



VESYNC CO., LTD

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2148

Environmental, Social and Governance Report 2020



CONTENTS

1	About This Report	2
2	About the Group	3
3	About Sustainable Development	4
	3.1 Stakeholders' Engagement	5
	3.2 Materiality Assessment and Matrix	6
4	Operation Responsibility	8
	4.1 Product at First Priority	8
	4.2 Protection of Intellectual Property Rights	9
	4.3 Operating with Integrity	10
	4.4 Focus on Customers	11
	4.5 Protection of Customers	13
	4.6 Management of Suppliers	13
5	Value Employees	14
	5.1 Employment Principles	14
	5.2 Employee Benefits	15
	5.3 Health and Safety	15
	5.4 Development and Training	16
6	Environmental Management	17
	6.1 Emissions Management	17
	6.2 Energy Saving and Consumption Reduction	18
	6.3 Waste Management	18
	6.4 Use of Water	19
7	Care for the Community	19
	Appendix I: Summary of Sustainability Data	20
	Appendix II: Index to the Guide	21

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

Vesync Co., Ltd (the “Company” or “We”) published its first Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) to summarize the initiatives and performance of the Company and its subsidiaries (the “Group”) in respect of ESG during the period from January 1, 2020 to December 31, 2020 (the “Reporting Period” or the “Year”).

We prepared the ESG Report in accordance with the “Environmental, Social and Governance Reporting Guide” (the “Guide”) under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the content of the ESG Report was based on the disclosure obligation of “comply or explain” provisions. For details on compliance with the provisions of the Guide, please refer to the last chapter of the ESG Report — “Appendix II: Index to the Guide”. In addition, readers can obtain relevant information about corporate governance in the section headed “Corporate Governance Report” from the Annual Report.

Unless otherwise specified, the ESG Report covers the actual business scope of the Group.

The content of the ESG Report has followed the reporting principles in relation to “materiality”, “quantitative”, “consistency” and “balance” under the Guide, the application of which is as follows:

Reporting Principle	Application in the ESG Report
Materiality	We have identified and disclosed in the ESG Report the process of and the criteria for the selection of material ESG topics. We have also identified and disclosed major stakeholders, the process and results of their participation in the ESG Report.
Quantitative	We have disclosed the data on the standards, methodologies, assumptions and/or calculation tools used to report environmental KPIs, and the sources of the conversion factors used.
Consistency	In the future, if there are any changes in statistical methods or KPIs or any other relevant factors that affect meaningful comparison, we will clearly explain them in the ESG Report.
Balance	The ESG Report reflects both positive and negative ESG information reasonably and objectively.

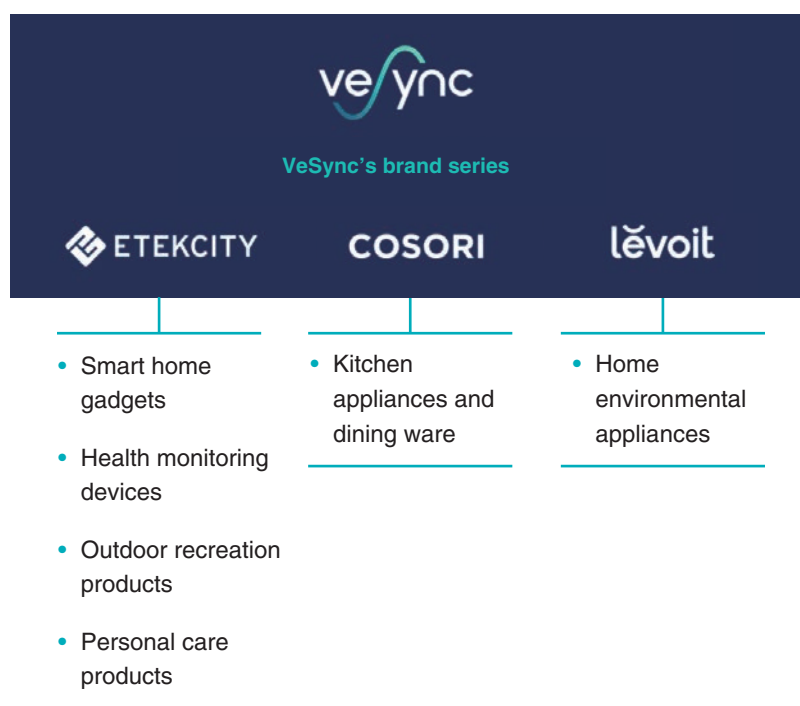
Contact Information

Your opinions on this ESG Report are highly valued. If you have any enquiries or suggestions, please send an email to: companyinfo@vesync.com.cn.

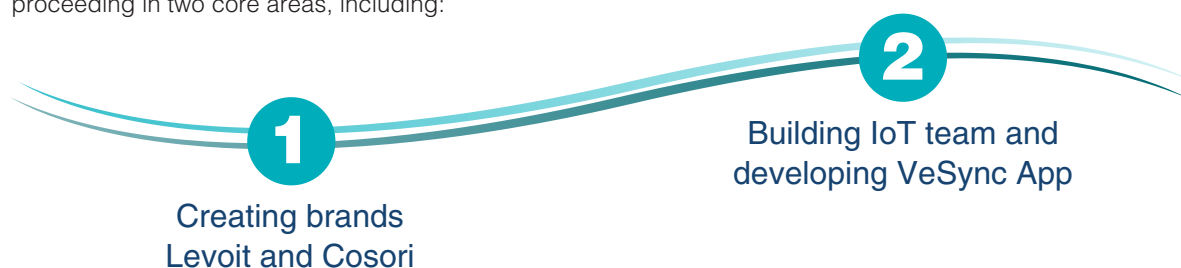
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

