



浦林成山
PRINX CHENGSHAN

Prinx Chengshan (Cayman) Holding Limited

浦林成山（開曼）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1809



2020

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT



บริษัท ปรีซ์ เชนชาน ไทร์ (ประเทศไทย) จำกัด
PRINX CHENGSHAN TIRE (THAILAND) CO., LTD.



**PURSUE
EXCELLENCE**

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SCOPE AND REPORTING PERIOD

This is the third Environmental, Social and Governance (the “**ESG**”) report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Rules Governing the listing of securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

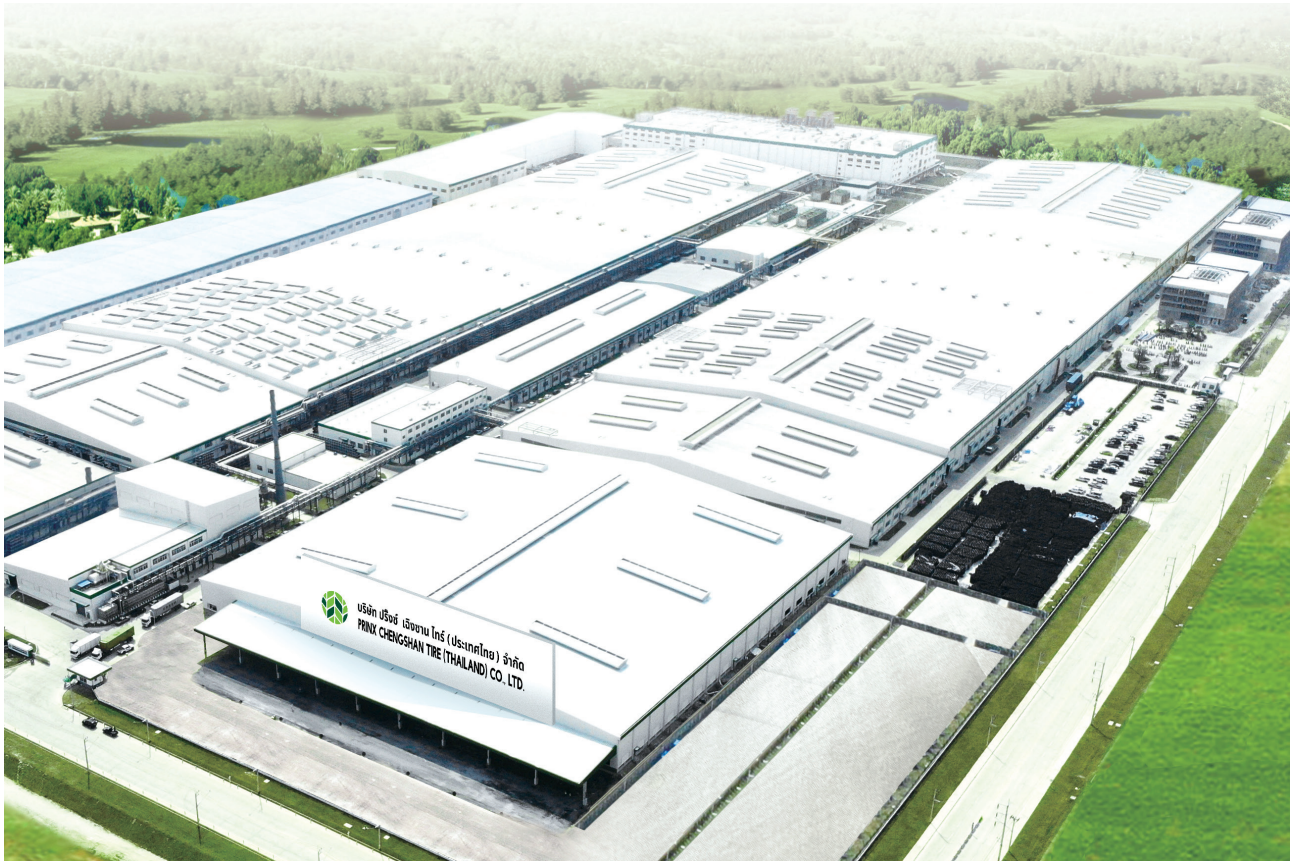
The Group is a modern enterprise specializing in tire research & development, manufacturing and sales in the People’s Republic of China (“**the PRC**”). Prinx Chengshan has developed four tire brands, including Prinx, Chengshan, Austone and Fortune, three tire categories of Truck & Bus Radial tires (the “**TBR tire**”), Passenger Car Radial tires (the “**PCR tire**”) and Bias tires (the “**BIAS tire**”), covering passenger, commercial, industrial, agricultural and some special vehicle tires. It adheres to the core strategies of cost leadership, efficiency driven, competitive differentiation and global operation.

This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of the business operations in the manufacturing plant (the “**Plant**”) and the office in Rongcheng, Shandong Province of the PRC (together, the “**Shandong Operation**”), and the manufacturing plant in Thailand (the “**Thailand Plant**”) from 1 January 2020 to 31 December 2020 (the “**Reporting Period**”), unless otherwise stated.

The major operational change during the Reporting Period was the expansion of its business to Thailand, with the operation of a manufacturing plant in Chonburi province, Thailand, in 2020. Other operations that had no significant environmental and social impacts were excluded from the reporting scope.



Prinx Chengshan (Shandong) Tire Limited, Rongcheng City, Shandong Province, PRC



Prinx Chengshan Tire (Thailand) Co., Limited, Chonburi Province, Thailand

THE GROUP'S SUSTAINABILITY VISION

The Group regards “providing full tire lifecycle services” as its mission and takes “customer-oriented, open innovation, hardworking, mutual benefits” as its core values.

Aligning with the mission of “providing full tire lifecycle services”, the Group incorporates principles of sustainable development into its development strategy and daily operation. The Group adheres to the concept of people-oriented, green and sustainable development. The Group is committed to caring for the society and its employees. It safeguards the health and safety of its employees and discharges its social responsibilities while developing its business. The Group continues to contribute to the creation of a national sanitary city and a national civilized city.

With the global outbreak and spread of COVID-19 (the “**pandemic**”) in 2020, the Group, as a production company, won the battles of “epidemic prevention and control” and “resumption of production”, ensuring continuous production during the epidemic, and seizing the opportunity to remedy the loss. Meanwhile, the Group has further promoted refined management, strengthened cost control and energy management, won the benchmark energy efficiency leader for five consecutive years. During the Reporting Period, the Group has been selected as a national green design demonstration enterprise, a green supply chain management enterprise and a leading intelligent manufacturing enterprise, etc.

ESG COMMITTEE

The Group has discussed ESG matters at the board meeting held on December 18, 2020. At the meeting, the Board of Directors Office introduced the new rules and guidelines of the Stock Exchange of Hong Kong Limited to the board of directors, evaluated the Group's ESG status, reviewed the role of the directors on ESG issues, and clarified the management system and responsibilities.

To fulfill the new requirements and to improve the Group's ESG performance, the development strategy and risk management committee will be responsible for the company's sustainable development and ESG affairs. The Board Office will assist the board of directors to implement ESG policy, collect data, and report to the board of directors and committees on a quarterly basis.

The board of directors focuses on the risks brought by climate change, integrates ESG (including climate-related issues) into the corporate governance process, improves board-level supervision, and leads the management to cope with the climate risk in the existing business processes and the impact on the company's overall strategy.

The Group will review the short-term and long-term goals of environmental KPIs, ESG factors in supply chain management and provide anti-corruption training to the board of directors and management in the next reporting period.

