

**Environmental,  
Social and  
Governance  
Report  
2020**



**K & P International Holdings Limited**  
**堅寶國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)* (Stock Code: 675)

*\* For identification purpose only*

# Environmental, Social and Governance Report

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# Environmental, Social and Governance Report

## I. PREAMBLE

As one of the leading listed companies in the industry of Industrial Goods, K & P International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are mainly engaged in the business of the manufacture and sale of precision parts and components (comprising keypads, synthetic rubber and plastic components and parts). In 2020, the global market and economy were adversely affected by the rising tensions of international relations and the widespread COVID-19 pandemic (“pandemic”) that posed severe threats to human health and social wellbeing. Under such an unprecedentedly unusual year that has sparked considerable debate among corporate resilience and risk management towards unpredicted crisis, the Group is deeply aware that strong performance with respect to environmental, social and governance (“ESG”) factors including reduced carbon emissions, improved energy efficiency, robust employment policy and promotion of gender equality can unlock significant positive impacts for its sustainable development. Pursuant to the integration of forward-looking ESG considerations into development strategy and daily business practices, the Group has been committed to building the long-term corporate resilience by making unwavering efforts in refining its sustainability management system and business models, setting up effective management policies governing business operations and employees’ behaviour, embracing environmentally friendly technologies and innovations, and caring for the stability and prosperity of the society and community where it operates. And this is tenet that the Group has long been carrying forward in development, as well as in the process of exerting a positive influence on its stakeholders throughout its entire value chain.

During the year under review, the Group was still doing its best to maintain stable business operations, while doing it in the right way by keeping ESG in mind. Adhering to its objective of speeding up the building of environmental awareness, fulfilment of social responsibility, and corporate sustainability stewardship, the Group kept benchmarking the leading sustainability practices and aligning its sustainability visions with global frameworks, including the United Nations Sustainable Development Goals (“SDGs”). Meanwhile, as a strong supporter of Task Force on Climate-related Financial Disclosures, the Group understood that it has a vital role to play in decarbonising the global economy and should act rapidly to avoid the economic and environmental risks of climate change, under national context of the ambitious goal of achieving carbon neutrality before 2060 in China. By unswervingly following its original aspiration in seeking sustainable development, the Group aims to further establish environmental awareness among employees, disseminate the importance of fulfilling social responsibilities throughout the organisation, and become a leader and key influencer in pushing all players in its value chain towards sustainability.

# Environmental, Social and Governance Report

## II. ABOUT THE REPORT

In compliance with the requirement under Appendix 27 – Environmental, Social and Governance Reporting Guide (the “ESG Guide”) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEx”), the Group is pleased to present its fifth Environmental, Social and Governance Report (the “ESG Report”) for the year ended 31 December 2020 (“FY2020”), which illustrates the Group’s governance and disclosure of ESG activities, metrics and performance during its business operations.

### Reporting Boundary

The Group believes that setting a clear and appropriate reporting boundary from the outset of the entire reporting process is conducive for its stakeholders to have a better understanding of the effectiveness of the Group’s implementation of relevant ESG policies, while allowing the Group to depict the complete picture of its material business operations thus lowering the risks of inadvertently neglecting any material activities in which the Group was engaged during the year under review. Given the cessation of certain operations in recent years and strategic shift of business plans for future development due to complicated international relationships, volatile economic environment and the impacts of quarantine measures and lockdowns during the pandemic, this ESG report covers the environmental and social performance within the major operations of the Group including the Group’s headquarter office in Hong Kong and two active manufacturing plants in the People’s Republic of China (the “PRC”) under the operational control approach.

For the corporate governance report, please refer to the Group’s Annual Report 2020 (Pages 10 to 31). The reporting period of this ESG report is for FY2020 unless specifically stated otherwise.

### Reporting Principles

As the reporting principles underpin the preparation of the ESG Report, the content of this ESG Report has been determined, organised and presented in accordance with the principles of Materiality, Quantitative, Balance and Consistency, which specified therein were utilised as a basis for the preparation of this ESG Report.

#### *Materiality:*

As a common strategic business tool for screening and highlighting the significant environmental and social impacts, the Group has implemented a broad, inclusive and science-based materiality assessment based on the continuous engagement with its stakeholders through various channels. The standardised and evidence-based materiality assessment indicated that solid waste treatment and anti-corruption are issues of high importance to the Group in its ESG management, where the Group has committed to pay more attention in its business development.

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## *Quantitative:*

The application of the reporting principle of Quantitative was primarily reflected under the environmental disclosure of greenhouse gas (GHG) emissions and the section of Use of Resources in this ESG report. Under the social subject, the quantitative information of the Group's employment structure in terms of age, gender and geographical location is also an example of how the Group has successfully applied the principle in its reporting process.

## *Balance:*

Describing the company's sustainability progress in an unbiased manner to the Group is of great importance as the Group believes maintaining and fostering a proper communication through a fairly presented set of information will bring benefits to both the enterprise and its stakeholders. Conforming to the principle, the information revealed in the report includes both the outstanding achievements and room for improvement of the Group sustainability performance in FY2020.

## *Consistency:*

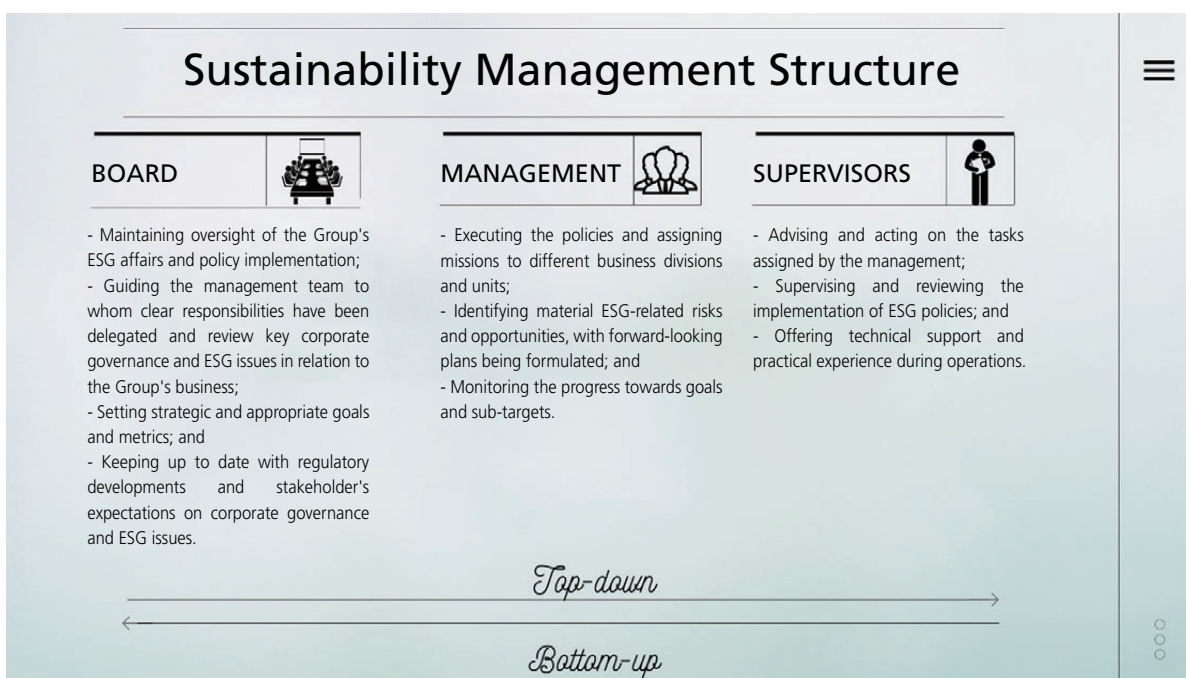
To facilitate informed decision-making process, the Group has adopted the methodology and reporting framework that is consistent over years. The calculation of greenhouse gas emissions, in particular, was in alignment with local reporting rules and internationally recognised standards including the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

## **Information Disclosure**

The information in this ESG Report was gathered through numerous channels, including official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by different subsidiaries of the Group. To deliver a more formalised ESG report that appeals to our global readership, the Group referenced the Global Reporting Initiative Standards (GRI Standards) and other industry-specific standards for reporting on its ESG performance. A complete content index and a GRI linkage table are available at the end of the ESG report for readers' convenience to check its integrity. If there is any conflict or inconsistency, the English version shall prevail.

# Environmental, Social and Governance Report

## III. SUSTAINABILITY MANAGEMENT



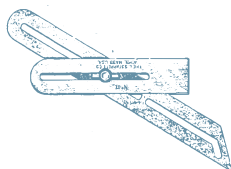
The Group is clearly aware that a robust corporate management structure can make its progress in sustainable development more effective. As such, to carry out the Group's sustainability strategy from top to bottom, the Board takes the lead on and has the oversight of ESG issues within the Group. The Board assumes ultimate responsibility for ensuring the effectiveness of the implementation of the Group's ESG policies and the report. Amongst all the ESG issues that are considered relevant to the Group's business, the Board has paid particular attention to optimising the process of implementation of corporate strategies, as well as the wellness of the Group's employees and the dynamic interrelations between the Group's business development and ecosystem's functioning. In compliance with all applicable laws, regulations and guidelines of the government, the Group has been focusing on the identification and prioritisation of material ESG-related risks and opportunities, which are organically integrated into its decision-making processes in short-, medium-, and long-term horizons within the Group.

The Group believes that only when ESG is championed by the highest authority followed by the effective implementation by the management, can it be truly integrated in the corporate culture and business operations of the organisation. As such, the dedicated teams appointed by the Board was built to enforce and supervise the implementation of the relevant ESG policies in the Group, and report on the updates of any significant risks and opportunities to the Board regularly through emails and general meetings. On-site inspections and communication with frontline staff are also actions that the Board has been taking to fulfil its responsibility for overseeing the implementation of ESG policies from time to time. To minimise the potential ESG risks that may arise in daily operations, the management and senior staff have been advised to receive relevant training.

The Group constantly reviews and adjusts its sustainability policies to satisfy the ever-changing needs of its stakeholders, who through various channels can be updated of the robustness of the Group's forward-looking strategies and express their opinions therein. Details of its management approach in both the environmental and social aspects can be found throughout different sections of this ESG Report. The Group believes an effective stewardship of its corporate sustainability is vital to the Group's overall long-term success.

# Environmental, Social and Governance Report

## IV. BOARD STATEMENT



## Board Statement

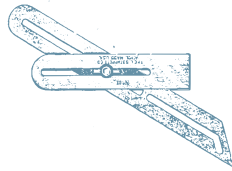
### DEAR VALUED STAKEHOLDERS,

On behalf of the Board, I am pleased to present to our stakeholders the ESG report, demonstrating in detail the Group's approach and performance in terms of sustainable development for the year ended 31 December 2020.

Facing the social unrest across the globe and the devastating pandemic that led to a dramatic loss of human life worldwide and presented a huge challenge to public health and global economy, the year 2020 has unquestionably been one of the toughest years to the Group, the market and the society as a whole. Whilst the Group's business was inevitably affected, we remained resilient to meet the challenge and adjusted our operations accordingly to stay competitive. Founded in 1985, we have always been trying our best to serve our customers with quality precision parts and services. Over the last several decades, the Group has weathered many ups and downs, which helped to create a strong foundation for the business and importantly, provided us with the courage and capability to respond to the ever-changing challenges under the robust governance structure and management system. Realising that the pandemic is intertwined with countless economic, environmental and social issues, we believe that it is now a defining moment for all to see and understand the value of ESG. As such, we strive to continuously strengthen our environmental, social and economic resilience to pursue sustainable growth and further the alignment of our strategies with the broader UN SDGs.

Despite external pressures, the Group has upheld its commitment to creating a more environmentally friendly production line while maintaining our high-quality service. With the implementation of our internal policies, it was exciting to see that the results of our hard work gradually paid off. During the year under review, our sound environmental management system again brought us benefits in terms of the reductions recorded in all the amount of both hazardous and non-hazardous wastewater discharged, electricity consumed and GHG emissions.

