

南京三寶科技股份有限公司 Nanjing Sample Technology Co., Ltd. (股份代號: 1708)



CONTENTS



ABOUT THIS REPORT

Worker Internet

This report is the fourth environmental, social and governance (ESG) report issued by Nanjing Sample Technology Co., Ltd. (hereinafter referred to as "the Group" or "the Company"). The report covers the achievements of the Group in ESG objectives in 2019 and provides information on the policies and practices it has implemented.

REPORT SCOPE

The report covers the business status of the Group and the subsidiaries in Jiangsu, China. Considering that the operating activities of Hong Kong subsidiaries have little impact on the Group's ESG, Hong Kong subsidiaries are not covered in this report unless otherwise stated. The Group plans to gradually increase the scope of disclosure in the future to cover more subsidiary companies.

REPORT GUIDE

This report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide of the Listing Rules of Stock Exchange of Hong Kong Limited (SEHK). The same interpretation is adopted in this report as that in the Group's 2019 annual report. Should the data disclosed be different from 2019 annual report, the annual report shall prevail.

REPORT ACCESS

This report will be published on the website of SEHK and the official website of the Group. It is published with both Chinese and English versions. In case of difference between the two versions, the Chinese version shall prevail.

REPORT FEEDBACK

If you have any questions or suggestions about the report, please feel free to contact the Securities Department of the Company: Nanjing Sample Technology Co., Ltd. Address: No. 10-Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province Tel: +8625-84356666 Email: irm@samples.cn Website: www.samples.com.cn





ABOUT SAMPLE TECHNOLOGY

COMPANY OVERVIEW

The Group was established after the shares restructuring in 2000 and successfully listed on the Hong Kong Stock Exchange on June 9, 2004. As one of the leaders in the 10T information services, the Group, equipped by long-term technical reserves in Radio Frequency Identification(RFID), Video Identification, cloud storage and big data processing, has been committed in the two major industrial eco-systems of "intelligent transportation" and "intelligent logistics". Additionally, it cooperates gradually with the industrial and regional resource leaders to create an open resource-fusion platforms. Providing users with big data-based system integration, cloud supervision, customs clearance and financial supporting services, it synergizes and collaborates with ecological enterprises to co-build an industrial Internet platform, which delivers premium integrated services for SMEs.







ABOUT SAMPLE TECHNOLOGY

CORPORATE VALUES AND CULTURE

Adhering to the core mission of "To create quality life with wisdom", the Group takes creating value for the society and users as its own responsibility. It follows people-oriented principle and regards "talent, connection and character" as the "Three treasures" of the Company.



In 2019, the Group fully promoted the "customer-centered" culture, focused on the main business and upgraded the organization. Driven by craftsmanship spirit, it develops, renews and integrates demanded

products to push forward major business. At the same time, it advances organization centering on customers, and emphasizes core customers' evaluation of the Company's value creation. Breaking internal and external boundaries, the Group retains, activates and satisfies customers with



its holistic competence, which sustains the value creation for the market.





ESG PHILOSOPHY

The Group embraces the social responsibility concept of "business integrity, continuous innovation, serving and giving back to society". It applies the sustainability into the enterprise strategy and business operation management, and actively assumes responsibility for the value-chain partners, environment and society. Persisting in returning shareholder value, it strives to alleviate the fallout of business on the environment, and dedicates itself to the sustainable advancement.





ESG FRAMEWORK

The Group has established an ESG governance system in which the board of directors/the executives manages, the ESG team leads, all functional departments cooperate and all subsidiary companies act in synchronization. The establishment of ESG governance structure ensures that environmental and social risks associated with various businesses is properly managed, effectively putting ESG philosophy and strategies into actions.

The board of directors is responsible for evaluating and monitoring ESG's yearly performance, taking accountability for ESG strategy and reporting. The board reviewed and approved the ESG Report for the year ended December 31, 2019 at the meeting held on May 30, 2020.