2 ABOUT THE GROUP

The Group is one of the market players in the small home appliance online market in the United States and operates its business with the mission “to create connected lifestyles with smarter products, making life better at home and beyond” and the vision “to open up new opportunities and help discover new possibilities for our users, team members, and partners through our community and technologies.” We primarily design, develop and sell small home appliances and smart home devices under the following three core brands:



We are committed to improving the design, development and performance of our products and keep proceeding in two core areas, including:



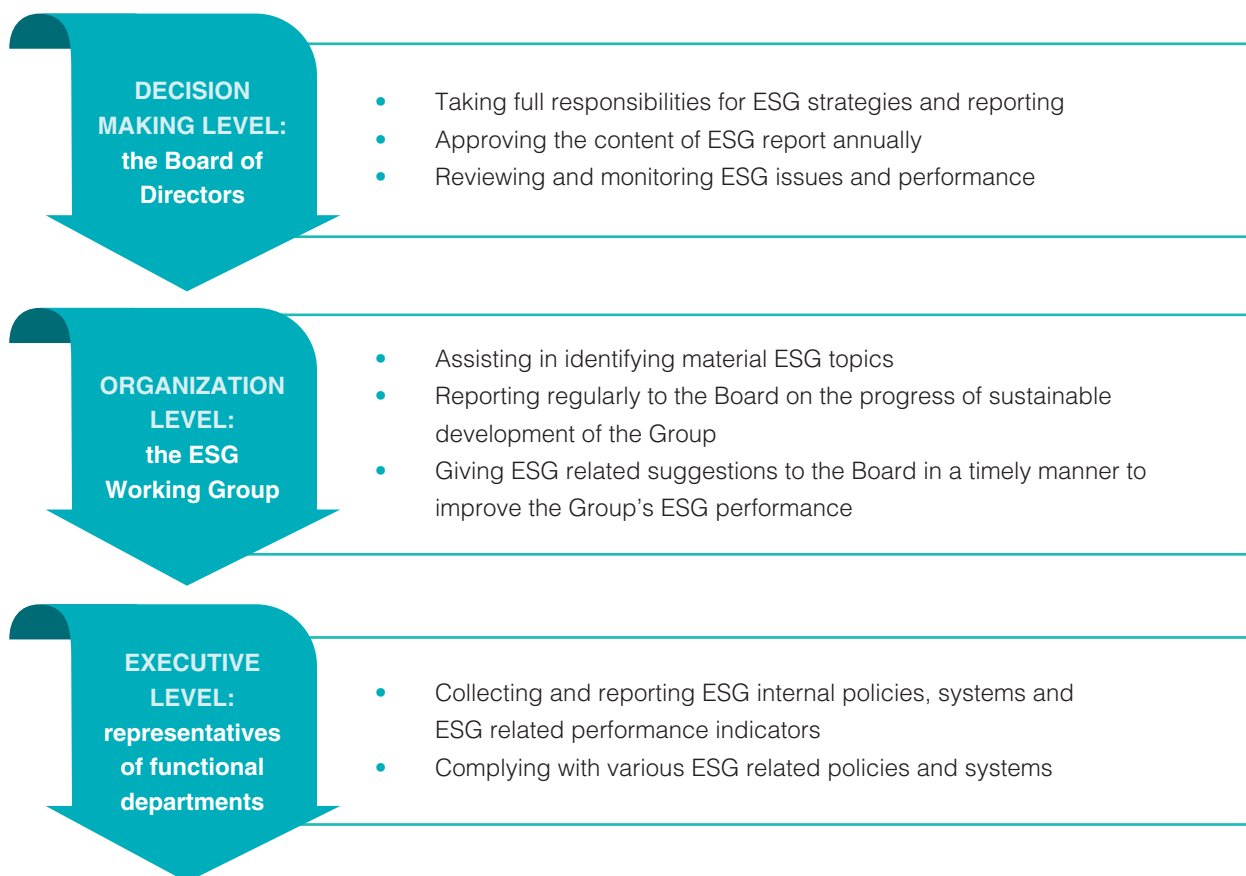
Currently, our products are sold primarily in 8 countries, including Japan, Germany, Italy, the United Kingdom, France, Spain, Canada and the United States. By constantly introducing new products and iterating existing products with new technology, functionality, features and design, our competitive edge in the industry will be further enhanced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

3 ABOUT SUSTAINABLE DEVELOPMENT

Realizing that the operation philosophy of sustainable development and business development complement each other, we are committed to gradually incorporating ESG elements into the management and decision-making of the Group. In this regard, we have established an ESG working group (the “Working Group”) to form the ESG governance structure, with members at all levels taking relevant responsibilities (as shown in the figure below). The Working Group consists of representatives from the office of the Board of Directors and the investment department, aiming to establish a channel of communication between the Board of Directors and the executive level. In the future, it is expected that the Board of Directors will strengthen the supervision of ESG issues through this governance structure, promote ESG in a top-down manner, and create value in the triple bottom lines.

| ESG governance structure and responsibilities |



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

3.1 Stakeholders' Engagement

The Group values its communication with stakeholders. Our major stakeholders include customers, staff, shareholders/investors, business partners, regulators, suppliers, media and community/non-governmental organizations. During the Year, we maintained effective communication and exchange with stakeholders through different channels, so as to fully understand their concerns on ESG issues and expectations, which serve as a reference for us to formulate short-term and long-term sustainable development strategies.

