

China Display Optoelectronics Technology Holdings Limited

華顯光電技術控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

*Environmental, Social and
Governance Report*

2020



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01

Chairman's Statement



For the twelve months ended 31 December 2020 (the "Review Period"), the Group promoted reform and transformation. Despite the challenges in the industry, we tapped into our advantages in production scale and efficiency to provide display technology services for global first-tier brands. According to the statistics from OMDIA, a market research institution, the Group ranked fifth among Chinese mobile phone display module makers in 2020 in terms of sales volume.

During the Review Period, the Group strictly abided by the laws and regulations in the People's Republic of China ("PRC") on environmental protection, fire safety and employment, refined administrative systems, and vigorously conducted energy conservation and emission reduction activities in a socially responsible manner. The Group also carried out numerous activities to provide care for employees and the community, so as to foster harmony between the Group and its stakeholders. In terms of production, the Group has officially launched the project of small and medium-sized liquid crystal display ("LCD") module, in order to build a smart factory for the new TID (Touch In Display) module, step up the Group's research and development ("R&D") capability and production technology, and enhance its production scale. The factory construction project is located in Chenjiang, Huizhou, the PRC with a planned total construction area of over 100,000 square metres. Apart from relocating the existing 20 production lines for mobile phone display modules and 2 production lines for medium-sized display modules to the new smart factory, the Group has also planned to expand its production capacities for wearable and medium-sized display modules in order to capture the growing demand in the market. The project is expected to be completed and commence production in 2022.

In 2020, the novel coronavirus ("COVID-19") pandemic affected the whole world. The Group has set up a plant in Wuhan. Although the Group's production and operation were undermined as a result of the COVID-19 pandemic during the first half of 2020, thanks to the gradual control over the pandemic domestically, demand in the smartphone market picked up and the capacity of the production base of the Group in Wuhan also returned to normal level for the season. The Group will stay committed to fulfilling its social responsibility and better reward our stakeholders.

LIAO Qian
Chairman

Hong Kong, 23 June 2021



2.1 CORPORATE PROFILE

Founded in August 2004, China Display Optoelectronics Technology Holdings Limited (the “Company” or “CDOT”) and its subsidiaries (collectively, the “Group”) are among the key suppliers of small and medium-sized display modules in the PRC, and are primarily engaged in the R&D, manufacturing, sale and distribution of LCD modules. The Group has its manufacturing plants in Zhongkai National High-tech Zone, Huizhou City, Guangdong Province and Guanggu Zone, Wuhan City, Hubei Province, respectively, and distributes its products overseas and in domestic markets, with focus on Hong Kong and the PRC markets.

2.2 CORPORATE GOVERNANCE

Governance Structure

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

About the Group

Corporate Governance

As at the date of this report, the Board comprises 7 Directors, all possessing professional background and/or extensive professional expertise specifically required to supervise and monitor the Group's strategy. For the year ended 31 December 2020 and as at the date of this report, the composition of the Board is detailed as follows:

Non-executive Director

Mr. LIAO Qian (*Chairman*)

Executive Directors

Mr. OUYANG Hongping (*Chief Executive Officer*)

Mr. WEN Xianzhen

Mr. ZHANG Feng (appointed on 4 March 2021)

Mr. ZHAO Jun (resigned on 4 March 2021)

Independent Non-Executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

The Board holds regular Board meetings to review the Group's financial and operational performance, discuss and devise development plans, and monitor the undertaking of social responsibility. During the Review Period, the Board held four regular meetings and four additional meetings. For the year ended 31 December 2020, the Group held two general meetings. Members of the Board performed their duties diligently in accordance with the terms of reference and relevant laws and regulations, and, among others, reviewed the remuneration policy and structure, discussed the long-term incentive plan and compensation packages of Directors, assessed the completeness and accuracy of financial reports, monitored the legitimacy of the Group's business, and evaluated the effectiveness of internal control and risk management systems. The Group has adopted a set of internal control policies and procedures for risk management to ensure asset security, guarantee the safekeeping of accounting records and the credibility of financial reports, so as to ensure compliance with relevant laws and regulations. For more details on the corporate governance of the Group, please refer to the 2020 Annual Report of the Group.



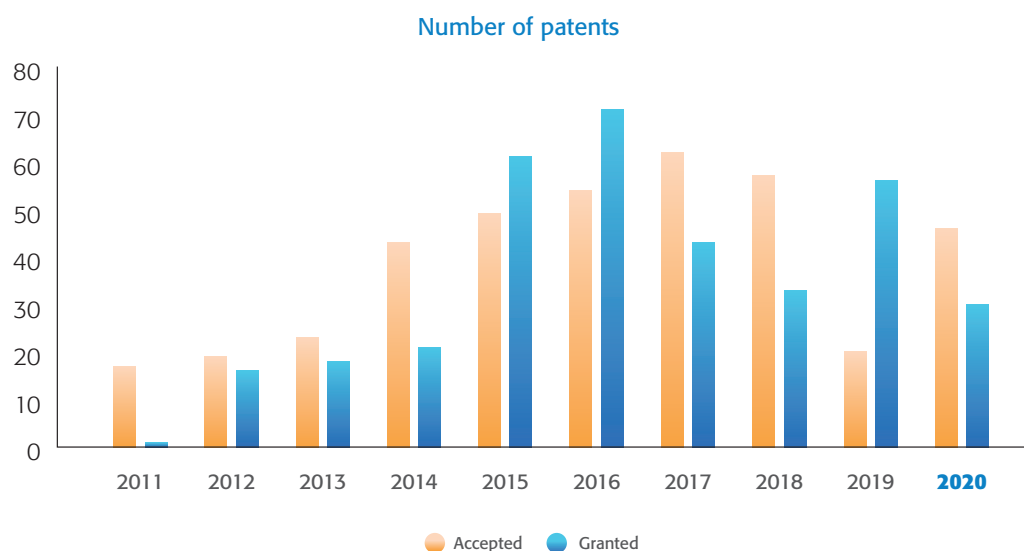
2.3 TECHNOLOGY INNOVATION

• Research and Development in Technology

The Company has a strong R&D team. As of 31 December 2020, team members were aged around thirty on average under a ladder-shaped age group distribution and boasted vigor and energy with extensive R&D capacity and creativity. 85.7% of the team members held a bachelor's degree or above and approximately 68% had engaged in the industry for over five years, accumulating profound experience and foresight. Their technical knowledge covers mechanical, electronic, optoelectronics, information technology, software and other aspects. The Group's R&D team constantly bolstered its technical research capacity, kept abreast of cutting-edge technologies in the display device industry and remained dedicated to designing the most cost-effective products for our customers.

In terms of technology research, the Group has been keeping track of the needs of customers' projects, and strived to convert technical capabilities into commercial values. In 2020, the Group made breakthroughs in various key technologies, and completed the research on double-blind aperture and high frame rate display technology. The Group proposed to conduct research into, among others, sinking product design and development, Amorphous Silicon (A-Si) 90Hz high frame rate scheme development, Low Temperature Poly-silicon(LTPS) 144Hz high frame rate scheme development and inkjet Optical Character Recognition(OCR) import development in subsequent periods.

The Group respects and protects intellectual property rights and formulated the Regulations on the Administration of Intellectual Property Protection in accordance with the Intellectual Property Protection Law to clarify the relationship between intellectual property developers and managers, ownership of property rights and responsibilities, etc., and enters into relevant agreements. It standardises the management of intellectual property files, and sets access authority to such files. In addition, the Group classifies the intellectual property rights of customers and suppliers as confidential information in the Information Security Management Procedure and has incorporated the same into the Employee Handbook and the Confidentiality Agreement executed with employees to prohibit disclosure. In 2020, the Group was neither an infringer nor a victim of intellectual property infringement.



From 2011 to the end of 2020, the Group filed a total of 1,036 patents, of which 350 had been granted national patents. The Group's extensive patented technologies through independent R&D have contributed to the improvement of its competitiveness.

About the Group

• Improvement of Equipment Capacity and Process Technology Level

In 2020, the Group made continuous investment to improve equipment automation and build top-notch smart production plants.

Wuhan China Display Optoelectronics Technology Company Limited (a joint venture jointly founded by the Group and Wuhan China Star Optoelectronics Technology Co. Ltd., "Wuhan CDOT") has achieved automation of all of its production lines. China Display Optoelectronics Technology (Huizhou) Co., Ltd. (a wholly-owned subsidiary of the Group, "Huizhou CDOT") has realised 100% automation of production lines in its bonding workshop and lamination workshop, over 90% automation in its module workshop and 95% automation in its key equipment. The Group's automated production lines are equipped with a smart factory monitoring system, which effectively controls overall equipment effectiveness(OEE), cuts down costs, and improves production efficiency and capacity, thereby improving energy efficiency and reducing electricity consumption per unit.

The Group's equipment and process technical team comprises professional technical talents in the LCD industry, who are committed to the mission of offering "fast-reacting, efficient and improving" services, and competitively contributing to the enhancement of delivery, quality, manufacturing cost reduction and customer satisfaction.

The equipment management team proactively pursued innovations for equipment upgrading, in a bid to enhance equipment capacity. For example, Huizhou CDOT achieved the bubble-free attachment of ultra-thin glass through upgrading the existing machine, and thus guaranteed the successful mass production of ultra-thin and ultra-narrow products. During the Review Period, the Group independently researched into and developed ultra violet transmittance (UVT) attachment equipment, performing the first automatic attachment of UVT in the industry. In 2020, the equipment management team of Huizhou CDOT completed 868 micro-innovations, 13 utility model inventions and 1 invention patent.

In 2020, the process technology management team carried out and completed five innovation projects in Huizhou. In particular, the COG(Chip on Glass) and FOG (Film on Glass) overlaying technology innovation project, leveraging the innovation of bonding pressure structure design, equipment differentiation management and optimization of FOG buffer materials, improved the mismatch of COG and FOG and the overall defective rate by 62% after half-year application, and saved more than RMB1.2 million of cost during the Review Period. The development of the accessories automation equipment project resulted in the reduction of the number of accessory operators, and achieved 90% automatic operation ratio for accessories attachment.

Through the technological innovation of the process team, the Group has overcome the constraints of the R corner of the full screen and the manufacturing capacity of the blind hole project, switching over from notch screen and waterdrop notch screen to blind hole display screen. Thanks to the rapid progress of the blind hole process technology, the first pass yield reached 92%, an industry benchmark, within four months.

In addition, the process equipment quality management team leveraged management tools such as 6 Sigma, QCC (Quality Control Circle) and PDCA(Plan-Do-Check-Act) to carry out project improvement, solve stubborn defects and prevent repeated problems. Meanwhile, it focused on preventive management and extended improvement, and promoted the effectiveness and sustainability of improvement via standardized measures and the principle of source rectification.



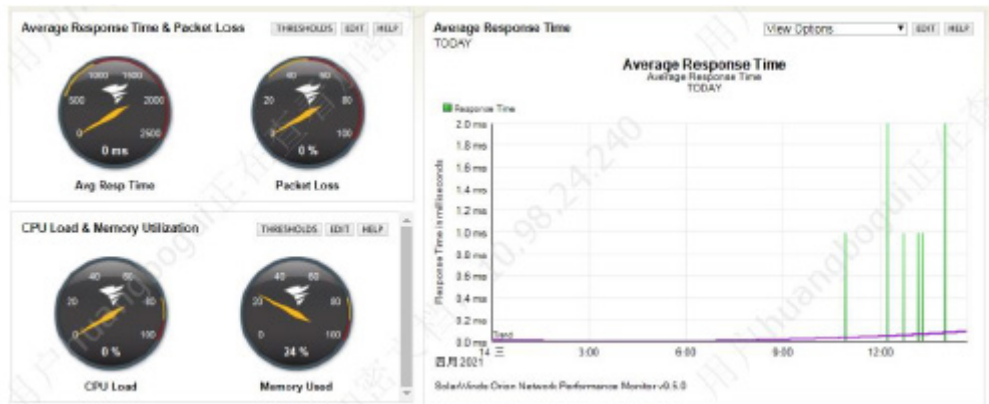
Information-based Management

During the Review Period, the Group carried out optimisation and improvement on the existing IT system infrastructure and optimized the backup capacity; the **VDI remote office system** was expanded to whole-area (office area and production area) coverage of wireless signal, laying a solid hardware foundation for the construction of smart factory. At the same time, the real-time monitoring system of network and server was introduced into the Group's whole-area (office area and production area) system, which is capable of preventing and proactively warning of network risk and security issues, and improving the Group's efficiency in responding to and handling of network abnormality.