STAKEHOLDERS

The Group is committed to maintaining the sustainable business. It is well aware that the business success depends on the support of major stakeholders. Through the survey and communication of the needs and expectations of relevant parties, the company continuously obtains valuable views on the current ESG implementation, and evaluates and determines ESG risks. These efforts ensure that relevant risk management and internal control systems can be properly and effectively operated, thus determining the sustainability of the Company.

Related Parties	Communication Channels	Communication Goals
Customer	Daily communication, feedback, technical seminars, product exhibitions, customer survey, customer service hotline, satisfaction survey, etc.	Product quality, business processes, technological innovation, service quality
Shareholders and investors	Shareholders' meeting, periodic report, corporate website, teleconferencing, etc.	Corporate operations, information disclosure, corporate governance, return on investment
Partners	Daily communication, seminars, strategic cooperation, exchange visits, etc.	Fair competition, mutual benefit, compliance management, common development
Staff	Staff activities, staff training, corporate intranet, WeChat public platform, staff representative conference activities, regular investigation, communication symposium, reporting channel, suggestion box	Salary and welfare, protection of rights and interests, working environment, education and training, career development, physical and mental health and family care
Government and Regulatory Authorities	Institutional inspections, official correspondence, work reporting conference, project cooperation	Compliance management, transparent control, legal taxation, social performance, employment protection, resource conservation
(#=) Supplier	Quality certification, compliance with agreement, inspection and testing, capacity building	Long-term cooperation, supplier certification, honoring contract and keeping promises, fair procurement, quality management, capacity improvement
Community and Public	Community activities, public welfare activities, social support projects, etc.	Community development, social welfare, environmental protection, business ethics





MATERIALITY IDENTIFICATION

In the reporting period, the Group identified the degree of influence, from and onto the Company, among the various stakeholders. It hence sorted out a number of vitally important issues related to ESG based on the needs and expectations of all stakeholders.



Materiality matrix

The significance for the Group





The Group strictly abides by various national and local laws and regulations such as 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 Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise, and the Water Pollution Prevention and Control Law of the People's Republic of China. It adheres to the promotion of green and low-carbon production and operation, as well as the exploration of recycled and sustainable development strategies to minimize the impacts on the surrounding environment. In the reporting period, the Group never received any complaints or penalties for violations against environmental protection, and had no major environmental pollution incidents.







ASPECT A1: EMISSIONS

WASTE GAS EMISSION

The Group's gas emissions mainly come from the Company's vehicles. In the course of operation, its air pollutant emissions are as follows:



In the reporting period, the Group saw some emission increase in exhausts. It was largely due to the fact that most of the projects undertaken by the Company and its subsidiaries were located in remote areas. Under that circumstances, more mileages were made due to more frequent use of Company cars. At the same time, in order to minimize environmental pollution, the Group encouraged employees to purchase environmental-friendly electric cars as their private cars and to prioritize taking public transport.





GREENHOUSE GAS EMISSION

Most of the Group's greenhouse gas emissions come from vehicle, electricity consumption, etc. In the course of operation, the emissions are as follows:

Carbon dioxide and others

Scope-1 Direct emissions(Kg)

Year 2018	75520
Year 2019	235503
CO ₂	Scope-1 Business owned or controlled by the Group directly generates the combustion of mobile source fuel. In the operation, the greenhouse gas produced by the company is carbon dioxide from the use of official vehicles and minivans. Therefore, the Group will strengthen the

usage management of all vehicles to shrink energy consumption.

Scope-2 Indirect emissions (Kg)



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Scope 2- Indirect emissions are caused by electricity consumption within the Group. In the operation, the indirect emissions mainly come from the office park electricity consumption. The Group is committed to finding more new ways to reduce energy consumption. It regularly overhauls the power grid and central air conditioner in the office park to minimize energy consumption.

Scope-3 Other indirect emissions(CO, Equivalent/kg)



The Group's office area is around 19863 m².