ACCREDITATION AND CERTIFICATION

- ISO 14001 Environmental Management System
- GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management System
- IATF 16949 Quality Management System
- China Compulsory Certification
- SASO Certificate
- SIRIM Certificate
- GSO Certificate
- DOT Certification
- ECE Certification
- LATU Certification
- BIS Certification
- SNI Certification
- INMETRO Certification

- PHILIPPINE Standard Certification

The Thailand Plant has also obtained the following certificates in the Reporting Period:

- Conformity of Production (CoP) Certification
- ISO 9001:2015 Quality System Certification



AWARDS

- “2020 Shandong Top 100 Private Enterprises in Brand Value Award”
- “2020 List of China Brand Evaluation — Information, Energy, and Chemical Group”
- “2020 International Quality Manufacturing Festival — 2020 Craftsmanship — Outstanding Enterprise Award”





- “Best 500 Most Valuable Brands in China” by Chengshan
- “2020 Outstanding Listed Company Award” and “2020 Outstanding Brand Image Award” of the 9th China Finance Summit
- “Green Supply Chain Management Enterprise Award — Ministry of Industry and Information Technology”
- “Energy Efficiency Leader Benchmarking Enterprise Award” issued by the China Federation of Petroleum and Chemical Industry
- “Dongfeng Vasol 2020 Excellent Strategic Cooperation Supplier Award”
- “List of Industrial Product Green Design Demonstration Enterprises of the Ministry of Industry and Information Technology”
- “2020 Advanced Supplier of Dongfeng Liuzhou Automobile Co., Ltd.”
- “2020 Excellent Supplier of Jiangling Motors Co., Ltd.”
- “Top 10 Influential Brands of Chinese Tires”
- “2020 Quality Contribution Award of Anhui Jianghuai Automobile Group Co., Ltd.”
- “Win-Win Cooperation Award” by Beiqi Foton Motor
- “The most valuable brand company in Greater China” by Gelonghui
- “Best Industrial Manufacturing Company” of Hong Kong Stocks by Zhitong Finance
- 2020 “Responsible Brand Award” in the 10th China Charity Festival
- 2020 Listed Companies Social Responsibility Award in the 10th China Charity Festival
- Chengshan CFH123 Leader won the “Tire Star” Award for Commercial Vehicles of the Year

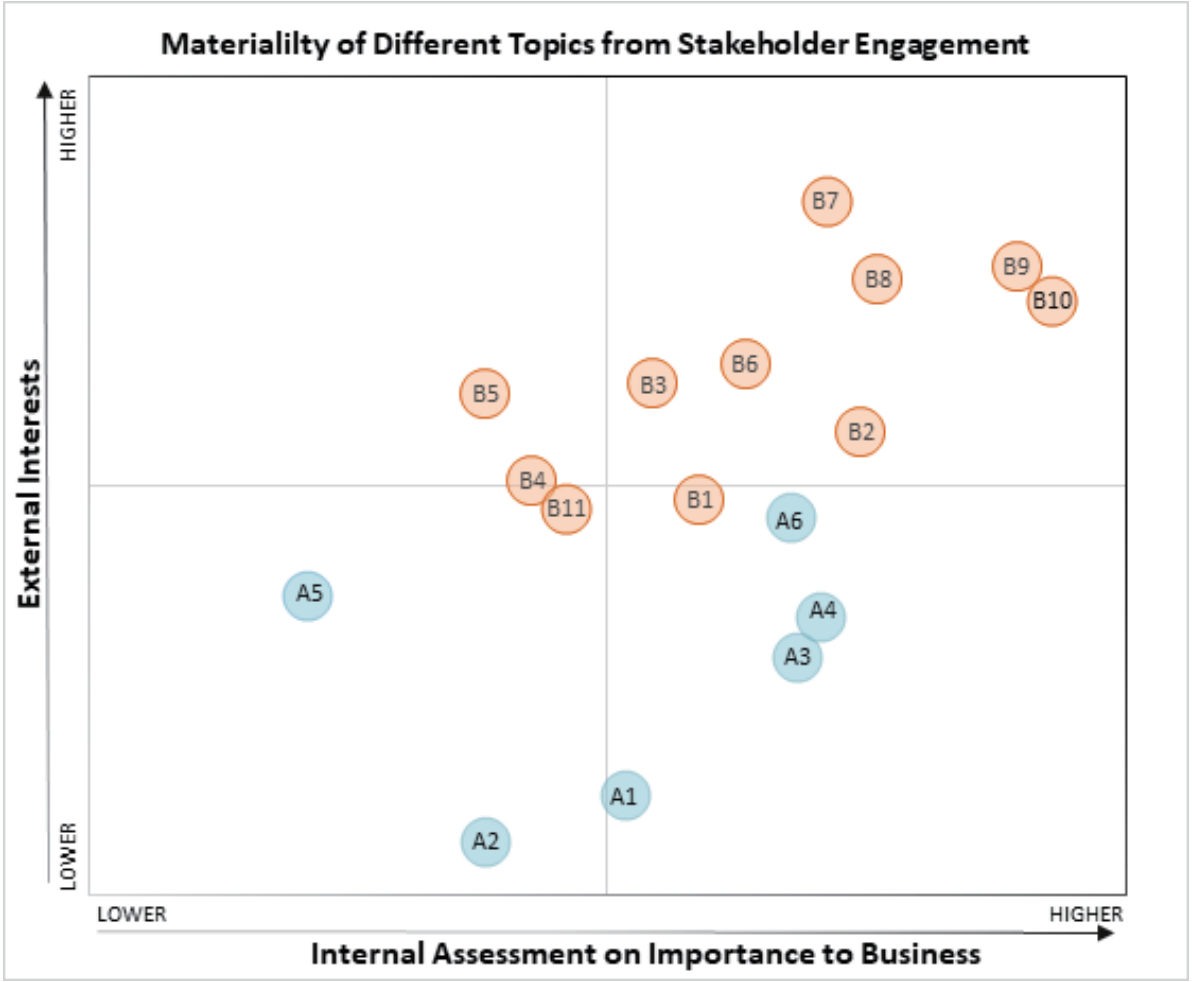
STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group communicates regularly with its key stakeholders such as board members, senior management, managers, supervisors, frontline workers, customers, and suppliers through daily interactions and works closely with them to understand their needs, concerns, motivations, and objectives. Internal and external stakeholders have been involved in regular engagement activities as shown below, to share views regarding the Group's operations and performances.

| Stakeholder Group | Engagement Channels |
|---------------------------------|---|
| Employees | <ul style="list-style-type: none">• Interviews• Employee satisfaction survey• Symposia |
| Suppliers and Business Partners | <ul style="list-style-type: none">• Site visits• Annual meetings/conference |
| Customers | <ul style="list-style-type: none">• Networking associations• Annual meetings/conference• Visits• Exhibition• Regular contact (e.g. email, questionnaire etc.) |



During the Reporting Period, the Group has specifically engaged its internal and external stakeholders, including directors, senior management, frontline staff, customers, and suppliers to gain further insights on ESG material aspects they find material. The Materiality Matrix below shows the result of the Group's materiality assessment process:



Environmental

- A1 Energy
- A2 Water
- A3 Air Emission
- A4 Waste and Effluent
- A5 Other Raw Materials Consumption
- A6 Environmental Protection Measures

Social

- B1 Employment
- B2 Occupational Health and Safety
- B3 Development and Training
- B4 Labour Standards
- B5 Supplier Management
- B6 Intellectual Property
- B7 Data Protection
- B8 Customer Service
- B9 Product/Service Quality
- B10 Anti-corruption
- B11 Community Investment

Following topics have been regarded as the most important by stakeholders:

- Product/Service Quality
- Anti-corruption
- Data Protection
- Customer Service
- Occupational Health and Safety

The above aspects were strictly managed through the Group's policies and guidelines. Management of the aspects has been described in separate sections below. The Group is committed to conducting its business in a transparent, equitable, legal and socially responsible manner. The Group will continue to participate in meetings and gatherings with stakeholders to understand their expectations and concerned material aspects and feedback on its ESG performance.

STAKEHOLDERS' FEEDBACK

The Group is committed to the continuous improvement of its ESG management. The Group also welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with the Group via email to investor@prinxchengshan.com.

A. ENVIRONMENTAL

The Group is aware that "environmental protection policies" is one of the top material aspects raised by its stakeholders. The Group understands its responsibility to maintain ecological balance and protect the environment, and will continue to strengthen its environmental management.

