



瑞聲科技控股有限公司
AAC TECHNOLOGIES HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2018



Sustainability Report
2021

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About this Report

This is the ninth stand-alone annual sustainability report published by AAC Technologies Holdings Inc. (hereafter referred to as “AAC” or the “Company”, together with its subsidiaries, the “Group”), aiming to disclose the Group’s performance on environmental, social and governance (“ESG”) aspects, especially those that have a significant impact on the long-term success of the Group.

Reporting Frameworks

This report has been prepared in accordance with the Core Option of the Global Reporting Initiative’s (“GRI”) Sustainability Reporting Standards and is in compliance with the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). For information relating to the Group’s strategy and governance practices, please refer to our annual report, available on our website.

The Group’s sustainability management approach, where applicable, aligns with the Sustainable Development Goals (“SDGs”) and the 10 principles of the United Nations Global Compact. The report also draws on the International Integrated Reporting Framework of the International Integrated Reporting Council (“IIRC”).

Reporting Boundary

The environmental data boundary is selected by taking into consideration production facilities with fixed assets exceeding RMB1 million, covering business operations of the Group located in Changzhou, Suzhou, Shuyang, Shenzhen, Nanning, Maanshan and Vietnam¹, unless otherwise stated. Environmental data of the production facility in Maanshan is included in this Sustainability Report. The remaining production facilities covered in this year’s reporting scope are consistent with that of the previous year. The social data in the report covers the entire Group. There were no significant changes in the Group’s organisational structure and no significant restatements of data were made during the year.

¹ Due to variations in legal requirements across regions where the Group operates, certain quantitative indicators have not yet been used for reporting ESG performance of some of our subsidiaries. The Group will continue to work diligently to ensure that these indicators are included in a single set of unified and standardised statistics in our future sustainability reports.

² The information and data collection and verification are currently done by various departments including investors relations, CSR and internal audit. We have established an internal platform for summarising data and information and regular reviews of the data. Nevertheless, we recognise the potential shortcomings of our reporting process and strive to enhance our work on disclosure, including 1) identifying appropriate indicators for deriving intensity of environmental data, replacing the revenue indicator which is easily influenced by product price and 2) attempting to identify the unit of measurement for packaging materials to allow easier comparison.

Applying the Reporting Principles

The report is centered on four principles:

Balance	The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.
Consistency	Any significant variation between reporting periods in the list of material topics, length of the reporting period, or information covered in the report can be identified and explained.
Materiality	In defining material topics, the Group has taken into account the interests and expectations of stakeholders specifically invested in the organisation, such as shareholders, customers, and employees.
Quantitative	Data presented in this report have been examined and verified. Please refer to the Performance Data Summary for standards and methodologies used for calculation of indicators. ²

Report Period

The reporting period is the fiscal year ending 31 December 2021.

External Assurance

Since 2017, Hong Kong Quality Assurance Agency (“HKQAA”) has provided independent external assurance for the disclosures made in this report. Please refer to pages 69 for the verification statement.

Our Policies

AAC keeps the Group’s policies transparent for its valued stakeholders who form the backbone of the value framework. The Company website has policies relevant to sustainability approach and corporate governance including but not limited to Sustainability Policy, Code of Conduct, Board Diversity Policy, Whistleblowing Policy, Corporate Disclosure Policy, Shareholders Communication Policy, Procedures for a Shareholder to propose a person for election as a Director, Environmental Policy, Employment Policy and Climate Change Policy. Policies relevant to sustainability approach and corporate governance are available on our website or through the hyperlinks below.

Policy
Board Diversity Policy
Code of Conduct
Corporate Disclosure Policy
Climate Change Policy
Environmental Policy
Employment Policy
Procedures for a Shareholder to propose a person for election as a Director
Sustainability Policy
Shareholders Communication Policy
Whistleblowing Policy

Feedback

We welcome your thoughts and feedback on this report. Please address any queries and comments to our investor relations department at aac2018@aactechnologies.com. This report is published in English and Chinese. In case of any conflicts between the two versions, the English version shall prevail. As a conservation measure, we do not publish hard copies. PDF version is available on HKEX’s website (under section “HKEX News”) and on our website under the section “About AAC – Sustainability” at <http://www.aactechnologies.com>.

Sustainability at AAC

Key ESG Awards & Recognitions



Forbes World's Top Female Friendly Companies 2021
Forbes



Hang Seng Corporate Sustainability Index Series Member 2021-2022

AA
Hang Seng Corporate Sustainability Index



MSCI ESG RATINGS

CCC B BB BBB A AA AAA

A
MSCI ESG Ratings



Certificate of Excellence in Environmental, Social and Governance Reporting
2021 HKMA Best Annual Reports Awards



SUSTAINALYTICS
a Morningstar company

Low Risk 17.2
Sustainalytics



FTSE4Good

2.9
FTSE4Good



Commendation Awards in Best GRI Report
Hong Kong ESG Reporting Awards (HERA) 2021



Climate Change - **C**
Water Security - **C**
CDP

ESG Highlights

Workforce



Male to female ratio
64:36

Education
49%
Degree or higher

Average training hours
20.5

Health and safety



Work-related injuries
per 1,000 workers
2.79
↓ 3.1%

Safety training hours
126,140
↑ 17.3%

Operation



Patents
7,222
↑ 19.7%

Environment



75% clean energy
consumption target at 2 major
Changzhou plants in 2030

Generated 16.4 million kWh
Renewable Energy
↑ 10.8%

Target to maintain carbon emission
at 5% lower than the government's
quota each year in Shenzhen

Energy intensity
250 GJ/million RMB Revenue
↑ 5.5%

Greenhouse gas intensity
0.42 tCO₂e/ten thousand RMB
Revenue
↓ 2.8%

Target to reduce total water
consumption of all Changzhou
plants by 3% in 2022

Water intensity
711 tonnes/million RMB Revenue
↑ 3.6%

Hazardous waste intensity
1.15 tonnes/million RMB Revenue
↑ 43.8%

Maintain a minimum of 90%
waste diversion rate at 2 major
plants in Changzhou and
achieve a 90% waste diversion rate
in the Shenzhen plant in 2022

Non-hazardous waste intensity
0.66 tonnes/million RMB Revenue
-

R&D staff and technicians
6,307
↑ 45.5%

R&D expenditure to revenue
9.8%
↓ 1.4 p.p.

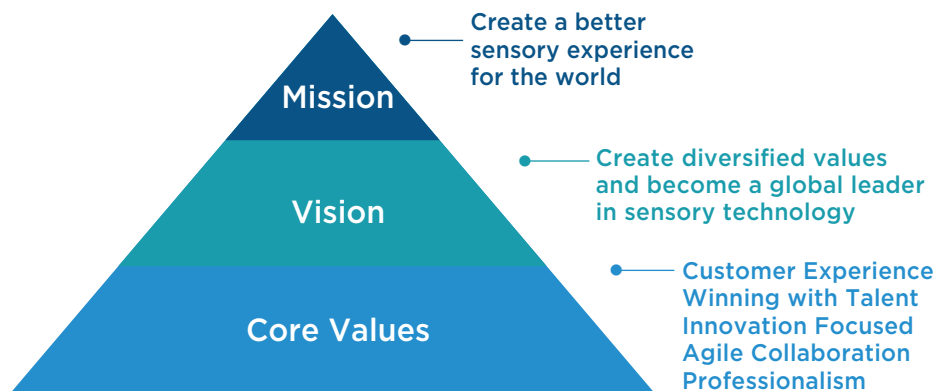
100%
Conflict Mineral-free

About Us

AAC is the world’s leading solutions provider for smart devices with advanced cutting-edge technologies in materials research, simulation, algorithms, design, automation and process development in Acoustics, Optics, Electromagnetic Drives and Precision Mechanics, MEMS, Radio Frequency and Antenna, providing advanced miniaturised and proprietary technology solutions. Our goal is to “Lead Innovation & Enhance User Experience”. The Group will continue to create value for customers with innovative user experience by delivering high-performance and superior quality products.

