

HINGTEX HOLDINGS LIMITED 興紡控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1968

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT **2020**

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2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Hingtex Holdings Limited (“Hingtex Holdings” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sales of denim fabrics, with brand customers in the United States, Europe and China.

The principal wholly-owned subsidiaries of Hingtex Holdings are as follows:

Company name	Principal place of operation	Principal activities
H.W. Textiles Company Limited (“HWT”)	Hong Kong, China	Design and trading of denim fabrics
Kingstead Industrial Limited (“Kingstead Industrial”)	Hong Kong, China	Trading of denim fabrics
Zhongshan Hing Tak Weaving and Dyeing Limited* (中山興德紡織漿染 有限公司) (“Hing Tak”)	Mainland China	Handling weaving process of denim fabric manufacturing and trading of denim fabrics
Zhongshan Hing Shing Finishing and Dyeing Limited* (中山市興盛漿染整理 有限公司) (“Hing Shing”)	Mainland China	Handling dyeing and finishing processes of denim fabric manufacturing

The Group has always valued establishing long-term and good relationship with its customers and is committed to developing a number of tailor-made fabrics and adding new product lines to meet our customers’ needs. Recognising the importance of research and development and technology to the long-term development of the industry, the Group has been continuously developing and investing in technologies relevant to expanding production capacity in the past three years in order to bring more breakthroughs to the market. From 1 January 2020 to 31 December 2020 (the “Year”), the Group continued to conduct research and development, including the development of environmentally friendly products and the introduction of sustainable materials such as recycled cotton and polyester.

The Group’s production process involves the use of natural resources and the generation of air pollutants, waste water and other industrial waste. In order to reduce the impact of our operations on the environment, the Group complies with local environmental laws and regulations and implements environmental management systems and measures, including the purchase of steam or natural gas for the use of thermal energy to replace biomass fuel or LPG to power our plant equipment, and the use of natural gas to replace diesel for cooking in our Hing Shing plant. Meanwhile, the Group continued to replace fluorescent tubes with light-emitting diodes (LEDs) for lighting in its plants, make good use of waste heat through heat exchange, collect condensates for reuse and use water-saving shower taps to reduce water consumption. With various measures in place, the Group has continued to improve its environmental performance to help promote environmentally sustainable green development in the future, with a view to bringing more new opportunities in business at the same time.

ABOUT THE REPORT

This is the third “Environmental, Social and Governance Report” published by Hingtex Holdings, which provides stakeholders with a better understanding of the progress and development direction of the Group in respect of sustainability by reporting on the Group’s policies, measures and performance in environmental, social and governance (“ESG”) aspects. This report has been uploaded to the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company (www.hwtextiles.com.hk).

Reporting Scope

This report presents the ESG policies, measures and performance of the Group for the Year, and focuses on the operation of the Group’s denim fabric manufacturing business. Consistent with last year, the report covers all principal operating subsidiaries of the Group located in Zhongshan, China as set out in the Group’s financial statements, including Hing Shing and Hing Tak which are principally engaged in handling dyeing and finishing processes of denim fabric manufacturing and handling weaving process of denim fabric manufacturing and trading of denim fabrics, respectively. The head office in Hong Kong and the two subsidiaries, HWT and Kingstead Industrial, are not included in this report as they do not have significant impact on the environment and society. The Group will regularly review the reporting scope based on the principle of materiality to ensure more comprehensive and accurate information is provided to investors and other stakeholders.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Reporting Standard

This report is prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange on the basis of the four reporting principles (i.e. materiality, quantitative, balance and consistency). The following table summarises how the Group has applied these four principles in the preparation of the report. A complete content index is appended in the last chapter of this report for easy comprehension with reference to the Guide.

Reporting Principles	Definitions	Application of reporting principles
Materiality	ESG issues that have a significant impact on the Group and various stakeholders should be the reporting focus.	The Group assisted the board of directors of Hingtex Holdings (the “Board”) to determine material ESG issues through a questionnaire and made key disclosure based on the identified material issues.
Quantitative	Key performance indicators (“KPIs”) for historical data should be measurable. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.	To the extent practicable, the Group records, calculates and discloses quantitative information and compares historical performance where appropriate. To ensure the accuracy of environmental KPIs, the Group commissioned an external consultant to conduct a carbon assessment according to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions — Other Industrial Enterprises (《工業其他行業企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission of the People’s Republic of China, ISO14064-1, Greenhouse Gas Protocol and other national and international standards. The quantitative information of the Group’s social KPIs is derived from the statistical records of the relevant departments.
Balance	The ESG report should provide an unbiased picture of the Group’s performance.	This report is prepared in an objective and unbiased manner to ensure that the information disclosed truly reflects the Group’s overall performance in ESG aspects.
Consistency	The preparation of the ESG Report (including the disclosure of statistical methodologies) should be consistent, to allow for meaningful comparisons of ESG data.	Where feasible, the Group uses consistent statistical methodologies. If there is any change that may affect the comparison with previous reports, the Group will include a corresponding explanation in this report.

CONFIRMATION AND APPROVAL

All information cited in this report is sourced from the official documents, statistical data of the Group, as well as the management and operation information collected according to the policies of the Group. The report was approved by the Board on 31 May 2021.

FEEDBACKS

The opinions and suggestions of stakeholders are conducive to the development of more detailed and sound sustainability strategies of the Group in the future. If you have any questions or suggestions about this report, please feel free to contact the Group by the following means:

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2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

BOARD STATEMENT

The Board announced that 2020 as a year of significant changes. With the Economic and Trade Agreement between the United States and China at the beginning of the Year, the protracted trade conflict may ease slightly. However, the global outbreak of 2019 Novel Coronavirus (“COVID-19”) pandemic continues to rage, bringing significant uncertainty to the global production, consumption and supply chain, and the world has entered into a new era of normalcy. Under these circumstances, the sustainable development of enterprises has received unprecedented attention and is regarded as an important reference factor to fully understand the risks of the industry and its ability to resist stress and attacks in the face of crises.