# Environmental, Social and Governance Report



To ameliorate impacts of the pandemic, we have stepped up efforts to care for our customers, employees and the community as a whole. Once the outbreak started, our government implemented various kinds of prevention and control measures. Guided by the call and instruction of the government, the Group swiftly made a response and established a task force led by management and department heads to tackle the challenge systematically. In particular, the Group suspended all manufacturing work and implemented the “stay-at-home” policy to prevent the further spread of virus. The Group also set up special teams that were responsible for various anti-epidemic tasks after work resumed, including but not limited to the procurement of personal protection equipment including surgical masks, the setting up of emergency rescue plans and the monitoring of health conditions of all staff in the workplace.

Reaffirming our commitment towards sustainability over the years, the Group will continue to uphold our spirit of perseverance and bear in mind our original intentions, and consistently create shared value to all.

Last but not least, I would like to take this opportunity to thank our board of directors, management team and all our staff for their enormous contribution during this year, and also thank for the support of our shareholders, business partners and stakeholders over the years.

Lai Pei Wor  
Chairman

23 March 2021



# Environmental, Social and Governance Report

## V. STAKEHOLDER ENGAGEMENT






The Group believes that fostering a sound relationship with all stakeholders by effective and ongoing dialogues is essential to the Group’s business development in many areas. Not only can it deliver the Group’s commitment to long-term value creation to its stakeholders who care about the progress of sustainable development of the Group, but it also helps the Group to gain a better understanding of the topic material and relevant to different groups of stakeholders.

Through a wide range of open communication channels, which are listed in the table below, the Group has garnered a deep understanding of its stakeholders’ concerns and expectations, which has facilitated the Group to better position itself in the competitive market, to deliver on its commitments to environmental and social responsibility and to respond to the interests of stakeholders and expectations of society in general.

# Environmental, Social and Governance Report

## Communication with Stakeholders

<b>Stakeholders</b> 	<b>Expectations and Concerns</b> 	<b>Communication Channels</b> 
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>- Compliance with laws and regulations</li> <li>- Anti-corruption policies</li> <li>- Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>- Supervision on the compliance with local laws and regulations</li> <li>- Routine reports and tax payments</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>-Return on investments</li> <li>-Corporate governance</li> <li>-Business compliance</li> </ul>	<ul style="list-style-type: none"> <li>-Regular reports and announcements</li> <li>-General meetings</li> <li>-Official website of the Group</li> <li>-emails and enquires</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>-Employees' remuneration and benefits</li> <li>-Customer satisfaction</li> <li>-Health and safety in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>-Performance appraisals</li> <li>-Regular meetings and training</li> <li>-Emails, notice boards, team building activities with the management</li> <li>-Focus groups</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>-Production quality assurance</li> <li>-Protection of customers' privacy and rights</li> <li>-Continuous promotion of reliable products/services to customers</li> </ul>	<ul style="list-style-type: none"> <li>-Customers' satisfaction surveys</li> <li>-Face-to-face meetings and onsite visits</li> <li>-Customer service hotline and emails</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>-Fair and open procurement</li> <li>-Win-win cooperation</li> <li>-Environmental protection</li> <li>-Protection of intellectual property rights</li> </ul>	<ul style="list-style-type: none"> <li>-Contracts and agreements</li> <li>-Suppliers' satisfaction assessment</li> <li>-Telephone discussions</li> <li>-Face-to-face meetings and on-site visits</li> <li>-Industry seminars</li> </ul>
<b>Professional organisations</b>	<ul style="list-style-type: none"> <li>-Policy formulation regulating the practice of employees and business operations</li> <li>-Environmental protection and social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>-Telephone discussions</li> <li>-Questionnaires &amp; Online engagement</li> <li>-Meetings (private or AGMs)</li> </ul>
<b>General public</b>	<ul style="list-style-type: none"> <li>-Involvement in communities</li> <li>-Business ethics</li> <li>-Environmental protection awareness</li> </ul>	<ul style="list-style-type: none"> <li>-Media conferences and responses to enquiries</li> <li>-Public welfare activities</li> <li>-Corporate website</li> </ul>

# Environmental, Social and Governance Report

In FY2020, the Group carried out an evaluation on its stakeholders' opinions on corporate sustainability stewardship, especially the material ESG issues of great concerns to stakeholders and the relevant SDGs, as the Group believes that aligning its ESG management with a sustainable long-term trajectory for the world's people and the planet is increasingly a global business imperative.



According to the results, it was found that Goal 1: No poverty and Goal 3: Good health and well-being ranked the top of the list among all 17 SDGs in terms of the degree of stakeholders' attention and interest and the Group's perspective towards its long-term business development. In response to the call and concerns from stakeholders, the Group has committed to laying the emphasis on specific sub-targets under these two goals, in particular:



To end poverty, the Group is dedicated to supporting and participating in public welfare activities to help the underprivileged people in various ways. The Group not only advocates and engages in the different initiatives and campaigns to empower vulnerable social groups, it also tries its best to eliminate poverty in its value chain by ensuring the suppliers engaged are complying with local labours laws (such as providing workers with no less than minimum wage) and the human rights of the workers engaged in the supply chain are all well respected and protected.

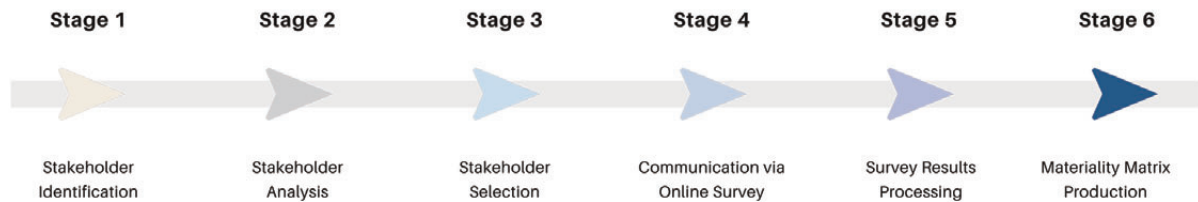


The Group values its employees and regards them as the most important assets of its business. To ensure the good health and well-being of its staff, the Group endeavours to provide a safe working environment for its staff through the implementation of various internal policies about occupational health and safety, and the organisation of safety training programmes for its employees to raise their awareness of safe working practices. During the pandemic in FY2020, the Group paid particular attention to the protection of its employees' health and safety in the workplace, with emergency plans and flexible working arrangements being formulated and implemented, in order to control the outbreak.

# Environmental, Social and Governance Report

## Materiality Assessment

### MATERIALITY ASSESSMENT PROCESS

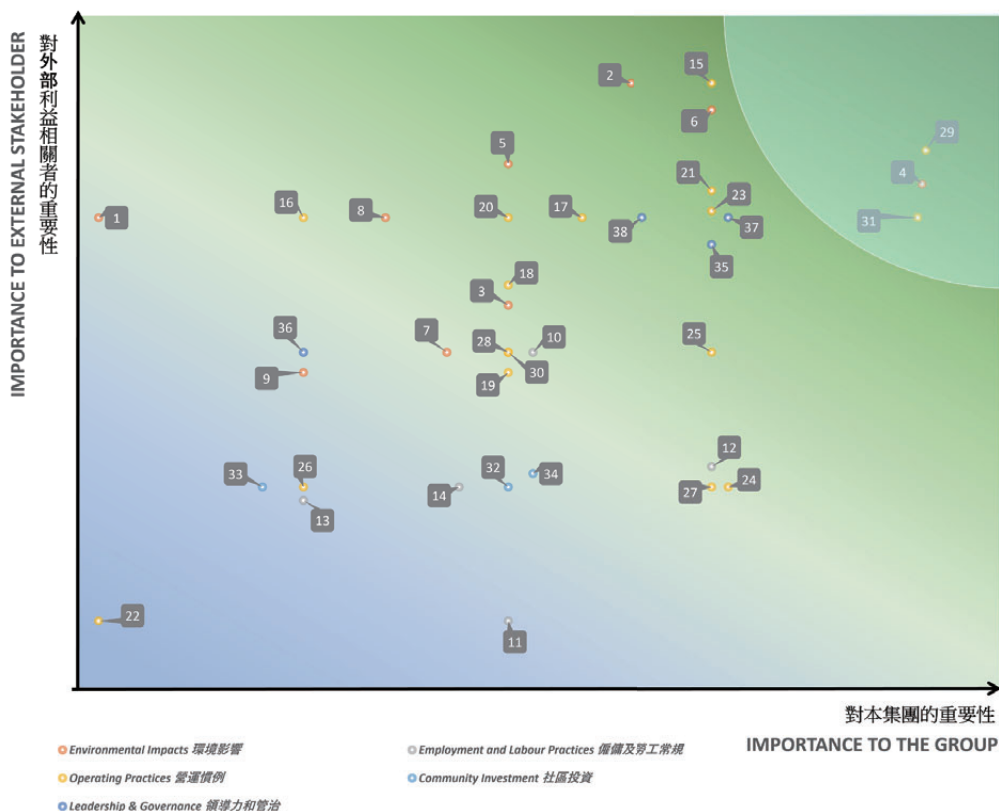


As ESG risks and opportunities vary among the opinions of the Group's stakeholders with different backgrounds, principal activities and operating models, the Group has undertaken an annual review to prioritise its major stakeholder groups, identify their main concerns, and evaluate their material interests in relation to the ESG issues of the Group. In FY2020, the Group developed a multi-stakeholder approach inviting the representatives from various internal and external groups to complete a materiality assessment survey. Specifically, the Group selected certain internal and external stakeholders based on their influence and dependence on the Group. Stakeholders chosen in the first round of evaluation were then invited to participate in an online survey to express their views on a list of ESG issues of the Group. The online survey contained numerous well-designed questions about ESG subjects and SDGs, which were regarded to be material and relevant to the Group's business development and strategies from the stakeholders' standpoint. The objective, transparent and decision-useful materiality assessment allowed the Group to prioritise its ESG issues after mapping the results of the survey to a materiality matrix below, which was reviewed and approved by the Board. The assessment process demonstrated the Group's emphasis on stakeholders' engagement and the results of the survey served as a powerful tool for the Group to develop its action plans for more focused ESG management.

# Environmental, Social and Governance Report

## Stakeholder Engagement Materiality Matrix

### 利益相關者的參與重要性分析矩陣



1 Air and greenhouse gas emissions	14 Preventing child and forced labour	27 Labelling relating to products services
2 Sewage treatment	15 Selection of local suppliers	28 Product design & Lifecycle management
3 Land use, pollution and restoration	16 Smooth communication and sound relationship with suppliers	29 Number of legal cases filed against the company about bribery, extortion, fraud and money laundering
4 Solid waste treatment	17 Environmental risks (e.g. pollution) of the suppliers	30 Anti-corruption policies and whistle-blowing procedure
5 Energy use	18 Social risks (e.g. monopoly) of the suppliers	31 Anti-corruption training provided to directors and staff
6 Water use	19 Procurement practices	32 Community engagement
7 Use of other raw/packaging materials	20 Environmentally preferable products and services	33 Participation in charitable activities and support public welfare
8 Mitigation measures to protect environment and natural resources	21 Health and safety relating to products services	34 Cultivation of local employment
9 Climate-related risks	22 Customers satisfaction (Welfare)	35 Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
10 Diversity of employees	23 Marketing and promotion	36 Management of the legal & regulatory environment (regulation-compliance management)
11 Employee remuneration and benefits	24 Observing and protecting intellectual property rights	37 Critical incident risk responsiveness
12 Occupational health and safety	25 Product quality assurance and recall percentage	38 Systemic risk management
13 Employee development and training	26 Protection of consumer information and privacy	

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Given the materiality analysis matrix, the Group identified 3 topics as issues of the highest importance to both the Group and its stakeholders during the year under review. In particular, the following 3 specific areas topped the list of which the participants in this survey were most concerned, namely “Solid waste treatment”, “Number of legal cases filed against the company about bribery, extortion, fraud and money laundering” and “Anti-corruption training provided to directors and staff”.