The Group strictly abides by Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Environmental Noise Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, the Atmospheric Pollution Control Law in Thailand, the Industrial Hazardous Waste and Non-Hazardous Waste Management Law in Thailand, as well as the water pollution and other environmental laws in Thailand. It has developed emission control standards and a comprehensive environmental management system in compliance with the statutory requirements.

The Group continues to pay the environmental protection tax in accordance with the chargeable emissions under Environmental Protection Tax Law during the Reporting Period. To minimise harm to the environment and human health, the Group ensures that the production of tires follows the Requirements for Prohibited Substances on Automobiles (GB/T30512-2014) and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

There was no major non-compliance relating to air and greenhouse gas (“**GHG**”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impact on the Group during the Reporting Period in both Shandong Operation and the Thailand Plant.

A1. Emissions

A1.1. Air Emissions

During the Reporting Period, petrol and diesel were used for Group-owned vehicles and liquefied petroleum gas (“**LPG**”) was used for canteen operation in both the Shandong Operation and Thailand Plant. They contributed to the emission of nitrogen oxides (“**NO_x**”), sulphur oxides (“**SO_x**”) and respiratory suspended particles (“**PM**”).

| Air emissions (non-GHG) from gaseous fuel consumption | | | | |
|---|--|-------------------------|------------|-------------------------|
| Fuel Source | Use of fuel | NO _x (in kg) | PM (in kg) | SO _x (in kg) |
| Petrol and diesel | For Group-owned vehicles (e.g., private cars, forklift etc.) | 17.20 | 2.22 | 0.90 |
| LPG | For canteen operation | 7.51 | N/A | 0.02 |
| TOTAL | | 24.71 | 2.22 | 0.92 |

A1.2. Greenhouse Gas Emissions

There were 383,337 tonnes of carbon dioxide equivalent (tCO₂e) GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group’s operation during the Reporting Period, with an overall intensity of 0.82 tCO₂e/tonne of production.

The GHG emissions reported included the following activities and scopes:

- Direct (scope 1) GHG emissions: the consumption of stationary and mobile sources, including LPG, diesel, and petrol, and fugitive emissions from using of refrigerants;
- Energy indirect (scope 2) GHG emissions: purchased electricity and steam; and
- Other indirect (scope 3) GHG emissions: municipal freshwater and sewage processing, business air travel, and waste paper landfilling.

| Scope of GHG Emissions | Emission Sources | Emission (in tonnes of carbon dioxide equivalent “tCO ₂ e”) | Total Emission Percentage |
|--|--|--|---------------------------------|
| Scope 1 Direct Emission | | | |
| Combustion of fuel for stationary source | LPG for canteen operation | 123.09 | |
| Combustion of fuel for mobile sources | Petrol for Group-owned vehicles | 58.37 | |
| | Diesel for Group-owned vehicles | 95.07 | 1.1% |
| | LPG for mobile machineries (i.e. forklift) | 2,381.64 | |
| Refrigerants | R134a | 1,591.20 | |
| Scope 2 Energy Indirect Emission | | | |
| Purchased electricity | | 357,806.77 | 98.7% |
| Purchased steam | | 20,372.06 | |
| Scope 3 Other Indirect Emission | | | |
| Paper waste disposal at landfill | | 32.83 | |
| Electricity used for freshwater processing | | 298.10 | |
| Electricity used for sewage processing | | 85.58 | 0.2% |
| Business air travel | | 491.95 | |
| TOTAL | | 383,336.67 | 100% |

Note1: Emission factors were made by reference to Appendix 27 of the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note2: Margin emission factors of 0.97 tCO₂/MWh and 0.52 tCO₂/MWh were used for purchased electricity in Shandong Province of the PRC and in Thailand respectively.

A1.3. Hazardous Waste

The Group generated a total of 358.47 tonnes of hazardous waste, representing an intensity of 0.77 kg/tonne of production, during the Reporting Period. Types of hazardous waste included waste lubricating oil, oil drums, fibre cotton. All hazardous wastes were collected and treated by government-certified, third-party solid waste handlers, or temporarily stored on-site.

A1.4. Non-hazardous Waste

During the Reporting Period, 11,200 tonnes and 620 tonnes of non-hazardous waste were generated by the Shandong Operation and the Thailand Plant respectively. A total of 11,820 tonnes of non-hazardous wastes, with an intensity of 0.025 tonne/tonne of production, were generated from the Group. The production waste comprised 40 different categories, such as metal scrap and plastic lining etc. All non-hazardous wastes were collected by recycling companies for recycling purposes.

A1.5. Measures to Mitigate Emission

Assessed by a third-party organisation, direct air emissions from production lines were all within the permissible level set by application standards such as the Emission Standards for Odour Pollutants (GB 14554-1993), the Emission Standard of Pollutants for Rubber Products Industry (GB 27632-2011), and Shandong Province Regional Air Pollutant Comprehensive Emission Standard (DB 37/2376-2020). Cooking fume emitted from the canteen operation has fulfilled the Shandong Province Emission Standard of Cooking Fume (DB 37/597-2006).

During the Reporting Period, the Group has invested in the following measures to mitigate emission:

- Adapting new flue gas collection and treatment system such as low-temperature plasma, photocatalysis, dry neutralization for removal of VOCs;
- Purchasing new type of biomass steam boiler with low air emission in the Thailand Plant;
- Enhancing flue gas collection and treatment by adopting national advanced technology. Through three-stage filtration, advanced oxidation, photocatalysis and spray absorption, the treatment can achieve 60% efficiency;
- Modifying the production line to reduce smoke emission and temperature in Shandong Plant;
- Installing online detection devices for monitoring various pollution sources; and
- Check the air quality in the boiler flue at least twice a year in Thailand Plant.

Effective vehicle management practice has been established to reduce fuel consumption and associated air emissions. The Group also highly encourages employees to take public transport whenever possible and provides on-site residential units to employees to reduce their commuting demands.

To reduce indirect emissions from business air travel, the Group encourages electronic communications (e.g., online conference calls) with business partners. Applications for business air travel shall be reviewed and approved by management and all records are kept for tracking and reviewing to avoid unnecessary travel.

A1.6. Waste Reduction and Initiatives

Hazardous waste generated from the Group was collected by qualified collectors while non-hazardous solid wastes were sold to qualified recycling companies for recycling. The Group also reused lubricating oil whenever possible to reduce the generation of hazardous waste.

Responding to the government's call for "building a resource-conserving society", the Group promotes paperless office. It has implemented the ECC automatic system for administrative procedures and encourages double-sided printing and initiatives that save paper and toner.

A2. Use of Resources

The Group recognises that its operation consumes a huge amount of energy and water resources. To reduce resources utilisation, the Group has formulated management policies regarding energy and resources use, which monitor and manage the consumption of fuel, electricity, water, and raw materials.

A2.1. Energy Consumption

| Energy Consumption Sources | Consumption | Consumption (in MWh) | Intensity (unit/tonne of production) | Intensity (MWh/ tonne of production) |
|--------------------------------------|--------------------|-------------------------|--|---|
| LPG for canteen operation | 40,799 kg | 568.7 | 0.0872 kg/tonne | 0.0012 |
| LPG for mobile machineries | 789,364 kg | 11,002.6 | 1.6865 kg/tonne | 0.0235 |
| Petrol for Group-owned vehicles | 21,944 L | 194.5 | 0.0469 L/tonne | 0.0004 |
| Diesel for Group-owned vehicles | 35,940 L | 359.3 | 0.0768 L/tonne | 0.0008 |
| Steam for manufacturing in the plant | 516,104 tonnes | 115,710.9 | 1.1027 tonne/tonne | 0.2472 |
| Electricity for daily operation | 391,122,147 kWh | 391,122.147 | 0.8357 kg/tonne | 0.8357 |

The total energy consumed by the Group was 518,958 MWh during the Reporting Period, with an overall intensity of 1.1 MWh/tonne of production.

A2.2. Water Consumption

Water consumption of the Group was mainly for the indirect cooling system. Cool water that runs in pollution-free circulatory pipes for cooling can be reused. Wastewater generated was discharged into the municipal pipe network.