As a leading enterprise in the denim industry, Hingtex Holdings understands that business operations must take into account economic, social and environmental factors to create value for all stakeholders. The Group understands that the production of denim entails a certain degree of environmental impact, and in response to the concern of consumers and customers for sustainable development, the Group is committed to improving its production process with social and environmental benefits in mind.

The Group is therefore committed to sustainable development and has established environmental and product quality management systems to manage carbon emissions and emissions such as air and waste water from its operations. At the same time, the Group continues to strive to meet the emission requirements of customers and government regulators and implement relevant emission reduction measures to reduce the impact on the surrounding environment.

Communication with stakeholders is critical to the Group’s planning for sustainable development. During the Year, we commissioned an external sustainability consultant to conduct a questionnaire survey for the Board to help us identify the ESG issues that are more significant to the Group, including health and safety, labour standards, anti-corruption, supply chain management, emissions and resource use. In the future, the Group will strengthen its communication channels with stakeholders to better understand their views and expectations and effectively identify the risks faced by the Group and take relevant measures at an early stage.

In response to China’s far-sighted goal of achieving carbon neutrality by 2060, the Group will continue to improve its emission reduction and energy saving measures and increase investment in hardware and equipment to reduce pollution. Under the impact of climate change, the Group has formulated contingency plans to cope with the potential impact of extreme weather and to reduce the casualties among employees and the loss of production facilities. In order to implement more effective monitoring of ESG issues, Hingtex Holdings will pilot a sustainable management framework in 2020 and consider incorporating ESG considerations into risk management to better manage the impact of its own operations and value chain.

Looking ahead, the Group will continue to pursue the concept of sustainable development and incorporate it into its daily operations to prepare for the risks and opportunities that sustainable development will bring in the future. The Group has also strengthened its communication with stakeholders in a joint effort to lead the industry and society towards a green economy.

GOVERNANCE STRUCTURE

Maintaining high standards of corporate governance is one of the core values of the Group as the Group believes that good corporate governance practices could effectively guide the Group to establish and realise long-term strategies and goals. As the highest governance body of the Group, the Board assumes the role of leadership, control and management of the Company and ensures the effective operation of the Group's business and compliance with all applicable regulations. The Board also shoulders the responsibility of sustainable development, while supervising and reviewing sustainability issues, including strategies, policies, measures and performance.

In order to further integrate sustainable development into the Company's decision-making and operation, the Group has set up a task force on sustainability (the "Task Force") during the Year as a trial run to assist in formulating and optimising strategies and policies related to environmental protection, operation management, business ethics, employment system, community investment and other sustainability issues. The Task Force is also responsible for implementing and reviewing relevant measures, targets and performance, and reporting and providing recommendations to the Board on a regular basis to achieve sustainable development.

Environmental, Social and Governance Risk Management

Effective risk management is an integral part of corporate governance and day-to-day management to ensure that the Group understands its risk profile and takes remedial actions in a timely manner for its long-term business growth. The Group has developed the management structure, authorisation, policies and procedures for its risk management and internal control systems. The Board assumes full responsibility for the Group's risk management and internal control systems, ensures that the systems are sound and effective with the assistance of the audit committee, reviews and monitors the identified significant risks and formulates risk management solutions.

At the regional operational level, Hing Shing and Hing Tak have formulated the Risk and Opportunity Identification, Assessment and Response Control Procedures and the Internal Audit Control Procedures respectively. Hing Shing regularly identifies and evaluates risks and opportunities related to environment, quality and compliance and formulates relevant measures, while Hing Tak has adopted the Internal Audit Control Procedures to maintain the effectiveness of the quality management system.

In the future, the Group plans to gradually integrate environmental and social issues into the current risk management and internal control system, so as to effectively identify and assess potential environmental and social risks and formulate corresponding solutions to achieve more comprehensive risk management.

COMMUNICATION WITH STAKEHOLDERS

Communication with stakeholders is essential for the Group to pave its way towards sustainable development. The Group collects opinions from stakeholders through various channels such as daily operations and communication, Board investigation, opinions and complaints mechanism to review its own performance and potential risks and continuously improve its business strategies and management. The Group’s stakeholders include groups and individuals who have a significant influence on, or are impacted by, its business, including employees, shareholders, investors, suppliers and business partners, customers, regulators and industry associations.

METHODS OF COMMUNICATION BETWEEN THE GROUP AND ITS KEY STAKEHOLDERS

Employees	Customers	Suppliers	Community
Establish an employee grievance mechanism and channel to understand employees’ opinions and suggestions about the Group.	Maintain regular communication with customers and collect feedback and handle complaints through our feedback collection channel and handling mechanism.	Regularly communicate and audit with suppliers to ensure that their performance and operation model meet the requirements of the Group.	Create a positive impact on community development through community investment and donations.

Material Environmental, Social and Governance Issues

The Group has commissioned an independent consultant to conduct a questionnaire survey with the Board to identify the ESG issues that are important to its business operations. Based on the results of the survey, the Group has determined six material issues and highlighted them in this report.



The Group will continue to strengthen the communication with stakeholders and explore more diversified communication channels (such as conducting materiality surveys or focus groups with employees, customers, partners, community stakeholders, etc.) to better understand the opinions and expectations of stakeholders on the Group, thereby improving relevant policies and measures.

OPERATIONAL MANAGEMENT

The Group believes that excellent product quality is the key to establish a stable relationship with customers, and therefore has formulated a number of quality control measures and is committed to improving the supply chain and quality management. In order to build a fair and honest business environment, the Group has always adhered to the value of corporate integrity and business ethics to prevent corruption and bribery.

Anti-corruption

In daily operations, the Group prohibits corruption such as bribery, extortion, fraud and money laundering. Hing Shing and Hing Tak have adopted the Anti-bribery/Anti-corruption Management Procedures and the Anti-corruption and Anti-bribery Procedures respectively to provide employees with guidance on integrity on maintaining integrity in performing duties, which stipulate that employees shall not accept and solicit any benefits and engage in any acts or activities with conflicts of interest. In order to discover and deal with violations at an early stage, Hing Shing and Hing Tak have established a hotline and an incentive system for employees to report corruption. If anyone is found to be involved in any illegal activities, the Group will take disciplinary action or dismiss the employees involved, and report the serious illegal activities to the government authority. In order to enhance the understanding of anti-corruption of the Group's directors and employees, the Group plans to provide relevant training in the future.