This review promoted the Group to allocate more resources to its sustainability management in these material areas, and to highlight its efforts and achievements of the Group’s operation in relevant aspects in this ESG report.

## Stakeholders Feedback

As the Group strives for excellence, stakeholders’ feedback is always welcomed, especially on topics listed as high importance in the materiality assessment. Readers are also welcomed to share their views via the Group’s email at [enquiry@kpihl.com](mailto:enquiry@kpihl.com) or website at [www.kpihl.com](http://www.kpihl.com).

## VI. ENVIRONMENTAL SUSTAINABILITY

In response to the environmental concerns of its stakeholders and in pursuit of the long-term environmental sustainability and the development of communities where it operates, the Group has made tremendous efforts in controlling its emissions and consumption of resources, and has strictly complied with relevant environmental laws and regulations that are material to the Group’s business of the manufacture and sale of precision parts and components in the PRC and Hong Kong office, including but not limited to the:

- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong);
- Energy Conservation Law of the People’s Republic of China 《中華人民共和國節約能源法》；
- Environmental Protection Law of the People’s Republic of China 《中華人民共和國環境保護法》；
- Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》；
- Law of the People’s Republic of China on Prevention and Control of Pollution From Environmental Noise 《中華人民共和國環境噪聲污染防治法》；
- Law of the People’s Republic of China on Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》； and
- Atmospheric Pollution Prevention and Control Law of the People’s Republic of China 《中華人民共和國大氣污染防治法》.

### ENVIRONMENTAL PRINCIPLES



# Environmental, Social and Governance Report

Fully integrating the Environmental Principles in business operations and aligning the principles with the goals of national ecological civilisation, the Group has followed the requirements and guidelines of ISO14001 (Environmental Management System), keeping refining its internal environmental frameworks to reinforce the effectiveness of implementation of its ESG-related policies. The Group's headquarter office in Hong Kong and two existing manufacturing plants in the PRC this year remained committed to accelerating its building of ESG management system on various fronts, particularly in stepping up energy conservation measures to cut emissions and resource consumption, and have achieved further progress of being "strategically resilient to addressing the underlying climate-related risks" by embracing technological innovation towards sustainability.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2020.

## A.1. Emissions

Emissions have long been one of the most concerning environmental issues to the Group as environmental disruption is becoming a pressing problem in China nowadays. With two manufacturing factories currently being commissioned, the Group has laid great emphasis on their emission control. To strictly control the quantity and quality of emissions according to relevant local environmental laws as set out in the regions where the Group operates, the Group has been committed to monitoring, measuring and recording its emissions during operations. In FY2020, the Group found no disregard to influential laws relevant to air and greenhouse gas emissions, discharges into water or land, and generation of hazardous and non-hazardous waste.

During the year under review, air pollutants from the Group including sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM") were mainly generated from vehicles and machinery for transportation and business operations. Specifically, the Group's air emissions of SOx, NOx and PM amounted to 0.54 kg, 25.68 kg and 1.89 kg, respectively in FY2020. Greenhouse gases ("GHGs") are a major contributor to climate change and have been rigorously regulated by the United Nations' Framework Convention on Climate Change. In FY2020, the announcement of carbon neutrality goal by 2060 in China furthered the Group's determination in controlling its GHG emissions. During the year under review, GHG emissions from the Group were primarily due to the combustion of fossil fuels and the consumption of electricity in its business operations. In FY2020, the Group's total GHG emissions reached 5,306.5 tonnes of CO<sub>2</sub>e. In addition, the Group generated a total of 137.2 tonnes of non-hazardous solid commercial wastes and 7.9 tonnes of hazardous industrial waste, while 42,802.4 tonnes of non-hazardous wastewater and 612.7 tonnes of hazardous wastewater was discharged by the Group during the year under review. The Group's total emissions in FY2020 are summarised in Table 1 below.

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Table 1. The Group's total emissions by category in FY2020 <sup>4</sup>

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity <sup>1</sup>	Amount in FY2019	Intensity <sup>2</sup>	Amount in FY2018	Intensity <sup>2</sup>
				(Unit/HK\$ million) in FY2020		(Unit/HK\$ million) In FY2019)		(Unit/HK\$ million) In FY2018)
<b>Air Emissions</b> (Company cars)	SO <sub>x</sub>	Kg	0.54	–	0.55	–	0.8	–
	NO <sub>x</sub>	Kg	25.68	–	23.89	–	339.3	–
	PM	Kg	1.89	–	1.76	–	33.1	–
<b>GHG Emissions</b>	Scope 1 (Direct Emissions)	Tonnes of CO <sub>2</sub> e	89.7	–	88.8	–	135.9	–
	Scope 2 (Energy Indirect Emissions)	Tonnes of CO <sub>2</sub> e	5,190.9	–	6,501.5	–	9,172.4	–
	Scope 3 <sup>3</sup> (Other Indirect Emissions)	Tonnes of CO <sub>2</sub> e	25.9	–	43.0	–	103.4	–
	Total (Scope 1 & 2 & 3)	Tonnes of CO <sub>2</sub> e	5,306.5	15.6	6,771.0	19.6	9,411.7	20.3
<b>Hazardous Waste</b>	Solid Wastes	Tonnes	7.9	0.02	3.3	0.010	4.9	0.011
	Wastewater	Tonnes	612.7	1.8	720	2.1	603.3	1.3
<b>Non-hazardous Waste</b>	Solid Wastes	Tonnes	137.2	0.4	101.4	0.3	356.9	0.8
	Wastewater	Tonnes	42,802.4	125.9	76,350.3	221.4	74,796.8	161.3

<sup>1</sup> Intensity for FY2020 was calculated by dividing the amount of air, GHG and other emissions respectively by the total revenue of the Group in FY2020, which was HK\$340 million;

<sup>2</sup> Intensity in FY2018 and FY2019 was extracted from the data in the ESG report 2019 and ESG Report 2018 of the Group;

<sup>3</sup> The Group's Scope 3 (Other Indirect Emissions) included only paper wastes disposed of at landfills, electricity used for processing fresh water and sewage by government departments, and business air travel by employees; and

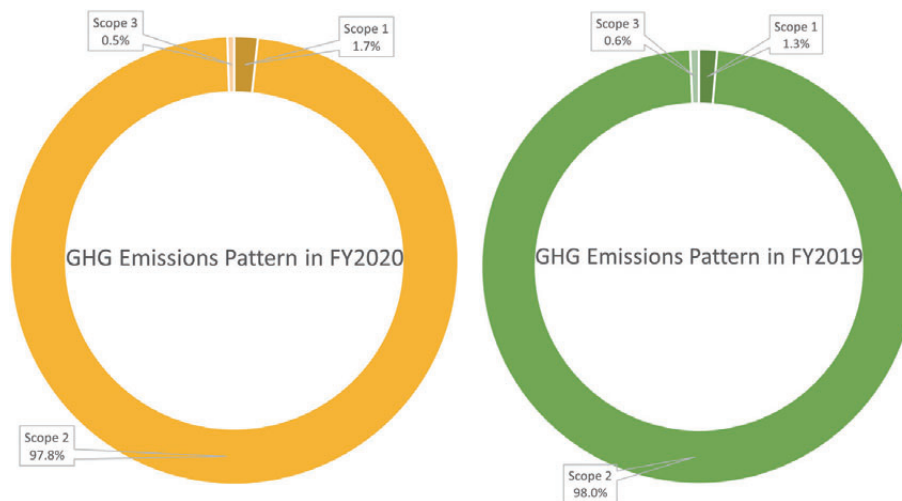
<sup>4</sup> The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, GHG Protocol Corporate Accounting and Reporting Standard and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.



# Environmental, Social and Governance Report

## Air & GHG Emissions

The total air emissions and the emissions of each pollutant remained at similar levels as compared to that of FY 2019 (for the year ended 31 December 2019) and FY2018 (for the year ended 31 December 2018), primarily due to the perseverance in controlling the consumption of fossil fuels in transportation by reducing unnecessary business travels, the cessation of business operations and the impacts of the pandemic. It is widely acknowledged that greenhouse gases (“GHGs”) are a major contributor to climate change. To minimise its GHG emissions, the Group kept implementing effective policies and measures to monitor and control its use of resources during business operations, and encouraged all its employees to pay attention to the details around them, such as switching off idle electrical appliances when leaving the office, in order to mitigate climate-related risks at source. In FY2020, the GHG emission pattern was the same as that of FY2019, with Scope 2 emissions that stemmed from the use of electricity dominating (97.8%). Yet the total GHG emissions declined by around 20.0% when compared to FY2019, with Scope 2 and Scope 3 emissions dwindled by 20.2% and 39.9% respectively. These achievements were mainly attributed to the temporary suspension of manufacturing activities and the unremitting efforts of the Group in energy and resources conservation while lowering the frequency of unnecessary business travel at the same time.



The Group believes that a robust management system and effective control of the use of resources play a pivotal role in mitigating the overall GHG emissions of the Group and can accelerate the change toward lower-emission production. Aiming to make a smooth transition to a more energy-efficient and eco-friendly manufacturing enterprise, the Group endeavours to allay the climate-related risks and grasp opportunities to reduce its exposure to GHG emissions, and therefore become less vulnerable to changes in cost of carbon in the near future.

# Environmental, Social and Governance Report

The Group believes that making sustainability a cornerstone of business should be built upon transparency. To further monitor and control its environmental emissions, the Group established an Environmental Safety Force which is responsible for the environment and safety of the operating sites through strictly managing and implementing the Group's environmental policies accordingly. The Force inspected the environmental performance of the Group's operating sites regularly to ensure their performances were up to the Group's standards. The exhaust gas emitted by the manufacturing plants were mainly organic exhaust gas produced during the paint spraying process. The Group ensured that all exhaust gas was treated through adsorption, desorption, catalytic combustion to meet the second-grade standard for the second-time frame of the Emission limits of air pollutants 《廣東省地方標準大氣污染物排放限值》 (DB44/27-2001), the standard emission limit in table 2 of the Emission standards for odour pollutants 《惡臭污染物排放標準》 (GB14554-1993), and the standard emission limit for the second-time frame of the Emission standard of volatile organic compounds for furniture manufacturing operations 《廣東省地方標準家具製造行業揮發性有機化合物排放標準》 (DB44/814-2010) before being emitted.

More policies and actions implemented by the Group to control its emissions are further discussed in the subsections headed "Electricity" and "Other energy resources" below.

## Wastewater

### Manufacturing Business

In FY2020, the wastewater from the manufacturing business of the Group mainly comprised of both non-hazardous and industrial wastewater which contained paint, spray, air compressor liquid, etc. The wastewater was uniformly collected in the regulating tank for integrated biochemical treatment including precipitation, decomposition, anaerobic decomposition and filtration, and discharged after reaching the emissions standards. A part of the wastewater was reused in the production line after treatment while others were discharged through sewage pipes.

### **Case study:**

中山市堅城電子有限公司

The wastewater generated from the Group's painting process was discharged into the wastewater collection tank through special pipelines, followed by processes including "oil separation, coagulation, sedimentation, hydrolysis acidification, SBR treatment, precipitation, MBR filtration and sand filtration". After a series of measures, the quality of wastewater fully met the requirements of the first standard of the "Discharge limits of water pollutants in Guangdong Province" (DB 44/26-2001) (廣東省污染物排放限值).