The Group consumed 703,071 m³ of freshwater and 27,395 m³ of well water during the Reporting Period, with a water consumption intensity of 1.56 m³/tonne of production.

A2.3. Energy Use Efficiency Initiatives

The management policy on energy and energy conservation standardises the Group's energy management and helps enhance efficiency of energy use. The energy management system, measurement management system, integration of information and industrialisation management system have been established and passed the annual audits. Required by the PRC (GB/T 23331-2012), the Group has delegated different departments to record and report electricity, steam and water consumption to the cost management department. The energy measuring devices and measurement management system follow the General Principle for Equipping and Managing of the Measuring Instruments of Energy in Organisation of Energy Using (GB 17167-2006). The cost management department analyses and evaluates the consumption data and provides feedback to the consumption departments. Apart from energy consumption management, the Group has a management policy on heat insulation, which ensures effective insulation of various pipelines and systems and reduces energy loss due to damaged insulation layer.

During the Reporting Period, the Shandong Plant used photovoltaic power generation to generate electricity, which enters the Group's intranet, saving 16.46% of electricity costs. In the newly constructed product warehouse and raw material warehouse, energy-saving lamps has been installed and 400V low-voltage cabinets has been used to reduce power consumption. By installing recovery device to 2.6 million sets of vulcanization power stations, the recovered heat energy will be used for workshop heating in winter and for the secondary heating of air conditioning systems in summer.

During the Reporting Period, the Thailand Plant adopts new energy-saving magnet synchronous motors in the internal mixers, which saves 40% energy when compared to the traditional motors. The Thailand Plant has installed 9,000 energy-saving LED lamps for industrial lamps, spotlights, explosion-proof lamps and general lighting tubes. It is estimated that the annual energy saving can reach 9,000 tons standard coal equivalent. All pipelines of the Thailand Plant are insulated to effectively reduce the loss of thermal energy during the transportation process.

A2.4. Water Use Efficiency Initiatives

The Group has adopted a circulatory cooling system which reuses water for cooling and reduces consumption of water whenever possible. There was no issue in sourcing water that is fit for purpose. The Thailand Plant has invested RMB5 million to build the initial rainwater collection system and water treatment system, which is expected to save about 1,000 tons of water per day.

Wastewater Discharge

The tire manufacturing operation generates industrial wastewater and domestic wastewater. During the Reporting Period, the Shandong Operation followed the Emission Standard of Pollutants for Rubber Products Industry (GB 27632-2011). The Thailand Plant has obtained legal permission from the Thai Industrial Management Authority and WHA3 Industrial Park for sewage discharge.

A total of 427,888 m³ of wastewater has been discharged during the Reporting Period, with a discharge intensity of 0.91 m³/tonne of production. In the Shandong Operation, discharges were real-time monitored by the Environmental Protection Bureau and wastewater was discharged to the third-party wastewater treatment plant.

A2.5. Packaging Materials

Packaging materials consumed by the Group are mainly specified by clients, and the Group prioritizes the selection of recyclable and/or eco-materials for packaging purposes. All the packaging materials shall pass the quality inspection before use.

During the Reporting Period, the Group consumed a total of 753.3 tonnes of packaging materials, mainly paper wrap, tape, cable tie for product packaging. The consumption intensity was 1.61 kg/tonne of production.


A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

The Group considers every step in the tire manufacturing life cycle and ensures that the raw materials observe the Requirements for Prohibited Substances on Automobiles (GB/T 30512-2014), REACH, the ECE R117 requirement, and other laws and regulations in Shandong and Thailand for noise and rolling resistance to reduce adverse impact to the environment.

The Group's operation does not cause significant adverse impacts on the environment. The major on-site emission is the generation of VOCs during production processes. The Group has installed VOCs control facilities to ensure minimum environmental hazards posed to workers. Verified by a third-party testing agency, the company's VOCs, non-methane total hydrocarbon emission concentration and odor concentration are far below the national emission standards.

Other major activities of the Group that pose impact to the environment included waste discharge and noise emissions from manufacturing process. Wastewater is discharged into the Sewage Treatment Plant through the company's main sewage outlet at which an online monitor connected to the Environmental Protection Agency is installed to monitor the discharge of pollutants. Noise is produced during the operation of company equipment, fans, and water pumps. The company reduces noise pollution by selecting low-noise equipment, installing shock absorbers on the equipment, and adopting sound insulation measures to increase the sealing effect of the plant. The company's noise emissions were lower than the national emission standards.



The Group carefully considers its impact at each stage of the tire manufacturing life cycle. In the planning stage, rubber formula and tire structure design are fully considered to meet the requirements of REACH and ECE R117 regulations on tire noise and rolling resistance, achieving energy saving and emission reduction during utilisation. The Group has replaced tradition material with environment-friendly material. For instance, the Group uses environmentally friendly oil that does not contain carcinogenic polycyclic aromatic hydrocarbon compounds, and rubber peptiser DBD with relatively low pollution, reducing the health risk of workers during the production process and environment impact during utilisation. The Group also apply the reclaimed rubber produced by the recycling of waste tires to tire production, realising recycling of resources, and reducing environmental pollution. Regular evaluation of environmental impact, from acquisition, production, transportation, sales, use, to disposal of raw materials through Life Cycle Assessment (LCA) data collection and modelling are conducted. The Group strive to make continuous improvements to green design of tires, enhancing the eco-friendliness of tires.

A4. Climate Change

To prepare for the accelerating climate threats, the Group has been concerning and identifying corresponding risks that may affect the Group's business and measures that can be taken to reduce the adverse impact on the business. The identified physical risks include flooding of the warehouse and power outages caused by typhoons and thunderstorms, that may lead to the suspension of production and the failure of outdoor logistics to operate normally, affecting the timeliness of delivery, and the price fluctuations due to unstable supply of raw materials; transition risks include the countries or regions where the Group's production or markets are located, takes a series of actions to mitigate global warming, which might change policies, laws, technology and market demand. This will bring varying degrees of policy and legal risks, technical risks, and supply chain risks to the Group (including changes in the needs of consumers and downstream automakers).

The Group incorporates climate risk management into the Group's risk management system, establishes a board of directors governance structure, and establishes a management and monitoring mechanism to continuously assess the physical and transition risks brought about by climate change.

To reduce the physical risks caused by climate variability, the Group will formulate a safe stock plan, reserve raw materials for production, plan and schedule production progress, and establish a work process for preparing for abnormal weather changes. The Group's emergency plan for natural disasters and other emergencies has been stated in the "Product Supply Emergency Plan". For example, when a sudden natural disaster affects the company's normal production and product delivery, the production and sales planning department will contact the planning and dispatch personnel of the production site as soon as possible to understand the current capacity situation and maximize the overall arrangement of production according to the capacity and order urgency. For situations that cannot meet the order requirements and deliver on time, the marketing department will communicate with customers and orders will be adjust.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

The Group strictly complies with national and local laws and regulations concerning employment and labour practices, including but not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC, the Law on the Protection of Minors, the Law on the Protection of Disabled Persons, the Law on Labour Unions of the PRC, the Social Insurance Law of the PRC, the Regulation on Paid Annual Leave for Employees, and the Labour Protection Act B.E. 2541 of Thailand.


No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.



Year 2020 Excellent Staff Recognition Conference, Prinx (Thailand)

Employee Benefits and Welfare

Employees are core pillars of the Group's sustainable development. The Group is people-oriented and makes every effort in providing opportunities for its employees to thrive. The Group safeguards legitimate rights and interests of employees and continuously improves the comprehensiveness of its human resources management.



The Group continues to provide competitive salary packages to its employees. During the Reporting Period, the Group has stipulated the “Regulations on Salary Payment Management” “to ensure smooth wage payment. The Group improve employees’ performance through the implementation of “Employee Performance Evaluation Management Measures.” The Group continued to implement the stock option incentive plan and profit-sharing plan, which were launched in 2019. The total amount of the stock option plan is 2.5% of the total share capital after the issuance of additional shares. The shares options are granted to relevant employees in 2019 and 2020. The amount of shares options that employees can eventually receive depends on three key factors: group performance, department performance and employee performance. The profit-sharing plan aims to attract, retain and motivate the key employees of the Group. When the Group reaches its annual profit target, it will consider the performance of the Group and individuals and implement incentives for employees.