VDI is short for Virtual Desktop Infrastructure.

About the Group



Network real-time monitoring system

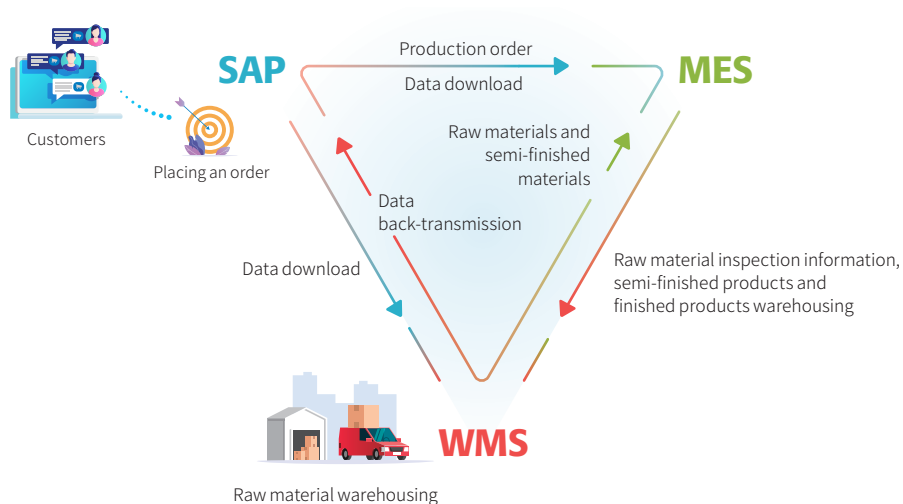
The Group imported and extended the Manufacturing Execution System (“MES”) to customise and optimise products. Such system made the production and product quality inspection process transparent, helped managers trace the production history, and facilitated the sustainable development of the business.

MES process



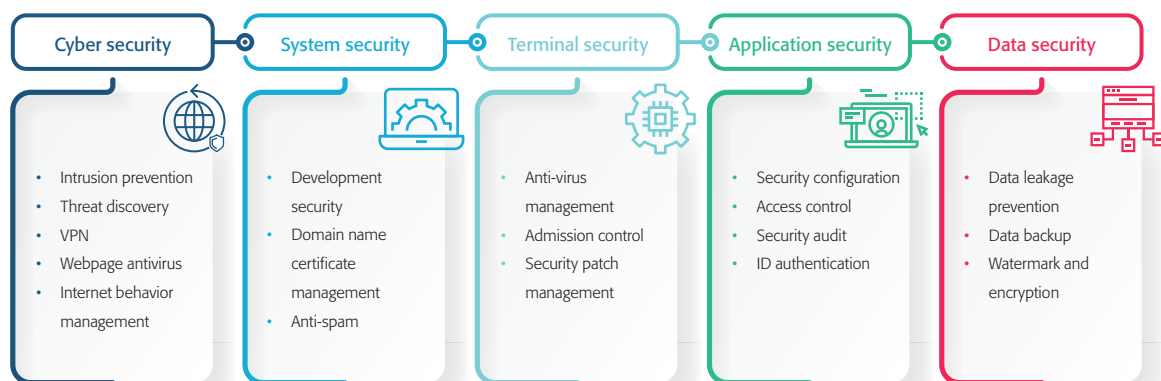
About the Group

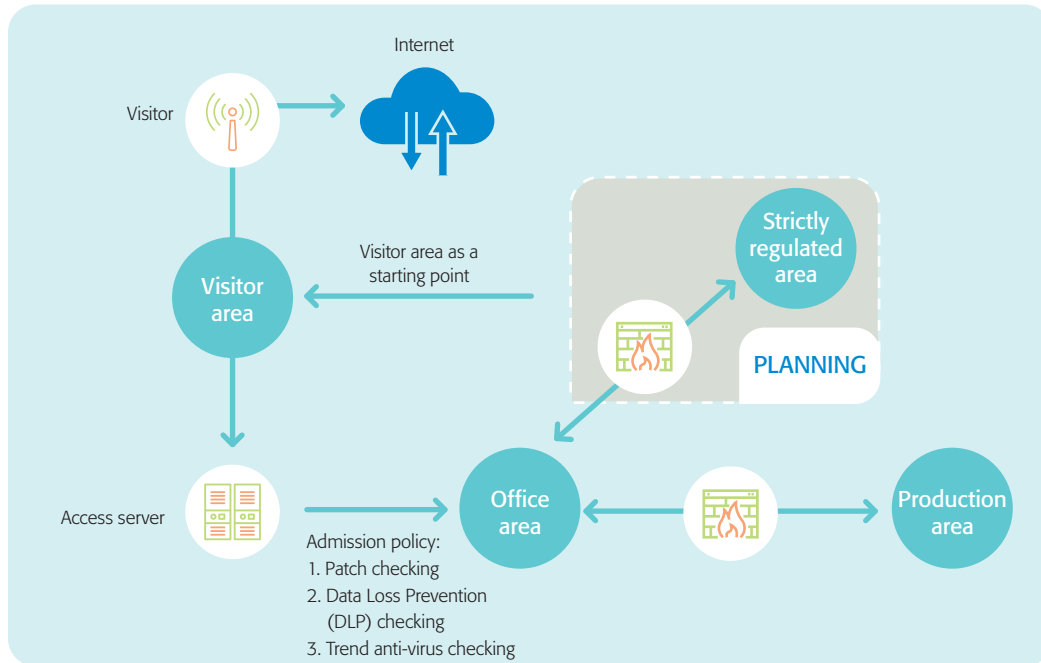
Plant management of the Group



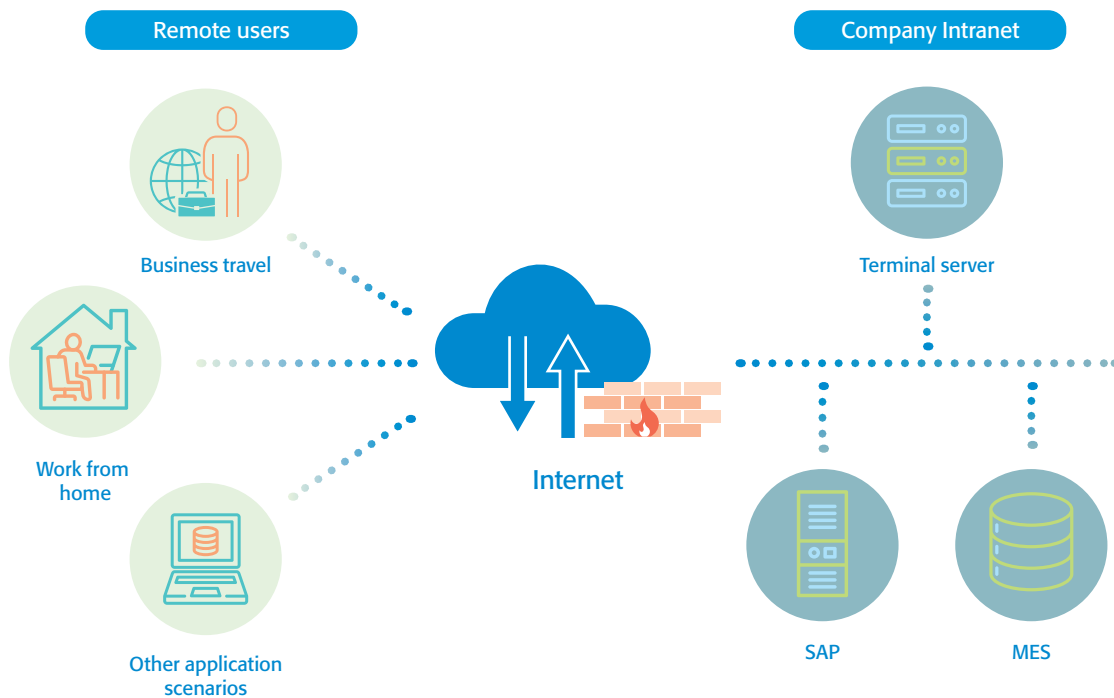
In terms of information security management, the Group strengthened the prevention and control of information security on hardware and software to meet the requirements of first-tier brand customers. Such measure guaranteed the information security of the Group, customers and stakeholders.

Information Security Technology System





Remote office network access control



The Wuhan Production Base manages the production, equipment and quality of the plants through manufacturing execution system, equipment module control system, electronic design automation/statistical process control, report system, etc., which comprehensively optimizes productivity efficiency, enhances transparent management of production lines and establishes product quality traceability system to improve product quality, effectively reduce costs and realise sustainable business development.

About the Group

2.4 SOCIAL RESPONSIBILITY

The Group strictly fulfils its social responsibilities. In 2020, the Group established the Sustainable Development Committee, where Mr. LIAO Qian, Chairman of the Board and a director of TCL Technology Group Corporation, served as the chief responsible person, and the general managers of Huizhou Production Base and Wuhan Production Base respectively served as the social responsibility heads of the plants.

The Group continuously optimised the management system relating to social responsibility and obtained relevant certificates, including: quality management (ISO9001: 2015), occupational health and safety (ISO45001: 2018), environment (ISO14001: 2015), toxic and hazardous substances (QC080000: 2017), energy (ISO50001: 2018), greenhouse gases (ISO14064: 2006), social responsibility (SA8000: 2014) and other management systems.

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

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



SGS ISO 9001



SGS ISO14001



CEPREI ISO14064-1



SGS ISO45001



SGS ISO50001



QC080000



About the Group

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



SGS ISO 9001

SGS ISO14001

SGS ISO45001



SGS ISO50001

QC080000

About the Group

2.5 COMMUNICATION WITH STAKEHOLDERS AND ANALYSIS OF MATERIAL ISSUES

Communication with Stakeholders

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

Stakeholders	Major concerns	Major management measures	Communication channels
Governments	Compliance with laws and regulations and performance of social responsibilities, etc.	Establish the Management Process of Laws and Regulations Identification and Compliance Evaluation, and regularly identify and evaluate compliance with laws and regulations on an annual basis.	Meetings, documents, review, information disclosure, internet
Customers	Quality, delivery, service, social responsibility, etc.	Establish corresponding management system, set up assessment indicators, and promote satisfaction of customer requirements.	Approval, training, customer satisfaction survey and daily communication
Shareholders/Investors	Business performance and social responsibility, etc.	Formulate long-term and short-term business plans and important measures, disseminate indicators to departments and posts, and assign specific tasks to specific personnel to achieve business performance.	General meetings, investor meetings and industry conferences
Employees	Safety, personal development and income, etc.	Manage occupational health and fire safety according to the requirements of laws and regulations, implement safety contract responsibility system, and audit execution by the Safety Committee Office and System Department.	Communication meetings, opinion box, social media, hotline and mailbox
Suppliers	Long-term cooperation and win-win	Establish strategic cooperation with suppliers, share benefits and settle payment on time.	Training, audit, regular meetings and day-to-day communication
Communities	Pollution discharge and care for the community	Establish an environmental management system to prevent, control and monitor wastewater, waste gas, solid waste and noise, which must meet the discharge standards; and assisting in community activities as volunteers.	Volunteer activities, charity events and day-to-day communication



• Material Issues

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

Most concerned issue	Category	Corporate management indicator	Performance
Integrity and compliance in operations	Corporate governance	Complaints about non-compliance	Nil
Occupational health	Health and safety	Cases of occupational diseases	Nil
Production safety	Health and safety	(i) Serious casualties	(i) Nil
Protection of intellectual property rights	Product responsibility	(ii) Minor injury rate	(ii) 0.027%
Quality control	Product responsibility	Number of patents	30
Hazardous substance management	Product responsibility	Occurrence rate of product safety accidents	0%
Anti-corruption	Anti-corruption	Complaints about non-compliance with regulations on hazardous substances	Nil
		Cases of corruption	1

Note:

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

3.1 MARKET AND CUSTOMERS

The Group adopts a customer-oriented approach, places emphasis on brand and business development and strengthens in-depth cooperation with customers. In 2020, the Group's customer concept was upgraded from "customer first" to "create value for customers" from the perspectives of cost, quality and delivery based on the needs of customers. Despite the global outbreak of the COVID-19 pandemic during the year, the Group adopted strict control measures and did not record any case of COVID-19 infection in either Huizhou Production Base or Wuhan Production Base. The production lines of the Group operated as planned during the pandemic and even amid the Spring Festival and delivered orders as scheduled, thus winning wide acclaim among customers.

