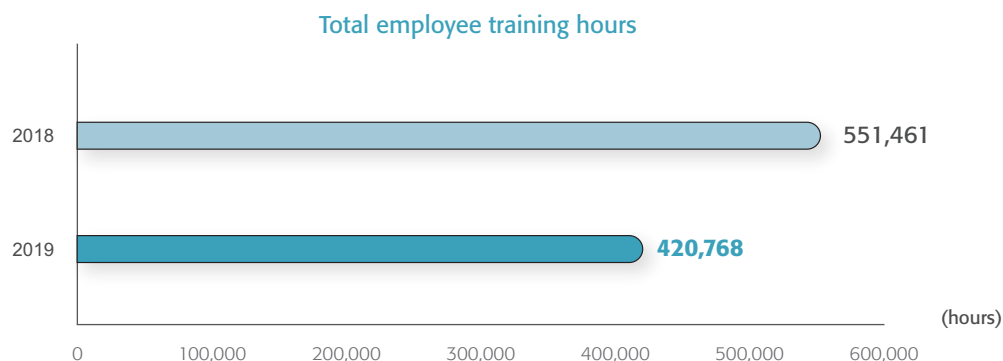
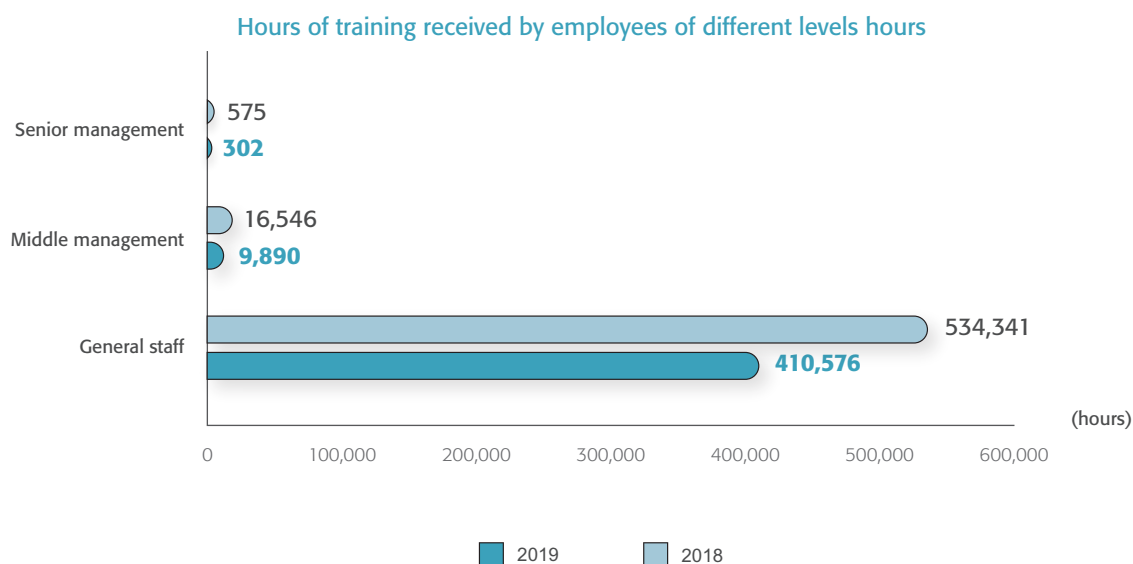
For employees, an enterprise mirrors a university where their growth is closely related to training provided by the enterprise. During the Review Period, employees of the Group spent over 420,700 hours on training.

- The Group believes that training can stimulate the personal potential of managerial staff, enhance the vitality, cohesion and creativity of the team, deepen the understanding of middle-level managers on the operation and management of modern enterprises, and guide middle-level managers to fully utilize their creativity to drive the profit growth of the Company. During the Review Period, the male to female ratio of the Group’s employees participating in the training was 2.3:1.
- In addition to providing various internal professional training schemes for employees, the Group sponsored 19 employees to participate in external professional open courses in Huizhou. Meanwhile, the Group engaged external professional tutors to hold 6 training sessions in Huizhou, which covered four major aspects, i.e. safety, quality, professional management/technology, and general matters, with 346 employees participating in the training sessions and recording a total of over 2,915 training hours. Training by experts enabled the technical management staff to be more professional and competent.
- Wuhan CDOT conducted leadership training, technical training and general training to enhance the Company’s technical and management standards by making full use of the excellent training resources offered by the college of TCL CSOT. During the year, employees of Wuhan CDOT received nearly 258,809 hours of training.