Corporate Mission, Vision and Core Values

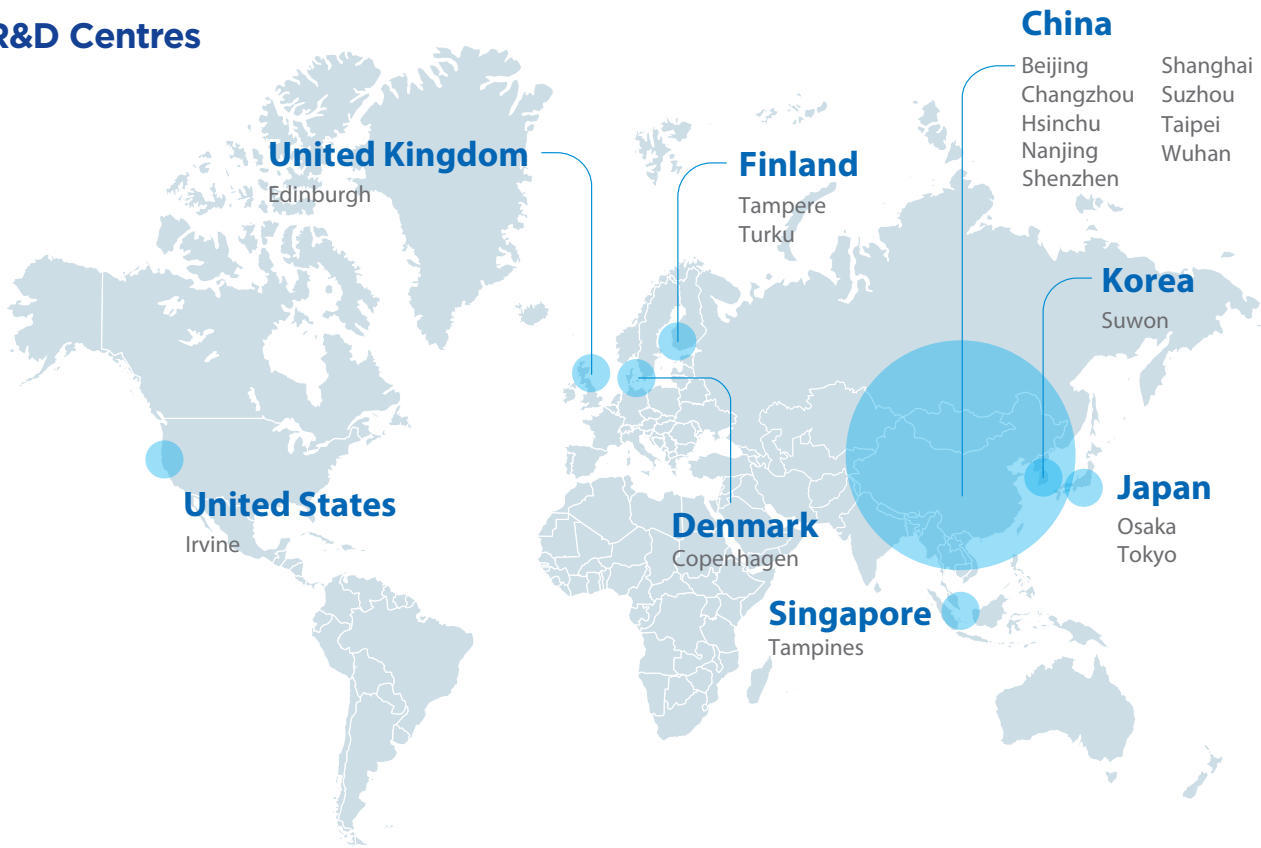
Our corporate mission is to create a better sensory experience for the world, in order to achieve our vision for long-term sustainable growth, so as to create diversified values and become a global leader in sensory technology. The Group will continue to deliver high-performance and superior quality products to customers and provide differentiated user experience. In addition, we strive hard to achieve a balance of economic performance, environmental stewardship and corporate social responsibility that extends beyond our business operations.



Our Worldwide Operations

AAC operates around the globe with research and development (“R&D”) centres in China, Singapore, Japan, United States, Finland and Denmark, testing laboratories in Singapore and South Korea, manufacturing facilities in China, Vietnam and the Czech Republic and sales offices optimally located in different parts of the world. As the Asia Pacific regional headquarters, AAC Singapore will continue to play a significant role in leading the R&D operations as well as the treasury functions of the Group.

R&D Centres



Our Worldwide Operations

Revenue (RMB million)



Net Profit (RMB million)



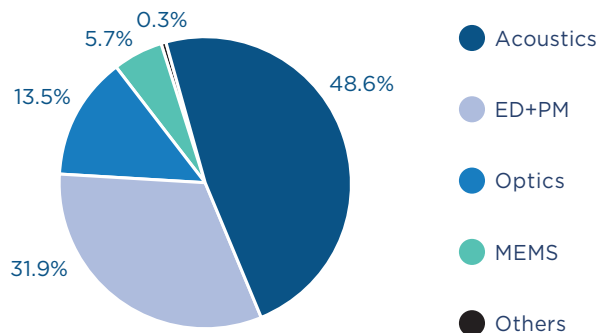
Net Asset (RMB million)



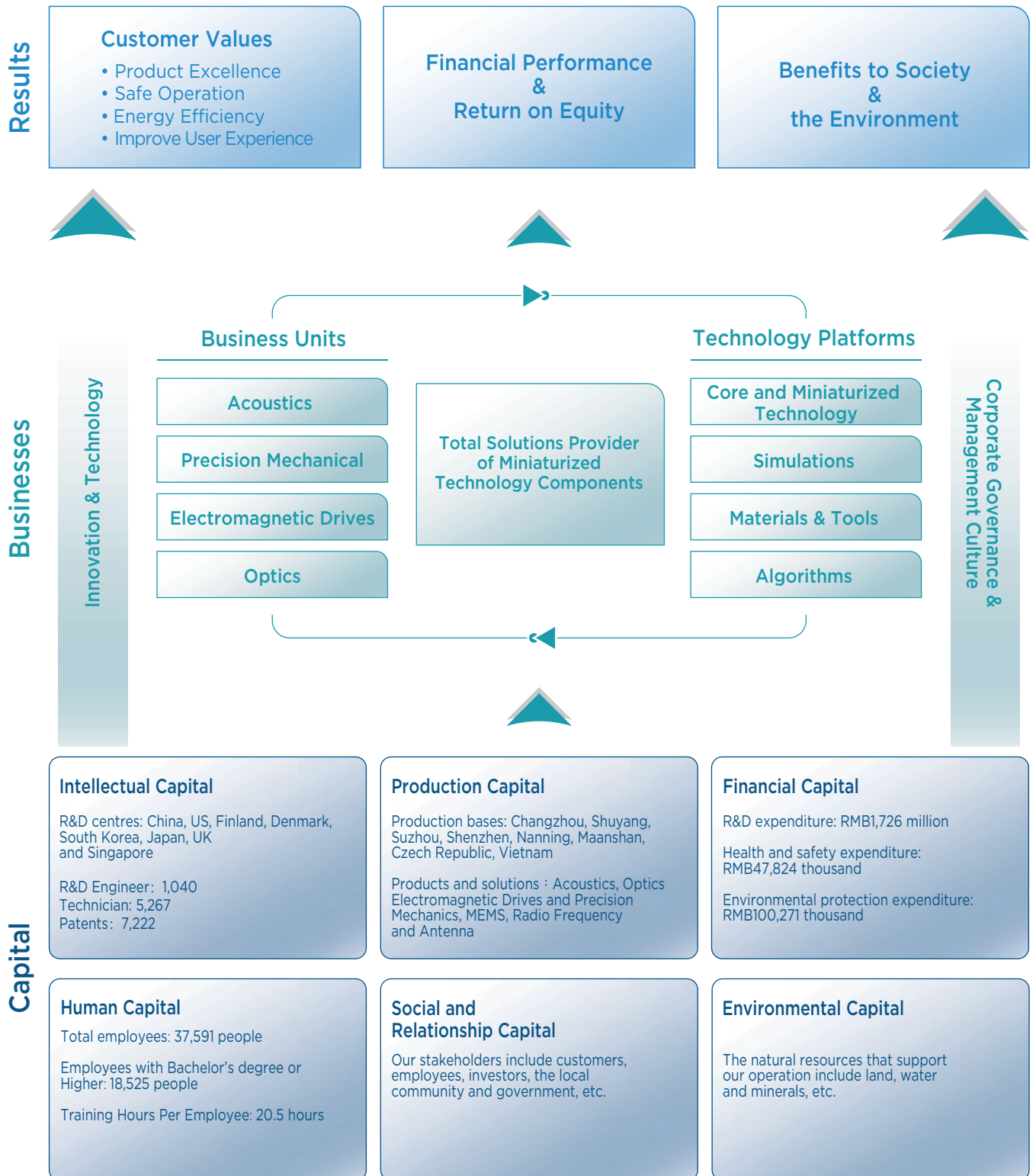
ROE



Revenue distribution



Our Operation Model



Message to Stakeholders

Dear Stakeholders,

Though the world has experienced yet another difficult year, AAC demonstrated that it had adequate agility to address the related issues and resolve them appropriately. External factors such as the prolonged supply chain disruption due to the pandemic impacted the Group's performance but our expansion into various product segments continued uninterrupted and the process was integrated with consideration of ESG factors. AAC has a solid foundation on managing and disclosing ESG and we are able to incorporate ESG issues when expanding business with a new product or moving into a new market. Our management approach on associated environmental and social aspects invariably enables us to contribute to sustainability.

The unprecedented pandemic crisis and growing awareness of ESG management have reinforced the importance of fortifying our adaptability and resilience in the face of change and maintaining a robust governance structure. The Board has overall responsibility for the oversight of ESG risk management. In 2021, an ESG training session was arranged and participated by the Board on the latest ESG updates and management best practices to improve the efficacy of Board oversight on long-term ESG values. The dedicated Sustainability Working Group meets biannually to review ESG performances and where necessary, make recommendations to the Board. In addition to the maintaining a strong governance structure, the Group has increased its allocation of financial and human resources on dealing with ESG issues, fully reflecting its dedication to sustainability.