The Group attaches great importance to brand-driven and diversified business development. During the Review Period, while consolidating in-depth cooperation with customers, it sought to explore more business channels and upheld the principle of concentrating on high-end products and maintaining product quality. In 2020, the Group continued to manufacture products for global first-tier brand customers such as Samsung and Huawei, and became their direct suppliers. Currently, the Group has established partnerships with five of the top six mobile phone companies in the world, namely Samsung, Huawei, Xiaomi, OPPO and vivo. Meanwhile, the Group has also carried out a more extensive and in-depth strategic cooperation with Shenzhen Transsion, which is well known as the "King of Africa", to focus on comprehensive and high-end mobile phones. In addition to mobile phone module business, the Group has launched a broader and deeper cooperation with Baidu in the smart home module business. Furthermore, the Group commenced to supply smart home module products to well-known customers including ByteDance, Xiaomi and Alibaba.

• Products and after-sales services

During the Review Period, the Group focused on high-end products in response to market demand. In terms of the rapid development of full-screen modules, the Group has always been in the leading position in the industry. Full screen notch modules, including waterdrop and blind hole screen, achieved mass production in 2020. In the future, the Group will increase the spending on R&D and actively participate in the R&D of high-end products of major customers, creating opportunities for further cooperation.

In terms of after-sales services, the Group has established a comprehensive after-sales service management process and a quality service team. Following the "2485 Principle" and the "pre-sales, in-sales and after-sales service concepts", the Group dealt with customer feedback in a timely manner, and implemented an "early warning mechanism" based on the quality data of products used at customer end. In 2020, the customer return rate and external failure cost rate recorded a year-on-year decline of 47.7% and 14.7%, respectively.

Procedures for Handling Customer Complaints under the "2485 Principle"



3.2 QUALITY CONTROL

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

• Strengthening preventive quality management to reduce quality risks

In 2020, in order to reduce the quality issues in mass production, the Group optimised the pre-mass production quality control process.

- New project quality management: We improved RFI (Request for information), FMEA (Failure Mode and Effects Analysis), DSR (Design specification request)/PSR (Process specification review), QCP (Quality Control Program) and other quality control planning management processes and methods based on product categories on the one hand and on the other hand, integrated the R&D Platform Verification Standard and Material Verification Standard, newly introduced 6 verification methods for LCD (liquid crystal display) and POL (polarizer), and effectively reduced the risk of three new mold-making projects.

Corporate Operation

- Component quality management: We focused on improving the ramp-up review mechanism of the components of new projects, and leverage reliability test to verify the review mechanism.
- Private line certification management: We improved the Customer Private Line Certification Code, effectively ran PFMEA (Process Failure Mode and Effects Analysis), identified process risks in advance, and formulated preventive measures.

In 2020, the Group secured progress in IT-based quality management:

- The MES system is beneficial to improve process management level and quality traceability. In 2020, the number of the Group's production lines with MES system increased to 13, representing a twofold increase on a year-on-year basis. The Group plans to install and operate MES system for all of its production lines in 2021.
- In 2020, the Group carried out Statistical Process Control (SPC) management on key processes and set up an early warning mechanism in an IT-based approach.

During the Review Period, the Group satisfied the requirements of newly-secured first-tier brand customers in terms of quality, delivery and social responsibility through revealing deficiencies, optimising processes, rectification, improving personnel quality and enhancing execution.

Thanks to the above measures, in 2020, the incidence of project importation issues and the customer return rate decreased by 50% and 47% year on year, respectively, gaining positive appraisal from the customers.



"Most Valuable Partner Award"
granted by Shenzhen Transsion



"Outstanding Quality Performance Award"
granted by Shenzhen Transsion



Supplier Strategic Cooperation and Quality
Excellence Award granted by Baidu



• **Product Safety**

The Group's products do not contain elements affecting personal safety and will not lead to safety hazards. The R&D department has always carried out the design tasks according to the relevant standards and specifications. During the various stages such as new product development, trial production and mass production, each project team of the Group will conduct a number of reliability tests on various functions of the product, and carry out material inspection, first-batch inspection of manufacturing process, finished product inspection and shipment inspection.

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

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

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

• **Advertising and Labelling**

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

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

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

• **Customer Privacy Protection**

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

Corporate Operation

3.3 SUPPLY CHAIN MANAGEMENT

The Group has always believed that supply should not be a constraint that hinders the development of an enterprise, and it is necessary to join hands with upstream manufacturers to build a more secure supply chain.

In early 2020, given the delays in commencement of operation and serious labour scarcity in the supply chain caused by the COVID-19 pandemic, the Group proactively provided assistance to major material suppliers in terms of operation commencement and delivery, and adopted a series of pandemic prevention and control and production safety measures to ensure the personal safety and health of the employees of the Group and the supply chain, thus guaranteeing the interests of customers and the safety of the supply chain. Since mid-2020, despite the shortage of display panels and driver chips, the Group, benefiting from its sound relationship with upstream suppliers and downstream customers, planned ahead to maximise the interests of customers.

The Group has a strict standard and sound mechanism in selecting suppliers. According to the Management Procedure for the Development and Import of New Suppliers issued by the Group, suppliers shall duly complete the Supplier Questionnaire and provide valid business licenses, system certificates, credit certificates and other information. After the suppliers are confirmed to be qualified, the supplier audit team will audit the suppliers according to the laws, regulations and system standards currently in force, including but not limited to factors such as R&D, technology, quality and service, but also the fulfillment of environmental and social responsibility and geographical location of the suppliers, so as to give due regards to the impact on society and environment.

Passing rate of key supplier in terms of certification

	2019	2020
ISO9001 quality and ISO14001 environmental certification systems	100%	100%
QC080000 certification system	51%	67%
Occupational health certification system	49%	33%



Flow chart for procedure of engaging for new suppliers

Process node	Purpose	Responsible person	Input	Key action	Output
Market information survey	Ensure that the potential supplier meets the basic requirements	Resource Development Department, Product Development Department, Process Technology Department, Equipment Department and Finance Department	New suppliers	Investigate information such as production capacity, technical capability, customer base, capital and tax payment	Whether the supplier reaches the basic threshold and business requirements
Put forward the development needs for new suppliers	Satisfy the material supply	Resource Development Department	New supplier development demand application	Apply and obtain approval	Application for new supplier development requirements approved by internal process
Supplier audit (plant on-site audit)	Confirm whether the supplier meets the requirements	Resource Development Department, Process Technology Department, Equipment Department, SQA Office of Quality Control Department, Product Development Department	Detailed Rules for Supplier Evaluation	Audit	Supplier Audit Report
Sign the supplier confirmation	Ensure that new suppliers meet the requirements	Resource Development Department, Product Development Department, Process Technology Department, Equipment Department and Finance Department	Relevant information of suppliers	Fill in the supplier confirmation and submit it for approval	Approved supplier confirmation
Sign an agreement	Ensure signing of the agreement	Resource Development Department, SQA Office of Quality Control Department	Agreement documents	Sign relevant agreements	Signed agreements



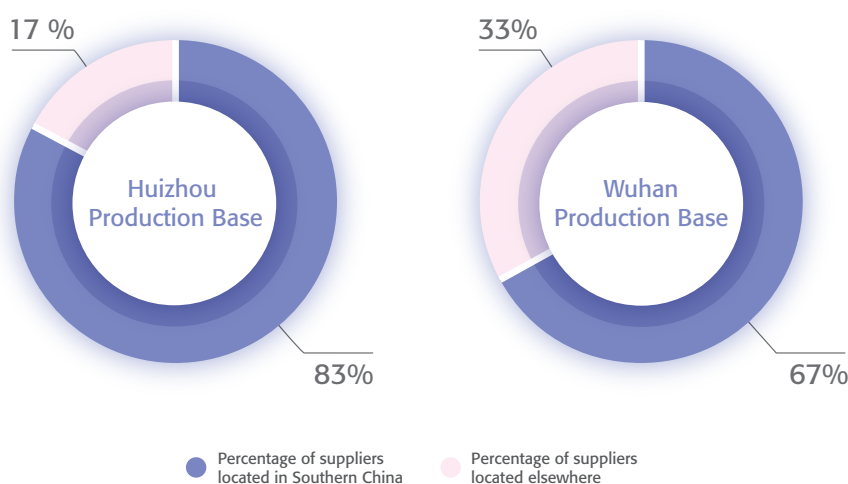
SQA is short for Software Quality Assurance.



Corporate Operation

Process node	Purpose	Responsible person	Input	Key action	Output
Sample acquisition	Ensure that the physical quantity and delivery time of samples meet the requirements	Resource Development Department	The number and time of samples required, and the documents and materials to be provided together with the samples	Place an order and require samples via e-mail	Physical samples and sample documents
Sample validation	Verify whether the sample meets the requirements	Process Technology Department, Equipment Department, Quality Control Department SQA, Product Development Department	Experimental report on physical samples and new materials	Validation	Sample verification conclusion
Qualified supplier entry system	Record into the SAP software to generate supplier code and include in the qualified supplier list	Document Control Unit of the Quality Control Department and Resource Development Department	Approved supplier confirmation	Entry	Supplier code and entry into the list of qualified suppliers

Currently, more than 70% of suppliers (331 in total) of the Group are located in Southern China, close to the two main production bases of the Group.



In terms of supplier quality supervision, the Group supervises the quality of components through incoming raw materials inspection and relevant indicators, and continuously promotes and facilitates suppliers to carry out in-depth quality improvement activities, so as to enhance the quality of components and realise the competitiveness of products. Component engineers will conduct on-site inspection for the suppliers from time to time, timely identify issues and instruct on improvement to maintain stable quality of suppliers. In addition, in 2020, the SQA office of the Quality Control Department of the Group streamlined and bridged suppliers' manufacturing process and delivery standards with the internal control standards for component inspection within the Group, in a bid to promote the consistency of control standards and improve the quality of supplied components.

In terms of social responsibility management along the supply chain, the annual audit and import audit of suppliers in 2020 covered environmental system, toxic and hazardous substances management system, occupational health and safety management system and social responsibility system. The certification rate of suppliers with respect to toxic and hazardous substances system recorded an increase as compared with the corresponding period of last year.

In 2020, the Group provided instructions to and audited suppliers for 499 times, which not only improved the management level of suppliers, but also ensured fulfilment of social responsibilities by the suppliers.