Employee Report

Details of training of the Group during the Review Period:



➤ Outbound Training

- This training was designed to facilitate the implementation of the Group's general strategic plan, enable employees to further understand and identify with the Company's goals, strengthen cohesion and team spirit within the Company, and create a positive corporate atmosphere. In 2019, the Group conducted an outbound training activity for all employees. This outbound training activity received great attention from the management of the Company. All members of the senior management team participated in the activity as team leaders. During the outbound training, participants put the workplace values of "dauntlessly advance and tirelessly persevere" and "never give up, never leave behind" into action.



Employee Report

➤ “FMEA” Training and Project Coaching

- In 2019, the Group engaged external professional trainers to provide “FMEA” training and project coaching sessions for employees. “FMEA” is a systematic activity involving conducting analysis on subsystems and parts to manufacture products and all manufacturing procedures, and discovering all potential ineffective modes and analyzing their possible consequences in order to take necessary measures in advance for the purpose of improving product quality and reliability.
- In 2019, a total of 105 technicians from various departments of Huizhou CDOT participated in systematic training sessions. As one of the key annual training projects, “FMEA” project will be followed up by the Group on an ongoing basis to ensure its implementation.

➤ Young Eagle Power Camp

As one of the important annual training projects of TCL Technology, the Young Eagle Power Camp plays an important role in training fresh college graduates. During the training, the young eagles will receive a series of systematic training from the Group, which lay a solid foundation for their future work and life.

- During the Review Period, the Group recruited a total of 20 fresh college graduates. In the eight-day power camp, the Company provided a total of 16 hours of outbound training and over ten theoretical courses, including Corporate Culture, Safety Education, Product Principles and Introduction to the Industry, Introduction to Equipment, Quality Awareness, and Enjoyable Workplace, with a total of 64 class hours for each participant.

➤ Rock-solid Plan

- In 2019, the Group’s human resources and administration department worked with the college of TCL CSOT to introduce the “Rock-solid Plan” training project. The project lasted for a half year, integrated nearly ten theoretical courses with various activities such as visits to benchmark companies and outbound training, and aimed to re-empower on-site management personnel to improve their management capability and proficiency, thereby helping the Company achieve overall performance goals.
- The project is planned to be completed in early 2020, and then a group of high-quality on-site management personnel will be developed to enhance the Company’s overall management capabilities.



Training under the Rock-solid Plan



Employee Report

5.4 CARE FOR EMPLOYEES

Cultural and Leisure Activities

To enrich employees' leisure life and build cohesion and a sense of belonging, the Group has established various clubs such as yoga, fishing, photography, hiking, mountaineering and swimming clubs, which hold activities and competitions regularly. In addition, the Group also organized activities which are widely popular among employees, such as tug-of-war, fun sports meetings, and birthday parties, to allow employees to feel the care from the Company and enjoy the benefits of the Company.



25-km Hiking: Forge ahead with Joint Efforts



Photo contest



Fun sports meetings



Badminton match



Fun competition for employees



Employee Report

Employee Benefits

In compliance with national laws and regulations on labour, social security and other aspects concerning human resources, the Group not only grants employees statutory benefits, including “five kinds of insurance and one fund”, social insurance, marriage and compassionate leave and maternity leave, but also offers them special allowances, such as care allowances for employees with disabilities and children education allowances for employees. The Group believes that comprehensive welfare system enables employees to work more securely in terms of finance.



Employee birthday party



Fun sports meeting



Movie activity organized by the labour union

Employee Communication

The “Employee Communication Meeting” held regularly by the human resources and administration department of the Group is one of the most important channels of collecting staff opinions. Staff representatives are responsible for collecting staff opinions and reporting the opinions to the management and the human resources department of the Company at the “Employee Communication Meeting”. During the Review Period, 612 employees on a cumulative basis participated in the communication meeting. All underlying issues of reasonable suggestions were improved, and the improvement results were announced on the bulletin boards of each production base.

In addition, the Huizhou Production Base and the Wuhan Production Base have each established WeChat public accounts, which enable employees to keep abreast of the Company’s latest activities and information in a timely manner. Employees of the Group may also provide feedback through the WeChat public account or suggestion mailbox, hotline, etc. Such feedback will be handled by the designated personnel of the Group’s human resources and administration department.