Stakeholders	Communication channels
Shareholders/ investors	Annual general meetings and other general meetings, interim reports and annual reports, company correspondence (such as letters/circulars to shareholders and meeting notices), results announcements, investors' meetings and ESG meetings
Customers	Customer satisfaction surveys and opinion forms, online service platform, email and WeChat
Staff	Channels (such as forms, suggestion boxes and staff communication meetings) for staff to express opinions, group discussion, face-to-face meetings, one-to-one communication interviews, work performance reviews, special advisory committee/panel discussion and seminars/workshops/talks
Business partners	Visits
Government	Policy documents and guidelines
Suppliers	Supplier management procedures, supplier/subcontractor evaluation system, meetings and on-site visits
Media	Press releases, interviews with senior management and results announcements
Community/ non-governmental organizations	Community activities
Public	Media information, website of the Group and events of the Group
Regulators	Regulatory policies, investigations and visits

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

3.2 Materiality Assessment and Matrix

During the Year, we conducted materiality assessment through questionnaires to collect, identify and determine the concerns of internal and external stakeholders on different ESG topics. We have taken the following steps to identify the relevant ESG topics and their materiality in the materiality assessment:



Identifying ESG topics

- We selected the ESG topics applicable to our business with reference to the Guide, the Materiality Map of the U.S. Sustainability Accounting Standards Board (SASB) and peer comparison



Sorting ESG topics

- The ESG topics are rated by stakeholders on a scale of 1 to 10 according to their materiality



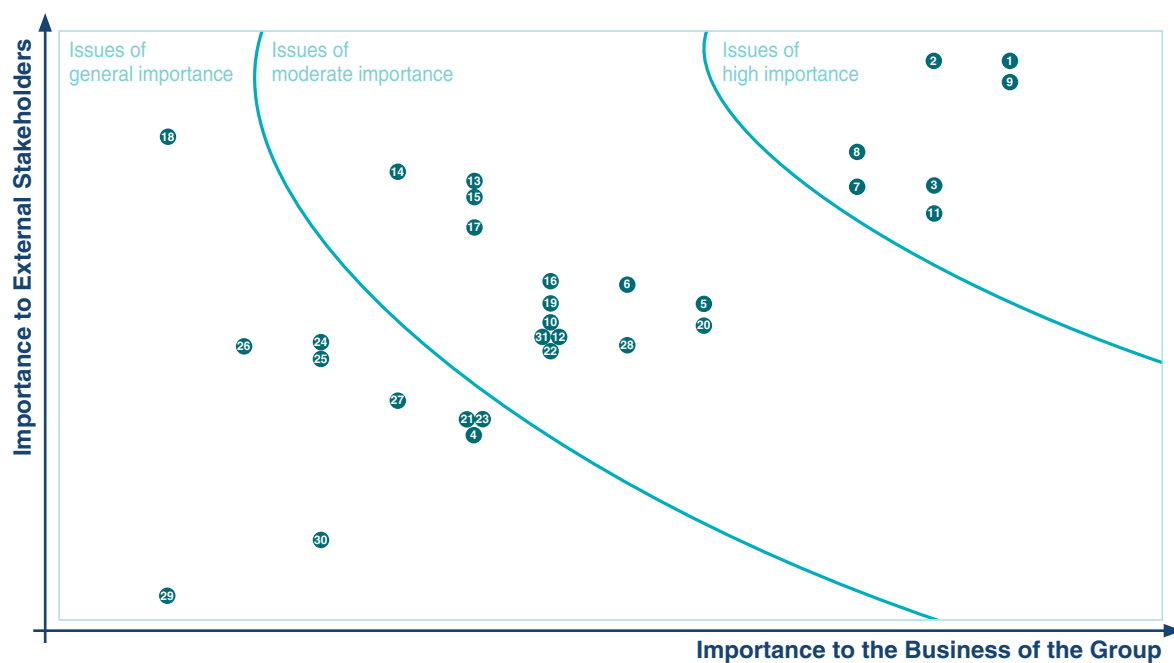
Results of materiality assessment

- After internal communication by the management, they agreed on the effectiveness of this Year's materiality assessment for the Group's business.

The results of the materiality assessment are illustrated by a matrix (as shown below). However, we will concentrate our resources on material ESG issues related to our business and operations and strive to continuously improve and enhance our ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

| Materiality Matrix of the Group |



Issues of high importance	Issues of moderate importance	Issues of general importance
1. Operation in compliance with laws and regulations 2. Product and service quality assurance 3. Product innovation 7. Protection of customers' privacy 8. Information security 9. Respecting intellectual property rights 11. Anti-corruption	5. Complaint handling and responding mechanism 6. Product after-sale management 10. Green supply chain 12. Whistle-blowing mechanism 13. Employees' rights 14. Labor relations 15. Occupational health and safety 16. Employee diversity, non-discrimination and equal opportunity 17. Employee training and development 19. Use of materials/resources 20. Air pollutant emissions 22. Waste disposal 28. Green design 31. Satisfaction with the community	4. Product promotion 18. Prohibiting child labor and forced labor 21. Greenhouse gas emissions 23. Energy consumption and efficiency management 24. Water consumption and efficiency management 25. Wastewater discharge and treatment 26. Environmental awareness of employees 27. Managing the impact of operations on the environment and natural resources 29. Employees' awareness and participation of public welfare activities 30. Value and impact of community investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

4 OPERATION RESPONSIBILITY

The Group attaches great importance to research and development and quality of products, and continuously invests in product upgrading and quality improvement. We operate our business in a responsible manner, strive to build sound relationships with our customers, strengthen supply chain management and enhance brand recognition.