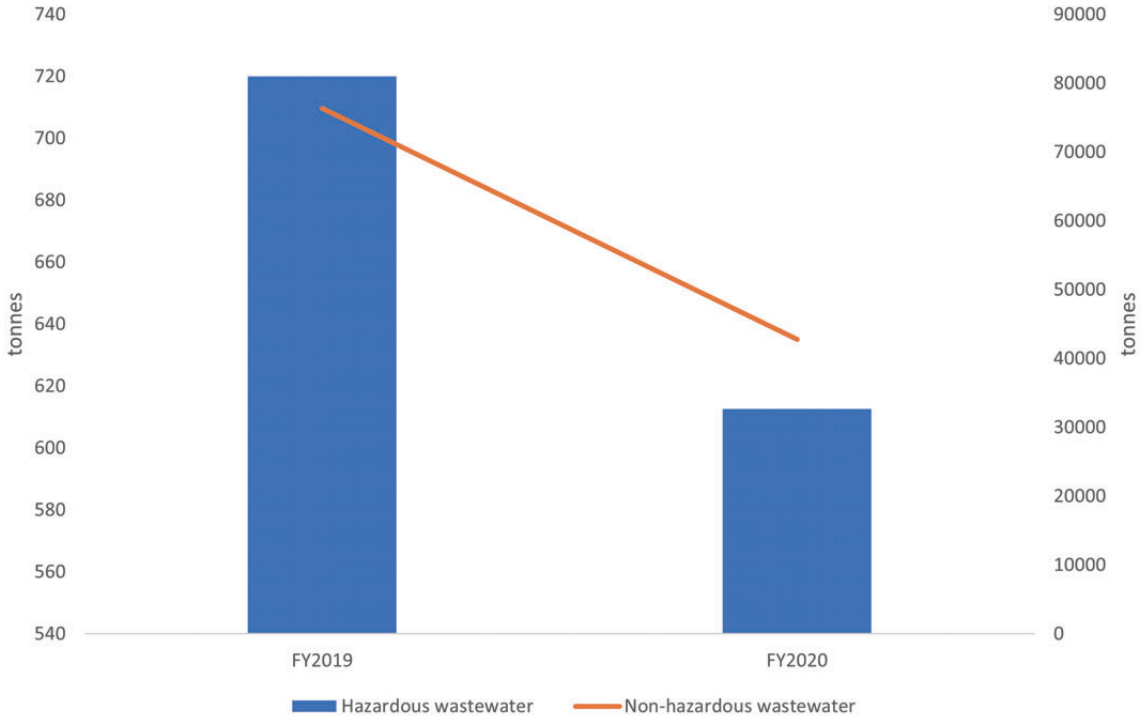
# Environmental, Social and Governance Report

To ensure the wastewater discharged from factories of the Group was in full compliance with relevant standards, the Group authorised Global (GuangDong) Quality Technology Service Co., Ltd., a professional testing agency, to monitor and measure the quality of wastewater from factories on a regular basis. The results of the test were all below the emission limits based on a series of national standards, including GB 6920-1986, HJ 637-2012, GB 7494-1987 and BG 11893-1989.

### Hong Kong Office

Since the amount of wastewater generated from the office largely depends on the amount of freshwater that the Group consumes, the Group has adopted specific measures to reduce water consumption in the office, which are further described in the next subsection under A.2. Use of Resources. In FY2020, the municipal wastewater was directly discharged into the drainage system of the property building.

In FY2020, both the amount of hazardous and non-hazardous wastewater declined by 14.9% and 43.9% respectively when compared to that of FY2019, primarily due to the newly revised operating guidelines which significantly regulated the procedures for controlling waste, and the unremitting efforts of all staff in water conservation during daily operations.



### Solid waste

The solid wastes generated by the Group’s were classified into non-hazardous domestic commercial solid waste from the office operations and hazardous industrial solid waste generated by the manufacturing plants in the PRC.

# Environmental, Social and Governance Report

## Hong Kong Office

The solid waste from the Group's office operations in FY2020 was normal domestic and commercial waste. In order to reduce the amount of daily municipal solid wastes, the Group implemented the following practices:

- Recycle as much solid waste as possible through classification process;
- Educate all employees on reducing the use of disposable items such as plastic tableware;
- Establish a "resource conservation" culture in the office;
- Advocate the reuse of office stationeries; and
- Recycle the office waste such as ink cartridges, toner cartridges, computers, light bulbs, etc.

In FY2020, 85.2 tonnes of solid waste were recycled by the Group, while the non-recyclable municipal solid wastes were collected and disposed of by the property management of the building.

## Manufacturing Business

Given the business nature, the Group's major solid wastes generated from manufacturing activities were industrial wastes such as activated charcoal, waste barrels, paint sludge, waste mineral oil, waste engine oil and wipes. Other solid wastes included oil rags, dry sludge, waste bulbs etc. All hazardous wastes were collected, classified and placed uniformly according to the warehouse requirements of hazardous waste management with corresponding placement and labels being set.

Under the Environmental Principles, the two plants of the Group abided by the emission-related laws and regulations in the PRC. Notably, the Restriction of Hazardous Substances Directive 2011/65/EU (RoHS 2.0) 《危害性物質限制指令》，which is the restriction of the use of certain hazardous substances in electrical and electronic equipment (EEE), also plays an important role in the manufacturing process and has been strictly followed by the Group. To move towards an environmentally friendly enterprise, the Group has invariably been committed to minimising its environmental impacts of emissions from its factories and already established draconian internal regulations on the energy consumption, sewage treatment and solid waste management. Meanwhile, the "Target Guide and Plan" (目標指示與方案) and "Quality & Environment Management Manual" (質量環境管理手冊) have been effectively implemented in the daily management and operations of factories for the identification, evaluation and update of material environmental pollution-related issues and the formulation of environmental management plans from a lifecycle standpoint in the future.

# Environmental, Social and Governance Report

The Group followed the instructions of Quality & Environment Management Manual in identifying and managing solid wastes from manufacturing factories. The policy specifies the responsibilities of leaders and general staff in waste management, allowing the Group to handle both general solid waste and hazardous waste properly. The general solid wastes were weighed, recorded, and collected by the local Housing and Construction Bureau. In terms of hazardous wastes, including modulator tube, activated carbon, engine oil, ink, paint sludge, cloth, ink bucket, and battery, the Group strictly implemented the internal hazardous wastes management protocol in a stepwise manner. For instance, hazardous wastes were collected and sealed in specific containers by specialists according to the Solid Waste Classification Table. The Administration Department checked all containers and held responsibility for coordinating the qualified company for further transportation, management, recycling and disposal of the hazardous waste. In FY2020, both hazardous and non-hazardous solid waste from the Group slightly increased as compared to the figures in FY2019 primarily due to the increase in the usage of disposable personal protection equipment such as surgical mask and gloves in response to the pandemic, and a broader inclusion of types of wastes in the monitoring and measurement process. The Group endeavoured to further control the relevant emissions in the future.

## Noise

Noise is an inevitable emission caused by manufacturing activities, to which the Group has attached great attention in minimising its noise impacts on surrounding residents. Two aspects of noise control have been emphasised by the Group in particular – noise detection around operating sites and equipment upgrade in factories. During the years, the factories of the Group have engaged external testing agencies, such as Global (Guang Dong) Quality Technology Service Co., Ltd, in running tests on the noise level of several locations within the factory boundary. According to the testing results, the sound pressure of noise at one meter away from the factory perimeter in the north, south, east and west test points at both day-time and night-time all met the emission standard for the second grade of Emission Standard for Industrial Enterprise Noise at Boundary (《工廠企業廠界環境噪聲排放標準》)(GB 12348-2008). Meanwhile, the Group has been dedicated to furthering its control of noise pollution by allocating resources to the technological innovation and purchase of advanced equipment that is notably quieter, more environmentally friendly and more efficient compared with the outmoded machinery.

In FY2020, the Group did not receive any substantiated complaints concerning noise from its nearby residents.

# Environmental, Social and Governance Report

## A.2. Use of Resources

In FY2020, the primary resources consumed by the Group were electricity, gasoline, diesel, water, paper and packaging materials (made by paper and plastic). Aiming to keep conserving energy resources for business operations, the Group followed its instructions of Energy Resources Control Approach, which covers the scope of application, roles of departments, monitoring management, and conservation measures of electricity, water and other materials. Meanwhile, the factories of the Group have been committed to strengthening their internal environmental management through a variety of ways. 中山市堅城電子有限公司 of the Group, for example, fully implemented its environmental strategy of “Law Compliance, Saving Energy, Active Participation, Continuous Advancement” during the year under review, focusing on areas including the promotion of recycling, green procurement and energy efficiency improvement. Table 2 illustrates the amount of different resources used by the Group in past three years.

Table 2 Total Resource Consumption in FY2020

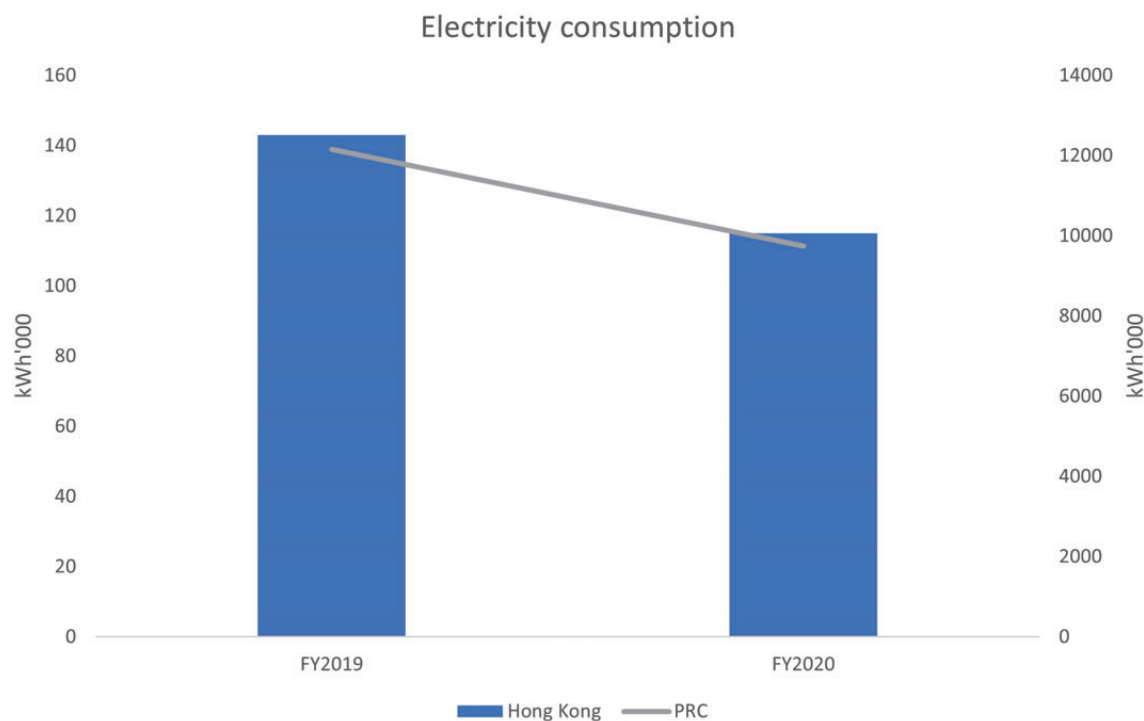
Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity <sup>1</sup>	Amount in FY2019	Intensity <sup>2</sup>	Amount in FY2018	Intensity <sup>2</sup>
				(Unit/HK\$ million) in FY2020		(Unit/HK\$ million) in FY2019		(Unit/HK\$ million) in FY2018
Energy	Electricity	kWh'000	9,853.97	29.0	12,299	35.6	17,398	37.5
	Gasoline	L	13,275.57	39.0	27,206	78.9	31,143	67.2
	Diesel	L	21,378.11	62.9	9,203	26.7	22,926	49.4
Water	Water	Tonnes	43,719.02	128.6	74,814	216.9	125,735	271.2
Paper	Paper	Kg	2,726.73	8.0	3,544	10.3	14,000	30.2
Raw materials	Plastic	Tonnes	1,706.22	-	-	-	-	-
	Metal	Pieces	17,529	-	-	-	-	-
Packaging materials	Plastic	Pieces	24,748,286 in factory A and 1 tonnes in factory B <sup>3</sup>	-	23,207,027 in factory A and 30 tonnes in factory B	-	1,067 tonnes	2.3
	Paper	Pieces	2,995,879 in factory A and 0.2 tonnes in factory B <sup>3</sup>	-	2,353,186 in factory A and 2 tonnes in factory B	-	270 tonnes	0.6
	Wood	Pieces	6,686 in factory A <sup>3</sup>	-	-	-	-	-

# Environmental, Social and Governance Report

- <sup>1</sup> Intensity for FY2020 was calculated by dividing the amount of resources the Group consumed in FY2020 by the total revenue of the Group in FY2020, which was HK\$340 million;
- <sup>2</sup> Intensity for FY2019 and FY2018 were extracted from the data in the ESG Report 2019 and ESG Report 2018 of the Group;
- <sup>3</sup> Given the re-organisation of business operations in the Group, the consumption of packaging materials in FY2020 was presented in the both the format of pieces and weight, in order to ensure the accuracy of information disclosed. The Group believes that a separated disclosure of the consumption of packaging materials in factories of the Group was more useful than a rough estimation of the total weight of packaging materials at current stage, especially for consistent comparison across years and against peers. Nevertheless, the Group will keep improving its management of packaging materials by making a more detailed disclosure on the total weight in the future.