WASTE MANAGEMENT

In view of the business nature, the Group didn't directly generate any hazardous waste during its operations. Yet, the non-hazardous waste residue mainly came from office supplies such as toner cartridges and domestic waste. The Group's non-hazardous waste emissions are as follows:



In the reporting period, after classified collection, storage and recycling of regular non-hazardous wastes, the Group entrusted qualified companies to carry out waste recovery. It will further strengthen the recycling and shrink waste generation to fuel the environmental sustainability.





ASPECT A2: RESOURCE USE

The Group rigorously implements the Energy Conservation Law of the People's Republic of China and other relevant policies, regulations and standards issued by national, local and industrial authorities. It constantly rolls out policies for higher efficiency of energy and water resources, which is in a bid for long-term progress. In the reporting period, the electricity, water and gasoline consumptions are as follows:

Year 2019



During the review period, the Group's power consumption dropped, which was primarily due to the remarkable achievements in frequently promoting environmental protection and energy-saving working environment.



During the review period, the Group's water consumption declined, which was primarily due to the remarkable achievements from continuously promoting environmental protection and enhancing energy conservation awareness among all staff members.



The Group's office area is about 19,863 m².



ASPECT A3: ENVIRONMENT AND NATURAL RESOURCES

The Group believes that enterprise development should never be at the expense of the environment. In order to make all levels of the company know more about the negative impacts from resource utilization habits and business activities onto the environment, the Company, by means of various managements, measures and actions, persists in utilizing clean energy and low energy density raw materials so as to gear up the resource utilization rate and minimize the pollutants from the business. Continuously attending and protecting the nature, the Group will go hand in hand with the suppliers, customers, employee teams and other stakeholders to contribute to constructing the resource-saving and environment-friendly society.

> Return the used running-in toner cartridges to relevant suppliers for recycling.

> > • Replace the refill for pen that

run out of ink.

• Close the doors and windows during the use of the central air conditioner to reduce power consumption.

• Turn off computers, printers and other electronic equipment in time outside the office hours or upon leaving the workplace.

 Avoid a small number of personnel occupying a large area of office and ensure the maximization of office space.



 Post signs to remind employees to save energy and protect environment.

• Use natural light as much as possible to reduce power waste.

Encourage reuse of single-sided used paper.





EMPLOYMENT AND LABOR PRACTICES

Being the premise and foundation for the Company's healthy and sustainable development, employees are the important assets and core competitiveness of the Company. The fulfillment sense of employees determines the Company's sustainability. The Group was elected as the governing unit of the "Jiangsu Software Industry Talent Development Foundation" for three times and won the "2019 Public Welfare Contribution Award Of Jiangsu Software Talent", which further demonstrates its strategy of talent-empowering enterprise and yields of talent cultivation and innovation.



ASPECT B1: EMPLOYMENT

In the reporting period, the total number of employees of the Group was 306, of whom 83 were women and 223 were men.



Note: In the reporting period, the total number of employees covered the headquarter, subsidiaries and Hong Kong subsidiaries.









In the reporting period, the total number of staff turnover was 154, of which 43 were women and 111 were men.

	Year 2019	Year 2018
Overall turnover rate	33.48%	19.83%

Turnover rate refers to the total number of employees who leave the company voluntarily or due to retirement or dismissal during the year divided by the total number of employees in the same category.



Note: Staff turnover rate = the number of staff turnover /(the number of staff at the beginning + the number of staff increased in this period)*100%



In the reporting period, the Group had 7 board directors, 3 supervisors and 2 senior executives, with a male-female ratio of 11:1.





Note: Please refer to the 2019 Annual Report for the information of directors, supervisors and executives of the Group.





ASPECT B2: HEALTH AND SAFETY

With the purpose of preventing and avoiding occupational hazards to employees, the Group has incorporated health and safety standards into the Sample Science and Technology Safety Production Responsibility Management and Safety Accident Punishment Regulation. The Regulation requires the compliance of all employees so as to do better in the management of health and safety. The Group conducts a physical examination for employees every two years to check their body condition and help them stay healthy.

