

Channel Micron Holdings Company Limited 捷心隆控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code : 2115)



2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

2	ABOUT THIS REPORT
2	SCOPE AND REPORTING PERIOD
2	PRINCIPLES
3	STAKEHOLDER ENGAGEMENT
	A. ENVIRONMENT
3	1. Emissions
4	2. Use of Resources
5	3. The Environment and Natural Resources
5	4. Climate Change
	B. SOCIAL
5	1. Employment and Labour Practices
7	2. Health and Safety
8	3. Training and Development
8	4. Labour Standards
8	5. Supply Chain Management
9	6. Product/Service Responsibility
9	7. Anti-corruption
9	8. Community Investment
10	THE STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX TABLE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

ABOUT THIS REPORT

This is the Environmental, Social and Governance (“**ESG**”) Report (“**ESG Report**”) published by Channel Micron Holdings Company Limited (the “**Company**”). This ESG Report aims to provide an illustration of the Company’s approach and performance in sustainability aspects.

SCOPE AND REPORTING PERIOD

The ESG Report covers the Company’s overall environmental, social and governance performance in the manufacturing and sales of cleanroom equipment. The information and data were collected from (i) the factory and sales office in Malaysia, (ii) the factory and sales office in China, and (iii) the sales office in the Philippines, unless otherwise stated. These entities were selected to represent the Company’s material ESG impacts from its business.

The reporting period is the 2020 fiscal year (from 1 January to 31 December 2020), which is consistent with that of the Company’s annual report.

This report is compiled in accordance with the Environmental, Social and Governance Reporting Guide (the “**Guide**”) set out in Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

PRINCIPLES

According to the Guide, the following principles are underpinned:

- 1. Materiality:** the ESG issues that have major impacts on investors and other stakeholders were determined by our internal assessment, and focused on business operations in Malaysia, China and the Philippines which represent the majority of Company’s environmental and social impacts.
- 2. Quantitative:** Published KPIs have been established in a way to be measurable and comparable. Internationally or nationally recognised methodologies have been adopted in the calculations and estimations.
- 3. Consistency:** The ESG Report should use consistent and disclose statistical methodologies to allow meaningful comparisons of related data over time. As this is the first ESG Report issued by the issuer, there is no change in methodologies as far as consistency is concerned.

STAKEHOLDER ENGAGEMENT

The Company pays great attention to stakeholder relationship management, and is active in constructing a platform to communicate with stakeholders through various channels such as meeting, telephone and e-mail. The Company also has a robust information disclosure system in place and strictly fulfils its obligation to disclose information in a timely, accurate and complete manner.

A. ENVIRONMENT

1. Emissions

In response to the global trend of emissions reduction and the need for low carbon economy, the Company supports clean production through the application of efficient production technologies and the implementation of new management approaches.

The Company targets to curb greenhouse gas emission by prioritising the adoption of energy-efficient equipment and lightings so as to reduce the indirect greenhouse gas emission from electricity consumption. The Company also targets to control our waste disposal to a minimum by encouraging reduction, reuse and recycling in our premises, and ensure the non-recyclable waste is handled responsibly downstream by employing qualified contractors.

In the reporting period, the Company was in compliance with relevant laws and regulations, such as the Environment Quality Act and its Regulations in Malaysia, and Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, etc., that have a significant impact on the Company relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Total greenhouse gas emission

	Quantity (tCO ₂ -eq)
Scope 1 Direct Emission	0
Scope 2 Energy Indirect Emission	208
Total	208

Note: The calculations were based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Fifth Assessment Report, latest grid emission factors published in IGES List of Grid Emission Factors and by utilities companies.

tCO₂-eq denotes Unit Tonne for comparing the radiative forcing of a Greenhouse Gas to CO₂

A. ENVIRONMENT *(Continued)*

2. Use of resources

The Company attaches great importance to conservation of resources, not only does it benefit the ecosystem, but also boosts the Company's competitiveness in the market by reducing production costs through improvement in resource efficiency.

The Company actively invests in adding or replacing equipment and retrofitting existing facilities to realise energy and water efficiency projects. The Company targets to curb energy consumption by prioritising the adoption of energy-efficient equipment and lightings in order to reduce electricity consumption. As a result of the initiatives, the Company was able to control the energy consumption for production well within 100 kWh per square metre of product. The Company also targets to control its water consumption through raising awareness among its employee through various means.

In the reporting period, there were no problems in sourcing water.

Total energy consumption

	Consumption (‘000 kWh)
Electricity	300
Per square metre of product	0.07

Total water consumption

	Consumption (cubic meter)
Water Consumption	8,096
Per square metre of product	1.80

Total packaging material used for finished products

	Consumption (tonnes)
Packaging Material	22

A. ENVIRONMENT *(Continued)*

3. The environment and natural resources

The Company acknowledges that working together with different stakeholders is one of the key factors to achieve sustainable development. The Company adopts various measures, such as prioritising the adoption of energy-efficient equipment and regularly evaluating and streamlining production processes, to reduce emissions and improve efficiency in resources utilisation. The Company also promotes environmental awareness among our employees and encourage them to work in an environmentally responsible manner.