4.1 Product at First Priority

The Group operates in compliance with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) and Consumer Product Safety Act (《消費品安全法》) formulated by Consumer Product Safety Commission of the U.S. In terms of product quality control, we implement the internal "Quality Control Measures" (《質量控制措施》), "Finished Product Delivery Management Procedures" (《成品出貨管理程序》) and "Production and Service Process Control Procedures" (《生產和服務過程控制程序》). The quality department is mainly responsible for ensuring that quality assurance and acceptance works are carried out with strict standards in each link from raw material procurement to delivery. Our Shenzhen office has obtained the GB/T19001-2006 and ISO9001:2015 quality system certification, and will carry out supervision and review every year within the validity period to ensure that it operates in accordance with the requirements under these standards.

In terms of quality control, the Group fully implements the approach of "putting customer and quality first to make constant improvement for perpetual development", and has in place different quality objectives (such as inspection passing rate, customer satisfaction, on-time delivery rate, and finished product passing rate, etc.), so that each responsible department can conduct sample-based inspections according to the determined statistical methods and frequencies. In addition, the Group is required to issue certified test reports for products to prove their safety and compliance. In the manufacturing process of products, each product has its own standard operation instructions and standardized process which shall be strictly followed. The final inspection of products shall be conducted according to the established procedures before delivery, and products shall not be delivered until they are approved. In terms of advertising labels, the descriptions and promotion materials of our products have been strictly reviewed to ensure that there is no false and misleading content released to the public, so as to comply with the laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and Federal Trade Commission Act (《聯邦貿易委員會法》).

During the Reporting Period, the Group did not have any products sold or shipped that had to be recalled for safety and health reasons. We have established relevant procedures to handle product recall cases, including understanding product defects, in order to improve product manufacturing process and reduce product recall cases.

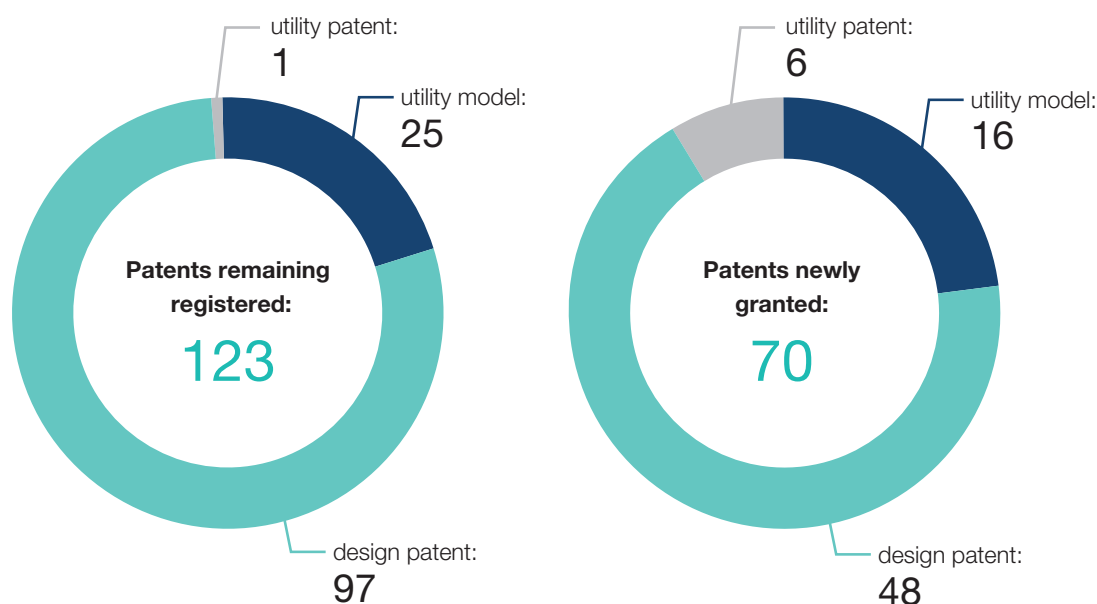
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

4.2 Protection of Intellectual Property Rights

We comply with the laws and regulations such as the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), and other patent laws and trademark laws in jurisdictions where we operate. The Group is aware of the importance of strengthening the protection of intellectual property rights. We have set up an intellectual property department under the legal department, which is responsible for supervising and handling intellectual property infringement disputes or claims. We have adopted the following internal control measures to prevent infringement:

- entering into agreements with suppliers to prohibit their unauthorized use or misappropriation of our intellectual property rights;
- assigning designated personnel to regularly monitor the use of our intellectual property rights by suppliers to ensure their proper use;
- containing the "Terms of Use" (《使用條款》) on the Group's website, which stipulates the legal protection of its copyrights, trademarks, patents, confidential commercial information and other intellectual property rights or ownership; and
- The legal department and the intellectual property department will prepare prohibition letters if needed, collect evidence of infringement and take legal actions when necessary

We focus on product innovation. ETEKCITY, a brand of the Group, has also formulated the incentive mechanism of "ETEK CITY Patent Incentive Compensation System" (《ETEK CITY 專利獎勵報酬制度》) to encourage employees' enthusiasm for technological innovation. During the Year, we obtained a total of 193 patents, of which 70 were newly granted during the Year:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In addition, we received worldwide recognition for our product design and innovation and had the following awards during the Year:

Product name	Issuing authority
Levoit Core 300 True HEPA Air Purifier	iF Product Design Award
Levoit Air Concept	Global Innovation Award Winner
Levoit Core 300S Smart True HEPA Air Purifier	<ul style="list-style-type: none"> German Innovation Award Red Dot Design Award 2020
Levoit Core 400S Smart True HEPA Air Purifier	Red Dot Design Award 2020

Case: Levoit Core 300 True HEPA Air Purifier

Air purifier related products are popular during the COVID-19 pandemic. The effective three-layer filtration system within the product powerfully blocks 99.97% particles of 0.3 micron and helps protect the health of users. The application of advanced technology makes higher efficiency possible and equips the product with more functions such as air cleaning and noise reduction. In addition, the product has obtained the certification of Energy Star and is a product with less environmental impact.