Moreover, in order to promote the coordination of production, supply and marketing, the Huizhou Production Base transformed from mass production procurement function to PMC (Production Material Control), horizontally bridging order plan, material plan, production plan and shipment plan to an interconnected entirety, which promoted the rapid turnover of inventory, contributed to timely procurement, and reduced the non-operational working hours and energy waste caused by insufficient materials.

At the end of 2020, the Group held a supplier conference, at which it granted the title of "excellent suppliers" to 12 suppliers to honour and encourage them to develop together with the Group.

In 2021, the Group will further optimise its supplier management strategy, focus on promoting to suppliers to shift from passive improvement to active improvement, stimulate their self-improvement potential and achieve harmonious development for both suppliers and the Group.

3.4 TOXIC AND HAZARDOUS SUBSTANCE MANAGEMENT

Committed to the management principle of green production and compliance with regulations on toxic and hazardous substances, the Group put forward the monitoring concept of toxic and hazardous substances in 2020, that is, avoiding the selection and use of toxic and hazardous substances. Details are set out below:

1. Control from the source of procurement, review the composition during material selection, and reject potential non-compliance materials;
2. Review and identify problems according to the ingredient list provided by suppliers, instead of relying on tests, and convey such idea to the first-level and second-level suppliers, so as to comply with the requirements of laws and regulations and customers regarding toxic and hazardous substances.

During the Review Period, the Group's toxic and hazardous substance management indicators increased from three to 11, which were assigned to corresponding functional departments and processes for monthly statistical assessment, to ensure the effective operation of the toxic and hazardous substance system. The key monitoring processes include standard management of toxic and hazardous substances, management over new materials, new projects and new equipment, R&D and design management, suppliers management, incoming raw materials management, process management, finished products management and change management, etc. In 2020, the toxic and hazardous substances under control increased from 93 to 103, and the control requirements of national compulsory standards for volatile organic compounds were introduced. As of the end of 2020, the Group did not record any cases of excessive toxic and hazardous substances, and had passed the examination of toxic and hazardous substances management systems by several brand customers.

Corporate Operation

• Green Procurement

The Group is committed to the concept of green procurement under sustainable development. To reduce the environmental impact of suppliers, the Group requires its business partners to comply with the standards set out in QC080000: 2017 Toxic and Hazardous Substance Management System and the requirements of laws and regulations. Suppliers are required to sign the Environmental Protection Agreement and the Environmental Compliance Statement and are subject to strict review and monthly assessment. Meanwhile, the Group also regularly asks suppliers for RoHS and halogen-free test reports and material composition list to ensure effective assessment of compliance with environmental laws and regulations. The quality control department of the Group regularly conducts X-ray fluorescence spectrometry inspection on incoming raw materials according to high, medium and low risk levels. In 2020, the Group conducted environmental assessment on 25 suppliers with the passing rate reaching 100%, which effectively reduced the environmental risks from the supply chain.

Supplier audit rules

Grade	Score	Result	Treatment for new suppliers	Treatment for qualified suppliers
A	91 to 100	Excellent	Directly approved. Review identified issues, and reply to improvement reports.	Increase procurement amount at discretion, review identified issues, and reply to improvement reports.
B	81 to 90	Qualified	Approved. Review identified issues, reply to improvement reports, conduct a re-audit within one month from the report and confirm resolution on-site.	Continue procurement, review identified issues, and reply to improvement reports.
C	61 to 80	Conditionally qualified	Disapproved in principle. Review identified issues, and reply to improvement reports. The demanding department of the Company may apply for limited procurement from Grade C suppliers should the needs arise for a term of no more than six months. Re-audit will be conducted during the limited procurement period and such suppliers will only be admitted as qualified suppliers if they get a B Grade or above in the re-audit.	Limit procurement, suspend new projects, review identified issues, reply to improvement reports, and conduct a re-audit within one month. The Group will resume procurement only when the re-audit results reaches Grade B or above.
D	≤60	Unqualified	Disapproved and disqualified for re-assessment within two years.	Disqualified as suppliers



Monthly supplier assessment rules

Grade	Score	Treatment	Way of notification
A	90 to 100	Continue procurement and may increase procurement amount at discretion.	Notify the suppliers and no improvement report is required
B	80 to 89	Continue procurement.	Notify the suppliers and no improvement report is required
C	60 to 79	Warning. Personnel as quality director and above are required to set up a team to review and make improvements. Reduce procurement amount. Suppliers who get Grade C for three times in six consecutive months will be automatically downgraded to D	Notify the suppliers and require improvement and review
D	<60	Disqualify as suppliers and terminate procurement	Monthly Supplier Assessment Form

• Responsible Minerals

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

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

To fulfill such undertaking, the Group follows the principles of the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas ("Due Diligence Guidance") issued by the Organisation for Economic Co-operation and Development ("OECD"), and participates in the Conflict-Free Sourcing Initiative ("CFSI") and the Due Diligence Guidance of the United Nations and OECD. The Company and all of its suppliers only purchase from smelters and refineries approved or certified by Conflict-Free Sourcing (CFS), The London Bullion Market Association (LBMA) or the Responsible Jewelry Industry Committee, avoid procurement and disapprove the use of any conflict minerals that directly or indirectly finance or support the areas exposed to armed conflict, so as to ensure that suppliers do not encourage conflict or result in negative impact on society, and pay tribute to the human rights and environment in the conflict areas.

Corporate Operation

During the Review Period, the Group investigated into the procurement of conflict minerals along the supply chain through the CFSI-**CMRT** Questionnaire, and conducted inquiry with 233 suppliers whose products such as IC drivers, connectors, display panels, resistors, capacitors and diodes may contain gold, tantalum, tungsten and tin. All of the suppliers furnished a response. The survey results show that gold, tantalum, tungsten and tin in the raw materials of the Group were purchased from qualified CFSI smelters and meet the supply standards of the Group.

During the Review Period, the Group did not receive any complaints about toxic and hazardous substances.



Management policy on conflict minerals

1. Suppliers are required to formulate conflict minerals policies that comply with OECD due diligence, and disseminate such policies to all their suppliers.
2. Suppliers shall ensure that all the products delivered to the Company, packaging material used for such products and gold, tantalum, tungsten and tin contained in the products are not derived from "conflict minerals" in areas controlled by any armed forces in the Democratic Republic of the Congo and its neighboring countries, and sign the Declaration of Non-use of Conflict Minerals.
3. Suppliers shall earnestly investigate the supply chain, identify and trace the sources of gold, tantalum, tungsten and tin, ensure the legality of sources of raw material, and truthfully fill out and reply to CMRT questionnaires or other materials.



CMRT is the Conflict Minerals Reporting Template issued by the Responsible Minerals Initiative (RMI).



04

Environmental Report



Total electricity consumption (kWh)
45,199,624



Total water consumption (tonnes)
228,865



Total CO₂ emission (tonnes)
34,557



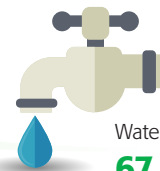
Total packaging materials consumption (tonnes)
4,990



Environmental investment (RMB)
1,126,000



Electricity saved (kWh)
5,068,000



Water saved (tonnes)
67,000

Environmental Report

4.1 ENERGY AND RESOURCES CONSERVATION

In 2020, the Group continued to follow the principle of energy conservation, emission reduction and green production. Faced with the challenges of energy control arising from further automation of production equipment, the Group provided training to all employees to raise their awareness of energy conservation, conducted energy conservation and emission reduction programmes and reduced the consumption of water and electricity through measures such as daily audit and management by the energy conservation team. For product packaging design, the Group adhered to the philosophy of “saving and sharing” and reused backlight packaging materials to reduce environmental impact.

- The Group adopted the following energy conservation practices:

In terms of electricity conservation, the Group expected to save electricity of 5.445 million kWh, and actually saved electricity of 5.068 million kWh during the Review Period, slightly less than that of the corresponding period last year and representing a year-on-year decrease of 6%, and thus fell short of our target. The Group primarily carried out the following energy-saving projects:

- Cleaning machine and fan-filter unit (FFU) energy-saving improvement project:

Cleaning machine energy-saving project: after analysis, the Equipment Department transformed the total power of the online pallet cleaning machine from 26 kWh to only 5.8 kWh, representing a reduction of 77%, without compromising the cleaning effect, thereby contributing to electricity conservation by 120,000 kWh on an annual basis.

Fan-filter unit energy-saving project: The fan-filter unit in the workshop has been running with high efficiency throughout the years, and therefore suffered from low wind speed and insufficient circulating cooling air, which resulted in high energy consumption from the central air-conditioning system. During the Review Period, the wind speed of the FFU increased by 30% after renovation, and the volume of circulating cooling air is actually enhanced by 30%, thus relieving the load of chillers by approximately 10% to 15% under the same cooling demand in the workshop and saving electricity consumption of 1.25 million kWh for the three water-cooled central air-conditioning units during the Review Period.

- Manage and control air conditioning, air compression system and production equipment to reduce energy consumption. The Group changed to centralised single-shift production in the first half of 2020 given there are less orders due to the COVID-19 pandemic and turned off air conditioning, air compression and production equipment during night shift to reduce energy consumption, thus saving electricity of a total of 1.242 million kWh.
- The Group launched energy performance target management in workshop and implemented both active improvement and improvement after audit to enhance power consumption efficiency, thereby saving electricity of 2.52 million kWh throughout the year.



Environmental Report

In terms of water consumption, the Wuhan Production Base does not require water usage in production processes, while the Group's Huizhou Production Base consumes pure water for cleaning products and tap water for cleaning trays, and there is no problem in sourcing water fit for purpose. In 2020, the Group conducted water conservation activities covering all employees, and the Power Division of the Equipment Department also carried out the following water-conservation programmes:

1. Recycling cooling water of the vacuum pump for use in the air-conditioning cooling tower to avoid direct discharge, thereby saving 22,000 tonnes of water throughout the year;
2. Recycling drainage of the water-washing moulder, thereby saving approximately 40,000 tonnes of water throughout the year; and
3. Saving 5,000 tonnes of water through active water conservation by all employees.

During the Review Period, the Group expected to save 61,000 tonnes of water, and actually saved 67,000 tonnes of water (2019: saved 56,000 tonnes of water in total).