In the reporting period, the Company had no significant impact of activities on the environment and natural resources.

4. Climate change

The Company mainly operates in Malaysia, China and the Philippines. Among the phenomena of climate change, the Company identified extreme weather events as a more possible threat resulting from climate change. In response, the Company has established mitigation measures to minimise the adverse effect caused by extreme weather event on the Company's operation, with an aim to reduce the risk of casualties and property losses.

B. SOCIAL

1. Employment and labour practices

Human resource is the driving force for the development of every company. Therefore, the Company makes its best effort to protect the rights of employees. The Company respects the personal freedom of employees and has established an anti-discrimination policy. The Company's recruitment and promotion processes consider only job-related factors, the Company equally treats the employees with different ethnicity, skin colour, age, gender, sexual orientation, race, disability, pregnancy status, religious belief, political affiliation, social membership or marital status and does not tolerate any discrimination.

The value of a position is an important factor for the Company to determine its employee's remuneration. The Company also regularly reviews its remuneration packages to ensure the competitiveness in the human resources market with a view to attracting and retaining talented employees.

B. SOCIAL *(Continued)*

1. Employment and labour practices *(Continued)*

The employment contracts signed between employees and the Company stipulate working hours, holidays, termination of contract, fringe benefits and leave entitlement consistent with legal and regulatory requirements. Employees are dismissed based only on reasonable and legitimate reasons and are provided with notification of the termination of the employment contract in writing. All remuneration and compensation are consistent with legal and regulatory requirements.

In the reporting period, the Company was in compliance with relevant laws and regulations, such as the Employment Act in Malaysia, the Labour Law of the People's Republic of China and the Labour Code of the Philippines, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Total work force as at the end of the reporting period

	Number of people
Gender	
Male	126
Female	43
Employment Type	
Full-time	169
Part-time	0
Age Group	
18–24	19
25–34	47
35–44	65
45–54	23
55–64	15
Geographical Region	
Malaysia	89
China	63
The Philippines	17

B. SOCIAL *(Continued)***1. Employment and labour practices** *(Continued)***Employee turnover rate**

	Turnover Rate (%)
Gender	
Male	21
Female	2
Age Group	
18–24	16
25–34	23
35–44	8
45–54	39
55–64	0
Geographical Region	
Malaysia	22
China	10
The Philippines	12

2. Health and safety

Employees' physical and mental well-being contributes to the stable development of the Company. Therefore, the Company takes it as its mission to prevent, control and eliminate occupational health hazards.

The Company believes that prevention is better than the treatment and the Company has always adhered to the principle of prevention and constructed comprehensive occupational health and safety rules and regulations. The Company adopts various means which consist of risk and hazard assessments, guidance in the adoption of personal protective equipment, continuous improvement through review and evaluation, etc. to strengthen the safety awareness and encourages all employees to participate actively in safety activities. Safety management team also convenes safety meetings to review the performance of safety management.

In the reporting period, the Company was in compliance with relevant laws and regulations, such as the Occupational Safety and Health Act in Malaysia and the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, relating to providing a safe working environment and protecting employees from occupational hazards.

There were no work-related fatalities in the Group in the past three years. There were also no lost day due to work injury in the reporting period.

B. SOCIAL *(Continued)*

3. Training and development

The Company has confidence in that supporting employee development is the most valuable strategic investment for an enterprise. Thus, the Company has a diverse growth mechanism in place that highlights cultivating employees and creating learning and development opportunities for employees.

The Company encourages employee growth and explores employee potential by respecting their individual skills, following their pattern of growth and matching with the Company's development goals.

4. Labour standards

The Company forbids forced labour and child labour in any form, and takes its prevention very seriously. The Company conducts a thorough check of a various supporting documents relating to the applicant's age before employing a candidate and adopts an effective procedure to verify the age to ensure that the applicant has reached the minimum statutory age for work. At the same time, the Company prohibits any form of forced labour or work. It ensures that all employees provide labour or work on a willing basis and forbids the use of any form of forced or bonded labour, punishment, imprisonment and threats of violence. The Company conducts annual review on child and forced labour to ensure the operation is free from such malpractices, and to initiate systematic improvement in case such malpractice is found.

In the reporting period, the Company was in compliance with relevant laws and regulations relating to preventing child and forced labour.