Product Responsibility

The Group has been upholding high-quality products and services to maintain the satisfaction and long-term cooperation relationship with major customers such as international apparel brands and garment manufacturers. Hing Shing and Hing Tak have obtained ISO 9001 quality management system certification and established quality control measures covering the production process of manufacturing, inspection and testing in accordance with the quality management system to ensure that the products comply with the internal quality standards and customers' specifications.

Product Quality and Recall Procedures

In order to maintain the quality of products, Hing Shing and Hing Tak have formulated the process flow chart, operational rules, operational guidelines and quality objectives to regulate and direct each production process and inspection procedure. Quality control personnel are required to conduct sample inspections on raw materials, semi-finished products and finished products in accordance with the relevant guidelines and test specifications such as elasticity and dimensional stability to ensure that the products comply with the internal inspection standards and customers' requirements. For subcontractors who perform dyeing, weaving and finishing processes, the Group assigns production personnel to conduct regular quality inspection and verification at its production sites to ensure that the finished materials comply with the quality requirements and is responsible for the health and safety of consumers.

According to the Unqualified Items Control Procedures and the Rectification Measures Control Procedures, Hing Shing and Hing Tak assess and control the unqualified items identified during the Year from incoming materials, semi-finished products and finished products, return of goods by customers and implement rectification measures. To avoid any misuse of unqualified raw materials and products, the factory department is required to identify and separately store all qualified and unqualified raw materials (including white yarn), semi-finished products, finished fabrics and chemicals in accordance with the Identification and Retrospective Control Procedures and Warehouse Management Rules. If the exported products have quality problems or serious complaints are received from customers, the Group will recall the relevant products for inspection as soon as possible and implement rectification and preventive measures.

Product Labelling and Customer Communication

In order to enable customers to correctly identify and use the Group’s products, the Group prepares and prints product labels in accordance with customers’ requirements and its relevant labelling guidelines.

The Group is also committed to maintaining good communication with its customers by identifying and responding to their needs via different channels such as phone calls, emails and interviews on a regular basis and following up on product quality issues such as production requirements and usage effectiveness. The Group has established the Customer Engagement Management Procedures to specify relevant responsibilities and processes. If a customer has a complaint against a product or service, the Group will record and analyse the case and give a reply within three working days after the complaint. Relevant departments are required to analyse the cause and responsibility of the complaint and to agree on rectification and preventive measures. In addition, the finished products department conducts customer satisfaction survey once a year and rates based on customer feedbacks and/or complaints and return records to analyse customer opinions; such information will be reviewed and followed up at the management review meeting.

During the Year, Hing Shing and Hing Tak did not have any product recall due to safety and health reasons and received a total of 16 customer complaints about product quality or product labels, among which, quality issues were mainly related to the quality of sub cloth and sizing. All customer complaints have been properly handled and improvement methods have been adopted by the Group. The Group will continue to improve its product quality-related policies and measures according to its business development and needs.

Supply Chain Management

In order to ensure a stable and high-quality supply of raw materials for the manufacturing of denim fabrics, the Group has formulated the Supplier Control Procedures and the Procurement Control Procedures to regulate the procedures of supplier selection, evaluation and approval. During the Year, the Group engaged, managed and monitored suppliers in accordance with this process.

<p>Review and selection of suppliers</p>	<ul style="list-style-type: none"> • Pre-review qualified product certification information and previous supply records of suppliers and inspect samples provided by them • Conduct on-site inspection on suppliers to evaluate product quality, supply capacity, technological level, improvement capability and other performances • Rate candidate suppliers according to the Supplier Assessment checklist and those who meet the requirements will be included in the Qualified Supplier List for selection.
<p>Regular evaluation</p>	<ul style="list-style-type: none"> • Conduct annual assessments for suppliers according to the Supplier Performance Evaluation Checklist, covering aspects such as supply quality, supply record and price.

The total number of suppliers of Hing Shing and Hing Tak during the Year was 39, and the Group has implemented the above practices in 87% of its suppliers. Suppliers are located across the mainland China and primarily provide cotton yarn, accessories, packaging materials, chemicals, parts and trimmings, chemical dyes, labour protection products required for production as well as office and daily necessities. In the future, the Group plans to review its existing supplier management system and further improve relevant policies to identify and manage potential environmental and social impacts in the supply chain.

CARE FOR EMPLOYEES

The Group's success depends on the joint efforts and dedication of its employees. The Group is committed to providing a safe and healthy working environment for its employees and supporting their long-term development, while strengthening the internal cohesion of the Group so that employees can grow together with the Group.

Labour Standards

The Group strictly prohibits the employment of child and forced labour in its operations. Hing Shing and Hing Tak have formulated the Prohibition of Child Labour Policy and the Procedures for Saving Child Labour, which stipulate that no minors under the age of 16 shall be employed. During the recruitment process, all candidates are required to submit their identity documents, recent photos and other documents for verification by the human resources department. If a person under the age of 16 is found to be hired by mistake, the Group will immediately stop him/her from working and send him/her to a hospital for physical examination to ensure that his/her health is not affected by his/her work and escort him/her back to his/her guardian. At the same time, the Group will also report to the local labour department and investigate the causes of misuse of child labour, and handle the cases according to relevant regulations and factory rules.

The Group prohibits forced labour and ensures that all of its employees are working on a voluntary basis. With regard to compensation for voluntary overtime work, the Group specifies the working hours, overtime work, overtime pay and other arrangements in the Staff Handbook. Employees may also terminate their labour contracts with the Group according to the negotiation and resignation process.

Work Safety and Employee Health

The Group attaches great importance to the occupational health and safety of its employees and adheres to the principle of "safety management is necessary for production management". Therefore, it has formulated the Occupational Health Management Policy, the Safety Management Plan and other management systems to regulate the occupational safety and health measures for its employees.