	2019	2020
Reduction rate of water consumption per unit (%)	21.40	52.10
Reduction rate of electricity consumption per unit (%)	37.3	28.3

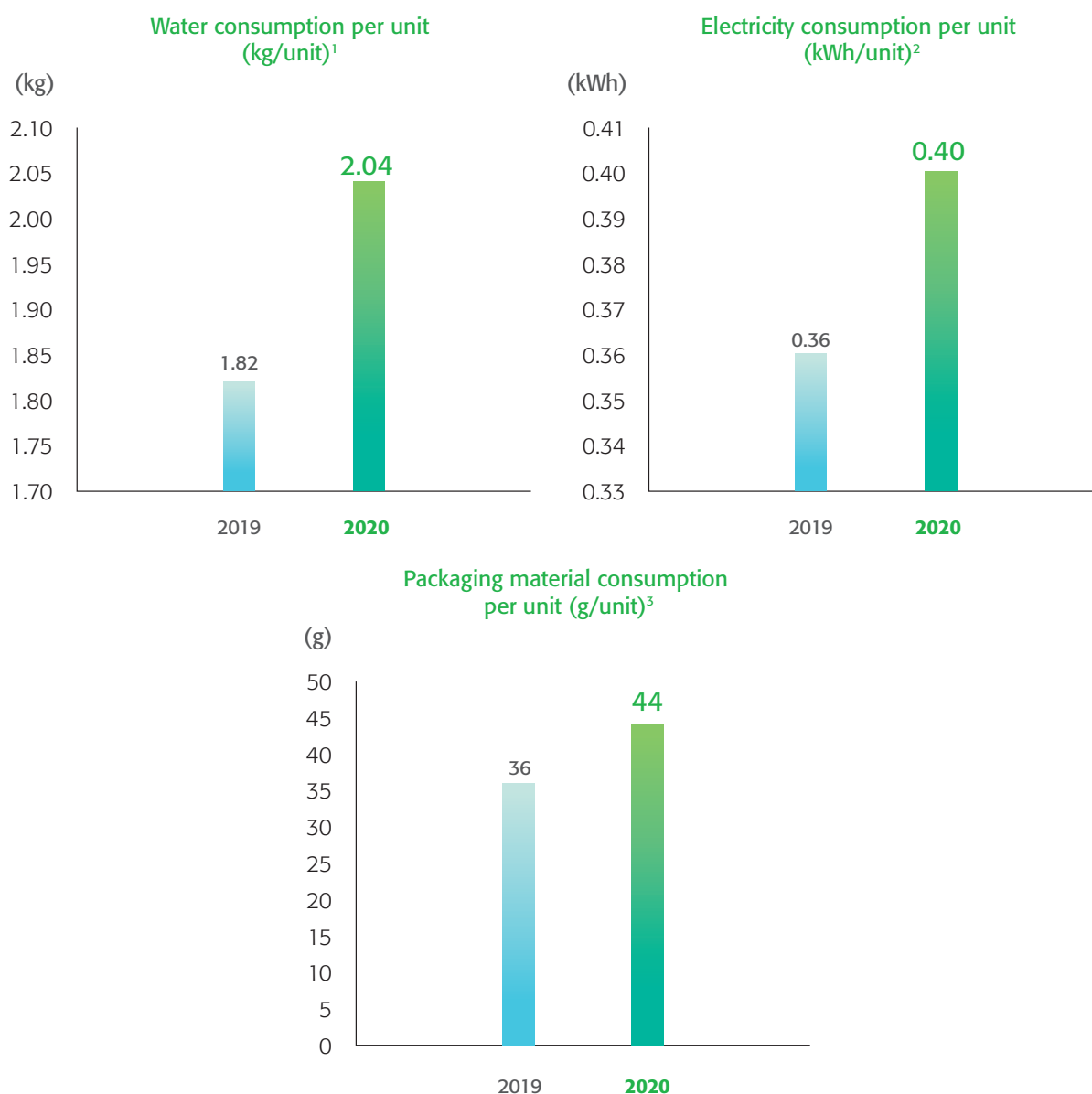
- The Group mainly underwent the following packaging material conservation and consumables reduction practices:

The Group is committed to the principle of sharing materials and conserving resources. We integrated the concept of environmental protection into the design process, and took advantage of the similar size of the pallets of backlight components and that of the finished products of the Group to use the pallets of backlight components for packaging of finished products. Leveraging the efforts of the R&D Department, Resource Department, PMC Development and other relevant departments of the Company, more than 98% of the pallets used for finished products were sourced from pallets of incoming components in 2020, which reduced the consumption of plastic pallets and contributed to environmental protection.

The Group solicited ideas from different sides and all departments of the Company strived to reuse recycled resources. During the year, the Engineering and Moulding Division of the Equipment Department recycled 3,385 pieces of fixture components and precision parts of the completed projects, which not only generated economic benefits of approximately RMB1.4 million, but also secured environmental benefits by reducing waste of resources. Other departments also increased unit output and reduced rework and maintenance by improving efficiency and quality, thus saving resources and cutting down energy consumption.

Environmental Report

During the Review Period, the Group substantially increased the number of parts and components requiring pure water for cleaning before being used for production, resulting in an increase in water consumption to 2.04kg per unit. In addition, the number of production line equipment increased due to automation of production lines, resulting in an increase in electricity consumption to 0.4kWh per unit, while packaging material consumption increased to 44g per unit. The details are shown in the following charts:



Notes:

1. Water consumption per unit = Total water consumption (including industrial wastewater)/Total sales volume
2. Electricity consumption per unit = Total electricity consumption/Total sales volume
3. Packaging material consumption per unit = Total packaging material consumption/Total sales volume

In 2021, the Group will continue to uphold the principles of energy conservation and emission reduction, commit ongoing efforts in energy conservation and emission reduction, and promote energy conservation and reduction of energy consumption by production equipment, air conditioning and air compression equipment.



4.2 EMISSIONS REDUCTION

The Group manages industrial wastewater, air and greenhouse gases emission, and hazardous and non-hazardous waste in accordance with the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Water Pollution of the People's Republic of China, the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China and the Environmental Protection Law on Solid Wastes Pollution of the People's Republic of China.

During the Review Period, the Group continuously optimised the ISO14001 environmental management system, established emission management standards, and set targets for wastewater discharge/greenhouse gases emissions per unit. In 2020, the Group invested RMB1.13 million in environmental protection management, reducing emissions of greenhouse gases and hazardous wastes per unit by 6.9% and 38.0%, respectively. Professional tests conducted by independent third parties showed that the Group's treatment and emissions of wastewater, waste and waste gas met the national standards in 2020.

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

• Industrial wastewater

Indicator	Unit	2019	Missed Waste Reduction		Management Measures
			2020	Target in 2020	
Total industrial wastewater	tonne	13,624	26,897		Wastewater from Huizhou CDOT's was treated by physicochemical and biochemical sewage treatment facilities before discharge.
Industrial wastewater per unit	g/unit	122.97	239.4	A year-on-year decrease of 5% in industrial wastewater per unit (≤116.8 g/unit)	
					Sewage discharge is monitored in real time in the system to ensure compliance with environmental protection requirements.

The Group's industrial wastewater was mainly generated from the cleaning process of Huizhou Production Base. During the Review Period, in order to meet the production requirements of high-end laminated module products, Huizhou Production Base replaced chemical water cleaning with grinding cleaning, and solely applied pure water for cleaning, thereby reducing the production of wastewater. In 2020, the Group renovated the cooling tower drainage system, redirecting ordinary wastewater to the sewage station for treatment, so the amount of wastewater increased in 2020 and the waste reduction target was not met.

As the Wuhan Production Base is located in the panel factory of TCL China Star Optoelectronics Technology Co., Ltd. ("TCL CSOT") where the cleaning process is carried out by TCL CSOT, the Wuhan Production Base did not produce industrial wastewater during the Review Period.

Environmental Report

• Waste

Indicator	Unit	2019	2020	Achieved Waste Reduction Target in 2020	Management Measures
Total hazardous waste	tonne	48.8	30.7		1) It is classified, collected, delivered to units possessing hazardous waste treatment qualification, and handled in accordance with laws and regulations by means of cleaning, utilization, disposal, incineration, etc. Its disposal information will be registered on the Solid Waste Management Platform of Guangdong Province/Hubei Province as per government requirements; 2) It is recycled by suppliers, for instance, chemical containers are generally recycled by suppliers, with a reduction in hazardous substance and waste by more than 2 tonnes.
Hazardous waste per unit	g/unit	0.44	0.27	A 5% year-on-year decrease in hazardous waste per unit (≤ 0.42 g/unit)	
Total non-hazardous waste	tonne	234	220	A 5% year-on-year decrease in non-hazardous waste per unit (≤ 2.0 g/unit)	1) It is classified into two categories, namely recyclable and non-recyclable waste;
Non-hazardous waste per unit	g/unit	2.11	1.96		2) Recyclable waste, such as paper and metals, is recycled by waste collectors; 3) Non-recyclable waste is handed over to sanitation workers for disposal; 4) We promote waste classification knowledge among our staff, conserve paper and packaging materials and reduce waste production.



• Industrial waste gas and greenhouse gas emission

During the Review Period, the Group's industrial waste gas was mainly generated from chemicals such as alcohol used in the production process. In terms of management and control of waste gas, the Group first controlled the toxic and harmful components of chemicals. The Group controlled chemicals it used in compliance with UN's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and GB38508 – 2020 Detergent Volatile Organic Compounds Content Limits. In the production process, the exhaust gas was collected by the air extraction device, and discharged after being filtered, adsorbed and purified with activated carbon. The waste gas emissions are tested by third-party institutions to meet national standards on a yearly basis.

The major sources of the Group's greenhouse gases emissions are electricity and carbon dioxide fire extinguishers. The Group sets emission reduction targets each year, and launches energy-saving renovation projects to improve energy efficiency and reduce electricity consumption. In 2020, the emissions of carbon dioxide recorded a year-on-year decrease of 6.9%.

Indicator	Unit	2019	2020	Emission reduction target for 2020	Management measures
Greenhouse gas emissions	tonne	37,101	34,557	A year-on-year decrease of 5% in greenhouse gas emissions per unit (≤ 318.1 g/unit)	1) Industrial waste gas is collected by an air extraction device, and then discharged after activated carbon filtration and purification;
Greenhouse gas emissions per unit	g/unit	334.88	307.58		2) Each year, the emissions are tested by a third-party agency and meet the Air Pollutant Emission Standards of Guangdong Province and Hubei Province;
					3) Relevant management procedures are established in accordance with ISO14064-1 greenhouse gas management system standards;
					4) Emission reduction targets are set;
					5) Energy-saving programmes are carried out to reduce greenhouse gas emissions.

Environmental Report

4.3 IMPACT OF CLIMATE CHANGE

Climate change is one of the major challenges of the times. The Company proactively adapts and responds to the potential risks posed by climate change. In 2020, the Group identified the risks of climate change to business development as follows:

Climate change	Risks	
	Severe weather such as typhoon and rainstorm	Climate warming, reduced rainfall, drought
Personnel	Employees may encounter extreme weather on their way to and from work, which affects their personal safety; typhoons may cause trees to collapse, and rainstorms may lead to landslides, floods, facilities collapse, which in turn may cause personal injuries	The cooling equipment needs to run 24 hours a day, which can easily increase power consumption; increased temperature outdoors and at work may cause heatstroke, dizziness and other personal injuries
Materials/products	In extreme weather: open doors and windows may cause damage to buildings or products; outdoor objects that are stacked too high or loosely bound may lead to fire or product damage; poor drainage of pipes may cause floods and property losses.	In extreme weather: Insufficient supply of industrial fresh water will render products unable to be fully cleaned and hence affect production.
Buildings	Typhoon or rainstorm may damage buildings. Transportation time may be prolonged due to damaged goods or blocked roads.	N/A

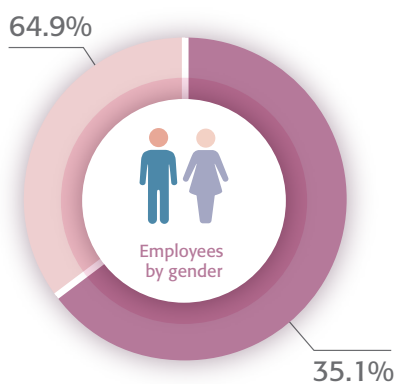
The Group took the initiative to fulfil its corporate responsibilities to mitigate climate change:

1. Strategically, the Group determines environmental protection and social responsibility performance as the sustainable development requirements;
2. The Group decisively prevents the use of materials containing excessive substances that destroy the atmospheric protective layer;
3. The Group launches energy conservation and emission reduction initiatives to reduce greenhouse gas emissions.

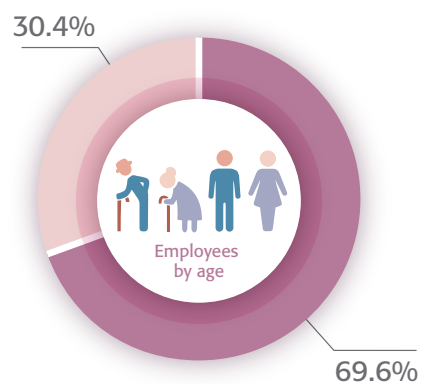


05 • • • Employee Report

As at 31 December 2020, the Group had 7,105 employees. During the Review Period, the Group's total employee turnover rate was 7.59%, of which the turnover of employees aged from 18 to 30 was 8.24% and the turnover of employees aged 31 or above was 6.09%. The turnover of male employees was 8.60% and the turnover of female employees was 5.71%. The turnover rate at Huizhou Production Base was 7.51% and the turnover rate at Wuhan Production Base was 7.68%.