## Electricity

Office operations and manufacturing processes are major contributors to the consumption of electricity. In FY2020, the total electricity consumption of the Group amounted to 9,853.97 kWh'000s, with 115 kWh'000s consumed in Hong Kong Office and 9,738 kWh'000s in the factories in the PRC. During the year under review, a staggering drop of around 19.9% in total electricity usage was recorded, with a decline of 19.6% and 19.9% respectively in Hong Kong Office and in the manufacturing plants in the PRC.



All business units of the Group have stringently complied with relevant regulations and the Group's policies of electricity conservation. To lower the consumption of electricity so as to diminish its GHG emissions, the Group has embedded the concept of "Saving Electricity" into its environmental management system and business strategy. In particular, the Group implemented the following practices:

- Turn off all lights, electronics and other power consumption equipment at the end of the day;
- Switch off all idle lights and air conditioners (e.g. most electrical equipment will be turned off during lunch time);

# Environmental, Social and Governance Report

- Affix “Save electricity and turn off the light when you leave please” posters to encourage workers and employees to conserve energy;
- Maintain the electrical equipment in offices and factories (such as air conditioner and paper shredder) regularly to maintain their high efficiency;
- Develop operating guidelines for departments to use electrical products in control time period;
- Prioritise electric machines with recommended green specifications or rated high with China Energy Labels;
- Adjust the set temperature of air conditioners in the office based on the season;
- Replace high energy consumption light bulbs with more efficient LED lighting fixtures;
- Encourage all employees to utilise the natural sunlight for lighting in the office when possible;
- Make good selection of the transformer capacity and motors;
- Arrange the operation of machines efficiently and repair malfunctioned ones timely; and
- Optimise the entire operating process by eliminating any unsustainable practice.

In addition, the Group also refined its production procedures and used more efficient spraying production lines, ovens and refrigeration equipment. In FY2020, two hydraulic pressers were replaced in the production lines so as to boost the efficiency. The goal for energy conservation that the electricity consumption intensity per HK\$ million of sales in FY2020 (29.0 kWh'000/HK\$ million) should be lower than that in FY2019 (35.6 kWh'000/HK\$ million) was successfully achieved in the year under review, with a 18.5% decrease.

## **Other energy resources**

Gasoline and diesel were mainly used by the Group for transportation purposes during the year under review. Controlling the consumption of fossil fuels is important to the Group as the use of both resources causes adverse impacts on the environment and is believed to be the culprit of climate change. In FY2020, the amount of gasoline and diesel consumed by the Group were 13,275.57 L and 21,378.11 L respectively, with the gasoline consumption being recorded to plunge drastically by 51.2%. It is worth mentioning that during the year under review, the factories of the Group substantially changed its consumption pattern of fossil fuels and did not use gasoline as fuels for transportation as frequent as the previous years, which was attributed to the Group's dedication to enhancing the awareness of environmental protection among employees, lowering the use of fossil fuel and investing in the research and development of more eco-friendly substitutions. In FY2020, the Group kept purchasing energy-efficient vehicles for transportation and operation, meliorating the machinery to perform better in environmental protection, and initiating competitive mechanisms to incentivise factories to pursue a “low carbon and low consumption” working environment and operation process. In addition, the factories of the Group strengthened its staff induction and professional training in accordance with internal policies such as “Quality & Environment Management Manual”, encouraging its staff to take public transports instead of driving to work, and to adopt the electronic device for online conference to avoid unnecessary traveling as well.



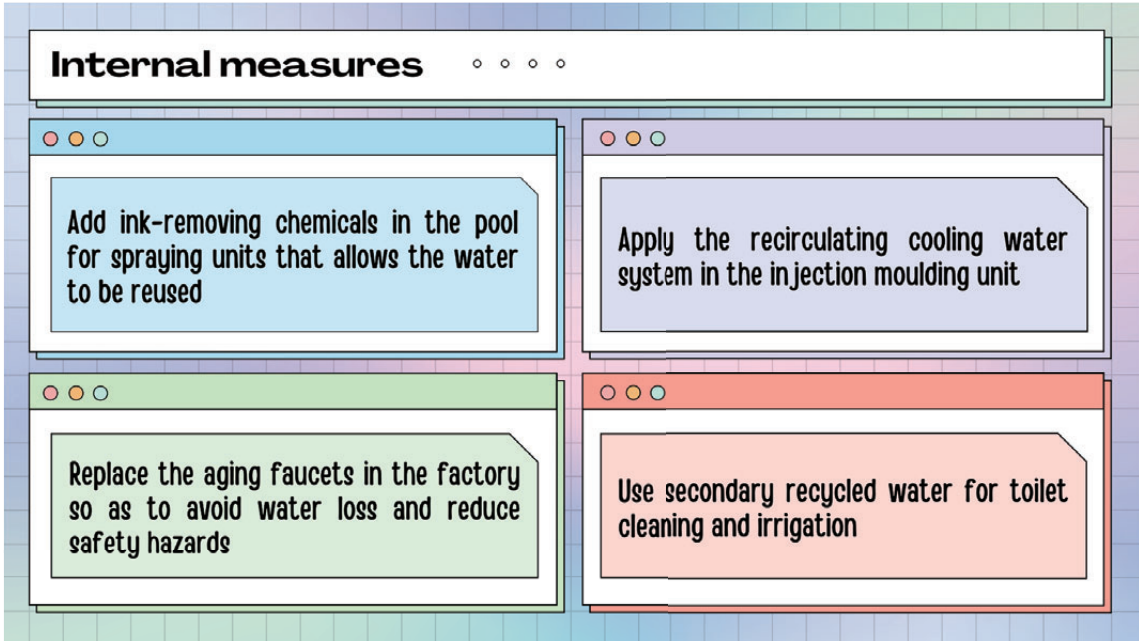
# Environmental, Social and Governance Report

## Water

Water, to the Group, is a vital element for its manufacturing process. In FY2020, the Group did not face any serious water sourcing problems and the consumption of water by the Group in FY2020 descended by approximately 41.6% as compared to the figure in FY2019. Water management has always been seen as a major topic to the Group. Not only did the Group set water conservation targets and metrics on the level of corporate strategy, it also stressed that its employees’ daily practices plays a significant role in water conservation. To further improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- Adopt low-flow faucets or showers in the office and dormitory;
- Fix the broken faucets or taps by plumbers timely once the leakage failure is discovered;
- Recycle domestic water whenever possible;
- Set a limit for utilisation of water among employees;
- Put “Saving Precious Water Resources” posters in prominent places; and
- Conduct leakage tests and regular maintenance on the water supply system.

In order to further enhance the employees’ awareness, the Group organised training programmes related to water conservation for newly hired staff before they start to work in the manufacturing plants. Other effective policies and measures that the Group implemented to conserve water are highlighted below:



# Environmental, Social and Governance Report

## Paper

One of the natural resources consumed by the Group was paper for administrative work. To minimise the consumption of paper and paper-made products, the Group has been adhering to its internal instruction of Administrative Paper Use Regulation during the year under review and putting great efforts into the implementation of following policies:

- Promote the concept of paperless office, and disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Spread the idea of “Think before print” by using posters and stickers in offices to remind the staff of avoiding unnecessary printings;
- Put boxes and trays as containers beside photocopiers to collect single-sided paper for reuse; and
- Use the back of old single-sided documents for printing or draft paper.

Given the business re-organisation of the Group, the paper consumption in FY2020 for administrative work decreased by 23.1% as compared with last year. The Group was also concerned about the efficient consumption of office stationaries such as clips, inks and folders. To monitor and reduce the consumption of office stationaries including paper, the Group encouraged its administrative staff to reuse office supplies and set procurement quota for each department to limit the consumption. In the future, the Group will insist on the implementation of Environmental Principles and improve the environmental awareness of employees and business partners through training and seminars, in order to save resources.

## Packaging materials

The principal packaging materials used by the Group were cartons, boxes and plastics in varying sizes. To further raise the utilisation efficiency of packaging materials, the Group continued its research of cost-effective and eco-friendly materials as a replacement of traditional ones. In FY2020, the Group introduced wood as one of the packaging materials which has relatively lower environmental impacts as compared to plastic packaging. With regard to the environmental performance and the usefulness of the new packaging materials, the Group will further expand the discussion next year so as to allow more time for experiencing the new packaging material.

Besides, a made-to-order basis was adopted for the packaging process, which could efficiently control the amount of consumed packaging materials, thereby to a large degree possible avoiding the unnecessary waste of materials. The Group regarded the recycling of packages for internal use as a crucial step to lower the waste of packaging materials. At the phase of delivery, for instance, plastic containers were collected by the Group and transported to central recycling station. Looking forward, the Group will allocate more resources and manpower to the management of packaging materials throughout the supply chain, carrying out a comprehensive analysis and measurement of the precise weight of various materials for packaging purposes.

# Environmental, Social and Governance Report

## A.3. The Environment and Natural Resources

As a manufacturing enterprise, the Group realises that its plants that have driven the economic growth under its management may potentially contaminate the air, water and soil nearby, to the point where environmental hazards result in a risk that influences the Group's sustainable development and long-term value creation, if not corrected in a timely manner. Sticking to the strategy of "safety, harmony and green development" (安全、和諧、綠色發展) and internal Environmental Principles, the Group has been committed to forging an innovative, resource-saving and environmentally-friendly corporation that pioneers in the industry of Industrial Goods, and pressing ahead to optimise and upgrade its business operations towards green production.

As a supporter of TCFD frameworks, the Group has performed a self-examination of its influence on the environment and the implications of climate change on its long-term business operations. During the year under review, air emissions and wastewater discharge were regarded as the potentially largest impacts the Group had on the environment among other factors. In accordance with "Quality & Environment Management Manual", the Group has evaluated its environmental impacts of air and water emissions, including the impact scale, scope, frequency, attention rate, law compliance and other relevant indicators, and put forward a series of countermeasures to control its emissions from factories. Through the effective implementation of internal policies according to national guidelines and international standards, the Group has improved gradually on a yearly basis. In FY2020, the factories of the Group successfully promoted Environmental Management System under ISO 14001:2015 and '5S' management system, while multiple production lines, such as the "manufacture and assembly of plastic components", have already achieved the certificate of ISO 14001:2015, marking the solid progress the Group has made towards the building of a sound environmental management system.

As a leading enterprise in the industry whose principal activities are comprised of the manufacture and sale of industrial goods, a reliable and stable supply of natural resources is imperative to the Group's long-term success. The Group values the education and advocacy of low-carbon operations and lifestyle, and motivates every employee to learn the concepts of circular economy and seek corporate sustainable development collectively.

To conform with international standards in preserving energy resources and elevating the long-term sustainability objectives to a global level, the Group has assessed its resilience of enterprise's strategy and financial planning to address forthcoming risks based on the establishment of climate-related scenarios and gap analysis. Albeit at a preliminary stage, the Group is on the way of evaluating and incorporating relevant SDGs material to the Group's business planning into its policies and decision-making process. Adhering to the concept of green development in an all-round way, the Group aims to play a vital role in leading the development of the entire industry towards low-carbon economy and uniting its stakeholders to work harder in response to climate change.