Use of Chemicals

As the Group is involved in the use of chemicals in the production and operation process, the Group has established the Chemical Warehouse Management Policy to ensure safe warehouse storage and protect the surrounding environment. It also carries out daily safety inspections and conducts fire and spill prevention work. In order to strengthen employees' ability to handle chemical spill accidents and their safety awareness, the Group conducts chemical spill drills and holds safety training every year according to the Chemical Spill Drill Plan and the Emergency Preparation and Response Management Guidelines to enhance its employees' safety awareness.

Drinking Water

Hing Shing and Hing Tak regularly inspect the drinking water of their employees in the factory to ensure the compliance with the requirements of the National Food Safety Standard — Packaged Drinking Water, so that their employees can enjoy drinking water at ease.

Emergency Response

The Group has formulated the Emergency Response Plan and the Accident Emergency Rescue Plan, which provide relevant guidelines when handling emergency incidents and set out the roles and emergency plans of its employees in case of natural disasters and accidents caused by human factors. The Group also purchases fire-fighting equipment and invites fire-fighting trainers to conduct training and regular inspections in accordance with the Safety Management Plan. Besides, the Group organises fire drills to raise its employees' awareness of fire prevention and their ability to respond to emergencies.

During the Year, there were no work-related fatalities in Hing Shing and Hing Tak. However, a total of 25 employees were involved in work-related injuries, which was mainly due to accidental injuries in the operation of factory equipment. In view of this, the Group has taken measures to enhance its employees' safety awareness to ensure that its employees have sufficient labour protection items and maintain a clean and tidy working environment.

Total number of work-related injuries ¹	Work injury rate ² (per 100 employees)	Number of work-related fatalities
25	7.3	0

In response to the COVID-19 pandemic, the Group prioritises the health and safety of its employees. During the critical period of pandemic prevention and control, our head office in Hong Kong implemented a different work schedule for its staff to avoid peak traffic hours and reduce the risk of infection while maintaining normal operations. The Group has also implemented a series of preventive measures, including strengthening office cleaning and disinfection, requiring staff to wear masks during work, arranging for daily body temperature measurement, and reminding staff to clean and disinfect their hands frequently to reduce social contact. The daily operation of the Group has returned to normal, but we will continue to take precautionary measures and will not lower our guard.

In mainland China, both Hing Shing and Hing Tak started their preparations from early February, procuring pandemic prevention supplies, designing various pandemic prevention publicity banners and posters, formulating and improving emergency response plans, and cooperating with the Sanjiao Town Government in Zhongshan to implement various prevention and control measures and resumed work and production.

¹ Cases of work-related injury reported according to the relevant definition of the Labour Law of the People's Republic of China.

² Calculated by dividing the total number of work-related injuries for the Year by the total number of employees as of the end of the Year and multiplied by 100.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Before entering the factory, employees must wear masks and cooperate with the pandemic prevention inspection, including completing a health survey and signing a letter of commitment, otherwise they are not allowed to enter the factory. Staff working in pandemic prevention positions must wear protective equipment (including masks, goggles and gloves) at all times. Non-disposable protective equipment (such as goggles) must be wiped with alcohol after use and placed in an open area to dry naturally. If employees are found to have symptoms such as fever or coughing during the inspection, they should be isolated immediately, and the emergency rescue team should be notified. Employees are also required to maintain distance when waiting in line for inspection. In terms of maintaining social distance throughout the factory premises, employees sit separately in the factory and maintain a distance of more than one meter; meetings must be held in open areas, and those who participate must always maintain a certain distance with other participants.

Temporary isolation areas are set up in factories to isolate and observe individuals who are unwell or show suspected pneumonia symptoms during work to prevent the spread of the disease, and isolation quarters are provided for individuals from high-risk areas. Banners and posters promoting pandemic awareness are hung everywhere in the factory to raise the awareness of all employees. Handwashing area is set up in the factory to implement the measure of “washing hands frequently to fight against the pandemic”. The Group arranges staff to clean and disinfect the common areas of the factory, including the staff quarters and toilets, and sprays disinfectant in the living areas of the factory and staff quarters at least twice a day. The waste bins in the factory are divided into two categories: household waste and mask. The department supervisors educate and supervise the employees to develop a good habit of waste separation; when the cleaning staff dispose of the waste, they first spray disinfectant inside waste bins and the surroundings, and then seal and wrap the waste bags before transporting and disposing.

The Group has set up an online WeChat group to distribute knowledge and latest information on disease prevention and quarantine in order to reduce gatherings. The Group also distributes “Health Education Core Messages on Prevention and Control of COVID-19” to employees to raise their awareness of disease prevention.

Employment System

The Group recognises that a sound employment system can attract and retain talents. The Group has formulated the Staff Handbook, which clearly states the basic management and personnel system and sets out policies on recruitment, remuneration, working hours, dismissal, equal opportunity, holidays and other benefits, so that its employees are aware of the Group's employment regulations and arrangements.

Recruitment and remuneration	Holidays and other benefits
<p>The Group is committed to maintaining an open, fair and justified recruitment process, and recruits employees who meet the job requirements in accordance with the principle of "merit-based employment" based on their academic qualifications and experience.</p> <p>The Group provides market-competitive remuneration to attract and retain talents, and offers attendance awards, allowances, overtime pay and performance-based bonuses to its employees based on their performance.</p>	<p>The Group provides various types of leaves in accordance with the provisions of the Staff Handbook, including annual leave, marriage leave, maternity leave and paternity leave. Employees who have served more than a year are also entitled to 5 to 15 days' annual leave. The Group provides medical benefits to its employees in accordance with national and local regulations to ensure that they are protected against work-related injuries, illnesses and pregnancy of female employees. The Group also provides flexible working hours based on individual needs, such as pregnant women or families in need. The Group also provides free accommodation and canteen benefits to its factory staff so that they can live and work in peace and happiness with the Group as their home.</p>
Equal opportunity and anti-discrimination	Grievance channel
<p>The Group is committed to providing equal opportunities to its employees or candidates and preventing discrimination to protect its employees' rights and interests. The Group has established the Anti-discrimination Policy, which clearly specifies that no discrimination against its employees or candidates due to their gender, age, appearance, disability, race, religion, language, geographical region and culture is allowed.</p>	<p>In order to protect the legitimate rights and interests of its employees from unfair or sexual harassment and gender discrimination, the Group has established the Employee Complaints Policy and the Employee Complaint Process Form for its employees to follow the policy and procedures for complaints on matters such as working environment, employment, gender discrimination and sexual harassment. The Group will conduct investigations in accordance with established procedures.</p>

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group believes that multiculturalism can facilitate a more holistic approach to business decisions and sustainable development, and has formulated and adopted a board diversity and promotion policy. Looking forward, the Group will review the existing employment policies and review how to further improve the employment guidelines and measures related to diversity and fair promotion.