Abiding by the Labour Contract Law of the PRC, the Group provides statutory social insurance which includes pension insurance, unemployment insurance, work-related injury insurance, medical insurance, maternity insurance and the housing provident fund. Accident insurance, or other insurance have been provided to respective employees, depending on their job nature.

Employees are entitled to statutory holidays, annual leave, sick leave, marriage leave, compassion leave, maternity leave, miscarriage leave, and industrial injury leave. Employees are also entitled to health checks, lunch allowance, laundry allowance, heating allowance and year-end performance bonus. During hot weather, employees are complemented with hot weather allowance and iced drinks.

Working Hours and Compensation

The Group implements different working hour systems for different positions, including the following three types: 1) standard working hour system: employees shall work no more than eight hours a day and no more than 40 hours a week on average; 2) irregular working hours; 3) comprehensive working hour system.

The Group strictly abides by the relevant national regulations on overtime work. Compensation is provided for staff working on afternoon and night shifts.

Recruitment and Promotion

Recruitment plan is developed annually by the human resources department based on the personnel request forms submitted by various departments. Employees are selected and recruited in an impartial, just and open manner in accordance with the management policy on recruitment. The Group provides outstanding employees with appropriate training which prepares them for career advancement. The Group has an assessment system to evaluate employees’ performance, capability and recognition of the corporate culture. The Group selects employees for promotion through recommendations from departments, quality assessments, group interviews, and leadership competitions.

Dismissal

A labour contract would be terminated under various conditions, including resignation, dismissal, and termination under various situations. The Group has formulated the Leave Management Measures to regulate resignation, dismissal and other related matters. The employees shall submit the resignation application forms to their department heads 30 days in advance, and the employees on probation shall submit the application forms to their department heads 3 days in advance.

Equal Opportunity

The Group is committed to providing equal opportunities for all employees. No employee shall be discriminated against or deprived of opportunities for recruitment, promotion, assessment, training, development or other aspects based on gender, racial background, religious belief, colour, sexual orientation, age, marital status or family status. The Group has adopted a diversity strategy for its board members. It is believed that the increased diversity at the board level is a key element to support its strategic objectives and sustainable development.

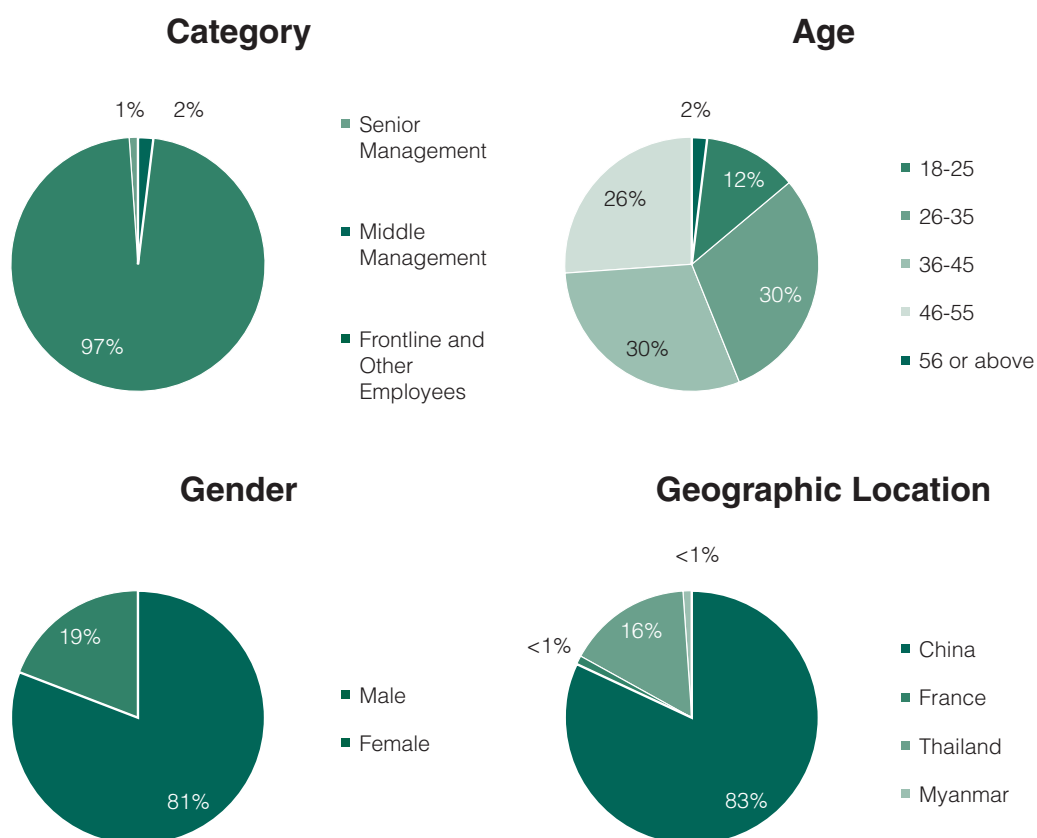
During the Reporting Period, the Group employed people from different regions, ethnic minorities and deaf-mute people, and recruited interns through school-enterprise cooperation. As the company has more and more non-local members, Mandarin should be used in the Shandong Operation whenever possible in teams and departments to facilitate communication between local and non-local employees. The Thailand Plant also introduces Yunnan and Guangxi translators, providing translation services to employees, implements a unified employee manual and rules and regulations for Thai workers and Myanmar workers, and arranges specific positions according to the characteristics of different personnel to conquer communication barriers.

Employee Communication

Creating a vibrant workplace allows employees to work with higher productivity and a positive attitude. The Group values feedback from employees. The Group has established a labour union to provide a platform for employees to put forward opinions and suggestions. The Thailand Plant has also established a welfare committee to listen to the suggestions of overseas employee representatives, such as Thai representatives. The Group values feedback from employees. During the Reporting Period, the Group conducted employee satisfaction surveys, evaluated the internal management of departments, restaurant, dormitory environment, training, etc., and encouraged employees to actively participate in problem feedback and understand their work and life needs. The Group organised cultural and sports activities, such as talent show, singing competition, table tennis competition, poker games and Chinese chess games, during festivals. The Group encourages employees to participate in the above cultural and sports activities to maintain work-life balance, relieve stress, and strengthen teamwork and cohesion.

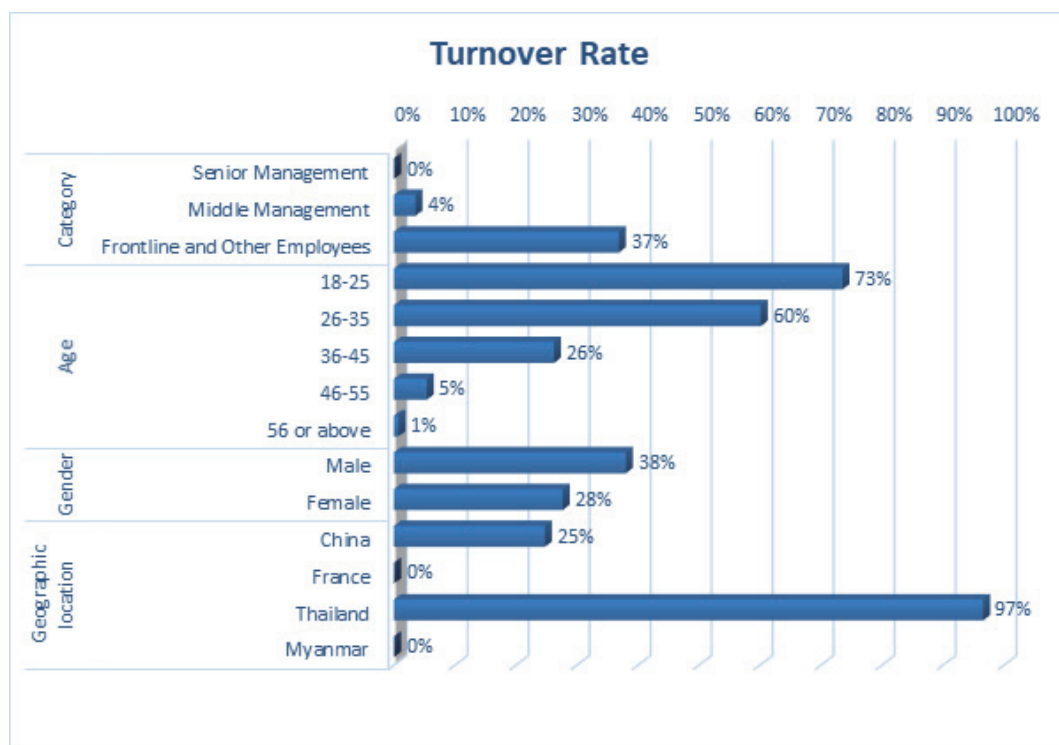
Workforce

As of 31 December 2020, the Group had a total of 6,124 employees, of which 99.97% are full-time employees. The detailed break-down is presented in the figures below.