# Environmental, Social and Governance Report

## Climate change

As climate change-induced incidents happened more frequently with time, a variety of climate-related risks and trends become conceivable, including increasingly draconian energy-saving regulations, changes to customers' expectations and behaviour and frequent occurrence of extreme weather events. With President Xi Jinping's ambitious commitment to achieve carbon neutrality by 2060, the Group, as a big player in the production industry in China, deeply realises the unshirkable responsibility it bears to follow the pace of our country to ensure the integration of climate targets into business operations.

Since the development of international policies and regulations on climate change are expected to be stricter in the coming near future, the Group prioritises the compliance with environmental laws and regulations as one of its primary tasks in operations. To this end, the Group will keep strengthening the robustness of its governance structure and in particular, placing the conformance assessment on its top agenda in terms of corporate ESG management.

## VII. SOCIAL SUSTAINABILITY

The Group has established and implemented an integrated philosophy of "People-Oriented Management and Innovation" since its inception. The Group believes that a humanitarian approach in corporate management and the creation of shared value for all are vital to articulating the corporate vision of sustainable development from the board down to all business units.

### EMPLOYMENT AND LABOUR PRACTICES

#### B.1. Employment

The Group embraces the concept of "To let everybody fully display his/her talents and make the best use of everything" (人盡其才、物盡其用) and strives to provide its employees with a safe and suitable platform for being equipped with professional skills and developing their vocational careers. As at the end of FY2020, the Group had a total of 965 full-time employees, in which the number of male employees was 338 and female 627.

# Environmental, Social and Governance Report

## *Regulatory and legal compliance*

The Group's employment policies have been updated and adjusted on an ongoing basis to adapt to social changes and to comply with the relevant laws and regulations in Hong Kong and the PRC. In FY2020, the Group complied with all relevant laws and regulations, including the following:

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Employment Promotion Law of the People's Republic of China (中華人民共和國就業促進法);
- Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法);
- Law of the People's Republic of China (中華人民共和國勞動法); and
- Insurance Law of the People's Republic of China (中華人民共和國社會保險法).

During the year under review, the Group provided its employees with mandatory social insurance and medical insurance schemes. The Human Resources Department of the Group is responsible for reviewing and updating the relevant company policies on a regular basis in accordance with the latest laws and regulations.

## *Recruitment and promotion*

Talent is indispensable to any enterprise, just like every small gear is extremely important to the operation of equipment. To attract and retain talent, the Group has adopted a set of transparent and clear internal procedures to conduct its annual recruitment plan, such as "Personnel Recruitment Plan", where the Human Resources (HR) Department selects qualified candidates for interviews with departmental managers. After interview, background check will be performed to evaluate the candidate's suitability and eligibility for the position. Multiple rounds of assessment will be conducted strictly by managers to guarantee the quality of the applicants before being hired.

Pursuant to its recruitment policy, to attract high-calibre candidates, the Group also offers fair, competitive remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspirations. The Group references market benchmarks and has formulated "Compensation Management Regulation" in determining its remuneration and benefit policies. The Group constantly reviews its compensation packages and performs probationary and regular evaluations on the employee's capability and performance in the past.

Staff promotion opportunities are equally provided to eligible staff who have shown outstanding performance and potential in their positions, with reference to the established procedures written in the Employee Handbook.

# Environmental, Social and Governance Report

## *Compensation and dismissal*

The adjustment of compensation and termination of employment is based on the requirements of internal policies of the Group, such as the Employee Handbook. Since the Group strictly prohibits any kind of unfair or illegitimate dismissal, stringent policies regulating the procedures of dismissal of employees are in place for employee management according to the relevant laws and regulations in Hong Kong and the PRC.

## *Working hours and rest period*

The Employee Handbook has defined detailed working hours and rest periods for employees according to local employment laws including the Provisions of the State Council on Employees' Working Hours (《國務院關於職工工作時間的規定》). In addition to basic annual leave and statutory holidays, the Group also compensates those who work overtime with extra pay or additional paid leave. In addition, employees are also entitled to additional leave benefits such as marriage leave, maternity leave, compassionate leave, etc.

## *Equal-opportunity and anti-discrimination*

As an equal opportunity employer, the Group strives to use strict policies to regulate corporate daily practices and avoid any circumstances contrary to the principles of fairness, respect and diversity. Training and promotion opportunities and dismissals policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other discriminatory elements in all business units of the Group. Meanwhile, the Group has formulated equal opportunity policies according to Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) and Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong) and has zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations. Once any discrimination-related cases are reported and substantiated, the Group will take necessary disciplinary actions on relevant employees or departments immediately.

## *Other benefits and welfare*

The Group believes that the interests and wellness of its employees should be prioritised. It is imperative to keep all employees physically and mentally healthy and feel motivated all the time at work. In addition to the provision of social insurance and provident fund to its employees, including endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance (五險一金), other corporate benefits provided by the Group also include organising team-building activities, annual dinner and recreational activities during festivals.

# Environmental, Social and Governance Report



In FY2020, the Group complied with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

## B.2. Health and Safety

The provision of a safe and healthy working environment and the well-being of employees are of paramount importance to the Group. In FY2020, the number of lost days of work due to work-related injuries was 73 days with 17 employees injured. To secure the occupational health and safety, regular reviews and audits have been performed in accordance with the statutory and industrial requirements, and the work injury rate of the Group has remained low throughout these years.

<b>Occupational Health and Safety Data</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Number of Work-related Fatalities</b>	0	0	0
<b>Work injury cases</b>	17	15	16

To provide and maintain a safe, clean and environmentally friendly working condition for its employees, the Group has established strict safety and health policies in line with the relevant laws and regulations in Hong Kong and the PRC, including the following:

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法);

# Environmental, Social and Governance Report




- Report on Production Safety Accident and Regulations of Investigation and Treatment (生產安全事故報告和調查處理條例) ;
- Production Safety Law of the People's Republic of China (中華人民共和國安全生產法) ; and
- Regulation on Work-Related Injury Insurance of the People's Republic of China (中華人民共和國工傷保險條例) .

To avoid the occurrence of accidents and enhance the employees' health and safety awareness, the Group has followed its internal policies, such as "Quality & Environment Management Manual", arranging a multitude of training courses and seminars about occupational health and safety for its employees, including the Proper Handling of Hazardous Materials, Occupational Health and Safety, Emergency Management and "5S" training. The Group has also offered free annual physical examination for all employees, especially special medical examinations for workers engaged in work exposed to high risks in industrial undertakings during the year under review.

Furthermore, employees have been provided with personal protective equipment ("PPE") such as uniforms, face masks and gloves for protection and to ensure work safety. The Group also emphasises the safety of the equipment in the manufacturing plant by requiring its suppliers to provide relevant testing certificates, conducting functional and safety checks, and arranging maintenance regularly.

The Group holds the belief that good health does not only mean no injury or no sickness, but the overall wellbeing of its employees should also be taken into account. As such, the Group's policy in occupational health and safety is in line with the human-based management and considers the social, psychological and physical factors in the operations, aiming to provide a genuinely comfortable and safe environment to its employees.

## HUMAN-BASED MANAGEMENT

 <p>Eliminate the discrimination and conflict among employees in work and encourage the creation of a harmonious and stable working environment.</p> <p><b>SOCIAL</b></p>	 <p>Be sensitive to employees' feelings and emotional needs; relieve employees' stress from work by providing psychological counselling.</p> <p><b>PSYCHOLOGICAL</b></p>	 <p>Pay attention to the factors of the working environment, such as temperature, humidity, lighting and noise, in order to provide employees with a suitable and comfortable workplace.</p> <p><b>PHYSICAL</b></p>
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In FY2020, the Group complied with relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards.



# Environmental, Social and Governance Report

## Response to COVID-19

In 2020, COVID-19 has been raging around the world. In order to ensure the health and safety of the Group's employees, prevent the widespread of virus in the workplace, provide employees with a safe, order and care-free working environment, and maintain the stability of its business, the Group swiftly established a task force in response to the epidemic and formulated the "COVID-19 Prevention and Emergency Plan" (《新型冠状病毒肺炎防治應急預案》). In alignment with the national anti-epidemic measures and control the situation in an organised way, the document clearly outlined the division of labour between various departments and the setting up of the corresponding working team, including:

- **Prevention and Control Leading Group:** The team is the highest level of the emergency working group, which is responsible for implementing important emergency instructions from the government, assigning emergency work to different teams, verifying the issuance and dismissal of every emergency response procedure, and make decisions on other major issues during the epidemic.
- **Emergency Office:** The team is responsible for communicating and implementing relevant guidelines, policies, laws and regulations, and a series of instructions from the Leading Group. It is also responsible for emergency matters such as tracking of incidents, management of emergency plans, and monitoring and assessing the effectiveness of the Group's prevention controls during the epidemic.
- **Epidemic Prevention Team:** The team is responsible for company-wide disinfection, organising epidemic prevention emergency drills and training, distributing masks, checking body temperatures, etc.
- **Disposal Team:** The team is responsible for implementing the Group's rescue measures in case of emergency to reduce losses in the accident, setting up quarantine areas, rescuing infected workers and assisting external medical teams.
- **Procurement Team:** The team is responsible for the procurement of anti-epidemic and personal protection equipment such as surgical masks, safety goggles, sanitisers etc.
- **Publicity Team:** The team is responsible for signalling the preventing measures from the top management to every staff with promotion signs and summaries.
- **Aftermath Team:** The team is responsible for caring about the health of infected staff and their family members, handling compensation and insurance issues, and preparing for the recovery of on-site working.

# Environmental, Social and Governance Report

## B.3. Development and Training

The Group believes that developing its employees by improving their knowledge and skills can enhance their personal growth both intellectually and professionally, which is a worthy investment in human capital. Through continuous training, employees' skills can be enhanced comprehensively. To encourage and assist employees in developing employees' potential, training resources have been planned and training programs have been designed and launched. The Group has followed its internal policies to provide tailor-made training packages to the new hires and experienced workers.

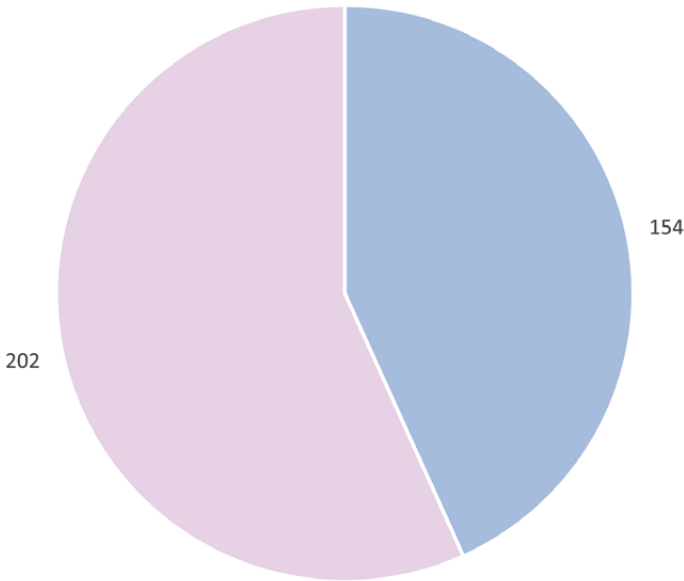


The Group also encourages and supports its employees to attend external training programmes and take professional qualification exams to enhance their competitiveness. External experts and professionals are regularly invited to provide relevant training to its employees, which is believed to be beneficial to employees' career paths. Employees who take the professional qualification examinations and obtain vocational qualification certificates could receive reimbursement from the Group.

In FY2020, the total training time of the Group were 18,623 hours and the number of employees who participated in relevant training programmes amounted to 356 employees. Notably, the Group has put its emphasis on the training and career development of its general employees, whose time spent on the training course occupied over 90% of the total time of training that the Group provided to all its staff.