In accordance with the principles of full coverage, zero tolerance, strict investigation and punishment, and practical effect, the Group has set up specific departments for regular safety inspections in the office park. Governance and rectification will be resolutely enforced once the hidden dangers and problems are checked out. Punishments will be imposed on the departments that violate the rules and regulations and fail to investigate and deal with hidden dangers. Through the major workplace safety inspection, the Company has got a full picture of all hidden dangers and weak spots in production. It has plugged the safety loopholes, consolidated production safety measures, and enhanced employees' safety awareness. All of these endeavors have effectively prevented and resolutely curbed safety accidents, offering employees a nice and safe working environment for employees.

In the reporting period, the Group did not violate or fail to comply with laws and regulations on occupational health and safety. The number of employees deceased due to the work was zero, with a ratio of zero. The number of working days lost due to work injury was zero.





ASPECT B3: DEVELOPMENT AND TRAINING

For the sake of the Company's long-term development and the employee career planning, the Group formulates a mature annual training program targeting different levels and positions. The training courses are categorized into management, technique improvement, business product, management promotion (leadership) and new employee instruction.

In the reporting period, the training courses totaled up to 128 times, or 4,096 hours if added up with 15.8 hours per employee.

Total training hours rec	eived by employees		4,096
	Average training	hours per employee	
	and pe	ercentage of training re	ceived by employees
Gender			
Male		15.5	(89%)
Female		16. 8	(73%)
Position			
Executives		40	(100%)
Middle Management 34.9			(96%)
General Staff 11.8			(85%)





Valuing the career development of each employee, the Group formulates personal development plan and customizes training for each employee. To ensure the staff promotion opportunities, it introduces three different tracks of career development including functional management, technological innovation and integrated production, which allows employees to align their own professional advancement plan to the Company's development trajectory.





ASPECT B4: LABOR STANDARD

The Group has always persevered in the recruitment policy of two-way selection, integrated talent and appointed people by merit. All applicants regardless of gender, race, religion and age have access to equal opportunity to be employed. The Group provides employees with competitive compensation and benefits, continuously constructs the healthy and safe working environment, and actively perfects the promotion channel and training system. It rigorously abides by the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Work Safety Law of the People's Republic of China, the Law of the Republic of China on the Protection of Minors, the Work Safety Law of the Republic of China, the Law of the Republic of China on the Prevention and Control of Occupational Diseases, the Regulation on Work-Related Injury Insurance and other relevant laws and regulations as well as national policies in recruitment, promotion, employment, compensation and benefits and other procedures. In the reporting period, the Group didn't commit any violation of employment, child labor and forced labor.

The Company will timely adjust the level and structure of compensation based on the local economic development, business situation and value orientation. In addition to linking compensation to the employee's performance, academic qualifications, workload, work title and position, it also offers additional benefits to the employees on the basis of compensation satisfaction.



* Marriage, childbirth and funeral allowance

* Uniform provided for reception staff





OPERATING PRACTICE

An efficient operation system is the key for the healthy and sustainable development of the company. The Group pushes forward all management from four perspectives of strategic planning, organizational structure, essential system and performance mechanism. It strictly abides by the Work Safety Law of the People's Republic of China, the Product Quality Law of the People's Republic of China and laws and regulations related to the health and safety of products and services in various businesses. In the reporting period, the Group did not violate any of these laws and regulations and did not receive any complaints about products and services.



ASPECT B5: SUPPLY CHAIN MANAGEMENT

Supply chain management has always been integral to the quality control system. In order to build an intensive, efficient, standardized and transparent procurement supply chain system, the Group has formulated Supplier Management Measures to regulate supplier development, evaluation process and basis, ordering and procurement, supplier evaluation, etc. The Measures contain the environmental and social performance, and the necessary quality, environmental and social management certification of suppliers to secure competitive suppliers and premium products and services.

The Company upholds the principle of fair and open competition and, and frequently seeks for the best partnership based on mutual trust. Periodically evaluating suppliers on quality, price, service and other items, it compiles List of Qualified Suppliers for regular supplier team, long-term beneficial supply-demand relations, and stable quality and materials. In the reporting period, the Group had more than 500 suppliers of raw materials, engineering project equipment and product accessories, all of which were located in China's mainland.