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06

Integrity Report

Business integrity is the foundation of corporate social responsibility, as well as the core of corporate sustainability. Always maintaining “zero tolerance” attitude in relation to integrity issues including but not limited to bribery, extortion, fraud and money laundering, the Group steps up the efforts to construct an integrity system in compliance with laws and regulations including the Criminal Law, the Law against Unfair Competition of the People’s Republic of China, the Law on Anti-money Laundering of the People’s Republic of China, the Law on Anti-terrorism of the People’s Republic of China, and the Interim Provisions on Banning Commercial Bribery. In addition to a comprehensive internal control management mechanism within the Group, the Group is also subject to spot check audit covering integrity aspect conducted by the audit center of TCL Technology and external auditors, so as to effectively prevent corrupt practices.

The Group carries out integrity education from time to time through emails and announcement board, and organizes all staff to study TCL CSOT’s integrity requirements and integrity cases to warn them against offering and accepting bribes.

- **HUIZHOU PRODUCTION BASE**

In Huizhou, the Group requires employees to comply with the code of integrity of “prohibiting six practices and keeping commitments”, which stipulates that nepotism, bribery, presenting substandard products as quality ones, jerrybuilding, deception and commercial fraud are prohibited and business commitments shall be kept. Integrity performance evaluation is regularly conducted. Moreover, Huizhou CDOT identifies integrity positions and requires employees occupying such positions to sign the Integrity Commitment, undertaking not to accept commercial bribery, embezzle, misappropriate or misuse company property, nor divulge trade secrets. Huizhou CDOT has entered into the Related Party Undertaking with suppliers who undertook not to bribe employees of Huizhou CDOT, so as to avoid corruption, protect legal rights of both parties and establish a long-term, healthy and mutually beneficial partnership with suppliers.



Integrity Report

- **WUHAN PRODUCTION BASE**

In Wuhan, the Group works on the integrity principle that “everything is sheer void if integrity is in question”. In order to promote the Company’s integrity in business activities and set integrity standards for employees, Wuhan CDOT guides the Company’s employees and stakeholders to act in accordance with applicable laws and protect against unfair competition on their own initiative, and thus fostering healthy and sustainable business development. In addition, Wuhan CDOT has formulated an Integrity Management System specifying the widely applicable code of integrity and integrity standards for key positions to set a model of integrity, and requires employees to sign a personal integrity undertaking and participate in training on integrity and the whistle-blowing mechanism for new hires. Moreover, Wuhan CDOT has entered into the Integrity Agreement with stakeholders or added integrity related terms to the relevant contracts. Ways and channels of reporting or complaining about corruption are specified in the Integrity Agreement or integrity-related terms. Integrity performance self-evaluation is regularly conducted.

During the Review Period, the Group did not identify any violations relating to bribery, extortion, fraud, money laundering, integrity and unfair competition nor any relevant laws and regulation that have a significant impact on the Company.



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07

Social Welfare Events

In order to better understand the needs of the communities where the Group operates and to ensure the Group's activities take into consideration the communities' interests, during the Review Period, the Group took the following initiatives to undertake its social responsibility:

- In addition to actively participating in the welfare events organized by TCL Technology, Huizhou CDOT solicited donations for employees whose families were in distress due to the serious illness of their children, so that employees can feel the care of the Company and the warmth of their colleagues.
- Wuhan CDOT actively fulfilled its corporate social responsibilities by organizing a wide variety of social activities, including: Reading for All – psychological salon lectures, primary school winter camps, Let's Run – Guanggu Half Marathon, and elderly care activities. By organizing activities, it continuously expanded the volunteer team that provided regular services, broadened service coverage, and enhanced employees' sense of social responsibility.



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08

Appendix

8.1 STATEMENT OF THE BOARD

The Board acknowledges its responsibility to ensure the truthfulness of this sustainability report and to the best of its knowledge, this report has disclosed material issues, and gives a fair view of the Group's performance in environmental, social and governance aspects and the relevant impact. This report has been reviewed and approved by the Board.