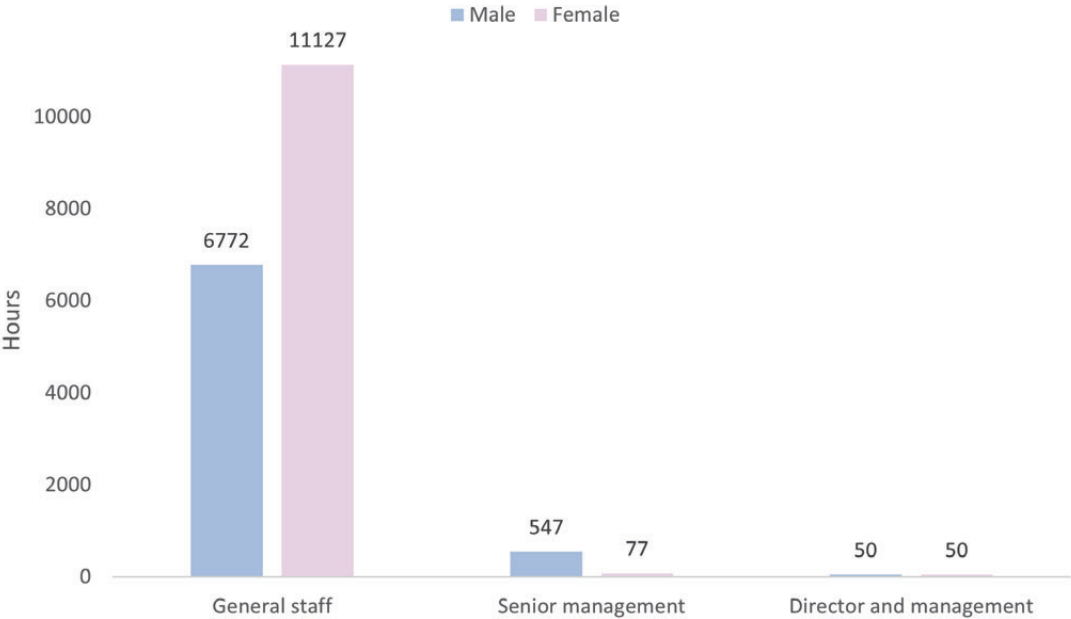
# Environmental, Social and Governance Report

No. of employees trained in FY2020



Male Female

Training hours in FY2020



Male Female

# Environmental, Social and Governance Report

## B.4. Labour Standards

In FY2020, the Group complied with the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child and forced labour. To combat illegal employment of child labour, underage workers and forced labour, the Group set up strict internal policies such as Management Procedures for Child Labour and Juvenile Labour (《童工與未成年工管理程序》) and Management Procedures for the Prohibition of Forced labour (《禁止強迫勞動管理程序》). The Human Resource Department requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to confirmation of any employment. Should the Group find any case against labour standards, the employment will be immediately terminated. In addition, the Group scrutinises its business partners in terms of the compliance with relevant labour standards and the respect of human rights on a regular basis.

In FY2020, the Group complied with the relevant laws and regulations in relation to the prevention of child and forced labour.

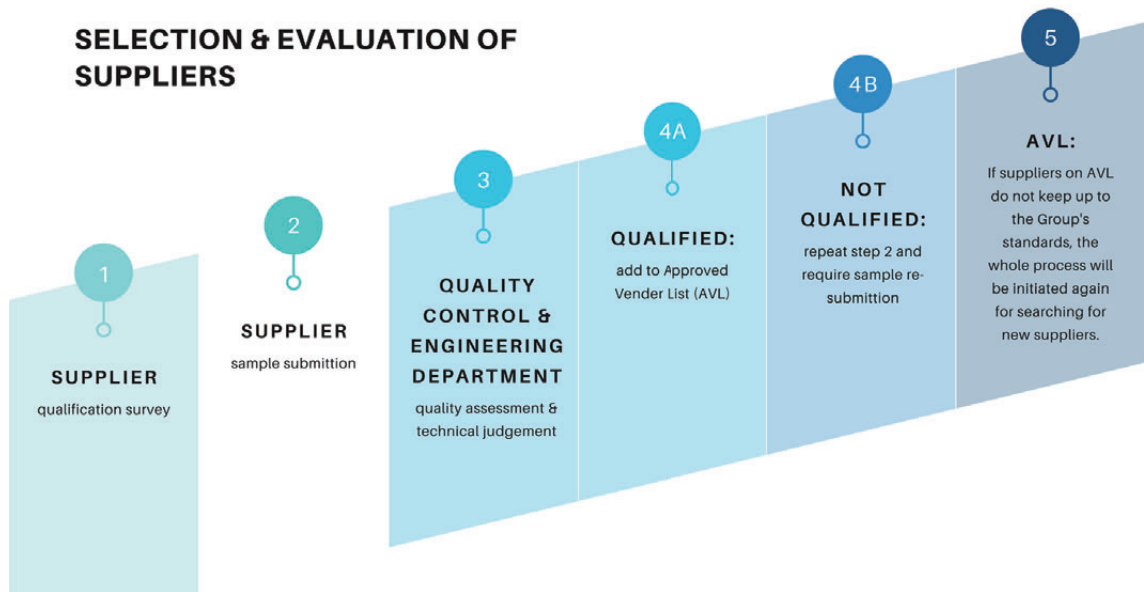
## OPERATING PRACTICES

### B.5. Supply Chain Management

The rapid globalisation of operations has put issues including human rights, business ethics, supply chain volatility and environmental risks along the value chain in the spotlight. As such, to build a sound and secure supply chain, the Group has focused its efforts on the control of the environmental and social risks that may affect its supply chain, in order to maintain a reliable and stable financial income while fulfilling its environmental and social commitment.

The primary raw materials procured by the Group are plastics, electronic optical devices, hardware, and packaging materials. To make sure that all materials meet the quality requirement of the Group and suppliers are competent to carry out tasks, the Group has established strict and clear internal regulations for procurement and the selection of suppliers in accordance with ISO 9001 and ISO 14001. For instance, the Group necessitates its suppliers to possess legal business licenses and to provide high-quality materials with an environmentally-friendly production process according to the "Selection and Evaluation of Suppliers Control Procedures" (《供應商選擇和評價控制程序》). To avoid the inefficient management in the course of procurement and raw material management, the policy standardises the working process in supplier selection from investigation of suppliers to the verification of qualified suppliers. Specifically, it is the duty of the Quality Control Department to collect relevant information on potential suppliers and examine their performance regularly. The Department of Engineering is responsible for the evaluation of the technical capability of suppliers, while the final approval and file management is the work of the Department of Procurement.

# Environmental, Social and Governance Report



Besides, the Group's "Incoming Material Inspection Control Procedures" (進料檢驗控制程序) defines the responsibility of each department to ensure that the raw materials from suppliers are 100% qualified before being adopted for production. The Warehouse Department and Quality Control Department is responsible for the incoming material inspection, reception and storage.

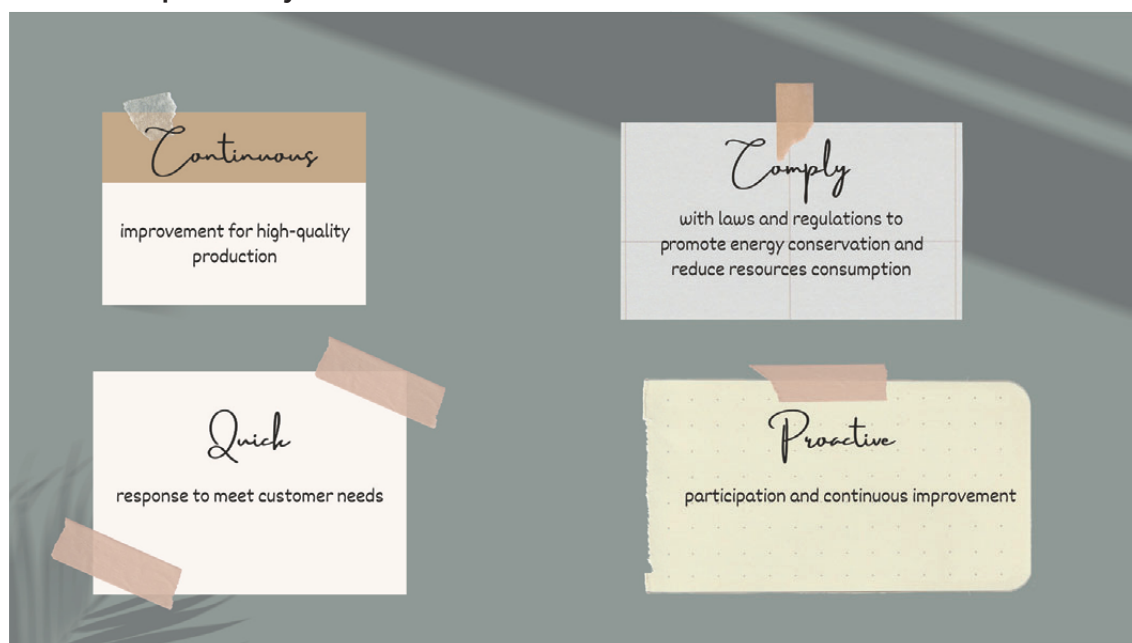


# Environmental, Social and Governance Report

To maintain a reliable and stable supply chain, the Department of Procurement has built and keeps a good relationship with suppliers and reserves products in advance where appropriate for any emergency. The Group has formulated the internal policy about supplier management and classifies suppliers into groups according to various factors so as to implement a differentiated management strategy. Given the solid and steady relationship with suppliers, the Group has not experienced any material delays, conflict or other significant issues with its suppliers in past years. In FY2020, the Group had 97 major suppliers in Mainland China and 2 major suppliers in Hong Kong, and the percentage of suppliers where the Group implemented its Green Procurement policy was 100%, which means only the core raw materials for production that meet the RoHS, REACH standards can be accepted by the Group.

In FY2020, the Group strictly adhered to its “Counter-measures to Address Risks and Opportunities Control Policy” (風險和機遇應對措施控制程序) for its social and environmental risk management in the evaluation of suppliers and procurement process, following rigorous and effective steps, from the identification of risks, building the risk management team, formulating and executing plans, to annual audit and validity review, for its supply chain management.

## B.6. Product Responsibility



### Regulatory & legal compliance

In FY2020, the Group was in compliance with the relevant rules, regulations and standards in Hong Kong and the PRC relating to health and safety, advertising, labelling and privacy matters with respect to its products and services and methods of redress, including but not limited to the following:

- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong);
- Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong);

# Environmental, Social and Governance Report

- Patents Ordinance (Cap. 514 of the Laws of Hong Kong);
- Product Quality Law of the People’s Republic of China (中華人民共和國產品質量法);
- Law on Protection of Consumer Rights and Interests of the People’s Republic of China (中華人民共和國消費者權益保護法);
- Advertising Law of the People’s Republic of China (中華人民共和國廣告法);
- Patent Law of the People’s Republic of China (中華人民共和國專利法); and
- Intellectual Property Law of the People’s Republic of China (中華人民共和國知識產權法).

## Product quality

In recent years, there has been growing public concerns over product quality and safety in the manufacturing industry. The Group remains keenly aware of the need to do its very best for customers and has established the trust with its customers through products and services of high quality with the utmost safety, which in turn can lead to stronger corporate competitiveness of the Group.