Towards a Low Carbon Future

Urgent and active decarbonisation actions to tackle climate change are required through collaborative effort. To shoulder our responsibility as a corporate citizen, we are committed to ensuring our action plans work in a way conducive to further progress towards a low carbon future. Amongst other action plans, a two pronged-approach is adopted - reducing total energy consumption and increasing the uptake of renewable energy. For the former, significant progress has been made in enhancing energy efficiency by retrofitting energy-intensive equipment and applying thermal insulation. For the latter, we have been consistently increasing our total solar photovoltaic generation capacity in both the Changzhou and Shuyang areas and purchasing clean energy. We are currently pushing forward an array of large-scale energy-saving and solar photovoltaic installation project plans in different locations of the Group's premises to further reduce greenhouse gas emissions.

Our effort does not stop here. This year, both the Sustainability Working Group ("SWG") and the Board have reviewed existing and included new environmental targets, to provide a more holistic approach to protecting our environment. Besides mitigating emissions, we continue to work closely with our customers on meeting targets such as zero waste to landfills and clean water at some of our manufacturing plants. The Group is in the process of optimising its data collection process to collect more comprehensive environmental data, for the ultimate purpose of setting achievable yet ambitious group-wide targets.

Operational Agility

Fighting COVID-19 remained a key priority for us during the year. AAC acted quickly to protect our workforce from the spread of COVID-19. Appropriate preventive measures have been integrated into our daily operations, in alignment with the principle of “early detection and early treatment”. Our pandemic prevention taskforce has implemented all appropriate hygiene and distancing measures to keep our people safe while maintaining the integrity of operations to ensure supply of products to our customers. We also provided extensive support to our employees as well as the communities where we have operations.

Supported by its leading-edge R&D capabilities and world-class quality control mechanism, the Group continues to pursue products that contribute to the next-generation mobile devices, ensuring they are greener and effective. AAC has been making consistent efforts for qualitative transformation of its human capital in the past few years. This is an ongoing process, wherein we have seen the initial outcome of a team of future-proof workforce that is conscious of the need for product quality and at the same time has acquired enough agility to embrace the 5G technology, a concrete step taken to maintain our leading position in the industry in terms of innovation and high user experience.

Looking Forward

Though an extremely challenging year, making progress on sustainability journey has required unwavering commitment from employees across the organisation. We would like to thank all our employees, management team and our Board for their unremitting efforts in driving the performance of our business in accordance with our values on sustainable development. We are also grateful for the support of our customers, suppliers, business partners and stakeholders from around the world.

Looking ahead, delivering on important sustainability goals is not just critical for society, but also for our business. We are committed to increasing our leadership in ESG. Despite the challenges ahead, we must keep striving. Only through this approach will we be able to drive value creation for our business and build a more sustainable future for our stakeholders.

Benjamin Zhengmin Pan

Chief Executive Officer

Mok Joe Kuen Richard

Executive Director

Sustainability Governance

Board Oversight

A robust governance structure is crucial to ensuring the sustainability development of the Group's business. The board of directors of the Company (the "Board") has overall responsibility for AAC's ESG issues. Led by the CEO and the Executive Director, the Board oversees execution of the Group's sustainability strategy as part of supervision of business strategy and risk management, ensuring that the Group responds effectively to market developments and stakeholders' expectations.

Sustainability Working Group

The SWG, chaired by a Board member, comprises members of the senior management and executives from different functions across the organisation. In accordance with the SWG's Terms of Reference³, the SWG is responsible for reviewing the Group's ESG strategies and material issues, managing corresponding risks and opportunities, and monitoring the effectiveness of existing initiatives and progress of ESG performance in meeting targets. Where appropriate, the SWG reports relevant ESG matters to the Board.

The Board acknowledges its responsibility for ensuring the integrity of this sustainability report. To the best of its knowledge, the report adheres to the principles of materiality, quantitative, balance and consistency. The report has been reviewed and approved by the Board on 23 March 2022.

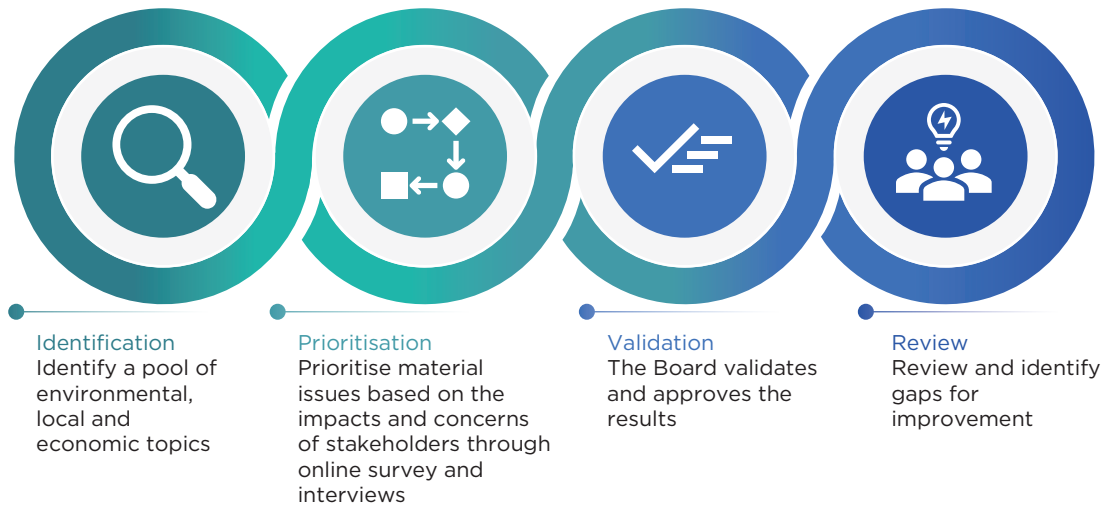


Sustainability Governance Structure

³ The Terms of Reference of the SWG, laying out its purpose, key functions, membership and responsibilities, can be found on our website under the section Sustainability Policy.

Materiality Assessment

A thorough understanding of ESG-related issues that are material to the Group has a critical reference value to AAC’s sustainability planning, reporting and performance. We engage in regular dialogues with different stakeholder groups including regulators, government authorities, investors, suppliers, customers and employees to identify ESG issues that are material to the Group or the interests and expectations of our stakeholders. The content of the report draws upon the outcomes of the stakeholder engagement and materiality assessment.



Our Approach

The Group’s ESG materiality assessment, supported by an independent professional consultant, is conducted in full biennially. Nine ESG topics were identified as highly material in the latest complete assessment in 2020 (Table 1). The assessment was completed by adopting a four-step process which included collecting direct input from stakeholders through interviews and surveys, an analysis of stakeholder’s inquiries and peer benchmarking. To ensure identified material topics continue to be of relevance to the Group in 2021, the results of the assessment were reviewed and validated by the SWG on 30 December 2021. The same was then presented to and approved by the Board on 23 March 2022.

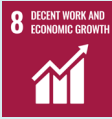
The outcome of the materiality assessment is reflected in the following materiality matrix, showing the impact of each issue on the Group’s operations and its internal and external stakeholders. Topics located at Level 1 are identified as highly material.














Level I	Level II	Level III	Level IV
<ul style="list-style-type: none"> 8 Environmental compliance 16 Occupational safety and health 15 Talent management and retention 22 Child labour and forced labour prevention 25 Social and economic compliance 30 Product quality management 31 Customer satisfaction 33 Innovation and intellectual property rights 35 Anti-corruption 	<ul style="list-style-type: none"> 14 Expenditure on environmental protection 17 Training and development 18 Protecting labour rights 19 Employee communication 20 Anti-discrimination 21 Diversity and equal opportunity 23 Human rights protection 26 Production health and safety 27 Data security and customer privacy management 28 Suppliers' environmental and social performance 29 Product sales and labelling 32 Conflict minerals management 36 Anti-competitive behaviour management 	<ul style="list-style-type: none"> 1 Energy reduction and renewable energy 3 Raw materials consumption 4 Waste management 5 Greenhouse gases emission 10 Green products management 11 Clean production and product life cycle assessment 13 Green procurement 34 Provision of jobs and procurement locally 	<ul style="list-style-type: none"> 2 Water consumption 6 Air emission 7 Wastewater discharge 9 Ecological conservation 12 Climate change risks management 24 Community relations

Mapping Our Actions to SDG Targets

We align the progress made during the year with the United Nations Sustainable Development Goals (“SDGs”), a framework to build a better world for the people and the Planet by 2030 and are designed to be applied by governments and organisations worldwide. An analysis along the Group’s value chain was also conducted to understand the positive and negative impacts that the Group could contribute to creating through its actions. The following four pillars provide a detailed picture of how AAC’s actions support the specific SDGs and targets.