During the Year, Hing Shing and Hing Tak had a total of 344 employees, and the ratio of male to female employees was 1.2:1, of which general staff accounted for nearly 90% of the total number of employees.

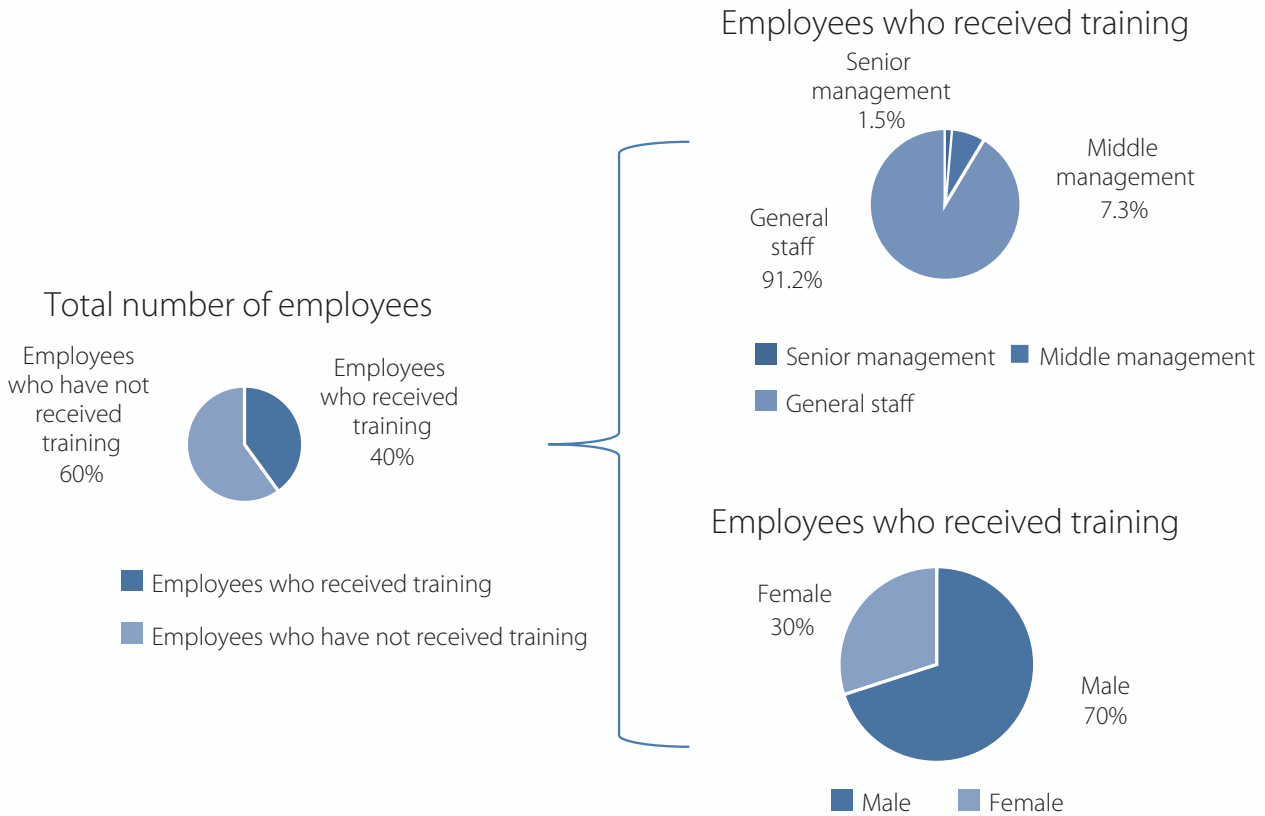
Development and Training

The Group supports the long-term personal development of its employees and is committed to providing them with a variety of trainings and development opportunities. The Group, Hing Shing and Hing Tak have formulated the Personnel Educational Training Control Procedures and the Education Training Management Procedures respectively to arrange appropriate training for their employees according to the training needs and formulate the annual training plan. The major training contents are as follows:

Training category	Target	Training content
Induction training	New employees	<ul style="list-style-type: none"> Induction training from the human resources department: to understand company policies and working environment Job training during probation period: job guidance will be given by immediate supervisors to understand duties and functions, responsibilities as well as rules and regulations New employees are required to pass the job training assessment before they become formal employees
On-the-job training	Formal employees	<ul style="list-style-type: none"> Special job qualification training: professional personnel who have passed the examination and obtained corresponding qualifications Training for the purpose of updating knowledge or improving skills: operating procedures of hazardous chemicals, training on hazardous wastes and general wastes, regulations on wearing labour supplies Education and training on production safety: regular training on fire prevention and production safety
External training	Formal employees	<ul style="list-style-type: none"> To participate in external training programs to learn new knowledge and skills
Management training	Middle management or above	<ul style="list-style-type: none"> Training for enhancing management skill: to learn management theories and skills

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Year, a total of 137 employees of Hing Shing and Hing Tak received training, accounting for 40% of the total number of employees and each employee took 1.0 hours of training on average. Of the 137 employees who received training, 70% were male and 30% were female; 1.5% were senior management; 7.3% were middle management; and 91.2% were general staff.