ASPECT B6: PRODUCT RESPONSIBILITY

Dedicated to enhance customer experience via high-quality technical solutions, the Group provides safe, compliant and stable products. It actively keeps exploring the innovative service model, uplifting service capability, satisfying customer requirements and maximizing customer value creation. The Group holds monthly meetings of middle management and higher levels to review and study problems encountered in production, R&D, quality, sales and service, and to timely devise improvement suggestions.

Resolutely following the Work Safety Law of the People's Republic of China and other relevant laws and regulations, the Group has also formulated internal system documents such as Production Safety Management Regulations and Comprehensive Emergency Plan for Safety Incidents. In this way, the production safety system of Company is further perfected, and that of subsidiaries is provided with references, which preserves the top-notching service. During the reporting period, the Group did not receive any sold/shipped products that need to be returned due to safety and health reasons, and did not receive any complaints about violations of product and service safety.



TECHNOLOGICAL INNOVATION OF PRODUCTS

As the essential ingredients to a country's core competitiveness, the national standard is the vital technical system for economic and social development. It's even the indispensable cornerstone for industry technology. The promulgation and implementation of the Part 4 of IOT Information Exchange and Sharing: Data Interface (Standard GB/T 36478.4-2019) led by the Group marks the new breakthrough in the IOT technical standard and serves as a key part in fueling the industrial technology, standardizing the market order and lifting the Company's product competitiveness.

Scientific and technological innovation is the first productive force of enterprises. Invariably viewing "scientific and technological innovation" as the source power during the development, the Group has been staging in-depth implementation of the innovation-driven advancement strategy, gearing up the construction of scientific and technological talent team, and boosting the brand value and market competitiveness via quality, innovation and service. In 2019, the Company won the title of "Top 50 Innovative Enterprises in Nanjing". It's a confirmation and acknowledgement of the Company's innovation and scientific research ability.





CUSTOMER SATISFACTION

Centering on customer requirements, the Group lays emphasis on customer experience and after-sales service. It sets up various online and offline complaint channels, establishes the customer report management, records each complaint and conducts the whole follow-up management. Additionally, it checks the customer's satisfaction by means of questionnaire, phone call, on-site visit, etc., so as to grasp the customer demand and provides timely comprehensive services. The Company's reputation and quality management can also be propped up.

As a provider of holistic information system solutions and core technology products, the Group adheres to premium and professional services through mature high-tech products. It won the "Top 100 Nanjing Service Enterprises in 2019", which once again evidenced the Group's customer service strength and fully demonstrate customer's recognition and trust in the quality products and services.





INFORMATION SECURITY GUARANTEE

The Group has established a complete information security management. In 2019, it was certified by the IS027000 international standard certification on information security management, indicating that the Company's IT management system has been recognized by global authorities. In 2019, it also passed the provincial archives work three-star standard accreditation, reflecting its further improvement in the collection, maintenance and access control of customer information.





Stringently abiding by the Cybersecurity Law of the People's Republic of China, and the Administrative Measures for the Graded Protection of Information Security and other relevant laws and regulations, the Group carries out data management in accordance with national ministry and commission requirements and national standards such as the Guidelines for the Administration of Big Data Security and the Guidelines for the Implementation of Big Data Risk Control. It aims to further intensify the maintenance of information security and prevent and dispose various risks. During the period under review, the Group did not receive any complaints about customer privacy disclosure.



PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Intellectual property management is integral to high-tech enterprise system. Its establishment is indispensable for improving the intangible asset value, core competitiveness and easing production and operation risks. Since its incorporation, the Group has been adhering to the strategic policy of science and technology. It has established the sound intellectual property management system and also passed the GB/T29490-2013 intellectual property management certification and re-certification.

The Group's Intellectual Property Strategy Promotion Plan for Jiangsu Enterprises passed the evaluation with high scores. The successful completion of the project's task plan further standardized the Company's intellectual property management process, strengthened the use of intellectual property, and cultured the Company's employees' awareness of intellectual property protection through training, assessment, incentives and other methods, thus improving their ability to create, manage, apply and protect intellectual property.