SDG Targets	Material Topics	Risk/opportunities	2021 Progress
1. Build a Competent and Future-proof Workforce			
 <p><i>Target 8.2 – Achieve higher levels of productivity through technological upgrades and innovation</i></p> <p><i>Target 8.6 – Promote youth employment</i></p> <p><i>Target 8.7 – Take immediate and effective measures to eradicate forced labour and end child labour in all its forms</i></p> <p><i>Target 8.8 – Protect labour rights and promote safe and secure working environments for all workers</i></p>	<p>15 <i>Talent management and retention</i></p> <p>16 <i>Occupational safety and health</i></p>	<ul style="list-style-type: none"> • Rapid responses to rapidly changing industry and labour market trends is often difficult. • Through attracting and retaining talent, particularly among the younger generation, as well as leveraging the current employees, Group’s operations and efficiency are enhanced. 	<ul style="list-style-type: none"> • Refined online learning platform with 153 courses available • Applied mobile office app that covers all operations in China • AI-based analysis to identify suitable talents • Expanded number of collaborating higher education institutions under university-enterprise cooperation • Launched practice training base in targeted institutions • Passed all customer CSR audits during the year • Investment in health and safety was 47.8M • Launched digital Environmental, Health and Safety (“EHS”) platform for monitoring safety performance

SDG Targets	Material Topics	Risk/opportunities	2021 Progress
2. Investing in Environmental Impact Mitigation			
	<p>Target 6.3 – Improve water quality by reducing pollution</p> <p>Target 6.4 – Increase water-use efficiency</p>	<p>8 Environmental compliance</p> <p>14 Expenditure on environmental protection</p>	<ul style="list-style-type: none"> Continued to implement the Water Recycling Project and the Clean Water Programme Installed water-saving equipment in toilets Provided training to employees on water saving
	<p>Target 7.3 – Improve in energy efficiency</p>	<ul style="list-style-type: none"> With the increase in regulatory scrutiny and inspection, a fast response is necessary to mitigate the compliance risks Exploration of new technologies adds to compliance cost but enhances operations efficiency and environmental management 	<ul style="list-style-type: none"> Air conditioning energy-saving retrofit Air compressors energy-saving retrofit Waste heat recovery from air compressors Steam condensate heat recovery Energy efficiency retrofitting of buildings
	<p>Target 12.5 – Reduce waste generation through prevention, reduction, recycling and reuse</p>		<ul style="list-style-type: none"> Continued to implement the Zero Waste to Landfill project Enhanced waste separation and recycling Increased the adoption of sludge reduction facilities Reused cutting fluid, organic solvents, plastic hoses and trays
	<p>Target 13.1 – Strengthen resilience and adaptive capacity to address climate-related hazards and natural disasters</p>		<ul style="list-style-type: none"> Commissioned solar photovoltaic power (“PV”) plants with an estimated cumulative annual power generation capacity of 16,400 MWh Implemented natural disaster and emergency management plan Conducted flood drill

SDG Targets	Material Topics	Risk/opportunities	2021 Progress		
3. Innovating to Better Customer Experience					
 <p><i>Target 8.2 – Achieve higher levels of productivity through technological upgrades and innovation</i></p>	<p>30 Product quality management</p> <p>31 Customer satisfaction</p>	<ul style="list-style-type: none"> Fast response to clients' requests on product designs is required to counter the situation of shortened product cycles and increasing demand for customised products. Continuous technical innovation provides a way to stay ahead of the competition in the market. 	<ul style="list-style-type: none"> Promoted and developed big data along with automated technology Upgraded the Quality Data Management System, allowing remote adjustment on production equipment 		
 <p><i>Target 9.5 – Enhance scientific research, upgrade technological capabilities</i></p>	<p>33 Innovation and intellectual property rights</p>			<ul style="list-style-type: none"> Own and operate 18 R&D centres Conducted patent assessment on all patents Obtained 1,976 new patents Patent Incentive Scheme in place 	
 <p><i>Target 12.4 – Achieve environmentally sound management of chemicals and all wastes throughout life cycles of products</i></p> <p><i>Target 12.7 – Promote public procurement practices that are sustainable</i></p>	<p>31 Customer satisfaction</p>				<ul style="list-style-type: none"> Complied with laws and regulations regarding hazardous substances, including RoHS and REACH All materials procured are checked with reference to the Restricted Hazardous Substance List All suppliers are required to sign CSR Commitment Letter Required suppliers to establish management systems in accordance with ISO 14001 and ISO 9001
 <p><i>Target 16.1 – Reduce all forms of violence and related death rates everywhere</i></p>	<p>31 Customer satisfaction</p>				<ul style="list-style-type: none"> Maintained 100% conflict-free minerals
4. Be a Responsible and Reliable Enterprise					
 <p><i>Target 8.7 – Take immediate and effective measures to eradicate forced labour and end child labour in all its forms</i></p>	<p>25 Social and economic compliance</p> <p>22 Child and forced labour prevention</p>	<ul style="list-style-type: none"> Building confidence with our stakeholders requires complete compliance and adherence to ethical standards. 	<ul style="list-style-type: none"> Regular risk assessments on compliance and labour issues Passed all customer CSR audits during the year 		
 <p><i>Target 12.4 – Achieve environmentally sound management of chemicals and all wastes throughout the life cycles</i></p>	<p>25 Social and economic compliance</p>			<ul style="list-style-type: none"> Formulated internal policy on restricted substance in response to the latest regulatory requirements on VOCs standards. 	
 <p><i>Target 16.5 – Substantially reduce corruption and bribery</i></p>	<p>35 Anti-corruption</p>			<ul style="list-style-type: none"> On-going training on business ethics for employees and directors 	

Fighting Against the Pandemic

In response to the continual challenges brought on by the outbreak of COVID-19, the Group continues to be highly vigilant in maintaining its stringent pandemic prevention and control measures. To ensure a swift response to the ever-changing situation, the established pandemic prevention taskforce closely monitors and regularly reviews the efficacy of its control measures. Updates on control measures are disseminated to its employees and other relevant stakeholders in a timely manner. Concerted effort from different functions is made to protect employees' holistic well-being, maintain overall production capability and ensure product quality.



Comprehensive pandemic prevention

Under the supervision of the pandemic prevention taskforce and the EHS department, all components of our operations are well-equipped for pandemic prevention. During the year we also provided free nucleic acid testing for all employees, arranged quarantine for employees who returned to the workplace after public holidays, and handled suspected and confirmed cases swiftly and safely.



Flexible work arrangement

Contingency plans were drawn to maintain productivity during the pandemic. To reduce physical contact among employees, staggered working hours and lunch breaks were arranged where necessary. Employees who were unable to return to the workplace adopted remote working. The global spread of the pandemic brought disruptions to manufacturing for some of the product lines. We arranged temporary job transfer for affected employees in order to assure their income and to meet delivery requirements at the same time.



Strong employee support

The Group attached great importance to providing support to its employees at such sensitive times. 2 billion VND has been donated to the Vietnamese government to help fight the COVID-19 pandemic and ensure that AAC's employees receive vaccinations.

The established health information platform continues to act as an important and direct bridge between the Group and its employees. The platform contains the latest anti-pandemic measures and collects information on employees' daily health conditions. Moreover, managers keep in close contact with the taskforce to ensure employees' opinions and needs are effectively communicated.

In addition, employees' rights to welfare and benefits remained protected during the pandemic. Salaries were paid according to legal requirements to all including employees unable to return for duty. The Group also provided all employees with epidemic insurance to cover pandemic-related costs.



Smooth operations

To ensure supply chain stability, suppliers were required to establish relevant contingency working groups and response plans, adequacy of which were reviewed through emergency drills.

Maintaining production quality is of great importance to the continual success of AAC's business. Therefore, Six Sigma, an essential training provided to employees on achieving zero defects in production, was offered online to reduce the number of avoidable physical gatherings and the risk of infection.

Ethics and Integrity

Misconduct could result in severe repercussions. AAC is committed to conducting its business operations in accordance with the highest standards of integrity and honesty, striving to comply with applicable national and international laws in locations where we operate. To this end, AAC closely follows the ever-changing external environment by keeping abreast of the latest updates on relevant laws and regulations, including but not limited to corruption laws, trade restrictions and patent laws.

These values and our expectations of employees are captured in AAC’s Code of Conduct and Business Ethics Guidelines which stipulate the periodic initiatives we implemented on focus areas including anti-corruption, fraud, conflicts of interest, anti-discrimination, anti-competition, confidentiality, etc., forming the basis for delivering our products and services in a responsible manner. The Code of Conduct and the Business Ethics Guideline provide guiding principles for all employees to behave with integrity, impartiality and honesty. The former emphasises its expectations on all employees to act with integrity and honesty and to maintain high standards of professionalism in all their business dealings and the latter outlines the principles that should be strictly adopted by all employees of the Group in the discharge of their duties in relation to business activities. All forms of unethical business practices, including but not limited to bribery, extortion, fraud and money laundering, are strictly prohibited.

The Group Ethics Committee, spearheaded by the CEO, ensures the Code of Conduct and Business Ethics Guidelines are adopted across the Group. The governance structure of aspects related to business ethics is graphically illustrated below.



Whistleblowing

Approved by the Board, the comprehensive Whistleblowing Policy is designed to encourage employees and related third parties who deal with the Group to raise concerns, in confidence, regarding misconduct, malpractice or irregularities in any matters related to the Group.

The Audit Committee has been delegated overall responsibility for implementation, monitoring and periodic review of this policy and any matter raised, including, if any, relevant severe incidents as reported by Internal Audit, must be put forward to the Board for approval. In addition, the Audit Committee has delegated the day-to-day responsibility for the administration of the policy to the Group Ethics Committee. The application and effectiveness of the Whistleblowing Policy will be monitored and reviewed regularly by the Group Ethics Committee.