2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

COMMUNITY INVESTMENT

The Group believes that community development is essential to corporate operation. As a responsible enterprise, the Group is committed to fulfilling its corporate social responsibility, caring for and giving back to society. During the Year, the Group supported community investments such as anti-pandemic medical treatment, education for school children and care for the elderly, and invested a total of HK\$409,300 in donations to give back to the community. Hing Shing and Hing Tak also participated in the Zhongshan Red Cross 2020 Sanjiao Walk and contributed a total donation of RMB10,000.

Focus areas of contribution	Contribution target and usage	Amount of donation (HK\$)
Anti-pandemic medical	Ning Po Residents Association used for Zhejiang Yinzhou anti-pandemic supplies	10,000
Children education	Northfield Mount Hermon School Foundation	232,800
Elderly care	Donate mooncakes to seven institutions including Kowloon City Baptist Church Neighbourhood Elderly Centre and Chinese YMCA Neighborhood Centers for the Elderly	136,500
Other charitable activities	The 33rd Annual Cup of Kindness by The Hong Kong Golf Club	30,000
	Total	409,300

In the future, the Group will formulate policies related to community investment and donation based on community needs and increase community investment projects to bring more positive impact to the community.

ENVIRONMENTAL PROTECTION

The Group attaches great importance to emissions generated during operation and efficient use of resources. The operations of the plants of Hing Tak and Hing Shing have been granted ISO 14000 environmental management system certification and formulated the Environmental Management Agency and Management System and the Enterprise Environmental Protection Management System respectively to establish various measures to control the pollutants discharged during production, effectively utilise various resources and reduce the negative impact of production activities on the surrounding ecology.

Greenhouse Gas Emissions

Greenhouse gas emissions (or “carbon emissions”) are closely associated to climate change. In order to quantify the greenhouse gas emissions produced from the operations, the Group has engaged an independent consultant to conduct a carbon assessment according to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Other Industrial Enterprises (《工業其他行業企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission of the People’s Republic of China, ISO14064-1, the Greenhouse Gas Protocol and other national and international standards.

During the Year, the total greenhouse gas emissions of Hing Tak and Hing Shing were 12,245.0 tonnes of carbon dioxide equivalent (tonnes of CO₂-e), and the greenhouse gas intensity was 0.47 tonnes of CO₂-e per thousand yard of products. The greenhouse gas emissions mainly came from purchased steam and electricity (11,988.9 tonnes of CO₂-e) in scope 2 energy indirect GHG emissions, accounting for approximately 98% of the total emissions. The second largest source was scope 1 direct GHG emissions from emissions due to fuel combustion by factory production facilities, kitchen equipment and vehicles as well as fugitive emissions from refrigerants of factories (255.7 tonnes of CO₂-e), accounting for approximately 2% of the total emissions. For other indirect GHG emissions in scope 3, only small amounts of emissions came from business travel flights were considered in this report.

Compared to the previous year, the overall GHG emissions of Hing Tak and Hing Shing decreased by 49% while the GHG emission intensity decreased by 19% during the Year. Scope 2 energy indirect GHG emissions decreased by 49% and scope 1 direct GHG emissions decreased by 50% as compared to the previous year, mainly due to the lower production in the year and the full replacement of biomass boilers with purchased steam and replacement of workshop LPG and kitchen diesel with natural gas.

Looking forward, the Group will continue to implement the reporting principles of quantitative and consistency for preparing an ESG report required by the Stock Exchange to report greenhouse gas emissions in quantitative form and compare historical data where practicable. The Group also plans to set its future emission reduction targets and long-term emission reduction measures based on historical data.

Air Pollutants

The air pollutants of Hing Tak and Hing Shing mainly come from the use of production equipment, kitchen equipment and motor vehicles. These air pollutants mainly include nitrogen oxides, sulphur oxides and respirable suspended particulates. The nitrogen oxides, sulphur oxides and respirable suspended particulates for the Year were 1,191.0 kg, 65.9 kg and 16.7 kg respectively, representing a decrease of 55%, 53% and 66% respectively as compared with last year. The main reason for the decrease in exhaust gas emissions was due to the decrease in production volume, while the fuel consumption of vehicles was also reduced due to the decrease in business travel, so as to avoid relevant exhaust gas emissions.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In order to reduce air pollutants and regulate various waste gas treatment methods, the Group has established the Rules on Exhaust Gas Pollution Prevention and Control to specify the use of chemicals, require the use of environmentally friendly materials, and set up waste gas and gas collection and purification facilities. During the Year, the Group has used steam or natural gas generated from purchased heat to power our plants and replaced some existing facilities with new models with higher energy efficiency.

The Group also engages testing companies to test the Group's exhaust gas emissions to ensure that the exhaust gas emissions meet the national requirements. If the exhaust gas emissions fail to meet the standards, the Group will make improvement according to the Rectification Measures Control Procedures. If abnormal exhaust gas emissions occur during the production process, the Group will handle according to the Emergency Preparation and Response Control Procedures. During the Year, all the exhaust gas test results did not exceed the corresponding limit of relevant regulations.

Wastewater Management

The wastewater generated by the Group mainly includes industrial wastewater and domestic wastewater. Each of Hing Shing and Hing Tak has obtained the pollutant discharge permit in accordance with the Measures for the Administration of Pollutant Discharge Permits (For Trial Implementation) issued by the Ministry of Ecology and Environment of the People's Republic of China and the relevant requirements in Zhongshan. During the Year, the Group hired a testing company to test the discharge of sewage, and the industrial wastewater of the Group's plants was discharged into the municipal sewage treatment plant in accordance with the pollutant discharge standards, and the domestic wastewater was discharged into the municipal sewage pipe network.

Waste Management

The Group is committed to reducing waste generated during production and possible pollution to the environment. The Rules on Solid Waste Pollution Prevention and Control of the Group has specified the treatment process, which classifies hazardous solid waste, recyclable waste and non-recyclable waste for disposal, and is handled by approved waste recyclers and cleaning companies correspondingly.

The Group has also established the Hazardous Waste Management System and the Hazardous Waste Disposal — Environmental Safety Management Plan to deal with hazardous waste. The Group manages hazardous wastes according to the National Hazardous Waste List, including waste oil and toxic waste rags and packaging materials. The Group appoints qualified hazardous waste disposal companies to handle the waste, and to record and count the amount of such hazardous waste.