8.2 REPORTING SCOPE

This report is published on an annual basis and its reporting period covers the financial year of 2019 (i.e. from 1 January 2019 to 31 December 2019). During the Review Period, the principal places of business of the Group were the production base in Huizhou (the "Huizhou Production Base") and the head office of China Display Optoelectronics Technology (Huizhou) Company Limited ("Huizhou CDOT", a wholly-owned subsidiary of the Group), and the production base in Wuhan (the "Wuhan Production Base") of Wuhan China Display Optoelectronics Technology Co., Ltd. ("Wuhan CDOT", a joint venture jointly founded by the Group and Wuhan China Star Optoelectronics Technology Co., Ltd.).

The operating branches of the Group located in other places such as Hong Kong, which mainly provide business support operations, are not covered in this report as their economic activities did not have any significant impact in terms of social and environmental safety aspects.

8.3 BASIS OF PREPARATION

This is the 2019 Environmental, Social and Governance Report of the Group prepared in accordance with the disclosure requirements set out in the Environmental, Social and Governance Reporting Guide (the "Guide") in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited to reflect the Group's performance in environmental, social and governance responsibilities in 2019 in a truthful manner. This report was prepared in Chinese and translated into English. In the event of any inconsistency or conflict between the Chinese version and the English version, the Chinese version shall prevail. To protect the environment, no printed copies will be provided.

8.4 COMMENTS AND RESPONSE

We welcome suggestions from stakeholders on the management strategy and performance of the Group in promoting sustainable development. You may contact us via:

Tel: (852)2437 7610
Email: ir.cdottcl.com



9. Content Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

The following indicators take into account the “comply or explain provisions and recommended disclosures” under the Guide, relevant data of which are set out in this report.

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS

	“Comply or Explain”	Recommended disclosures	Pages
A. Environmental			
Aspect A1: Emissions	General Disclosure		
	Information on:		
	(a) the policies; and		18-22
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		20
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
	<i>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</i>		
	<i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i>		
	<i>Hazardous wastes are those defined by national regulations.</i>		
KPI A1.1	The types of emissions and respective emissions data.		17, 20-22
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		17, 22
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		21
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		21
KPI A1.5	Description of measures to mitigate emissions and results achieved.		20-22
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.		21



9. Content Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

	"Comply or Explain"	Recommended disclosures	Pages
Aspect A2: Use of Resources	General Disclosure		18-19
	Policies on the efficient use of resources, including energy, water and other raw materials.		
	<i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>		
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	17-19
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	17, 19
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	18
Aspect A3: The Environment and Natural Resources	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	18
	KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	17, 19
	General Disclosure		16, 18-22
	Policies on minimising the issuer's significant impact on the environment and natural resources.		
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	16, 20-22



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“Comply or Explain”		Recommended disclosures	Pages
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure		
	Information on:		
	(a) the policies; and		29-30
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		29
	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	23-24
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	23
Aspect B2: Health and Safety	General Disclosure		
	Information on:		
	(a) the policies; and		24-28
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		24-28
	relating to providing a safe working environment and protecting employees from occupational hazards.		
	KPI B2.1	Number and rate of work-related fatalities.	11, 25
	KPI B2.2	Lost days due to work injury.	25
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	24-28



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	"Comply or Explain"	Recommended disclosures	Pages
Aspect B3: Development and Training	General Disclosure		30-32
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
	<i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>		
		KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
		KPI B3.2 The average training hours completed per employee by gender and employee category.	
Aspect B4 : Labour Standards	General Disclosure		
	Information on:		
	(a) the policies; and		29
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		29
	relating to preventing child and forced labour.		
		KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	29
		KPI B4.2 Description of steps taken to eliminate such practices when discovered.	



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“Comply or Explain”		Recommended disclosures	Pages
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure		15-16
	Policies on managing environmental and social risks of the supply chain.		
	KPI B5.1	Number of suppliers by geographical region.	
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	15-16



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	"Comply or Explain"	Recommended disclosures	Pages
Aspect B6: Product Responsibility	General Disclosure		
	Information on:		
	(a) the policies; and		14-15
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		14-15
	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	14
	KPI B6.2	Number of product and service related complaints received and how they are dealt with.	13
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	15
	KPI B6.4	Description of quality assurance process and recall procedures.	14
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	15



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	"Comply or Explain"	Recommended disclosures	Pages
Aspect B7: Anti-corruption	General Disclosure		
	Information on:		
	(a) the policies; and		35-36
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		35
	relating to bribery, extortion, fraud and money laundering.		
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	35-36
Community			
Aspect B8: Community Investment	General Disclosure		37
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	