A detailed reporting and investigative procedure were set out to encourage complainants to report suspected fraudulent activities without fear of reprisal and to ensure that their reports are given due regard. The Group Ethics Committee follows a safe custody procedure to keep complainants' identities confidential. The said policy also intends to address that persons reporting in good faith under the whistle-blowing mechanism can be assured of the protection against unfair dismissal, victimisation or unwarranted disciplinary action, even if the reports are subsequently proved to be unsubstantiated.

Aligning with the Group's zero-tolerance approach to any form of unethical behavior, such behavior may lead to disciplinary actions including warnings, demotion or summary dismissals. Any unethical conduct can be subjected to a 2-year retroactive period. All investigations are recorded and the final result is reported to top management and relevant departments. If there is sufficient evidence that the reported incident may involve a criminal offence or corruption, the matter is reported to the relevant local authorities. In 2021, 10 valid cases out of a total of 17 were received, mainly involving workshop management, logistics management and violation of internal company discipline.

During the year, the Group was not aware of any material non-compliance with relevant laws and regulations that would have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, and in relation, there were no concluded or ongoing legal cases regarding corrupt practices brought against the Group or its employees.

Training and Awareness

All employees including general staff and management are obliged to follow the Code of Conduct and the Business Ethics Guidelines. Anti-corruption training is provided to all newcomers and relevant personnel stipulated by our customers to eliminate unethical business activities. Training materials on ethical responsibilities stated below are readily available to both general staff and management to ensure all employees uphold the principles of honesty, impartiality and fairness at all times.

General Staff

- Avoid having conflict of interests:
 - Report relationship with business partners, including suppliers, employees to the Group
 - Employees shall not accept or claim any gratification
- Anti-corruption behaviors:
 - Report and return monetary or non-monetary gifts received from external parties

Management

- Prevent anti-competitive behaviour:
 - Take cautious approach when conducting business in relation with competitors
 - Provide guidance when subordinates seek anti-corruption related advice
- Strengthen employees' ethical awareness:
 - Provide monthly and annual training on business ethics to newcomers and staff
 - Ensure staff have signed the business ethics agreement at the beginning of each year
 - Encourage subordinates to report any suspicious corruption cases

Ethical Responsibilities of General Staff and Management

Talent Management



SDG Targets

8 DECENT WORK AND ECONOMIC GROWTH



Related Material Topics

- Occupational safety and health
- Talent management and retention

Average training hours



20.5

hours

Online learning platform



153

courses available

Investment on health and safety



47,824

thousand RMB

Digitalisation is advancing rapidly as new business models and technologies require a swift response. We must act accordingly to stay ahead of the curve. The Group has been consolidating its talent pool for the past few years amid stiff competition.

Revamping Human Capital Management

Our continued success and future development rely heavily on our valuable asset – employees. Therefore, we dedicate resources to identify, acquire, develop and retain the best-fit talents to satisfy the demand for talent from different business segments. Our human resources ("HR") department takes up the role as an internal business partner to offer tailored talent solutions to meet the specific skillset needed for each distinctive product segment. In addition, the HR department helps drive change within the corporate by being reactive to the needs of the rapidly changing industry.

Our talent management is further supported by a customised data-driven HR solution. This AI-based solution is applied to talent acquisition by anticipating profiles of the most suitable candidates to match the Group's intelligence-production strategy. After identifying specific needs, the HR services system can automatically generate the talent profile and find the right candidates. The precise allocation of the required human capital can be facilitated, effectively addressing the distinct challenges faced by each product line. With this powerful tool, we can keep an updated talent inventory with ample human capital in-house that best suits any specific needs likely to arise in the future.

Data-driven HR solution

HR solutions have to be data-driven. We collect and analyse the data that are within the ambits of applicable laws and regulations, such as recruitment data, employee behaviour data and performance data to create a more inspiring workplace. With the availability of cloud technology and big data, employees can complete all HR-related procedures anytime and anywhere, at their convenience, improving both the efficiency and quality of HR services and communications.

Based on the data gathered from the informative HR system, we are able to use insights generated from big data and analytics to further advance the human capital management. Such insights include sketching the needed talent profile, predicting when and how many employees will leave and how to identify and recruit the most suitable candidates. This data-driven solution is key to empowering the workforce and plays a crucial role in facilitating AAC to stay competitive in the industry.

Building a Future-proof Workforce

In an industry wrecked by a constant stream of changes, AAC needs talents capable of forward-thinking actions to manage emerging challenges from increasing competition to regulatory requirements. We carry out our talent acquisition to support future development by efficiently and effectively identifying and acquiring the best-fit candidates. To ensure our workforce is equipped with future-oriented competencies, we continuously modify the acquisition system internally, and strengthen the partnerships with higher education institutions externally.

During the year, we fine-tuned our focus on talent acquisition and development in accordance with the Group’s strategic moves, focusing on the acquisition and development of Product Managers. We elevated the integration of online training sessions and offline workshops, which enhanced training engagement and effectiveness. To further increase employee motivation, we have optimised the traditional incentive model by incorporating more positive and timely financial incentives and creating more promotion opportunities for young talents.

For essential roles, we have improved recruiting criteria and harmonised personnel qualification standards. Talent mapping and profiling provide a detailed overview of the existing talent pool’s distribution, traits, skills and capabilities. For specific professions and positions, we have designed tailored solutions based on market trends and our product strategy. Among other things, the recruitment process, internal talent cultivation program, succession plan, and motivation mechanism, are tailored to ensure that all positions are filled by the most suitable talents. Following the talent framework, our employees can upgrade their capabilities, respond to our product development strategy, consistently deliver qualified service to AAC’s customers and pass the relevant skills on to the next generation of employees.

<p>Building a strong team</p> <ul style="list-style-type: none"> Identify employees with core skills and capabilities 	<p>Improving management effectiveness</p> <ul style="list-style-type: none"> Help managers to implement differentiated people management 	<p>Enhancing motivation</p> <ul style="list-style-type: none"> Increase employee’s intrinsic drive and initiative with values as a driver 	<p>Creating more value</p> <ul style="list-style-type: none"> Help employees understand AAC’s standards and requirements and become more valuable contributors
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Purpose of talent review

Broaden the Talent Pool

We regularly review the talent pool from the demand side perspective to ensure authenticity and validity and to close the competence gap. Guided by the AAC's overall strategy, we determine the skillset and qualities that we need. A competent recruitment team is established and it takes up training and assesses recruitment needs, screening of CVs, arranging and optimising interviews, etc. In addition, we have revised the procedures and evaluation standards of headhunting consultancies, mobilising their resources for certain types of positions to expand our talent pool.

The university-enterprise cooperation has always been our pivotal people strategy. We have been working on a number of scientific research projects with research institutions and universities such as Shanghai Jiaotong University and Tsinghua University on acoustics and robotics in order to identify cutting-edge technologies as soon as they are developed and adopt the same into AAC. This year, we have paid more attention to matching company culture in the recruitment process, especially in campus recruitment.

We actively reach out to young talents, understanding their career expectations, promoting our company culture and explaining career prospects with the help of the strengthened network with universities and professors. We also use data collected through informational channels and market analysis to remain on top of current workforce trends to help with campus recruiting. In the future, we plan to expand the scope of school-enterprise cooperation in Jiangsu, Shanghai and Guangdong to attract more young talent with high potential. Our goal is to add 50-100 institutional partnerships each year and to have 300 partner institutions in the long run. In 2021, we expanded the number of partnering institutions, collaborating with targeted schools and academic departments relevant to our product line strategies such as optics and automated manufacturing.

For fresh graduates, we offer travel and accommodation allowance to help them settle down, provide one-on-one coaching and training, including both specific and general skills training, and conduct regular one-on-one engagements follow-up from six months to a year to help new employees adapt to AAC's corporate culture. In Vietnam, we have sent experienced recruiters to support local talent acquisition by providing them with relevant training and guidance.

Training and Development

Developing talents with relevant skills is critical for the Group to stay competitive. We not only aim to enhance productivity but also to create a workplace that promotes employees' long-term career development, enabling them to achieve goals while fulfilling AAC's business objectives.

By categorising the types of talents that we need, we create detailed training plans for different groups. During the year, our training focused on the systematic developments of product directors/managers ("PD"), operation managers and fresh graduates. PD plays a critical role in product, development evolution and business success. The training programme we offer comprises three major parts - product manufacturing, lean operation and comprehensive skills. It covers both hard skills, such as production knowledge, 8 wastes, data analysis, problem solving and soft skills such as team building, people management and team development, aiming to develop leadership in managing and building strong and effective teams to boost productivity. Each PD has an individual develop plan ("IDP") based on the understanding of themselves, industry benchmark and AAC success profile. Using the similar methodology, we design and implement operation manager development programme from 2021. With our dedicated approach, we are confident that our people are more competent to rise to challenges as we continue to expand our business and to enter new industries.



PD Programme Kick Off

For senior engineers and directors, we have been collaborating with Nanjing University Business School and China Europe International Business School to develop their key skillsets including coaching, change management, organisational design, and persuasiveness to ensure these leaders are equipped with the required skills and attitudes to succeed in their respective roles. The average training hours per person was 20.5 hours, with a total of 772,185 training hours, covering all employees. We will continue to optimise our data collection system and include training hours by gender in the future.