4.3 Operating with Integrity

The Group has zero tolerance for violations of integrity and self-discipline. In the operation, the Group strictly abides by, including but not limited to, the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Anti-corruption Law of the People's Republic of China (《中華人民共和國反貪污法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Foreign Corrupt Practices Act of the U.S. (《美國腐敗海外行為法案》) (FCPA) and other applicable laws and regulations in the places where it operates. We had no litigation cases related to corruption during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group has formulated the “Integrity and Self-discipline System” (《廉潔自律制度》) to effectively prevent anti-corruption and improve the internal governance and control of the Company. The system effectively regulates the behavior of employees and protects the interests of the Company from infringement. The system stipulates that all employees shall be committed to their duties, be honest and self-disciplined, and shall not commit any violation of business ethics and professional ethics, including but not limited to commercial bribery, duty encroachment, misappropriation of funds, malpractice and etc.

In terms of whistle-blowing procedures, we have formulated the “Internal Whistle-blowing Management Regulations” (《內部舉報管理規定》) to timely supervise and report internal violations. Employees can report operational defects, management loopholes or violations by phone, mail, letter and in person. After receiving a report, the audit department will further conduct a detailed investigation on the cases reported if they meet the reporting requirements, and will protect the whistle-blowers. The audit department and relevant departments strictly and seriously handle the cases in accordance with national laws and regulations and corporate systems, and will submit the cases to judicial authorities for handling when necessary.

4.4 Focus on Customers

The Group recognizes the importance of understanding the needs of its customers and is committed to providing them with quality services at different stages.

We have 37 customer service employees, who will carry out daily customer service work in accordance with the “CX Job Content and Standards” (《CX崗位工作內容與標準》), so as to handle customer complaints, answer customers' questions and solve their problems in a timely and reasonable manner. Our customer service teams in the PRC and the United States will also cooperate and share various information simultaneously, and improve the consistency of customer service between the two teams. The general response to customers' complaints is as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Case: VeSync's own App

The Group has its own App that connects to products under its brands, allowing users to enhance their experience with accessible smart products while improving their living. The application has the following features:



Automation

Set timers, create customized schedules, and turn on auto-mode for a wide range of electronics.



Awareness

Monitor the health of your home and receive important notifications about devices.



Exclusive Content

Browse hundreds of online recipes and get access to special sales and prizes.

We actively contact our customers through the customer service platform of Amazon sellers, brand's support emails, the support email in the application, the official contact number and the Facebook community to collect their opinions, so as to continuously improve our products and services.

During the Reporting Period, we held the following activities of Cosori:

Case: Cosori "Fry off Fridays"

We held a "Fry off Fridays" competition for the Cosori community, where participants were required to post pictures of dishes and recipes corresponding to the specific themes, and we selected the most attractive recipes. The winner would receive attractive gifts.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

4.5 Protection of Customers

In addition, the Group's website has contained a privacy policy that allows customers to have a close look at the use of their information and the protection provided to them.

We have also adopted the following security measures for the Vesync application:

- A management system is established for internal access rights where no employee can access or download user data before approval
- When registering, the user password will be encrypted and transmitted to our cloud, and the encrypted password will be saved to ensure security
- User data in the cloud can only be accessed by specific teams with approval through specific internal systems which require authorization for use
- Servers connected to the online platform are configured with security settings, and their information can only be viewed in the office network and access records will be kept
- Search for after-sales service information through the Pharos System, and the system also controls permissions and conducts record

For users and customers of Amazon, two-step verification is required for login. Moreover, customers' data is not allowed to be exported in batches, and can only be viewed in the Amazon Sales Center. The authorization of Amazon is required to access the back-end data of Amazon.

In addition to customer information, we have formulated the "Security Inspection for Employees' Computers" (《員工電腦安全檢查》) and the "Network Equipment Inspection Report" (《網絡設備巡檢報告》) to ensure the safety of computers. We also arranged external IT service providers to assist in upgrading and optimizing our internal systems during the Year.

4.6 Suppliers' Management

We have a global supply chain with synergies and are also actively developing a strong supply chain to meet the needs of marketing.

We have formulated internal policies such as the "Procurement Operation Guide" (《採購操作指南》), the "Standard Document for Supplier Performance Rating" (《供應商績效評級標準文件》) and the "Procurement Process" (《採購流程》) to select suitable suppliers in fair and impartial manner. We will collect comprehensive information on suppliers when necessary, arrange investigation to understand the daily operation of suppliers, and continuously monitor the quality of the supply chain by means of regular assessment to ensure that our products can meet the standards of the target market.

We will engage suppliers based on factors, such as brand recognition, product design, product portfolio, price, technology and customer service. In addition, we pay attention to the environmental and social responsibility of suppliers, and require cooperated suppliers to comply with applicable laws and regulations, including but not limited to environmental protection, employment, health and safety, anti-corruption and other aspects. We have entered into non-disclosure agreement, integrity agreement and interest declaration form with suppliers to clarify the terms to protect the interests of both parties.