Turnover

During the Reporting Period, the overall staff turnover rate was 36%. All employees who left the Group were full-time employees. Frontline staff had the highest turnover rate, which is a common phenomenon in the manufacturing industry.



B2. Employee Health and Safety

Occupational Health and Safety

The Group was certified with the GB/T 28001-2011/OHSAS 18001:2007 Occupational Health and Safety (“**OH&S**”) Management System. It has implemented policies and assigned Safety Officer to protect its employees from occupational hazard and assesses the occupational risk regularly. The Group ensures that appropriate and adequate personal protective equipment (PPE) is provided to employees. Reminders and warning signs are displaced in the plant. The Group has developed a training plan to equip employees with fire safety knowledge. Employees exposing to hazard factors are provided with body checkups annually. If an employee is diagnosed with an occupational disease, the employee will be arranged for treatment and transfer to avoid continued exposure to harmful factors. During the Reporting Period, the Group organized a monitoring agency to monitor the hazardous factors in the workshop, transformed equipment with a high risk of harm, increased the air supply system, and improved the workshop environment. To protect employees from exhaust gas, noise and other factors affecting their health during the production process, the company takes the following measures:

- Placing priority for low-noise equipment during procurement :

- Installing silencer and soundproof cover to existing equipment;
- Install exhaust fans and air filters to improve the air quality inside the workshop;
- Providing earplugs to employees who are exposed to noise hazards;
- Displaying warning signs and cards in the Plant;
- Providing regular training regarding occupational hazards;
- Assessing occupational hazards in the Plant regularly; and
- Arranging occupational health checkups regularly.

During the Reporting Period, there was no non-compliance relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

Food Health and Safety

Quality and safety of food has a direct impact on health and safety of employees and guests. The Group has developed a food safety management plan and abides by the Food Safety Law, Regulations on the Implementation of the Food Safety Law and the Measures for the Supervision and Administration of Food Safety in Catering Services of the PRC. It has also established a contingency plan and dedicated task force for food safety incidents. Employees working in the catering operation are required to undergo health checkup at least once a year. The Group maintains traceable records of the purchase orders including food source, food supplier quality and inspection results. Relevant certificates and receipts should be provided with the incoming food materials. The Group conducts regular and random food safety assessment to ensure implementation of the food safety management plan. Kitchen utensils and tableware are cleaned and sanitised according to its management system of cleaning and disinfection of kitchen utensils.

COVID-19

During the epidemic in 2020, the Group has formed an emergency leading group and formulated the “COVID-19 Prevention and Control Emergency Plan”. Anti-epidemic items such as masks, alcohol, disinfectant, etc., are regularly distributed to employees. All workshops and departments clean and disinfect the factories and offices in time according to company requirements. Employees are required to measure body temperature daily and maintain social distance. The goal of zero patients and no infections was achieved.



B3. Development and Training

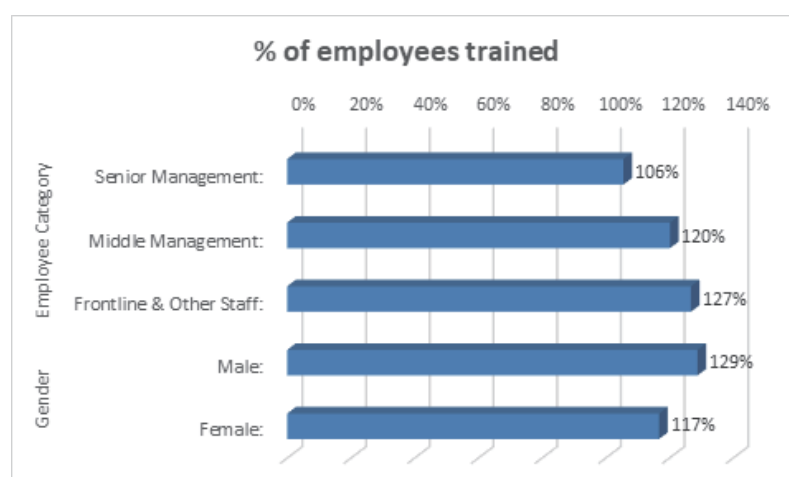
The Group attaches great importance to employee development and training. It believes that training does not only strengthen employees' vocational skills, professional knowledge and management skills, but also improves employee's overall quality and ability such as perception, attitude and learning skills. The Group's management policy on training encourages employees to improve their management skills and professional knowledge, thus enhancing their competitiveness.

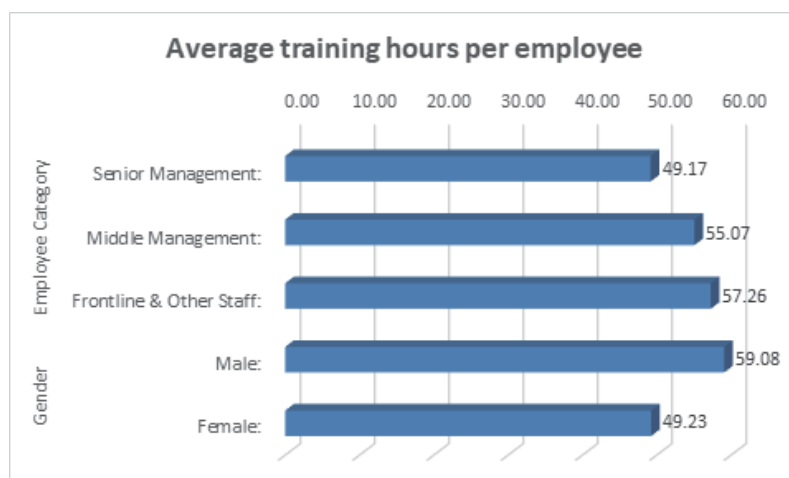
The Group regularly assesses the skill requirements for various posts in detail, which is presented in a skill requirement matrix. A gap analysis is followed to identify the training needs, which serves as the basis for training plans. After each training, the Group uses various means such as post-training surveys to evaluate the effectiveness of the training. The skill requirement matrix will then be updated and re-assessed for further training needs.

The Group regularly organises training sessions in relation to a variety of topics. Topics covered in trainings included working principle, basic mechanical construction, equipment operation, software analysis, equipment calibration, and daily maintenance etc. The Group has regularly provided OH&S-related training to frontline staff and assessed the understanding of trained staff on the training content. The Group hired qualified teachers from external organizations to conduct training for training provided for special positions, and evaluates whether employees have reached the training goals through examinations or practical operations. At the same time, the Group establishes a special training account, focusing on the update of certificates/skills, and organizes and arranges training in a timely manner if new, updated, or modified training is needed. Employees will be granted with reimbursement after successful completion of the selected training and related evaluation.



During the Reporting Period, the Group has organised a total of 350,147 training hours for accumulative participants of 7,746 employees, among which 328,947 training hours were provided for 6,421 employees accumulatively in the Shandong Operation, and 21,200 training hours for 1,325 employees accumulatively in the Thailand Plant. The average number of training hours completed per employee was 57.2 hours.