	Training person-times	Total training hours	Average training hours
General staff	194,135	722,758	22.8
Management	24,004	49,427	8.4
Total	218,139	772,185	20.5

Training Base Camp

We have established training base camp at targeted schools and colleges, enabling students to access updated theories and apprentice opportunities offered by AAC, thus developing a deeper understanding of the Group's branding identity and recruitment requirements. We also provide assistance to graduates for internship training by setting up scholarship incentives and equipping them with the qualities required by human capital market in advance.

Performance Appraisal

Performance tracking system is embedded into the regular employee evaluation framework. In 2021, we further modified the traditional incentive model by incorporating more positive and timely financial incentives according to the project progress. We have organised monthly performance appraisals and made timely changes to the management structure based on the appraisal results, enabling more promotion opportunities to flow to the young cadres. Through the reform of the incentive mechanism, employees' responsibilities are more clearly defined, contributing to enhanced efficiency and teamwork.

We also help employees from managers to frontline staff define goals and measure their performance. Our product lines have embraced an agile management approach aimed at increasing the efficiency of work distribution, project leadership, and execution, as well as developing a strong team with a unified goal. Data on employee performance is gathered and used to make decisions relating to work arrangements, employee incentives, and job rotation possibilities. Many outstanding employees are empowered and promoted to management positions, where they can make a bigger difference and deliver results. By building a high-performance culture, we encourage employees to consider higher goals, set higher benchmarks and reinforce sustainable performance, thus employees and the Group can grow together.

Striving for Employee Satisfaction

Engagement and Grievance

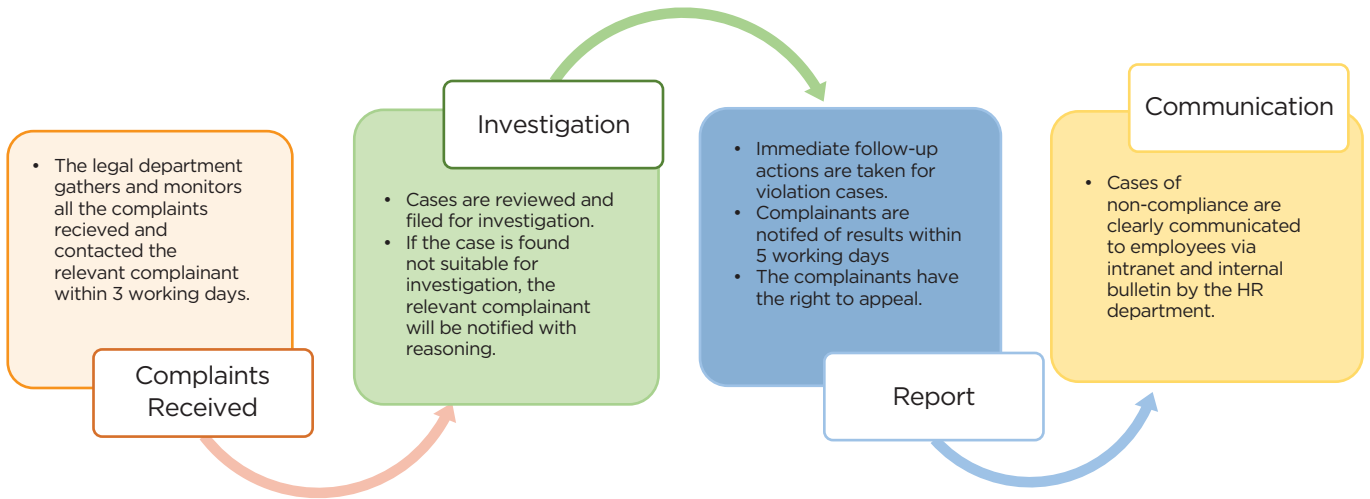
Employee engagement is an integral part of AAC's talent management practices and philosophy. To preserve a harmonious workplace, we strive to ensure each employee's concern and feedback is heard and addressed in a timely manner. All enquiries, complaints and grievances can be received by DingTalk, mail, email, hotline and directly in HR's office.

We have in place a grievance resolution procedure that enables open and easy communication with workers. The system categorises complaints and specifies how they should be handled and addressed, as well as when they should be handled and resolved. Investigations are conducted fairly and in a way that protects the rights and privacy of complainants. We reward workers who submit constructive feedback and genuine complaints to encourage them to use the grievance channels. According to the Code of Conduct, those who submit false information, disrupt the inquiry process or misuse the channel for personal gain are held accountable.



Employee engagement meeting

During the year, the grievance system received 4,263 enquiries and 4,841 complaints on issues that included but were not limited to accommodation, catering services and work arrangements. All of them were resolved according to procedures, with records of grievances kept at the online grievances handling platform.



An "Organisational Health Survey" was conducted across the Group this year, for gauging employees' satisfaction and expectations in nine dimensions: company direction, accountability, operational systems, external orientation, leadership, innovation, learning, organisational capability, and a motivating work climate. Through the survey, we gain insights into the level of employee engagement to further facilitate AAC to unite in its pursuit of the shared goal and continue to innovate and adapt to industrial changes. Middle and senior managements' 2022 Key Performance Indicator ("KPI") are closely linked with team building and organisational capability targets, which includes Organisational Health Survey results and accounts for 20 to 30% of the KPI.

Welfare

The Group guarantees that all workers shall receive welfare and benefits without discrimination. Annual leave, allowances, incentives, and social insurance, among other benefits, are granted in accordance with local regulations in countries and areas where we operate.

Salary is adjusted annually based on merit. During the year, the HR department conducted research on the salary and benefits scheme against industry benchmarks. By combining research results and big data analytics, we optimised the previous salary and benefits structure. Team building and employee engagement activities continued to be held during the year under safe anti-pandemic precautions in lower-risk areas.

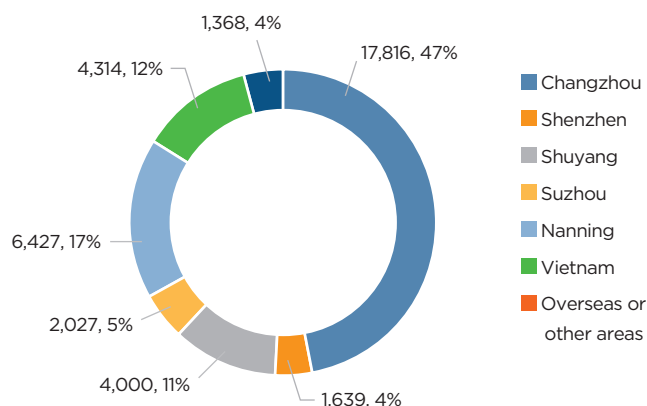
Annual employee satisfaction survey covering work arrangement, salary and welfare, accommodation and catering, career development and communication constituted the basis for deciding on enhancement of accommodations, food, and shuttle bus services. Related rules, such as specific work arrangements for pregnant workers and breastfeeding hours for nursing moms, have been put in place to protect the rights and welfare of female employees. Breastfeeding room guidelines are in place to ensure that quality breastfeeding space are accessible when needed.

Our Workforce

As of 31 December 2021, the Group had a total of 37,591 employees. The proportion of male to female employees was maintained roughly at 64:36. Around 84% of our employees were located in China, with Changzhou and Nanning accounting for 47% and 17% respectively of the total. The majority of the overseas employees were at Vietnam, taking up 12% of the total. 94.2% of the Group's employees are general staff, while 5.8% were management executives.

Mechanics and operators accounted for 42.5% and 34.9% respectively of the total employees, which also forms the majority in the general staff. 51.8% of the general staff were below age 30. There were 6,307 R&D staff and technicians which represented a 45.5% increase from 2020. Approximately 49.3% of employees have degree-level qualifications or higher.

Employee by geographical region



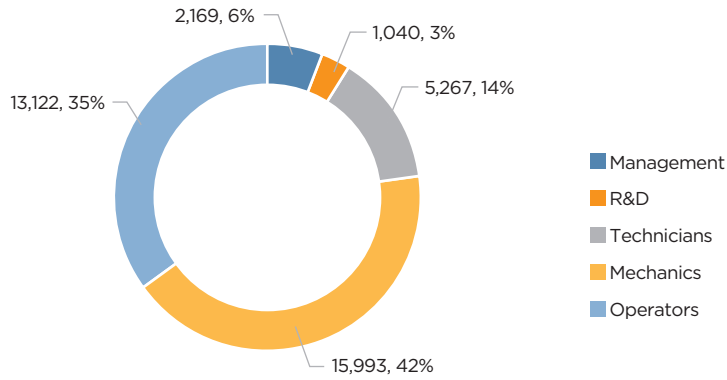
	Changzhou	Shenzhen	Shuyang	Suzhou	Nanning	Vietnam	Overseas or other areas	Total
Male	12,637 (33.6%)	1,115 (3.0%)	2,673 (7.1%)	1,148 (3.1%)	3,825 (10.2%)	1,733 (4.6%)	1,068 (2.8%)	24,199 (64.4%)
Female	5,179 (13.8%)	524 (1.4%)	1,327 (3.5%)	879 (2.3%)	2,602 (6.9%)	2,581 (6.9%)	300 (0.8%)	13,392 (35.6%)

The composition of new hire is summarised in the table below:

New hires	Number of new hires as at year end	New hire retention rate*
Gender		
Male	10,300	26%
Female	4,971	27%
Age		
<30	10,072	25%
31-40	4,687	28%
41-50	490	40%
>50	22	71%
Geographical Region		
Changzhou	7,558	22%
Shenzhen	285	68%
Shuyang	1,372	40%
Suzhou	625	49%
Nanning	4,309	28%
Vietnam	530	53%
Overseas or other areas	592	52%
Function		
Management	1,268	83%
General Staff	14,003	25%

* The new hire retention rate refers to the number of new hires who remain employed by the Group as at 31 December 2021 divided by the total number of new hires during the year.