For non-hazardous waste, such as industrial consumables or scraps, such as greige cotton, the Group recycles or sells them to suppliers and recyclers in accordance with the Administrative Measures on Trading of Scraps from Processing in the Domestic Sales Network in Guangdong Province jointly promulgated by the Guangdong Branch of the General Administration of Customs and the Department of Commerce of Guangdong Province. Other recyclable non-hazardous wastes, such as metal scrap, waste cardboard, plastic waste, wrapping paper and waste cloth, are collected and sorted by the Group and sent to approved recyclers for recycling. The remaining non-recyclable wastes, such as domestic wastes, are transported to designated garbage stations for disposal by waste disposal companies.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Year, Hing Shing and Hing Tak produced 7.0 tonnes of hazardous waste, 153.7 tonnes of non-hazardous waste, and the intensity of hazardous and non-hazardous waste were 0.27 and 5.9 kg per thousand yards of products respectively. In order to reduce waste generation, the Group encourages the maximisation of resource use efficiency, purchases corresponding amount of packaging materials appropriately, reuses packaging materials where feasible, or uses double-sided photocopying.

Energy Management

During the Year, the total energy consumption of Hing Shing and Hing Tak was 27,588.8 MWh, with an energy intensity of 1.1 MWh per thousand yards of products. The total energy consumption and energy intensity decreased by 50% and 21% respectively as compared with last year. The main energy consumption includes purchased steam and electricity (19,800.7 MWh and 6,798.5 MWh), accounting for approximately 72% and 25% of the total energy consumption respectively, representing a decrease of 39% and 54% as compared with last year. Other energy uses included diesel, petrol and natural gas, the consumption. For more details, please refer to the paragraph headed “Key Performance Indicators Summary — Environmental Performance”.

As energy consumption is one of the major sources of carbon emissions, in order to reduce energy consumption and improve energy efficiency, the Group has established and review from time to time the Environmental Target Indicator Management Plan, and at the same time, has adopted a series of consumption reduction measures, including:

- Replacement of LED fluorescent tubes in offices and staff quarters, whereby 258 units have been replaced in the Year;
- Comprehensive use of natural gas and purchased steam in 2020, instead of biomass or LPG;
- Use of heat exchange to collect waste heat to provide hot water for staff quarters and canteen; and
- Coating of insulation paint on sides of the baking barrel to significantly reduce the transient temperature of the surface, thereby reducing heat dissipation.

Water Management

In terms of water consumption, the Group’s finishing and dyeing processes in its production operations require a large amount of water. To reduce water wastage, the Group encourages employees to conserve water and installs water-saving devices in the canteen washing pool. The Group also regularly monitors the water consumption and inspects and repairs the water supply system to prevent leakage due to damaged faucets or pipes.

During the Year, the total water consumption of Hing Shing and Hing Tak was 249,072 m³ and the water consumption intensity was 9.5 m³ per thousand yards of products. Compared with the previous year, the Group’s water consumption decreased by 56% and water consumption intensity decreased by 29%. During the Year, the Group collected condensate for recycling and replace the cold air system in the weaving room, which reduced water consumption. Staff quarter is equipped with water-saving showers, and the production volume was reduced, so the water consumption will be relatively less. The Group draws water from the municipal water supply network and has no problem in sourcing water that is fit for purpose during the Year.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Natural Environment and Natural Resources

The Group is committed to protecting the surrounding environment and natural resources while maintaining operations, so as to reduce the environmental impact caused by production. The Group has formulated the Procedures for Identification, Evaluation and Control of Environmental Factors to identify the environmental factors that the Group can control and exert influence and the extent of their environmental impact, so as to determine the important environmental factors. The Group has also formulated the Emergency Plan for Environmental Emergencies to provide emergency rescue guidance in case of environmental emergencies, including prevention, alert and emergency measures, information reporting and emergency organisation system, so as to reduce the impact on the surrounding environment and community.

COMPLIANCE PERFORMANCE

Aspects	Laws and regulations relating to the Group	Compliance disclosure for the Year
Emissions	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Water Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste Regulation of Guangdong Province on Environmental Protection Administrative Measures on Trading of Scraps from Processing Trade in the Domestic Sales Network in Guangdong Province Administrative Measures for Pollutant Discharge Licensing (For Trial Implementation)	The Group was not in violation of relevant laws and regulations that have a significant impact on the Group.
Employment	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Social Insurance Law of the People's Republic of China	The Group was not in violation of relevant laws and regulations that have a significant impact on the Group.
Health and Safety	Production Safety Law of the People's Republic of China Prevention and Control of Occupational Diseases Law of the People's Republic of China Regulation on Work-related Injury Insurance of the People's Republic of China	The Group was not in violation of relevant laws and regulations that have a significant impact on the Group.
Labour Standards	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Social Insurance Law of the People's Republic of China Production Safety Law of the People's Republic of China Provisions on the Prohibition of Using Child Labour Order No. 364 of the State Council	The Group was not in violation of relevant laws and regulations that have a significant impact on the Group.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspects	Laws and regulations relating to the Group	Compliance disclosure for the Year
Product Responsibility	Product Quality Law of the People's Republic of China Contract Law of the People's Republic of China Advertising Law of the People's Republic of China Patent Law of the People's Republic of China Tort Liability Law of the People's Republic of China Trademark Law of the People's Republic of China GB5296.4-2012 Instruction for Use of Products of Consumer Interest — Part 4: Textiles and Apparel GB18401 National General Safety Technical Code for Textile Products GB/T 8685 Code for Maintenance and Labeling of Textile Products Technical Guidelines for Exports of Knitwear	The Group was not in violation of relevant laws and regulations that have a significant impact on the Group.
Anti-corruption	Criminal Law of the People's Republic of China Anti-money Laundering Law of the People's Republic of China Anti-corruption and Anti-commercial Bribery Regulations Bidding Law of the People's Republic of China	The Group did not receive any legal cases regarding corrupt practices brought against the Group or its employees, nor did it violate any relevant laws and regulations that have a significant impact on the Group.