B4. Labour Standards

The Group strictly observes laws and regulations including but not limited to the Labour Law of the PRC, the labour Contract Law of the PRC, and the Labour Law in Thailand.

The Group's policy on recruitment management stipulates that all recruiting processes shall follow the Labour Law of the PRC. All employees are required to undergo a security background check during the recruitment process to make sure that all engagement processes are compliant with applicable laws and internal regulations. If child labour or forced labour is found, the employment shall be terminated, and necessary support measures, such as medical expenses, shall be provided.

No child labour, forced, or compulsory labour was reported and/or identified within any sites of the Group during the Reporting Period. There are no major risks associated with incidents of child labour, forced or compulsory labour within the Group's operation sites.

2. Operating Practices

B5. Supply Chain Management

To provide products of the highest quality to its customers, the Group has developed a supplier management system. It conducts comprehensive reviews and on-site audits of potential suppliers. The criteria for supplier evaluation include suppliers' registered capital, brand value, management systems, and safety certifications, production capacity and technical capacity, etc. The Group continuously monitors the suppliers' performance in terms of quality, delivery, cost and other aspects. Meanwhile, the Group has established a supplier risk management system to comprehensively track the supplier's quality, delivery time, environmental protection, legal affairs and other aspects, and takes necessary preventive measures and conduct emergency management for problem suppliers.

The Group has stipulated the Supplier Handbook, stating the environmental and social responsibilities that suppliers must fulfill. Suppliers shall sign and ensure the compliance of ISO14001 and ISO45001. The Group also conducts annual audits to ensure requirements are met.

The Group places importance on prevention of corruption in its supply chain. All procurement contracts and all orders require suppliers to abide by all applicable laws on prohibiting corruption and bribery which included but not limited to Foreign Corrupt Practices Act of the United States, Bribery Act 2010 of the United Kingdom, and the applicable laws and regulations in the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Any offer or receipt of undue advantage among the Group, suppliers and dealers are strictly prohibited.

During the Reporting Period, the Group has engaged suppliers worldwide. Detailed distribution is presented below.

| Type of suppliers | Country/region | Number of suppliers for Shandong Plant | Number of suppliers for the Thailand Plant |
|-------------------|--------------------------------|--|--|
| Raw materials | Mainland China | 295 | 295 |
| | Europe and North America | 16 | 16 |
| | Korea and Japan | 14 | 14 |
| | Thailand | 4 | 65 |
| | Indonesia | 4 | 4 |
| | Malaysia | 3 | 5 |
| | Vietnam | 2 | 2 |
| | Singapore | 2 | 2 |
| Equipment | Mainland China | 598 | 598 |
| | Europe and North America | 13 | 13 |
| | Eastern Asia (Korea and Japan) | 2 | 2 |
| | Hong Kong, Macau, Taiwan | 1 | 1 |
| | Thailand | — | 23 |
| Total | | 954 | 1,040 |

All suppliers had followed the supply chain management practices during the Reporting Period.

B6. Product Responsibility

In terms of product design, the Group customises designs for customers from various geographical regions and cultural backgrounds. It strives to incorporate the latest industrial design concepts into create the most advanced products that align with customer needs, as well as the Group's mission and core values.

During the Reporting Period, the Group strictly abides by and fulfills its product and service commitments. There is no cases of violation of laws and regulations regarding health and safety of products and services, advertising, labelling and privacy matters, which has a significant impact on the Group.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided had been identified during the Reporting Period.

Quality Assurance and Product Recall

The Group provides comprehensive after-sales service to its customers. It allocates service engineers to regularly visit and communicate with customers to meet the service needs. Product repair and replacement are guaranteed if the product defects are found. Customers or dealers who wish to lodge an enquiry or complaint can reach the Group through its customer service hotlines and WeChat. Enquiry or complaint will be diverted to the responsible department, which will provide customers or dealers with solution. Customers or dealers will be invited to take the satisfaction survey on phone after the enquiry or complaint has been resolved.

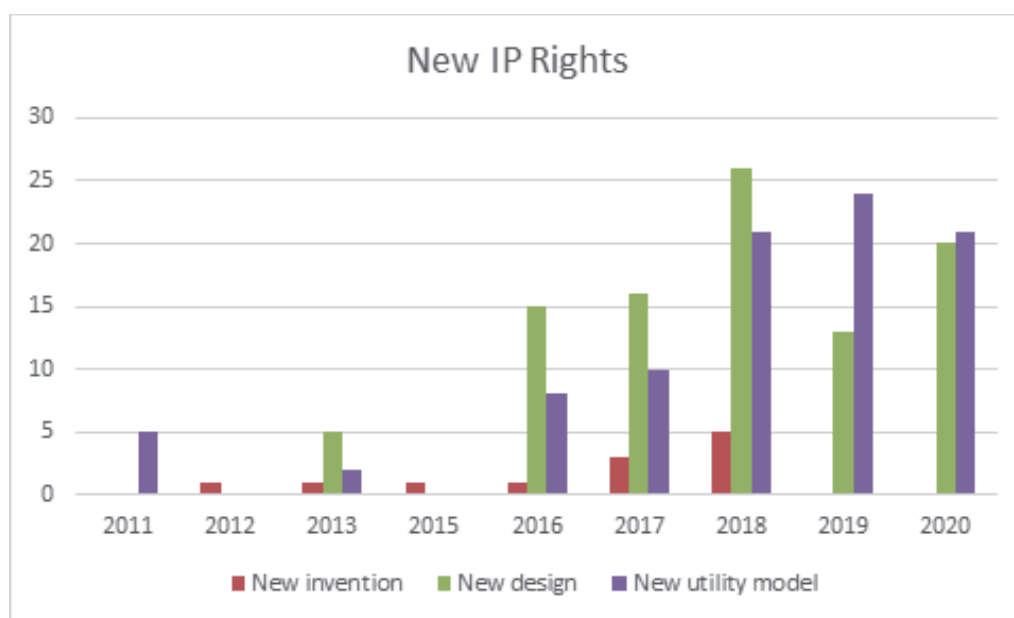
During the Reporting Period, a total of 95 complaints were lodged by customers or dealers through the general service hotline. The responsible departments had resolved the complaints with satisfaction surveys collected from the complainers. There was no product sold or shipped subject to recall due to safety and health reasons.

| Hotline | Customers/ clients served | Complaints received | Follow-up on the complaints |
|---|-----------------------------------|---|---|
| Service hotline 400-618-8899 | End-consumers and dealers | A total of 95 complaints received, regarding shipping and packaging, delivery, and market regulation | Departments involved in the complaint have completed the handling processes, and customer satisfaction surveys have been completed for all complaints. |
| After-sales service hotline 0631-7500000 | Customers and service stations | 1,820 cases with direct reply and no further claim; 4,891 cases dealt with assigned dealers or factory service personnel; treated 8,280 tires, of which 4,496 pieces were claimed | For claims for tires, customers were given new tires; for non-claim cases, follow-up actions were made, and customer satisfaction surveys have been completed for all complaints. |

Intellectual Property Rights

The policy on knowledge management identifies the Group's best practices on research, design, manufacturing, quality control, etc. The company formulated the "Enterprise Intellectual Property Management System" to regulate the company's management and protection of intellectual property rights. The Group reviews its knowledge on best practices regularly and improves its performances continuously. The Group has registered patents for its utility models, industrial designs and inventions. The policy on trademarks management regulates domestic and foreign registration of the Group's trademarks and safeguards legitimate rights and interests of the Group. If any infringement is found, relevant department shall report to the legal department and the research and development management department.