While boosting its main business, the Group attaches great importance to the protection of intellectual property rights and manages related projects owned and used in strict accordance with laws, regulations and rules such as the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Advertising 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 the Copyright Law of the People's Republic of China. In the reporting period under review, the Group did not have any disputes regarding infringement of intellectual property rights.



ASPECT B7: ANTI-CORRUPTION

The Group is convinced that fairness, honesty and integrity are important commercial assets. Adhering to the professionalism and ethic integrity, it rejects any form of bribery, extortion, fraud and money laundering. The Company is adamant in cracking down corruption, and calls for honesty, with zero tolerance of illegitimate behavior. All employees and administrators are required to abide by the relevant legal norms and ethical standards of laws and regulations such as the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Code of Integrity and Self-discipline of the Communist Party of China. It also regulates the code of conduct for employees in the Employee Manual, so as to collectively prevent commercial bribery, safeguard the legitimate rights and interests and maintain good business discipline.

The Group actively guides employees to identify relevant risks in business and take preventive measures. All partners are prohibited from bribing employees in any way. Simultaneously, employees are encouraged to timely report if there is any suspected violation of regulations or unethical business behaviors. The Group provides clear reporting channels such as e-mail, telephone and mailbox, and has an Audit Department to supervise the compliance record management. The Company is committed to promptly investigate and follow-up with the most rigorous attitude to safeguard the integrity and image of the enterprise.

In the reporting period, the Group and its employees were not involved in any illegal cases such as corruption, bribery, extortion, money laundering and fraud.





COMMUNITY

ASPECT B8: COMMUNITY INVESTMENT

The Group is fully aware of the importance of giving back to the community in achieving the sustainable development. It has been sparing no efforts to motivate each of its employee to practice, organize and participate in various community investment projects ranging from public welfare, environmental protection, to sports and education. All staff is engaged in active CSR activities and make contributions to communities.

In 2019, the Group was awarded with first "service workstation" license by the Economic Investigation Brigade of Nanjing Qixia Public Security Bureau. The establishment of the police-enterprise service workstation effectively helps the two parties within the jurisdiction to communicate on legal information and others. It also effectively solves the actual difficulties and problems of enterprises, and further creates a stable social environment and a high-quality service climate. The award fully affirms the Company's achievements in social responsibility, improves the sense of gaining and satisfaction, and also assists enterprises within its jurisdiction standardizing their operations and disseminates the force of rolemodels.





Future Outlook

Looking back 2019, while maintaining the steady progress in smart cities, logistics, transportation and businesses, the Group has implemented organization evolution to essentially put its energy, attention, human resources and financial resources to real core business. Its business decisions, investment resolutions, human resources orientation and administrative orientation all focus on this strategic goal and have scored good results in various fields including highway integration services, smart customs logistics, internal organizational evolution and user satisfaction improvement.

In 2020, the Group will zoom into the core concept of "focusing on science and technology, evolving organization and pure entrepreneurship". It strives to strengthen industrial capability, consolidate core innovation, promote holistic organization evolution, and establish a "concise, efficient, agile and flexible" structure. The assets will be optimized to focus on major business and increase the resource investment in core areas. The coordination among business departments in market resources, product technology and other dimensions will be bolstered to effectively, rapidly and economically empower the scale and competitiveness of existing businesses. The company continues highlighting the mission of technological capabilities improvement of first-line working groups, cultivate a core team of quick to learn, stand to innovate and dare to be accountable, uplifting the capability and level of product development and program development, broadening and deepening marketing and customer service work.

In the future, buttressed by the deep fusion of internet plus IOT and driven by the core engine of science and technology innovation, the Group will adopt the "technology + market" dual-wheel-motored development model and continues offering customers the "intelligent hardware + platform system + data service" novel intelligent brainpower services in the fields of intelligent transportation, customs logistics, intelligent cities and other industries.