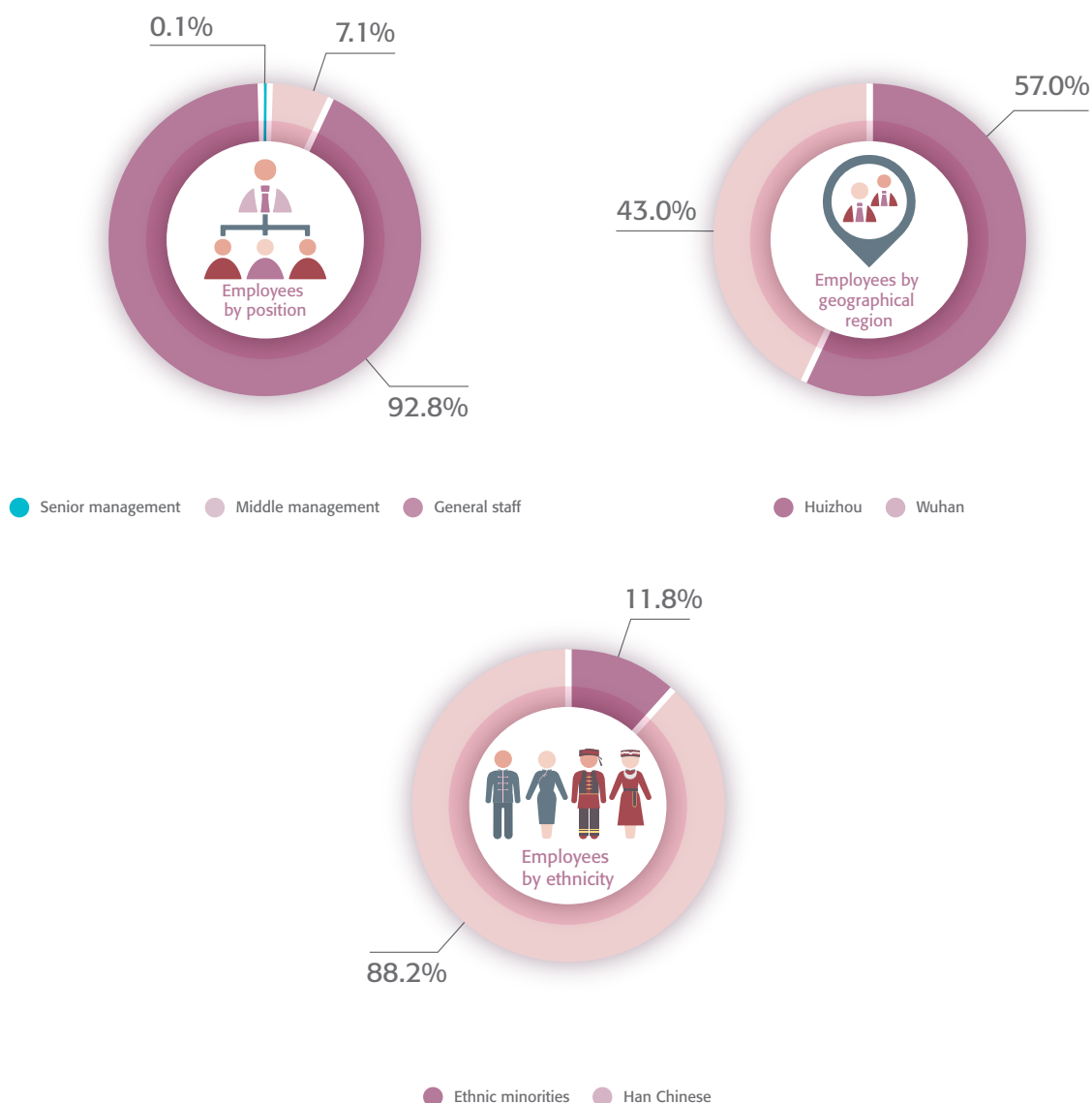


● Male ● Female



● Aged 18 to 30 ● Aged 31 or above

Employee Report



5.1 HEALTH AND SAFETY

The Group maintains workplace safety and employees' occupational health in accordance with the Safety Production Law of the People's Republic of China, the Law on the Prevention and Control of Occupational Disease of the People's Republic of China, and the Fire Prevention Law of The People's Republic of China. The Group has established the ISO 45001 Occupational Health Management System and passed the SGS certification. The Group has formed a special safety management team for occupational health and safety management of the staff, and formulated a comprehensive set of procedures to provide guidance for relevant initiatives. Each of the management members has signed a "safety responsibility statement", which stipulates that promoting health and safety is part of their duties and will be appraised on such basis. The Group conducts safety training and emergency drills on a regular basis, with a view to raising occupational health and safety awareness among the management, risk-prone employees and general staff and improving their relevant skills. Through regular safety checks, the Group has identified potential hazards and rectified them in a timely manner.



- **Management Measures**

Comprehensive Safety System

The Group earnestly implemented the national production safety policy of “giving first priority to safety, laying stress on prevention and taking comprehensive measures”; strictly executed production safety policies, orders, regulations, standards, systems and rules issued by the state and other higher authorities; optimised the management system based on the latest occupational health and safety standard ISO45001: 2018, and passed the certification of the international certification body, SGS. It improved and revised 16 management systems, including the Improvement Plan of Accident Handling and Responsibility Investigation Mechanism, Safety Production Archives Management System, Fire Equipment and Facilities Maintenance Management System and Equipment Safety Protection Standards, to enhance the safety management level.

The Group constantly improved its safety management organisational structure, established Safety Committees for all plants and departments, and refined its management organisation. The plants set up security teams and designated backbone staff for each shift, and improved the working enthusiasm of each shift through credits and ranking. It implemented the requirements of the “responsibility system for production safety”. The general manager and the management in charge of security assumed joint responsibility for the production safety and practiced the principle of “one post, dual responsibilities” for safety production, specified the safety production management responsibilities at all levels, entered into safety production responsibility letters at different levels to strengthen the assessment system of safety committees of various departments, conducted monthly, quarterly and annual assessments and formulated a reward and punishment system for safety accidents responsibility, so as to promote each department to proactively carry out safety management activities.

During the Review Period, the Group spared no effort to continuously invest in and improve production safety, with a total of approximately RMB3.62 million invested to enhance production safety. During the three years from 2018 to 2020, the Group did not have any serious injury or fatal accidents of employees and the lost days due to work injury totaled 12 man-days during the Review Period. The Group adopted the following specific safety measures and relevant implementation and inspection methods:

- **Safety Inspection**

The Group believes that perfect rules and regulations serve as the foundation of management, and the purpose of safety inspection lies in recognising the implementation and effectiveness of the management system, identifying issues in time, finding out potential safety hazards, and carrying out rectification to achieve closed-loop improvement.

The Group has established a sound safety inspection mechanism with external inspections comprising irregular safety inspections of government authorities, TCL Technology Group Corporation (“TCL Technology”) and TCL CSOT and internal inspection comprising comprehensive safety inspection conducted by management such as general manager, plant supervisors and directors and inspection by safety committees at all levels. All of the Group’s safety production issues and rectification thereof were notified at the general manager office meeting and publicised in the notice column, and designated personnel was appointed to conduct closed-loop management of hidden safety hazards and rectification leveraging the “Safety Information Management System”.

- **Production Safety Training, Promotion and Education**

Safety production training is essential for realising safe production, improving staff’s safety awareness and reducing human error. During the Review Period, the Group formulated and implemented the safety production education and training programmes, and launched employee production safety education and trainings in compliance with the requirements of laws and regulations, so as to ensure that the employees gain the necessary production safety knowledge and get familiar with relevant production safety rules and regulations and safety operation procedures. It provided employees with labour protection articles that meet the national standards or industry standards, and supervised and educated employees to wear and use the articles according to the rules of use.

Employee Report

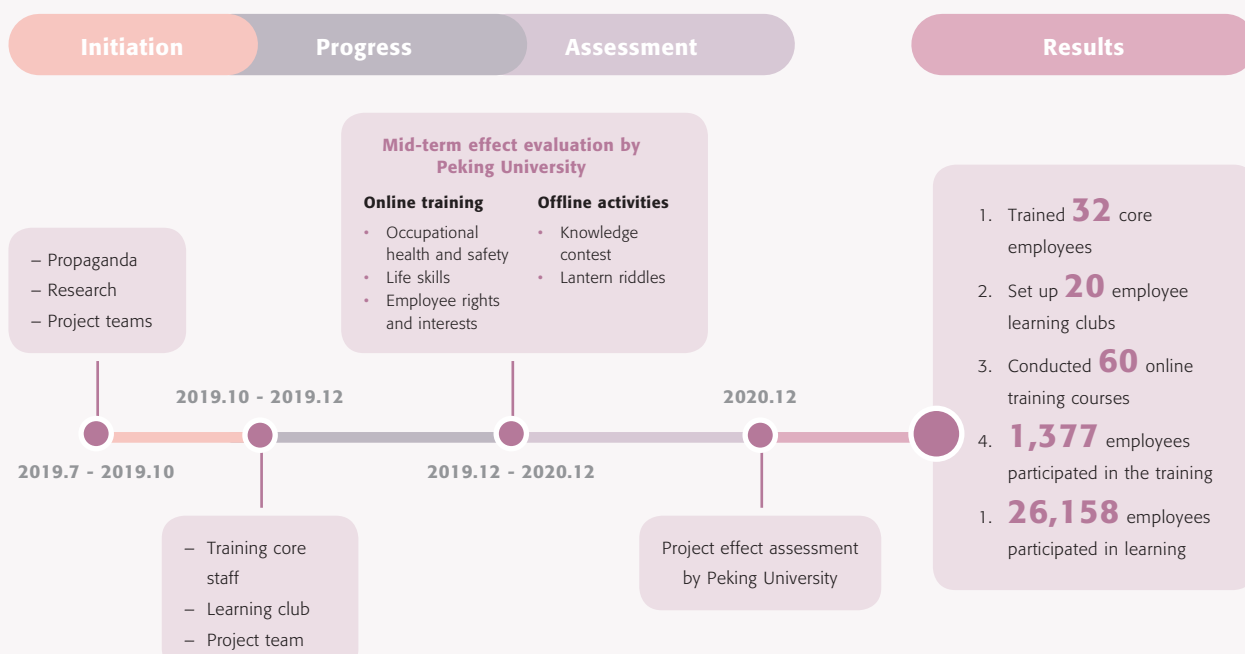
The Group primarily implemented safety education in a hierarchical and step-by-step manner. During the Review Period, the employees of the Group participated in safety trainings for approximately 620,000 hours, which were categorised into, among others, three-level safety education, safety management capability improvement training, special safety training, and independent safety training, and passed the examinations, thereby standardising the safety behaviors and skills of all employees and allowing employees to acquire the necessary knowledge of safety production, so as to reduce the occurrence of production safety accidents. All special skilled workers must be certified and unlicensed work is precluded.

Huizhou Production Base

From July 2019 to December 2020, Huizhou CDOT and its customers Deutsche Telekom, TCL Mobile Communications and Shenzhen Weitai Supply Chain Management Co., Ltd. jointly launched the “Worker Well-being and Occupational Health and Safety” training programme and established the “Employee Learning Club”. The project provides online learning video courses, with a total of 26,158 participants, which enhanced the employees’ overall awareness of occupational health and safety.

Worker Well-being and Occupational Health and Safety” training programme

Project commencement: The 18-month “Worker Well-being and Occupational Health and Safety” training programme jointly launched by Huizhou CDOT, its German customer and renowned third-party institutions



Project impact

1. Improve the quality of employees: employees’ knowledge of occupational health and safety was improved by 40%;
2. Reduce potential safety hazards: employees consciously abide by safety rules and regulations, and safety audit issues were reduced by 46%;
3. Customers spoke highly of the project.