Employee distribution by profession



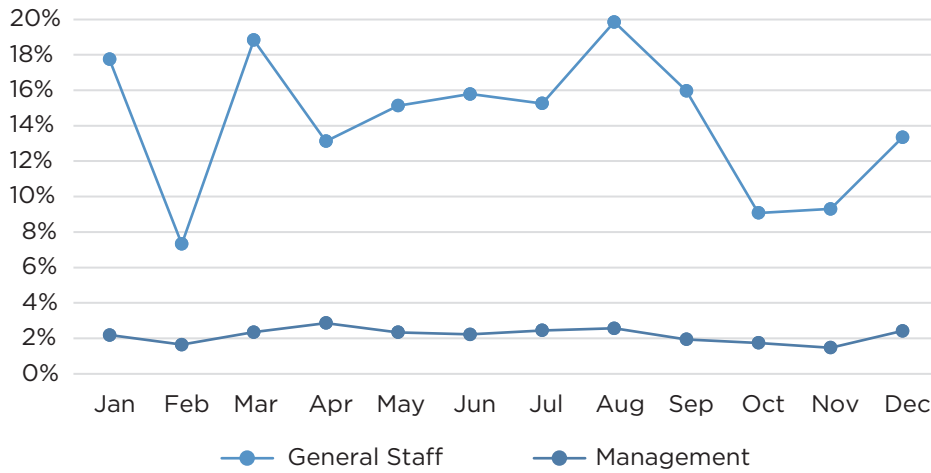
Employee distribution by age, region and profession

	By Age				By Education		By Profession				
	<30	31-40	41-50	>50	Degree or above	High School or below	Management	R&D	Technicians	Mechanics	Operators
Management	2,038	3,104	587	143	5,724	148	2,168	931	2,773	0	0
General Staff	16,437	12,700	2,338	244	12,801	18,918	1	109	2,494	15,993	13,122
Total	18,475	15,804	2,925	387	18,525	19,066	2,169	1,040	5,267	15,993	13,122

Employee Turnover Rate

To improve employee retention, we collect and analyse types of turnover and the reasons behind. 91.4% of employees left by voluntarily resignation, while the remaining 7.5% left by agreement with the Group and 1.0% due to contract termination.

Employee monthly turnover rate



By Age				By Gender		By Business Function	
<30	31-40	41-50	>50	Male	Female	General Staff	Management
17.2%	8.6%	3.5%	1.8%	13.1%	11.1%	14.2%	2.2%

By Geographical Region

Changzhou	Shenzhen	Shuyang	Suzhou	Nanning	Vietnam	Overseas or other areas
15.3%	3.4%	7.5%	6.3%	18.9%	5.2%	5.6%

Regulatory Compliance

Our Commitment

AAC respects basic human rights and labour rights and aligns with the Universal Declaration of Human Rights, United Nations International Covenant on Civil and Political Rights, United Nations International Covenant on Economic, Social and Cultural Rights and other international covenants and declarations. At locations where we operate, we strictly adhere to labour rules and regulations, including but not limited to the Labour Law of the People's Republic of China. We also follow the principles outlined in the Responsible Business Alliance's Code of Conduct, as well as other social compliance industry standards.

The Group supports the principles of inclusion, diversity and equal opportunity, taking responsibility to build a fair and respectful workplace. We prohibit any discrimination and harassment of employees regarding the contract type, ethnicity, gender, religion and disability, etc. Ensuring the non-discrimination policy is implemented in daily operations, our Code of Conduct outlines a set of appropriate behaviours expected from employees and consequences of violation.

During the year, the Group was not aware of any material non-compliance of any laws and regulations related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits, which would have a significant impact on the Group. We were not aware of any incidents of human rights infringement during the reporting year.

Managing Labour Risks

The Group works closely with customers on social compliance and mitigating labour risks. During the year, we completed 19 customer audits initiated by 9 major customers, covering manufacturing sites in Changzhou, Shuyang, Shenzhen, Nanning and Vietnam. According to the audit report, action plans for improvement in labour practices are drawn and implemented under customer approval and third-party inspection. The focus is on eliminating overtime work, optimising operations, and fine-tuning the compensation calculation system. All outstanding items have already been addressed and closed.

Training is also vital to managing labour risks. Through induction training, all newcomers are made aware of their entitled rights and ways to protect their rights. Training is also conducted for HR personnel who are responsible to follow ethical employment procedures, with issues covering labour laws, company policies and code of conduct, as well as identification and handling of child labour, etc.

During the year, all industrial sites performed the annual labour risk assessment, which includes working hours, freedom of association, and child labour. Risks are managed according to the risk level established in a modified risk assessment methodology. The table below summarises the major risks and mitigating strategies:

Labour-related aspects	Risk level	How we mitigate
Maternity	Low	Demanding a pregnancy test is prohibited throughout the recruiting process to safeguard women's right to work. Employees who are pregnant are not allocated to night shifts, overtime duty, or high-risk activities.
Working hours	Medium	Overtime employment is completely voluntary. To reduce unnecessary working hours, we improve collaboration on production planning.
Salary payment	Medium	Salary is paid timely and accurately in accordance with the local laws and regulations. Employees can use the online HR services system to inquire about salary calculations. Salary deduction is not allowed as a disciplinary measure.
Freedom of association	Medium	<p>We respect workers' right to unionise and the right to collective bargaining. Discrimination and retribution against employees because of their union membership or activity are prohibited. We have a grievance resolution procedure in place to enable open and easy communication with workers.</p> <p>We maintain an effective grievance procedure and an open line of communication with employee-elected representatives to understand employees' concerns and avoid future labour strikes. Emergency response mechanisms are in place at Vietnam sites to settle any conflict lawfully and peacefully with mutual respect, pursuing solutions that benefit all parties after researching the fundamental reason.</p>
Discrimination and harassment	Medium	Any discriminatory phrases in job advertisements are reviewed. Managers are given related training. For reporting suspected incidences of discrimination and harassment, grievance mechanisms are available.
Forced labour	Medium	As a condition of employment, recruitment personnel is not permitted to withhold candidates' identity papers or collect deposits. To guarantee that the recruiting procedure is followed, random inspections are carried out and interviews with newcomers are undertaken.
Child and young Labour	High	To verify employees' age, we review identity papers and conduct interviews. We use a facial recognition system with public security system linked to ensure identity. Suspected cases are further investigated.

Child and Young Labour

The Group strictly prohibits the use of child labour under the age of 16. Any occurrences of child and young labour discovered are dealt with according to laws. A child labour remediation policy is in place, specifying the process of handling child labour, to protect children's rights, particularly their right to education until they reach legal working age. Despite the fact that we do not hire young workers between the ages of 16 and 18, we maintain a young worker protection policy to monitor the associated labour risks. Young employees are not allowed to work in hazardous tasks or work overtime under the regulation. Workers' information is collected and handled in collaboration with their parents and schools.

During the year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group.

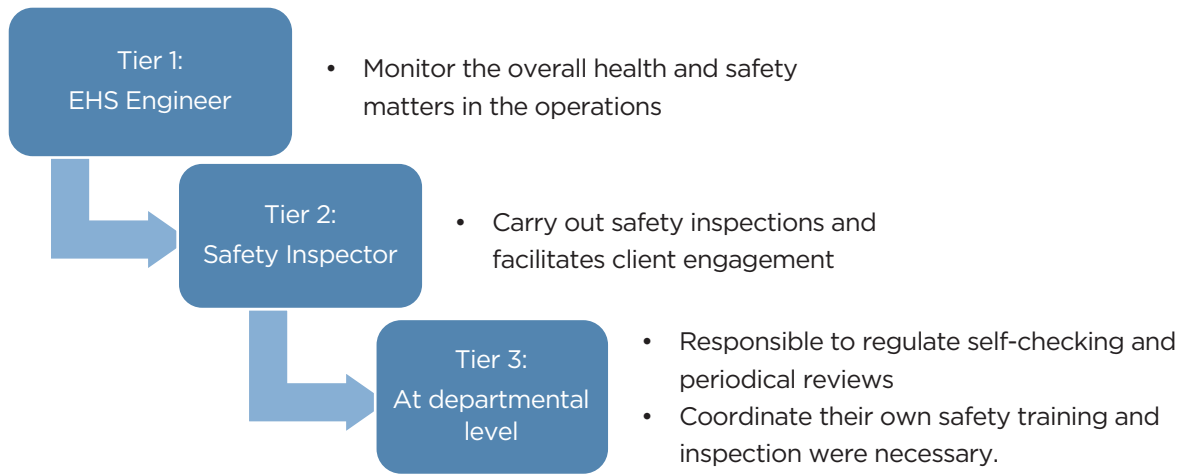
Health and Safety

As emphasised in previous sections, AAC attaches great importance to protecting the health and safety of the employees, by striving for zero fire accidents, injury and disaster. The Safety Management Committee ("the Committee") is spearheaded by the CEO and oversees the implementation of the occupational health and safety system across the Group. Responsible for facilitating occupational safety management in production and keeping abreast of the latest trends in health and safety matters, the Committee meets every quarter and mobilises the Group's resources for addressing issues related to occupational health and safety and supervises smooth operations of the system. Employee representatives from different departments and functions are invited to join the quarterly meetings to ensure their opinions are valued.