During the Year, our offices in Shenzhen and Chongqing cooperated with a total of 97 major suppliers (83 of which were from the Pearl River Delta, 5 from Fujian and 9 from the Yangtze River Delta).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

5 VALUE EMPLOYEES

The Group identifies employees as one of our important assets. We are also committed to providing employees with a harmonious working environment and enhancing their sense of belonging. Our operations in the PRC are in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law on the Protection of Minors of the People's Republic of China (《中華人民共和國未成年人保護法》) and Provisions on the Prohibition of Using Child Labor (《禁止使用童工的規定》). Our operations in the United States are in compliance with the Labor Law (《勞動法》), Fair Labor Standards Act (《公平勞動標準法》), Age Discrimination Act (《年齡歧視法》), the Americans with Disabilities Act (《殘疾人保護法》) and other laws and regulations in relation to labor and employment.

As of 31 December 2020, the Group had 693 employees in total, of which 583 employees were in the PRC, 105 employees were in the United States and 5 employees were in other regions.

The human resources department of the Group has formulated internal guidelines for different employment and labor practices for follow-up and compliance, and is also planning to formulate the "Staff Manual" (《員工手冊》) to enhance employees' understanding of their rights and interests and transparency.

5.1 Employment Principles

In terms of human resources planning, we have set the goal of talent demand for 2020, corresponding performance indicators and the achievement of the goal, aiming to continuously monitor the recruitment of talents. The recruitment of our Shenzhen and Chongqing offices is carried out in accordance with the "Recruitment Management System" (《招聘管理制度》), which covers stages from the analysis of employment needs to the entry of employees. We adhere to the principle of fair recruitment, and only select suitable talents according to candidates' performance in the interview, experience, suitability with positions, values and other objective factors. We advocate fairness and equality in the workplace and will never tolerate any discrimination including gender, sexual orientation, disability, age, race, nationality, family status and etc. During the Year, we launched the 2021 Campus Recruitment activity in Shenzhen and Chongqing to attract fresh graduates to join our family.

We comply with laws and regulations such as the Law on the Protection of Minors of the People's Republic of China (《中華人民共和國未成年人保護法》), Provisions on the Prohibition of Using Child Labor (《禁止使用童工的規定》) and the Fair Labor Standards Act (《公平勞動標準法》) of the United States to avoid employment of child labor, and staff of the human resources department will check applicant's supporting documents to ensure that the employees have reached the legal working age. In terms of avoiding forced labor, the Group enters into employment agreements with each employee in accordance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), and employees working in the United States are also protected by the Fair Labor Standards Act (《公平勞動標準法》) which stipulates working hours and arrangements for overtime if necessary. During the Year, the Group did not hire any child labor nor tolerate forced labor.

If the Group observes any serious violation of the company system by employee, it is entitled to terminate their employment relations. At the same time, employees can also request for resignation, and we will respect their decisions. The head of human resources department will interview them to understand the reasons for their resignation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

5.2 Employee Benefits

The Group is aware of the necessity to provide better remuneration and benefits to retain talents, and will review the market and business development to make adjustments. The remuneration packages of the employees include basic salaries, bonuses and benefits. The benefits enjoyed by our employees include:

- Employees in the PRC and the United States are entitled to statutory holidays and vacation arrangements
- Contributions are made to the social insurance and housing provident funds which enterprises are required to bear for employees working in the PRC in according to the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》); employees working in the United States also enjoy basic medical insurance
- The Pre-IPO Share Award Scheme and the Share Option Scheme

5.3 Health and Safety

The COVID-19 pandemic in the Year has drawn more of our attention to the health and safety of employees and the workplace, the public health crisis has also led to the risk of business interruption. We comply with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and other relevant laws and regulations in jurisdictions where we operate. During the Reporting Period, we had no work-related fatalities or injuries.

We built a healthy and safe working environment for our employees. During the Year, we arranged physical examinations for qualified employees working in Shenzhen office so that they could understand their physical conditions and receive treatment as soon as possible. In response to the COVID-19 pandemic, the Group has formulated internal provisions on epidemic prevention and control management, and adopted the following epidemic prevention and control measures related to workplace health and safety:

- Employees are allowed to work from home and, if practicable, work flexibly;
- All employees are required to disinfect their hands and have their body temperatures checked before entering the office;
- Masks, disinfectants and other supplies are prepared in each office and workplace;
- Discarded masks should be thrown in designated mask recycling bins to be disposed by cleaners on time;
- Various methods of communication, such as video conference, phone and email are used as much as possible to reduce direct contact with personnel;
- An emergency quarantine room was set up in Shenzhen office;
- Cleaning of public areas is strengthened; and
- Goods are stored in three warehouses instead of previous one single warehouse

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, we also held the ETEKCITY sports month event, which attracted the active participation of many employees. Employees could choose football, table tennis, badminton, yoga and other sports, which are beneficial to their physical and mental health.



Football game

In terms of ensuring the health and safety of production lines, we have formulated internal policies related to production safety, such as the “Production Safety Management System” (《安全生產管理制度》), the “Occupational Health Management System” (《職業健康管理制度》) and the “Safety Education and Training System” (《安全教育培訓制度》). We have established a production safety committee for production lines, clarified relevant responsibilities of each department, and strengthened supervision and management to prevent and reduce the occurrence of safety accidents. Employees working in production lines must receive safety education and training and operation skill training, and can only work after passing the assessment, to ensure that they are equipped with the necessary production safety knowledge and ability, familiar with relevant production safety rules and operation safety procedures and master the operation safety skills of the position. In case of any accident, the production line will handle it in time according to the “Emergency Plans for Production Safety Accidents” (《生產安全事故應急預案》). Moreover, training and drills will be arranged on a regular basis to improve the accident response ability of employees.