Trophy granted to Huizhou CDOT by Deutsche Telekom and Shenzhen Weitai Supply Chain Management Co., Ltd.

• Emergency Drills

During the Review Period, in order to raise employees' awareness of fire safety, enhance their skills to handle fire accidents, and test the operability and effectiveness of the Company's accident emergency plans, the Group conducted 30 emergency drills, a year-on-year increase of 76%, covering fire drills, emergency evacuation of personnel, chemical leakage, fire, water leakage, equipment damage, anti-terrorism, etc. During the Review Period, the Group did not record any safety incidents such as fire and chemical spill.



Fire control

Comprehensive fire drill



Anti-terrorism

Semi-annual anti-terrorism drill



Chemicals

Emergency response drill for chemical spill

Employee Report

- **Properly Carried Out Pandemic Prevention and Control to Guarantee Staff Health and Promote Stable Production**

In 2020, confronting the challenges brought about by the COVID-19 pandemic, the senior management of Huizhou CDOT and Wuhan CDOT attached great importance, promptly adopted response measures, put forward precaution arrangements and solutions for strict implementation by the Safety Committee. During the Review Period, the Group was not aware of any confirmed COVID-19 cases among staff members of the Group.

- Beginning of the pandemic: the Safety Committee of the Group promptly established designated teams for pandemic control and adopted: the “departmental accountability system + all employee supervision system” strategy to achieve the strategic pandemic control goal: “zero suspected case” and “zero infected case”;
- COVID-19 outbreak period: The Group established an epidemic prevention and control system, started to manage the factory environment, and introduced a series of control measures;
- Special period of COVID-19: The Group performed point-to-point management to restrict personnel flow from medium and high-risk regions, and found no anomalies during the Review Period;
- Normalisation of COVID-19: The Group implemented joint prevention and control measures to prevent any COVID-19 import risks.

- **Information-based Safety Management**

During the Review Period, the Group better leveraged production safety management software. The software served to regulate the management of production safety information, strengthen production safety analysis, keep abreast of developments in production safety of the Group and trace safety hazards in closed-loop management, thereby preventing production safety issues due to management deficiency.

- **Occupational Health Management Policy and Measures**

In accordance with the requirements of the Law on Prevention and Control of Occupational Diseases of the People's Republic of China and relevant laws and regulations and ISO45001 occupational health and safety management system, the Group continued to optimise the occupational health and safety management system in 2020, strictly enforced the rules and regulations, conducted regular reviews and identified issues and proposed improvements in a timely manner. The Group conducted regular inspection and analysis of occupational hazards, occupational disease education and training schemes, workers' safety protection examination and occupational disease examinations for relevant employees before they take office/annually/upon their resignation.

In 2020, Huizhou CDOT streamlined the list of occupational hazards and developed the subsidy system for occupational hazards, contributing to a 20% year-on-year decrease in occupational hazards of Huizhou CDOT. It optimised the New Material Import Audit Process, enhanced the audit of occupational health hazard factors derived by import of raw and auxiliary materials to eliminate the risk of importing high-toxic occupational hazard factors from the source, and completed the analysis of volatile components of Class II chemicals used in workshops and newly imported Class I chemicals, all of which did not contain high-toxic chemical components. It revised the Import, Renovation and Acceptance Process of Equipment, extended the acceptance coverage of occupational health protection facilities, and ensured that the noise from the equipment remained lower than the national standards, and the exposure in surrounding environment of the equipment involving chemicals was lower than that of occupational exposure limits. 42 sets of equipment were accepted throughout the year, and the occupational hazard factors around the equipment met the requirements of the national occupational exposure limits.



In 2020, the Group conducted in-depth supervision over occupational health and safety risks. Firstly, it analysed the internal and external environment and the requirements of relevant parties using the SWOT method, and devised corresponding management measures. Secondly, it streamlined and identified various laws and regulations, carefully analysed all provisions of laws and regulations on an item-by-item basis to evaluate compliance, identify differences and make improvements. In addition, it conducted process-based analysis into the occupational health for precaution, and streamlined and prevented the source of hazards.

During the Review Period, employees of the Group did not record occupational diseases.

5.2 EMPLOYMENT

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

According to the Labor Contract Law of the People's Republic of China, the Group formulates the corresponding Attendance and Leave Management System, specifying the work and rest schedule of employees. All employees are entitled to various statutory paid holidays, such as paid annual leave, statutory leave, marriage leave, maternity leave, paternity leave, breastfeeding leave, medical leave, etc. The Group also formulates the Compensation and Welfare Management System and makes regular maintenance and updates based on local gross domestic production (GDP) growth and the latest laws and regulations to provide employees with reasonable, legal and competitive compensation and welfare, and formulates the Employee Promotion Management Measures to create a fair and just career development and promotion channel and give employees space for growth and development.

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

"Actively recruiting and providing care and support for people with disabilities" is one of the Group's recruitment principles. During the Review Period, the Group hired a total of 28 persons with disabilities, treated them with respect and warm care, and designated them to suitable positions according to their physical conditions. Disabled employees are not discriminated in promotion assessment and will get promoted based on their personal capabilities. They show full confidence in the Group and nourish passion towards work and life.

Employee Report

- **Employment Compliance**

The Group strictly abides by the Law of the People's Republic of China on the Protection of Minors, the Regulations on the Prohibition of Child Labor and the laws and regulations on forced labour, and is well aware that the employment of child labour and forced labour violates basic human rights and international labour conventions and affects the sustainable development of the Company and society. As such, the Group constantly improves recruitment management process to prevent child labour, forced labour and underage labour.

During recruitment, the Group conducts age verification through background investigation, identity document validation and other methods to prevent inadvertent employment of child labour; and adopts an approach of combining education and protection for underage workers to support their healthy physical and mental development.

The following are some remedial measures for child labour in the Management Measures for the Protection of Child Labor and Underage Labor issued internally:

1. If a child worker is found, the Company will immediately stop his/her work, notify the local labour bureau and send him/her to the hospital for health check. In case of illness or injury, the Company will bear all his/her medical costs and living expenses during medical treatment. With the consent of the labour bureau, the Company will send him/her back to his/her original place of residence and ask his/her parents or guardians to sign a certificate, and then hand it over to the personnel department for archiving after being sealed and confirmed by the competent government authority;
2. The Company will also make efforts to help him/her continue schooling (such as assisting in finding an appropriate school for continued schooling and assuming his/her study expenses and certain living expenses during the schooling);
3. Given the economic impact on his/her family caused by stopping his/her work, the Company may arrange for other adults in his/her family to work in the Company until the child reaches adulthood;

The Group strictly prohibits forced labour and any slave and human trafficking, respects the wishes and rights of employees, and never treats employees in an unfair manner. According to the Guidelines on Free Choice of Occupation and Non-forced Labor formulated internally, employees are entitled to freely choose their occupation, work and terminate their labour contracts in accordance with applicable laws and regulations. The Group also provides employees with complaint channels and protects their human rights such as rest and leave entitlements.

During the Review Period, the Group had no cases of child labour, forced labour or illegal employment.

5.3 DEVELOPMENT AND TRAINING

It is one of the missions of the Group to create development opportunities for employees. The Group has established and improved the management systems in relation to employee trainings and enhancement, and invested a variety of resources to provide trainings to employees each year and selected talents in a just and transparent manner.

- **Career Development Path**

In order to nurture and promote talents, the Group devises career development channels for all positions from both technical and management aspects. To improve the skill certification management requirements, the Group formulated assessment standards for induction, relegation and promotion in the Management Standards of Skill Grade Certification. In 2020, more than 400 employees of the Group obtained a grade certification.

- **Training**

Employee training provides an effective channel to improve employees' skills and capabilities and to match employees with their posts, plays an essential role in cultivating and forging common values and enhancing cohesion; and is critical to improving the efficiency of enterprises and organisations.



The Group invested plentiful manpower and financial resources in trainings. During the Review Period, expenses incurred in external trainings exceeded RMB1 million, and the time committed by employees in trainings totaled 411,392 hours, including 2,640 male participants and 1,151 female participants.

The Group believes that training can stimulate the personal potential of managerial staff, enhance the vitality, cohesion and creativity of the team, deepen the understanding of the management on the operation and management of modern enterprises, and guide middle management to fully utilize their creativity to drive the profit growth of the Company. During the Review Period, the middle-level management of the Group spent 7,887 hours in trainings. Trainings provided by geographical locations are set out below:

- In addition to providing various internal professional training schemes for employees, Huizhou CDOT arranged for 21 employees to participate in external professional courses. Meanwhile, it engaged external professional tutors to hold 5 training sessions, which covered four major aspects, i.e. safety, quality, professional management/technology, and general management, with 346 employees participating in the training sessions and recording a total of over 2,480 training hours. Training by experts enabled the technical management staff to be more professional and competent.
- Wuhan CDOT conducted leadership training, technical training and general training to enhance the Company's technical and management standards by making full use of the excellent training resources offered by the college of TCL CSOT. During the year, employees of Wuhan CDOT received nearly 323,512 hours of training, representing an increase of 25% from 258,809 hours recorded in the previous year.

Hours of training received by employees of different levels		
Unit: hours	2019	2020
Senior management	302	498
Middle management	9,890	7,887
General staff	410,576	403,007

- **Major trainings during the Review Period are as follows:**

Outbound Training

This training was designed to facilitate the implementation of the Group's general strategic plan, enable employees to further understand and identify with the Company's goals, strengthen cohesion and team spirit within the Company, and create a positive corporate atmosphere. In 2020, the Group conducted an outbound training activity for all employees. This outbound training activity received great attention from the management of the Company. All members of the senior management participated in the activity as team leaders. During the outbound training, participants put the workplace values of "dauntlessly advance and tirelessly persevere" and "never give up, never leave behind" into action.

"FMEA" Training and Project Coaching

In 2020, the Group continued to engage external professional trainers to provide "FMEA" training and project coaching sessions for employees. A total of 21 engineers and technicians from the R&D Department, Technology Department, Equipment Department and Quality Department of the Company participated in the systematic training. As one of the key annual training projects, "FMEA" is a systematic activity involving conducting analysis on subsystems and parts to manufacture products and all manufacturing procedures, and discovering all potential ineffective modes and analyzing their possible consequences in order to take necessary measures in advance for the purpose of improving product quality and reliability. Up to now, the Group has conducted training and project follow-up for two consecutive years, and all the projects involved have achieved effective results.

Employee Report

Young Eagle Power Camp

As one of the important annual training projects of TCL Technology, the Young Eagle Power Camp plays an important role in training fresh college graduates. During the year, the Group recruited a total of 29 fresh college graduates and the young eagles commenced in July 2020. In the eight-day power camp, the Company provided a total of 16 hours of outbound training and over ten theoretical courses, including Corporate Culture, Safety Education, Product Principles and Introduction to the Industry, Introduction to Equipment, Quality Awareness, and Enjoyable Workplace, with a total of 64 class hours for each participant. In the outbound training, college students also cultivated teamwork awareness of mutual cooperation and mutual support through various team activities, which laid a solid foundation for their future work and life.

Rock-solid Plan

In 2020, the Group pressed ahead with the “Rock-solid Plan” training project, which was initiated in 2019 and completed in October 2020. A total of 32 high-quality on-site management personnel passed the examination and on-site debate, and successfully graduated, thereby improving the overall management capacity of the Company. The project integrated nearly ten theoretical courses with various activities such as visits to benchmark companies and outbound training, and aimed to reempower on-site management personnel to improve their management capability and proficiency, thereby helping the Company achieve overall performance goals.