To seek the high quality of final products and ensure that its top-notch services can satisfy customers’ needs, the corporate philosophy was incorporated into the Group’s business growth and has cascaded through all levels of the enterprise. In compliance with local and global rules and regulations such as the REACH and RoHS in order to obtain the CE marking, the Group established the “Internal Audit Control Procedures” (《內部審核控制程序》) and “Customer Product Requirement Review Control Procedures” (《顧客產品要求評審控制程序》) that acts as a guide to monitor, investigate and manage the products throughout the manufacturing process from accepting new orders to the delivery of final products. Meanwhile, the Group also regulates that all incoming materials comply with the requirements of controlled substances in REACH, RoHS and Sony SS-00259 according to its internal policy of “Controlled Substances Assurance Agreement” (《限禁用物質保證協議書》). With the effective implementation of the policy of “Final Inspection Work Procedures” (《最終檢驗作業程序》), “Incoming Material Inspection Control Procedures” (《進料檢驗控制程序》), “Product Protection Control Procedures” (《產品防護控制程序》) and “Quality & Environment Management Manual” (《質量環境管理手冊》), the Group has been committed to delivering its best services and products to its clients.

# Environmental, Social and Governance Report

## Customer feedback & complaints handling

To improve the product and service quality, thereby further meeting the expectations of clients, the Group has set up standard procedures for handling product enquires and customer's complaints such as the policy of "Customer Service Management Procedures" (《客戶服務管理程序》) and "Corrective and Preventive Action Control Procedures" (《糾正和預防措施控制程序》), which provides a structured working process for dealing with customers' complaints. Through this complaint-resolving process and by constantly reviewing on internal corrective actions, the Group could incessantly strengthen its product offerings and service quality to prevent similar incidents from happening again in the future, and consequently remain competitive in the market.

### Complaint-resolving process



Facing the feedback of customers on some scratches on product surfaces, for instance, the Group paid great attention to the issue and followed up with customers timely through the format of 8D Report (*Eight Discipline Problem Solving (8D) is a set of problem-solving skills commonly used among quality control engineers and other professionals*). To internalise the feedback, the Group has strengthened the training to relevant staff, posted warning pictures about the damages on product surfaces on site to remind employees, and optimised the manner of packing.

In terms of the regulation of any matter in relation to product recall, the Group has implemented its internal policies including the "Control Procedure of Nonconforming Products" (《不合格產品控制程序》) and "Control Procedure of Returned Products" (《退回產品控制程序》). Once the Group receives returned products, a comprehensive inspection process would be initiated immediately, and the Group will take the full responsibility and recall the unqualified products if the case is substantiated.



# Environmental, Social and Governance Report

## Advertising and privacy matters

To prevent any untrue or exaggerated advertisement that violates the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Group has internal guidelines and person in charge to monitor its marketing materials and product labelling. The Group endeavours to protect its customers' privacy and prohibit any provision of customer's information to external parties without the authorisation of its customers. All collected personal data of customers during the course of business must be treated as confidential and accessible by designated personnel only. In FY2020, there were no substantiated complaints concerning the breaches of customer privacy or loss of customer data.

In FY2020, the Group was in compliance with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services. Since intellectual property (IP) and labelling are not considered not material to the Group given its business nature, the IP-related and labelling-related regulations and policies are not mentioned in this ESG report.

## B.7. Anti-corruption

The Group is committed to running business with the highest level of business ethics and integrity, which requires that all directors and employees comply with relevant laws and regulations, and adhere to the Group's code of conduct to ensure that business activities are conducted in an honest, transparent and legitimate manner. To maintain a fair, ethical and efficient working environment, the Group abided by the local laws and regulations relating to anti-corruption and bribery, irrespective of the region in which the Group operated in FY2020, including:

- Anti-Corruption Law of the People's Republic of China (《中華人民共和國反腐敗法》);
- Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》);
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong); and
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

The Group has formulated and strictly enforced its anti-corruption policies which are listed in the Employee Handbook to prevent any illegal practices, including corruption, extortion and money-laundering within the Group. To prevent all forms of bribery and corruption, and to require all its employees to follow the relevant codes of professional ethics, the Group's Administrative Director is responsible for the oversight of the execution of anti-corruption policies and the handling of related cases. During the year under review, no legal case regarding corrupt practices was brought against the Group or any of its employees.

Whistle-blowers can report verbally or in writing to the Audit Committee of the Group or the Human Resources Department for any suspected misconduct with full details and supporting evidence. The Group promotes an effective grievance mechanism to protect the whistle-blowers from unfair dismissal or victimisation. After thorough investigation, where criminality is suspected, a report will be made promptly to relevant regulators or law enforcement authorities when the management considers it necessary.

# Environmental, Social and Governance Report

To promote the understanding of the corporate creed and to ensure awareness of and compliance with the code of conduct among employees, the Group's Administrative Department organised anti-corruption training prepared by Responsible Business Alliance (RBA), so as to familiarise staff with anti-corruption initiatives and the latest updates of the relevant laws and regulations. The Group also pays attention to the integrity of its suppliers, as such all suppliers of the Group need to sign an Integrity and Confidentiality Agreement in the business partnership.

ZHONG SHAN K.S. ELECTRONICS COMPANY LIMITED

中山市坚城电子有限公司

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## 供应商廉洁承诺书

致：中山市坚城电子有限公司

我司（\_\_\_\_\_）承诺：

- 一、不向贵司工作人员（含工作人员的配偶、子女及亲属等，下同）赠送任何物品（包括送钱、物、购物卡、有价证券、免费提供劳务等）。
- 二、不向贵司工作人员提供非正常商务宴请、联谊活动、度假、旅游以及到营业性娱乐场所（包括营业性歌厅、舞厅、卡拉OK厅、夜总会、桑拿、按摩等）消费。
- 三、不为贵司工作人员及其家属安排工作，以及支付应由其个人自付的各种费用（包括住宅装修，婚丧嫁娶、购物、学费等）。
- 四、发现贵司工作人员有违反本承诺书行为倾向的，将及时提醒纠正并向贵司行政部门举报，同时积极配合贵司进行调查（贵司联系电话：0760-88402031-803，联系人：梁锡荣 邮箱：[ks-xingzheng@ks-hitech.com](mailto:ks-xingzheng@ks-hitech.com)）。
- 五、经证实存在违反上述承诺的事实，贵司有权采取公司内通报，列入供应商黑名单、终止采购合作、追究相关民事、行政和刑事责任等措施。
- 六、本承诺构成我司与中山市坚城电子有限公司之间签订的所有合同的不可分割的一部分，如合同另有约定，则以合同约定为准。
- 七、承诺一经作出，始终有效。

（本承诺一式三份，行政部、采购人员、供应商各一份留底）

保证单位（公章）：

法定代表人（签名）：

年 月 日

# Environmental, Social and Governance Report

In FY2020, the Group complied with relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

## COMMUNITY

### B.8. Community Investment

The Group believes that the healthy development of communities is conducive to both community groups and the Group itself. To build a positive corporate culture and fulfil the Group's corporate social responsibility, the Group believes that the interests of the community where it operates should be taken as an indispensable aspect of its path towards sustainable development. As a corporate citizen to become an enterprise that cares about the healthy development of society, the Group has organised and participated in a number of charitable activities during recent years, in particular a fundraising events in accordance with the traditional virtue of "When disaster struck, help came from all sides (一方有難,八方支援)" within the company.

2020 was a year in which the globe came to a realisation of the great importance of a healthy and hygienic environment. With the mission "Building a beautiful community" in mind, the volunteer team of the Group took part in many activities concerning environmental protection and clean community in FY2020, as an effort to play a leading role in making our planet and society better.

### Appendix

Table A. Total workforce of the Group in FY2020

Unit: Number of employees		Age group				Total
Gender	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above		
Male	31	116	161	30	338	
Female	66	233	309	19	627	
<b>Total</b>	97	349	470	49	965	

Geographical Location				
PRC	Hong Kong	Overseas	Total	
928	32	5	965	

Position Level			
General staff	Senior management	Director and management	Total
901	49	15	965

# Environmental, Social and Governance Report

Table B. Employee Turnover Rate by Age Group, Gender and Geographical Locations in FY2020

Unit: Number of employees	Age group				Total
	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above	
<b>Gender</b>					
<b>Male</b>	60	15	7	1	83
<b>Employee turnover rate* (percentage)</b>	6.4	1.6	0.7	0.1	8.8
<b>Female</b>	76	87	32	0	195
<b>Employee turnover rate* (percentage)</b>	8.1	9.3	3.4	0	20.7
<b>Total</b>	136	102	39	1	278
<b>Total employee turnover rate* (percentage)</b>	14.5	10.9	4.1	0.1	29.6
<b>Geographical locations</b>					
<b>Locations</b>	Employee turnover		Employee turnover rate* (percentage)		
<b>PRC</b>	276		29.4%		
<b>Hong Kong</b>	2		0.2%		

\* Turnover rate refers to the ratio of the number of employees who resigned and the number of employees on average in FY2020

# Environmental, Social and Governance Report

## VIII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
<b>A. Environmental</b>				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 305: Emissions, and GRI 306: Effluents and Waste)</i> <i>GRI 305: Emissions: Management approach disclosures guidance</i> <i>GRI 307: Environmental Compliance: Disclosure 307-1</i>	13
	KPI A1.1	The types of emissions and respective emission data.	<i>GRI 305: Emissions: Disclosures 305-1, 305-2, 305-3, 305-6, and 305-7</i>	14
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<i>GRI 305: Emissions: Disclosures 305-1, 305-2, 305-3, 305-4</i>	15
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<i>GRI 306: Effluents and Waste: Disclosure 306-2 (a)</i>	15
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<i>GRI 306: Effluents and Waste: Disclosure 306-2 (b)</i>	15
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	<i>GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 305: Emissions)</i> <i>GRI 305: Emissions: Clause 1.2 and Disclosure 305-5</i>	16

# Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	<i>GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 306: Effluents and Waste) GRI 306: Effluents and Waste: Disclosures 306-2 and 306-4</i>	17
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, and GRI 303: Water)</i>	22
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	<i>GRI 302: Energy: Disclosures 302-1 and 302-3</i>	21
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	<i>Not covered by the GRI Standards</i>	21
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	<i>GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 302: Energy) GRI 302: Energy: Disclosures 302-4 and 302-5</i>	22
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	<i>GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 303: Water) GRI 303: Water: Disclosure 303-3</i>	24

# Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<i>GRI 301: Materials: Disclosure 301-1</i>	21
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Effluents and Waste).</i>	26
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<i>GRI 103: Management Approach: Disclosures 103-1 and 103-2 (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Effluents and Waste) GRI 303: Water: Disclosure 303-2 GRI 304: Biodiversity: Disclosure 304-2 GRI 306: Effluents and Waste: Disclosures 306-3 (c) and 306-5</i>	26

# Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
<b>B. Social</b>				
<b>Employment and Labour Practices</b>				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 202: Market Presence, GRI 401: Employment, GRI 405: Diversity and Equal Opportunity, GRI 406: Non-discrimination) GRI 419: Socioeconomic Compliance: Disclosure 419-1</i>	27
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 403: Occupational Health and Safety) GRI 419: Socioeconomic Compliance: Disclosure 419-1</i>	30
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 404: Training and Education) GRI 404: Training and Education: Disclosure 404-2 (a)</i>	33



# Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 408: Child Labor and GRI 409: Forced or Compulsory Labor) GRI 419: Socioeconomic Compliance: Disclosure 419-1</i>	35
<b>Operating Practices</b>				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 308: Supplier Environmental Assessment and GRI 414: Supplier Social Assessment)</i>	35
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 416: Customer Health and Safety, GRI 417: Marketing and Labeling, and GRI 418: Customer Privacy) GRI 416: Customer Health and Safety: Disclosure 416-2 GRI 417: Marketing and Labeling: Disclosures 417-2 and 417-3 GRI 418: Customer Privacy: Disclosure 418-1 GRI 419: Socioeconomic Compliance: Disclosure 419-1</i>	37

# Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 205: Anti-corruption) GRI 205 Anti-corruption: Disclosure 205-3 GRI 419: Socioeconomic Compliance: Disclosure 419-1</i>	40
<b>Community</b>				
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 413: Local Communities)</i>	42

\* The linkage between the GRI standards and disclosures that relate to each aspect in HKEX ESG Reporting Guide refers to the summary table from the 'Linking the GRI Standards and HKEX ESG Reporting Guide'.



**K & P International Holdings Limited**  
**堅實國際控股有限公司\***

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