During the Reporting Period, a total of 21 new utility model patents, and 20 new design patents have been granted by the State Intellectual Property Office of the PRC. Accumulatively, a total of 198 intellectual property rights were granted by the end of the Reporting Period.



| Year | New invention | New design | New utility model | Total |
|--------------|---------------|------------|-------------------|------------|
| 2011 | 0 | 0 | 5 | 5 |
| 2012 | 1 | 0 | 0 | 1 |
| 2013 | 1 | 5 | 2 | 8 |
| 2015 | 1 | 0 | 0 | 1 |
| 2016 | 1 | 15 | 8 | 24 |
| 2017 | 3 | 16 | 10 | 29 |
| 2018 | 5 | 26 | 21 | 52 |
| 2019 | 0 | 13 | 24 | 37 |
| 2020 | 0 | 20 | 21 | 41 |
| TOTAL | 12 | 95 | 91 | 198 |

Information Security

To safeguard confidential information and trade secrets, the Group has formulated the management regulation on confidential work. All employees shall not disclose the Group's confidential information obtained in the course of work, including but not limited to the Group's business secrets and confidential matters related to intellectual property rights, to any third party for any reason or for any purpose, whether during the term of the labour contract or after its termination. Employees violating the policy can be dismissed or be held legally liable.

The Group signs up a confidentiality agreement with all business partners, especially for strategic cooperation, technical cooperation negotiations, and initial contact, Information confidentiality agreement will remain valid until the relevant secrets are legally disclosed. To protect the intellectual property of both parties, each shall keep applicable business information confidential and shall only use such information for the purposes specified in the contract. Visits conducted by external parties are regulated under the management regulation on plant visits and visitors are required to sign a site visit agreement. The loss and damage shall be borne by the external parties in breach of the policy or relevant agreement.

The Group has formulated the information management policy to guide the information technology management, network security, and data security. The information technology department is responsible for the procurement, standardisation, installation, training delivery, recording, and maintenance regarding the usage of software and hardware. It is also responsible for ensuring network security, stability and the safe storage, backup, and recovery of data. The Group has the following process to ensure data security:

- Data storage and processing:
 - o Various physical, electronic and management measures are implemented to safeguard and secure confidential data, which shall be only stored in a safe location of the local file server with password protection;

- o Use data backup software to back up relevant key data. The backup includes regular backup- retained for 2 weeks; the monthly backup — retained for 1 year; and the yearly — retained for 3 years. After the user leaves, his/her account will be disabled, and the data will be deleted after 2 weeks.
- Prevention of data leakage:
 - o Employees in key departments have installed encryption software on their computers to prevent data leakage. Internet firewalls and anti-virus software are installed on network servers and computers to prevent attacks ;
 - o The information technology department will perform regular audit to maintain robust security systems to prevent unauthorised access of data ;
 - o Anyone who needs data access shall first fill in the “Information System Resource Application form”, and each applicant will be granted with limited data accessibility ;
 - o Regular training for employees ;
 - o The Employee Code clearly stipulates that the data user is responsible for protecting the relevant working data to ensure no data leakage, otherwise the company has the right to punish employees for their actions and reserves the right to pursue accountability through legal means.
- Data leakage processing:
 - o When the system is hacked, the anti-virus system will notify the users and the person in charge, who will deal with the problem accordingly, such as blocking the corresponding IP device and disconnecting the network, etc.

Advertising and Labelling

The Group raises brand awareness through online network, traditional media advertisement and printing materials. It ensures that unified branding message is delivered to its audiences. Requirements had been set out for using copyrighted content (including trademarks, fonts, pictures and videos) for advertising.

During the Reporting Period, all promotional contents were reviewed by the corresponding personnel for communication monitoring to ensure compliant with the Advertising Law of the PRC.

B7. Anti-corruption

The Group regards honesty, integrity, and fairness as its core values. The Group strictly complies with the laws and regulations, such as the Anti-Unfair Competition Law of the PRC, Anti-Monopoly Law of the PRC, Law of the PRC on Anti-money Laundering and Criminal Law of the PRC, and prohibits any acts of corruption, money laundering, extortion, fraud, blackmail, bribe-taking and bribery to avoid unfair competition and market manipulation. Its policy on anti-corruption standardises conduct and discipline of the board of directors, middle and senior management and other general staff. All members of the Group are responsible for preventing corruption. The Group advocates the necessity of ethics and encourages whistleblowing. The following report procedures were stipulated:

- 1 Any alleged violation can be reported to the general manager and the legal department through formal channels including the mailbox of the general manager and the manager of the legal department, hotline, or the company's DingTalk management platform.
- 2 After discovering or receiving report of any suspected violations, the legal department shall make a detailed account of the violations in the report log, which shall be submitted together with relevant supporting materials to the general manager. If the report involves senior management of the Group, a special investigation team may be set up for investigation.
- 3 The general manager will either lead the case investigation or appoint relevant personnel for investigating the case independently. The investigation will be carried out internally or together with external governmental authorities depending on its nature.
- 4 After completion of investigation, the head of the legal department will submit a final report to the internal audit committee. Any recommendations, if approved by the committee, will also be submitted to the board of directors for adoption.
- 5 The legal department is responsible for any follow-up activities, implementing recommended measures, and evaluating the effectiveness of preventative measures. All follow-up activities will be reported to the board of directors in a timely manner and will be archived properly.

The Group regularly conducts risk assessments to reduce the risk of fraud by the Group. Through special anti-fraud and corruption audits, the Group identifies risks related to procurement and sales, regulates business behaviours, safeguards the company's legitimate rights and interests, and establishes a good corporate image to ensure the company's continuous, stable and healthy development. The Group protects all employees who have lodged complaints legally or have involved in corruption-related investigations. Any discrimination against such employees is prohibited. Employees engaging in encroachment, embezzlement, corruption, fraud and other malpractices listed on the management policies regarding anti-corruption and employee discipline can be dismissed.

During the Reporting Period, the Group updated the “Anti-Fraud Ledger” to avoid conflicts of interest and realize the separation of incompatible positions. Anti-corruption and integrity training had been provided to directors and senior management, aiming to enhance their alertness to corruption, conflict of interest and integrity issues.

On December 31, 2020, the Board of Directors Office organized a video case training on “anti-corruption and integrity” for the senior management of Shandong Plant and the Thailand Plant. Combined with cases, the Group’s internal legal department introduced the anti-corruption laws and regulations, and legal requirements for commercial bribery and misconduct. At the same time, the company’s anti-corruption and anti-fraud policies for possible situations, and relevant guidelines for properly handling the above-mentioned situations have been promulgated.

During the Reporting Period, the Group and its employees have not violated or engaged to violate any law relating to corruption. The Group has not been involved in any money laundering, nor aided, abetted, assisted or colluded with an individual who has committed, or conspired to commit any unlawful activities. No legal cases of non-compliance with relevant laws and regulations relating to corruption, bribery, extortion, fraud and money laundering had been identified during the Reporting Period.

B8. Community Investment

The Group understands the importance of increasing income and promoting the economic growth of its community. The Group has not yet formulated a formal policy on community engagement, but the Group’s contribution to the society also increases with its expansion. The Group focuses on contributing to the community environment and health issues, creating a healthy and harmony community. The Group has also provided significant support for the local economic development and contribute to social security by offering attractive job positions.



Prinx (Thailand) donated masks to Rayong Hospital

In January 2021, the Group won the “2020 Responsible Brand Award” at the 10th China Charity Festival and the “2020 Listed Company Social Responsibility Award”. The Group actively worked with local governments, communities, charity organisations and business partners, conducted voluntary activities, and donated anti-epidemic supplies to fight the epidemic, totalling approximately RMB7 million. The Thailand Plant also donated a total of 2,000 masks to local hospital and school in Thailand for combat and prevention of epidemic disease. In May 2020, a total of 50 employees volunteered for 2 days to check the potential hazard in a wildfire area. In July 2020, the Group organized painting competition for children (aged 3–13 years old) of employees, with the theme of celebrating the 2021 Spring Festival culture and blessing for Chengshan’s better development. There were no restrictions on the types of paintings. It was finally awarded 5 first prizes, 4 second prizes, 6 third prizes and 8 excellent prizes.



Second Prize “Prinx Chengshan”
by Qu Zhong Kai, 8 years old



Third Prize “The Colorful Earth”
by Peng Yi Ming, 5 years old



**The 10th China Charity Festival “2020 Responsible Brand Award” and
“2020 Listed Company Social Responsibility Award”**