5.4 Development and Training

We have formulated the “Operation Post Promotion and Evaluation Plan” (《運營崗職級晉升評估計劃》) and a sound performance management system, and conduct reviews annually to identify outstanding employees and provide promotion and salary rise for them. Employees or managers summarize their work of the year, the supervisors will give a mark according to their actual performance and standards, and then rate the performance appraisal. In terms of promotion, we value the contributions of our employees and recognize and reward them for their good performance. Internal promotion will be considered prior to external recruitment when there is a job demand.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group believes that on-the-job training can develop the skills of employees to meet strategic objectives and customer requirements. We provide training for new employees to familiarize themselves with the working environment and culture as soon as possible. New employees will be directed by their supervisors and experienced employees to be familiarized with their work. In addition, we encourage employees to participate in seminars and sharing meetings organized by external organizations to enrich their professional knowledge. We have set up a training specialist position in our Shenzhen office, and are committed to holding more training activities in the coming year to benefit more employees.

6 ENVIRONMENTAL MANAGEMENT

We operate in compliance with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and other laws and regulations related to environmental protection. The Group's business did not have a significant impact on the environment and natural resources, nor did it violate relevant laws and regulations.

6.1 Emissions Management

The greenhouse gas (GHG) emissions are calculated by reference to "Greenhouse Gas Protocol" (《溫室氣體盤查議定書》) formulated by World Resources Institute and World Business Council for Sustainable Development and the ISO14064-1 Standard set by International Organization for Standardization. The GHG emissions and intensity are as follows:

Indicator	Unit	2020 ^(Note 1)
GHG emissions		
Total GHG emissions (Scopes 1 and 2)	tonnes of CO ₂ e	182.3
GHG missions intensity		
GHG emissions intensity per square meter	tonnes of CO ₂ e/square meter	0.04
GHG emissions intensity per employee	tonnes of CO ₂ e/employee	0.3

Scope 1: Direct GHG emissions from sources owned and controlled by the company.

Scope 2: GHG emissions indirectly caused by power generation, heating and cooling or steam purchased by the company.

Note 1: Data collected include offices in Shenzhen and Chongqing

We summarized the consumption of fixed equipment, the fuel consumption of our vehicles and refrigerant consumption, and the electricity consumption in operation within the calculation scope of the Year to determine GHG emissions (Scopes 1 and 2). Our total GHG emissions (Scopes 1 and 2) was 182.3 tonnes of CO₂e for the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In terms of the emissions management, we had received the approved environmental impact report form for construction projects before the construction of the factory in Dongguan, to ensure that there would be no significant impact on the surrounding environment at all stages from construction to operation. During the operation period of the factory, it is required to measure the emissions of pollutants and fill in the monitoring report on a regular basis, it is also required to properly dispose of the sewage and waste according to the requirements of the receipt of sewage discharge registration for fixed pollution sources. The emission reduction measures of the Shenzhen and Chongqing offices focused on reducing energy consumption.

In terms of emissions, there was no emission of nitrogen oxides (NO_x), sulfur oxides (SO_x) and particulate matter (PM) generated from our vehicles during the Year.

6.2 Energy Saving and Consumption Reduction

We are committed to reducing energy consumption.

We are committed to cultivating employees' awareness of environmental protection, including turning off lights or other electronic equipment not in use, avoiding waste of resources and reducing waste. We have also taken other energy saving measures, including replacing equipment with those of high energy efficiency when necessary, using daylight as much as possible, dividing offices into several different lighting areas where lighting switches with independent control are installed, adjusting the air conditioners to an appropriate temperature range.

During the Year, the total electricity consumed within our offices in Shenzhen and Chongqing amounted to 298,800.0 kWh with an intensity of 57.4 kWh per square meter and 512.5 kWh per employee, respectively.

6.3 Waste Management

Cleaning workers are arranged for each office of the Group to clean the office waste generated every working day, the property management of the office building will then handle the non-hazardous waste.

We are concerned about paper consumption during office operation and strive to reduce consumption and increase recycling. Electronic office system has been used in Shenzhen office to replace the paper-based office administration system. When printing documents, employees are encouraged to apply double-sided printing, use recycled paper and adjust font and line spacing in a suitable manner.

We are relatively concerned about the proper disposal of hazardous waste to reduce its impact on the environment. Recyclable ink cartridges are used at the printers in the office, the wasted ink cartridges will also be replaced with the new ones by suppliers. As for the disposal of waste batteries, the Shenzhen office has put in place relevant system. All departments will first collect the waste batteries, and then hand them over to the human resources administration department to dispose of into a special recycling bin for waste batteries. Furthermore, the computers that served our former employees will be used by new employees as much as practicable and out-of-use computers will be handed over to recyclers for further disposal.

Our offices in Shenzhen and Chongqing did not consume packaging materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Year, data of the waste produced is as follows:

	Unit	2020 ^(Note 2)
Total production of hazardous waste	piece (computer)	65
	piece (battery)	5
	piece (ink cartridge)	4
Total production of non-hazardous waste	tonnes	38.5
Non-hazardous waste produced per employee	tonnes/employee	0.07
Total paper consumption	kg	1,166.2
Paper consumption per employee	kg/employee	2.0

Note 2: Data collected include offices in Shenzhen and Chongqing

6.4 Use of Water

The Group had no issue in sourcing water that is fit for purpose. The total amount of water used during the Year was 1,778.0 cubic meters, with 0.3 cubic meters per square meter and 3.0 cubic meters per employee.