“Six sigma” Training in Wuhan

“Six sigma” is an internationally recognised excellent management method, which minimises product and service defects primarily through setting extremely high targets, data collection and results analysis. In 2020, Wuhan CDOT carried out the eighth Lean “Six Sigma” Green Belt Project, involving a total of three projects, all of which were completed and certified for green belt. In the second half of 2020, Wuhan CDOT continued to engage an external lecturer to provide trainings on “Six Sigma” Black Belt system, and one black belt was certified. As of the end of 2020, Wuhan CDOT had conducted 15 “Six Sigma” trainings and project coaching. As one of the key annual training programs, “Six sigma” training is constantly followed up in Wuhan Production Base to ensure the implementation and achieve practical results for the Group’s lean improvement.



FMEA training in 2020



Young Eagle Power Camp in 2020



5.4 EMPLOYEE CARE AND COMMUNICATION

The Group upholds the management principle of “care for employees and promote harmonious development” in terms of employee care. During the Review Period, the Group has launched various employee care activities:

“Care for employees and accommodation improvement” project:

As the dormitory of Huizhou Production Base has been established for a long time, to offer employees with comfortable living experience, during the Review Period, the Group carried out the dormitory improvement project in Huizhou and invested RMB310 thousand to completely paint the inner and outer walls and replace the facilities such as beds and cabinets with new ones and the dormitory turned into a new look.

To satisfy employees’ taste, Huizhou CDOT established the canteen management office, conducted 12 canteen surveys to learn about employees’ needs, introduced 30 new dishes based on their preferences, and carried out 5 food festival activities, which improved employees’ satisfaction from 71% to 88%.



Food Festival

“Sunshine Ambassador” project:

The Group cares for its employees’ mental health. In 2020, the Group engaged external professional psychological counselors to lecture Employee Assistance Program (EAP) courses on family education and social communication to help employees carry out family education and communicate with family members, colleagues and friends. The psychological counseling courses reduced the psychological pressure of employees and promoted their psychological health. During the year, the Group set up a “Sunshine Ambassador” team to talk with employees at production lines on a regular basis, provide work and life support and care for employees, and focus on their physical and mental health.

The Group has in place a complete staff communication process with various communication channels, including email, hotline and WeChat official account. In Huizhou Production Base, the “Staff Communication Meeting” serves as one of the important channels for collecting staff advice. Employee representatives are responsible for collecting employees’ advice from time to time and furnishing feedback through the “Employee Communication Meeting”. The Human Resources Administration Department is responsible for making improvement on issues reported and publishing the improvement results. During the Review Period, 761 pieces of advice were raised by employees, among which reasonable ones were accepted and corresponding improvements were made. In Wuhan Production Base, in order to facilitate the collection of employees’ advice, the Group has set up channels such as “T-chat questions” (mobile terminal) and the “Grief Alleviation” WeChat official account. The Group receives an average of 7 pieces of advice per day, all of which are dealt with within two days, and over 95% of the demand of employees has been resolved, thus winning great recognition among employees.

Employee Report



EPA Family Education Psychological Counseling in 2020



Ten-year/fifteen-year service medals awarded in 2020



"Affectionate" dating activity



"Film Festival" activity

Cultural and Leisure Activities

The Group believes that rich employee activities will contribute to employees' health and convey to them the care of the Company, whereby employees will get to work with enhanced passion and effectively improve work quality and efficiency. In the first half of 2020, the Group reduced cultural and leisure activities given the impact of the COVID-19 pandemic and only launched online activities, such as the "Brainstorming" activity on 1 May, and the "Growing up with China Display" photo solicitation activity.

As the pandemic was brought under control in mainland China, the Group held regular outdoor activities such as yoga, swimming, badminton and fishing, and festive activities such as the "Dragon Boat Festival Fun Lantern Riddles" and "Mid-Autumn Festival Garden Touring". Meanwhile, it set up activity space for table tennis and badminton near the dormitory building, providing related facilities and sports equipment to facilitate employees in exercise.



Employee Report



Long-distance running in January for welcoming new hires



Basketball Game-Breakthrough



Mid-Autumn Festival activity



Qixi Festival activity

Employee Benefits

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

The Group attaches great importance to employees’ holiday welfare. The Group will present red packets or small gifts to employees on holidays; hold birthday party for employees each month; and prepare tea party for office workers each week. Through these small acts, the Group wishes to extend care to employees by sharing joyful moments with them.

Employee Report



Monthly birthday party



Presenting flowers on 8 March



Happy afternoon tea each week





06 • • • Integrity Report

Honest operation is the foundation of corporate social responsibility and the basis of business sustainability. The Group always adheres to business ethics, guards against all kinds of commercial frauds and practices that go against fair competition, maintains “zero tolerance” towards integrity issues (including but not limited to bribery, extortion, fraud and money laundering) and strengthens the integrity system in strict accordance with relevant laws and regulations including the Criminal Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China, the Anti-Money Laundering Law of the People’s Republic of China, the Anti-Terrorism Law of the People’s Republic of China, and the Interim Provisions on the Prohibition of Commercial Bribery (State Administration for Industry and Commerce Order No. 60).

During the Review Period, in addition to establishing a sound internal control mechanism, the Group was reviewed from time to time by the audit centre of TCL Technology and the external auditor in terms of, among other things, abuse of power, bribery, gifts and commercial entertainment, so as to effectively prevent corrupt practices.

In an effort to facilitate the Company’s integrity management in business activities, the Group has formulated the Integrity Management Policy which defines the Company’s integrity requirements, identifies employees in high-risk positions, sets out provisions on how to deal with those violating integrity rules, regulates employees’ integrity practices, and guides employees to act according to the law and consciously resist unfair competition, with a view to promoting the healthy and sustainable development of the Company.

In respect of integrity publicity, the Group carried out integrity promotion activities with the themes of “Dedication to Work and Professional Bottom Line” and “Everything is in Vain when Integrity Fails” during the year:

- Displaying publicity information on the bulletin boards of each production base;
- Carrying out anti-corruption education through various means such as all-staff email and advocacy in the office;
- Organising special training sessions to allow all employees to learn about the integrity requirements, understand integrity cases and the consequences of violations, with a total of 11,274 training hours for all participants;

Integrity Report

CDOT requires all employees to sign the Employee Integrity Commitment, thus enhancing their awareness of integrity. Directors also actively take part in integrity training. After the members of the Board received the integrity training under the cooperation between the Group and the Independent Commission Against Corruption of Hong Kong in 2018, the Group also enhances their awareness of integrity through corporate publicity materials and self-study methods.

As for suppliers, the Group requires all suppliers to sign the Letter of Integrity Commitment for Related Parties, which covers prohibition of bribery, anti-corruption, and prevention of unfair business practices.

In 2020, the Group intensified its efforts to crack down on violations of rules and regulations, and investigated and seriously dealt with a series of violations of corporate measures and professional ethics.

During the Review Period, there were no concluded litigation cases related to corruption against the Group.



The Group proactively assumes social responsibilities. During the Review Period, the Group organised a number of volunteer activities, including planting trees, voluntary blood donation, care for the elderly, and supporting poor orphans and disabled children. Volunteer team from Huizhou CDOT provided assistance to local schools to carry out five public welfare volunteer activities, such as Lectures on Mental Health Education and youth counseling stations.

Since October 2020, volunteers from Huizhou CDOT have provided continuous services for the “Zhongkai Youth Psychological Counseling Station”, assisting teachers of the counseling station to sort out counseling and teaching tools and clean the counseling room from time to time. The volunteers were highly appreciated by the person in charge of the counseling station for their meticulous and good service attitude.



Volunteer team from Huizhou CDOT



Volunteer Activities



08 • • • Appendix

8.1 STATEMENT OF THE BOARD

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

8.2 REPORTING SCOPE

This report is published on an annual basis and its reporting period covers the financial year of 2020 (i.e. from 1 January 2020 to 31 December 2020). During the Review Period, the principal places of business of the Group were the production base in Huizhou (the "Huizhou Production Base") and the head office of China Display Optoelectronics Technology (Huizhou) Co., Ltd. ("Huizhou CDOT"), a wholly-owned subsidiary of the Group, and the production base in Wuhan (the "Wuhan Production Base") of Wuhan China Display Optoelectronics Technology Company Limited ("Wuhan CDOT", a joint venture jointly founded by the Group and Wuhan China Star Optoelectronics Technology Co. Ltd. On 25 May 2021, Huizhou CDOT agreed to transfer its 70% equity interest in Wuhan CDOT to Wuhan China Star Optoelectronics Technology Co., Ltd.. For details, please refer to the circular of the Company dated 26 May 2021).

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



8.3 BASIS OF PREPARATION

This is the 2020 Environmental, Social and Governance Report of the Group prepared in accordance with the disclosure requirements set out in the Environmental, Social and Governance Reporting Guide (the “Guide”) in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited to reflect the Group’s performance in environmental, social and governance responsibilities in 2020 in a truthful manner. This report was prepared in Chinese and translated into English. In the event of any inconsistency or conflict between the Chinese version and the English version, the Chinese version shall prevail. To protect the environment, no printed copies will be provided.

8.4 COMMENTS AND RESPONSE

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

Tel: (852) 2437 7610

Email: ir.cdottcl.com

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

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS

	“Comply or Explain”	Recommended disclosures	Pages
A. Environmental			
Aspect A1:	General Disclosure		
Emissions	Information on:		
	(a) the policies; and		21-24, 29-31
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		21, 23, 29-31
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
	<i>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</i>		
	<i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i>		
	<i>Hazardous wastes are those defined by national regulations.</i>		
KPI A1.1	The types of emissions and respective emissions data.		29-31
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		31
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		30
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		30
KPI A1.5	Description of measures to mitigate emissions and results achieved.		29-31
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.		30



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	"Comply or Explain"	Recommended disclosures	Pages
Aspect A2: Use of Resources	General Disclosure		
	Policies on the efficient use of resources, including energy, water and other raw materials.		26-28
	<i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>		
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	25, 28
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	25, 28
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	26
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	27
Aspect A3: The Environment and Natural Resources	KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	25, 28
	General Disclosure		21, 29, 31
	Policies on minimising the issuer's significant impact on the environment and natural resources.		
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	21-24, 29-31

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	"Comply or Explain"	Recommended disclosures	Pages
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure		
	Information on:		
	(a) the policies; and		38-40
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		38-40
	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	33-34
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	33
Aspect B2: Health and Safety	General Disclosure		
	Information on:		
	(a) the policies; and		34-39
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		34, 38
	relating to providing a safe working environment and protecting employees from occupational hazards.		
	KPI B2.1	Number and rate of work-related fatalities.	13, 35
	KPI B2.2	Lost days due to work injury.	35
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	35-39



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“Comply or Explain”		Recommended disclosures	Pages
Aspect B3: Development and Training	General Disclosure		
	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.		40-42
	<i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>		
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
	KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards	General Disclosure		
	Information on:		
	(a) the policies; and		40
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		40
	relating to preventing child and forced labour.		
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	40
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	40

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“Comply or Explain”		Recommended disclosures	Pages
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure		
	Policies on managing environmental and social risks of the supply chain.		10-11, 18
	KPI B5.1	Number of suppliers by geographical region.	20
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	18-21



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“Comply or Explain”		Recommended disclosures	Pages
Aspect B6: Product Responsibility	General Disclosure		
	Information on:		
	(a) the policies; and		15-17
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		17
	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
	KPI B6.2	Number of product and service related complaints received and how they are dealt with.	
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5, 17
	KPI B6.4	Description of quality assurance process and recall procedures.	15-17
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	17

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	"Comply or Explain"	Recommended disclosures	Pages
Aspect B7: Anti-corruption	General Disclosure		
	Information on:		
	(a) the policies; and		47-48
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		47-48
	relating to bribery, extortion, fraud and money laundering.		
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	48
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	13, 47-48
Community			
Aspect 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.		49
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	49
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	49