5. Supply chain management

The Company expects suppliers to comply with requirements for key factors relating to the environmental protection, occupational safety and health, labour standards, business ethics, etc. and reach a certain standard. The Company rates and evaluates all suppliers through annual review with consideration in social and environmental risk. The Company links suppliers' performance in environmental and social responsibility with their business partnership opportunities, thereby effectively encouraging suppliers to improve their performance in sustainability.

The Company is well aware of the global trend of utilising environmental-friendly materials, and thus convey the message to our suppliers. Through strengthened communication and cooperation with suppliers, the Company aims at boosting their ability to supply environmental-friendly products.

Number of suppliers as at the end of the reporting period

Region	Number
Greater China	110
Malaysia	99
The Philippines	45
Others	14

B. SOCIAL *(Continued)*

6. Product/service responsibility

The Company believes that product quality is the cornerstone for long-term development of any enterprise, and is therefore committed to developing industry-leading and efficient products, and ensures that all products meet or even outperform relevant laws and regulations, industry standards and client requirements in terms of quality, safety and environmental friendliness.

Products delivered have undergone rigorous quality check and assurance process to ensure the performance meets the established requirements. Customers may convey their feedbacks or complaints through established communication channels. The Company investigates and creates reports based on the feedbacks and takes corrective measures such as recall when necessary.

The Company respects intellectual property right such that all designs and tools including software and hardware are properly licensed. Furthermore, the Company also attaches importance to consumer data protection and privacy by ensuring that documents containing such data are properly stored with restricted access.

In the reporting period, the Company was in compliance with relevant laws and regulations, such as the Advertising Law of the People's Republic of China, relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

In the reporting period, there was no recall for safety and health reasons and no products and service related complaints received.

7. Anti-corruption

The Company is dedicated to preserving business integrity. The Company sets out the relevant requirements in the employees' code of conduct to guide the employees with ways to deal with conflicts of interest. The Company established whistle-blowing channels that allows any corruption issue raised to our top management for follow-up, investigation, and reporting.

In the reporting period, the Company was in compliance with relevant laws and regulations, such as the Anti-Corruption Commission Act in Malaysia, and the Anti-unfair Competition Law of the People's Republic of China, relating to bribery, extortion, fraud and money laundering.

In the reporting period, there was no concluded legal cases regarding corrupt practices brought against the Company or its employees.

8. Community investment

The Group integrates community investment with the operations to earn the trust of relevant stakeholders. The Group explores collaboration with reputable organisations to support community programmes which meet the needs and expectations from community, and encourages employees to participate in community programmes.

THE STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX TABLE

HKSE ESG Reporting Guide	Description	Chapter
A. ENVIRONMENTAL		
Aspect A1: Emissions		
General Disclosure	Information on:	A1
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1	The types of emissions and respective emissions data.	The production process does not involve emissions that are material enough to be governed by local authorities. The Company also utilises subcontracted transportation service and does not operate a fleet that is material enough to be reported.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The production process does not produce hazardous waste that is material enough to be reported.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The production process does not produce non-hazardous waste that is material enough to be reported.
KPI A1.5	Description of measures to mitigate emissions and results achieved.	A1
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	A1

HKSE ESG Reporting Guide	Description	Chapter
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2
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).	A2
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A2
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	A2
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	A2
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	A3
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	There was no significant impact in the reporting period.

HKSE ESG

Reporting Guide

Description

Chapter

B. SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

Aspect B1: Employment

General Disclosure	Information on:	B1
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	B1
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	B1

HKSE ESG Reporting Guide	Description	Chapter
Aspect B2: Health and Safety		
General Disclosure	Information on:	B2
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	
KPI B2.1	Number and rate of work-related fatalities.	B2
KPI B2.2	Lost days due to work injury.	B2
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	B2
Aspect B3: Developing and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	There was no training workshop held in the reporting period.
KPI B3.2	The average training hours completed per employee by gender and employee category.	There was no training workshop held in the reporting period.

HKSE ESG Reporting Guide			Chapter
Description			
Aspect B4: Labour Standards			
General Disclosure	Information on:		B4
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		B4
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No violation was reported.	

OPERATING PRACTICES

Aspect B5: Supply Chain Management

General Disclosure	Policies on managing environmental and social risks of the supply chain.		B5
KPI B5.1	Number of suppliers by geographical region.		B5
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.		B5

HKSE ESG Reporting Guide	Description	Chapter
Aspect B6: Product Responsibility		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 	B6
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	B6
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6
KPI B6.4	Description of quality assurance process and recall procedures.	B6
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	B6

HKSE ESG Reporting Guide			Chapter
Description			
Aspect B7: Anti-corruption			
General Disclosure	Information on:		B7
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
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.		B7
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		B7
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.		B8
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	There was no focus area of contribution in the reporting period.	
KBI B8.2	Resources contributed (e.g. money or time) to the focus area.	There was no resource contributed to the focus area in the reporting period.	

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