Our offices use water-saving sanitary products, arrange regular inspection on water pipes, carry out timely repairs when leaks are discovered and turn off water taps when water is not in use. In addition, we put up water conservation reminder stickers to constantly remind employees to cherish water resources.

7 CARE FOR THE COMMUNITY

The Group is fully aware of the importance of bearing corporate citizenship responsibilities. We encourage our employees to actively donate money and participate in charitable activities to contribute to the society and support those in need in local community. During the Year, our community activities focused on raising environmental awareness and donating our products to those in need. The Group plans to participate in more charitable or community activities in the future to promote the community development in the places where it operates.

We work with non-profit environmental organizations and promote energy saving activities by planting trees in Africa and using the VeSync App to reduce carbon emissions. In addition, we have donated Etekcity brand products to social management organizations in Shenzhen during COVID-19 pandemic.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

APPENDIX I: SUMMARY OF SUSTAINABILITY DATA

Environmental indicator ¹	Unit	2020
GHG emissions		
Total GHG emissions (Scopes 1 and 2)	tonnes of CO ₂ e	182.3
GHG emissions per square meter	tonnes of CO ₂ e/square meter	0.04
GHG emissions per employee	tonnes of CO ₂ e/employee	0.3
Production of hazardous waste		
Total hazardous waste	piece (computer)	65
	piece (battery)	5
	piece (ink cartridge)	4
Production of non-hazardous waste		
Total non-hazardous waste	tonnes	38.5
Non-hazardous waste produced per employee	tonnes/employee	0.07
Paper		
Total paper consumption	kg	1,166.2
Paper consumption per employee	kg/employee	2.0
Energy use		
Total electricity consumption	kWh	298,800.0
Electricity consumption per square meter	kWh/square meter	57.4
Electricity consumption per employee	kWh/employee	512.5
Water consumption		
Total water consumption	cubic meters	1,778.0
Water consumption per square meter	cubic meters/square meter	0.3
Water consumption per employee	cubic meters/employee	3.0
Social indicator ²	Unit	2020
Number of employees by region		
Employees in the PRC	person	583
Employees in the Unites States	person	105
Employees in other regions (Germany and Japan)	person	5
Work-related fatalities and injuries		
Number of work-related fatalities	person	0
Lost days due to work injury	day	0

¹ Environmental KPIs include the Group's offices located in Shenzhen and Chongqing

² Social KPIs include data of the Group

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

APPENDIX II: INDEX TO THE GUIDE

Indicator			Related Chapter
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6. Environmental Management
	A1.1	The types of emissions and respective emissions data.	6.1 Emissions Management
	A1.2	Greenhouse gas emissions in total and intensity.	6.1 Emissions Management Appendix I: Summary of Sustainability Data
	A1.3	Total hazardous waste produced and intensity.	6.3 Waste Management Appendix I: Summary of Sustainability Data
	A1.4	Total non-hazardous waste produced and intensity.	6.3 Waste Management
	A1.5	Description of measures to mitigate emissions and results achieved.	6.1 Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6.3 Waste Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6.2 Energy Saving and Consumption Reduction 6.4 Use of Water
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	6.2 Energy Saving and Consumption Reduction Appendix I: Summary of Sustainability Data
	A2.2	Water consumption in total and intensity.	6.4 Use of Water Appendix I: Summary of Sustainability Data
	A2.3	Description of energy use efficiency initiatives and results achieved.	6.2 Energy Saving and Consumption Reduction
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	6.4 Use of Water
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Our offices in Shenzhen and Chongqing did not consume packaging materials.
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	6. Environmental Management
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Environmental Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Indicator			Related Chapter
B. Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5. Value Employees 5.1 Employment Principles 5.2 Employee Benefits
	B1.1	Total workforce by gender, employment type, age group and geographical region.	5. Value Employees It is considered to disclose the total workforce by gender, employment type and age group in the future.
	B1.2	Employee turnover rate by gender, age group and geographical region.	It is considered to disclose in the future
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3 Health and Safety
	B2.1	Number and rate of work-related fatalities.	5.3 Health and Safety Appendix I: Summary of Sustainability Data
	B2.2	Lost days due to work injury.	5.3 Health and Safety Appendix I: Summary of Sustainability Data
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.3 Health and Safety
B3: Development and training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.4 Development and Training
	B3.1	The percentage of employees trained by gender and employee category (such as senior management, middle management, etc.).	It is considered to disclose in the future
	B3.2	The average training hours completed per employee by gender and employee category.	It is considered to disclose in the future
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5.1 Employment Principles
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Employment Principles
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Employment Principles

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Indicator			Related Chapter
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.6 Management of Suppliers
	B5.1	Number of suppliers by geographical region.	4.6 Management of Suppliers
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.6 Management of Suppliers
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4. Operation Responsibility 4.1 Product at First Priority
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.1 Product at First Priority
	B6.2	Number of products and service related complaints received and how they are dealt with.	4.4 Focus on Customers Our after-sales channels are scattered, and there is currently no unified after-sales system to count the number of customer complaints. We will consider to disclose the number of products and service related complaints in the future.
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.2 Protection of Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	4.1 Product at First Priority
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.5 Protection of Customers
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.3 Operating with Integrity
	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.	4.3 Operating with Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.3 Operating with Integrity
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.	7. Care for the Community
	B8.1	Focus areas of contribution (such as education, environment issues, labour needs, health, culture, sports).	It is considered to disclose in the future
	B8.2	Resources contributed to the focus area.	It is considered to disclose in the future