KEY PERFORMANCE INDICATORS SUMMARY

Environmental Performance

Air emissions	2020	2019
Nitrogen oxides (kg)	1,191.0	2,633.8
Sulphur oxides (kg)	65.9	140.1
Respirable suspended particulates (kg)	16.7	49.4

Greenhouse Gas Emissions	2020	2019
Scope 1: Direct GHG emissions (tonnes of CO ₂ -e) ³	255.7	508.5
Scope 2: Energy indirect GHG emissions (tonnes of CO ₂ -e) ⁴	11,988.9	23,702.9
Scope 3: Other indirect GHG emissions (tonnes of CO ₂ -e)	0.5	1.2
Total greenhouse gas emissions (tonnes of CO ₂ -e)	12,245.0	24,212.6
Greenhouse gas intensity (in terms of the yards of products, i.e. tonnes of CO ₂ -e/thousand yard)	0.47	0.58

Waste	2020	2019
Total hazardous waste generated (tonnes)	7.0	2.5
Intensity of hazardous waste (in terms of the yards of products, i.e. kg/thousand yard)	0.3	0.1
Total non-hazardous waste generated (tonnes)	153.8	30.2
Intensity of non-hazardous waste (in terms of the yards of products, i.e. kg/thousand yard)	5.9	0.7

³ Scope 1 represents fugitive emissions from plant production equipment, kitchen equipment, vehicle fuel emissions, and refrigerant from the plant.

⁴ Scope 2 is derived from purchased electricity and steam emissions. The calculation of GHG emissions from purchased electricity is based on the national average GHG emission factor for grid electricity in China, which is derived from the "Notice on Carbon Emissions Reporting and Verification for the Year 2019 and the List of Key Emission Units in the Power Generation Industry" and the "Notice on the Development of 2018 Annual Carbon Emissions Reporting and Verification and Emissions Monitoring Plan".

⁵ Scope 3 comes from business travel emissions.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Use of energy	2020	2019
Liquefied petroleum gas (MWh)	Not Applicable	1,022.4
Gasoline (MWh)	48.4	87.1
Diesel (MWh)	188.2	420.8
Natural gas (MWh)	753.0	396.3
Purchased electricity (MWh)	6,798.5	11,187.2
Purchased steam (MWh)	19,800.7	42,620.1
Total energy consumption (MWh)	27,588.8	55,733.9
Energy intensity (in terms of yards of products, i.e. MWh/thousand yard)	1.1	1.3

Water consumption	2020	2019
Total water consumption (cubic meter)	249,072	565,367
Water consumption intensity (in terms of yards of products, i.e. m ³ /thousand yard)	9.5	13.5

Packaging materials	2020	2019
Total packaging material — Paper (tonnes)	57.0	98.7
Packaging material intensity (in terms of yards of products, i.e. kg/thousand yard)	2.2	2.4

Social Performance⁶

Number of employees		2020	2019
Gender	Male	190	231
	Female	154	179
Age group	Below 30	22	43
	30-50	211	249 ⁷
	Above 50	111	118 ⁸
Rank	Senior Management	11	11
	Middle management	25	33
	General staff	308	366
Employment category	Full-time	100%	100%
Total number of employees		344	410

⁶ Social performance data (including the number of employees) as of the end of the reporting period, i.e., 31 December 2020, is used for calculation.

⁷ Total number of employees aged 30-49 in 2019.

⁸ Total number of employees aged 50 and over in 2019.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Ratio of new employees ⁹		2020	2019
Gender	Male	8%	60%
	Female	6%	36%
Age group	Below 30	14%	77%
	30-50	9%	41% ¹⁰
	Above 50	2%	60% ¹¹
Total new hire rate		7%	50%

Turnover rate ¹²		2020	2019
Gender	Male	28%	45%
	Female	25%	46%
Age group	Below 30	41%	88%
	30-50	29%	44% ¹³
	Above 50	20%	33% ¹⁴
Total turnover rate		27%	45%

Number of work-related fatalities or injuries		2020	2019
Number of work-related fatalities ¹⁵		0	0
Number of work-related injuries ¹⁶		25	51
Work injury rate ¹⁷ (per 100 employees)		7.3%	12.4%
Lost days due to work injury		328	1,195

⁹ Employee new hire rate is calculated by number of new employees hired for the category over total number of employees of the category.

¹⁰ Percentage of new employees aged 30-49 in 2019.

¹¹ Percentage of new employees aged 50 and over in 2019.

¹² Employee turnover rate is calculated by number of employee turnover of the category over total number of the category.

¹³ Turnover rate of employees aged 30-49 in 2019.

¹⁴ Turnover rate of employees aged 50 in 2019.

¹⁵ There have been no work-related fatalities in the past three years.

¹⁶ Cases of work-related injury reported according to the relevant definition of the Labour Law of the People's Republic of China.

¹⁷ Rate of work-related injury is calculated by total number of employees injured at work over total number of employees and times 100.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Percentage of employees trained ¹⁸		2020	2019
Gender	Male	51%	20%
	Female	27%	13%
Rank	Senior Management	18%	18%
	Middle management	40%	73%
	General staff	41%	12%
Total employee average training hours¹⁹		40%	17%

Average training hours of employees ²⁰		2020	2019
Gender	Male	1.4	2.6
	Female	0.5	0.7
Rank	Senior Management	1.2	0.5
	Middle management	6.2	9.2
	General staff	0.6	1.1
Total employee average training hours		1.0	1.8

¹⁸ Rate of trained employees is calculated by the number of employees receiving training of the category over the total number of employees of that category.

¹⁹ Ratio of the relevant category of the trained employees = number of trained employees of the category/total number of trained employees
The male to female ratio of the trained employees: male (70.1%) and female (29.9%)
The ratio of each rank of the trained employees: senior management (1.5%), middle management (7.3%) and general staff (91.2%)

²⁰ Staff training hours is calculated by the training hours of the employees of the category over the total number of employees of the category.

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

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