We have put in place an Occupational Health Management Procedure, guiding us to conduct inspections on health and safety risks at our production sites and take prompt corrective actions to prevent any individuals of high health and safety risk from conducting production work. To raise the awareness and knowledge of employees on health and safety, we follow the Safety Education and Training Policy, ensuring that sufficient training is provided to employees of different categories, including but not limited to new employees, safety management staff, special operating staff and management staff at different levels. Specialised safety inspections are conducted weekly covering different themes including but not limited to electrical safety, hazardous chemicals, occupational health and safety, construction and facility safety management. In 2021, 1,231 potential hazards were identified and all were addressed.

During the year, we identified one of the potential safety hazards on charging forklifts, follow-up measures were implemented immediately. Equipped with fire extinguishers, an area is set for charging station.

All production sites in Shenzhen, Changzhou, Shuyang, Suzhou, Nanning and Vietnam have been certified for ISO 45001 Occupational Health and Safety Management system, we conduct third-party audits and internal audits on our occupational health and safety management system to ensure our standards are up-to-date with the laws and regulations, striving for the best practices in the industry. Internally, a three-tier safety inspection system is implemented to foster health and safety management.



Three-tier safety inspection system

Further to the COVID-19 situation in 2021, we made donations to aid the Vietnam government in purchasing vaccines for both our employees and the local community to protect them from being infected.

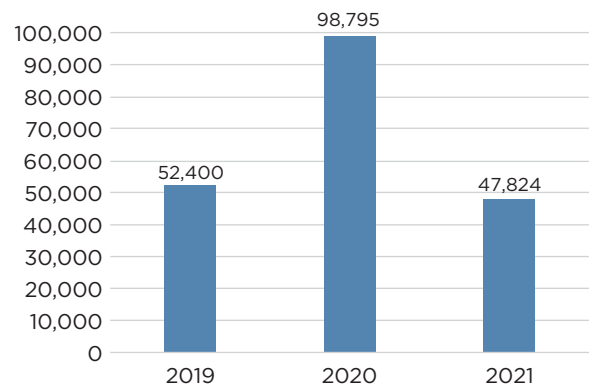
During the year, the Group was not aware of any material non-compliance with occupational health and safety-related laws and regulations that would have a significant impact on the Group.

Chemical Safety

The production of electronic items involves the handling and consumption of chemicals which can be hazardous to human health and the environment. We have in place a hazardous chemicals management system to safeguard chemical safety, ensuring compliance with safety regulations during procurement, transportation, storage, utilisation and eventually end-of-life disposal.

The digitalised chemical management system facilitates a structured approach to chemicals usage and flexible chemicals safety training before onboarding. The system records the number of chemicals stored and the capacity of the storage. Newly received chemicals from suppliers are subjected to evaluation before putting into storage with other chemicals. Related personnel can attend pre-onboarding training through visual materials and assessments on the EHS platform. We are working to include full participation from employees to be eligible to review all course content when necessary.

Health and safety expenditure (RMB'000)



To further enhance the ability to cope with accidents involving hazardous chemicals. This year, we organised a chemical leakage emergency drill to increase safety awareness and train our emergency team to handle the accident.



Culture and Training

Digitalised EHS platform

The digitalised EHS platform provides a one-stop podium to manage health and safety matters. From file storage, data sharing to synchronisation, it provides the latest update on laws and regulations across the Group to allow prompt adoption of relevant practices. The platform also shares up-to-date data including the total number of employees who have completed body checks, risk assessment, occupational health and safety-related task management, data analysis and inspection results.

A mandatory safety training and assessment is required for all managers before the online on-boarding training. During the year, procurement of specialised equipment including fire-fighting facilities and safety equipment was in process.

We work closely with our employees at all levels to promote a safety culture across the Group. For daily communication, we use a WeChat official account and internal portal to ensure decisions made at the management level are broadcast to all employees via various channels. The EHS management team publishes hot-topics and seasonal content on the official account or newsletter to capture employees' attention to upholding safety practices at the workplace for the benefit of themselves and others.

Strengthening safety culture through training

Apart from communicating through newsletter and WeChat, we focus on training to put the message into practice. In 2021, we organised a Safety Month with the theme "Implementing safety responsibilities and promoting safety development" to increase workplace safety awareness. A series of activities were held to encourage employees to engage in building a safer working environment for all. We also continue to carry out drills for emergency preparedness on identified potential emergencies to prepare all employees for such crises and to test whether response procedures are followed adequately. Corrective actions are taken after the drills and evaluation to better prepare for any future emergency.

Highlights of OHS training in 2021



Signing the Safety Month Slogan

- To enhance employees' commitment to building a safe working environment
- Banners and posters are put in place to remind all employees of safety regulations



Competition on the use of emergency equipment

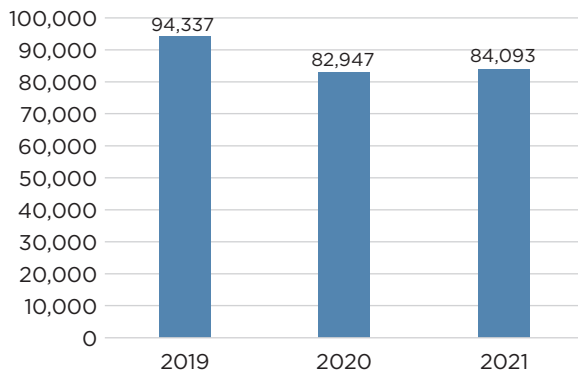
- To enhance emergency preparedness for fire through competition among employees
- Enhance the emergency response
- Ensure the correct use of emergency equipment



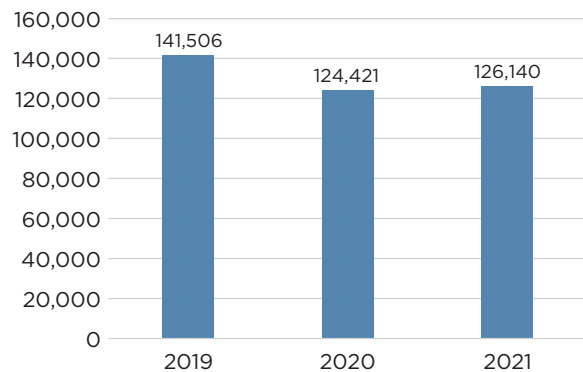
Safety Quiz

- To test the safety knowledge of workers
- Enhance safety awareness at different levels of operations

Total person-time safety training (Person-times)



Total safety training hours (Hours)



During the year, we recorded 3,734 lost person-days due to work-related injuries.

Preventing Occupational Diseases

We spare no effort to safeguard our employees from safety hazards and occupational health issues. The Occupational Health Management Procedure is in place to outline the preventive, responsive and follow-up measures on safety in the workplace.

During the year, we began to conduct a new occupational diseases inspection of our operational sites every three years. We commissioned a qualified third party to ensure our product aligns with related laws and regulations, identify potential occupational disease risks and its hazardous level to employees and evaluate the prevention measures. By carrying out such inspections, we reinforce our health and safety management to better prevent workplace hazards.

Our Emergency Response Team supervises and monitors the management procedures, and assigns responsibilities to different departments. Personal protective equipment is distributed to related personnel to ensure employees are equipped with adequate and qualified safety gear during the operations. As for health checks, we provide induction and annual body checks for employees. If any abnormal results are found, a further check-up shall be arranged to identify any occupational diseases at the earliest stage. In 2021, we conducted a total of 57,523 person-times health checks for all new employees. No cases of occupational diseases or mental illness were recorded.

Managing Environmental Impacts



SDG Targets



Related Material Topics

- Environmental compliance
- Expenditure on environmental protection

Clean Energy Consumption Target



Achieve 75% at 2 major Changzhou plants in 2030

Carbon Emission Target



Maintain carbon emission at 5% lower than the government's quota each year in Shenzhen

Waste Target



Maintain a minimum of 90% waste diversion rate at 2 major plants in Changzhou plants and achieve a 90% waste diversion rate in the Shenzhen plant in 2022

Water Target



Reduce total water consumption of all Changzhou plants by 3% in 2022

Environmental Management

AAC is committed to managing and reducing environmental impacts occasioned by its business activities. Environmental issues are managed by the General Management Offices at our production sites independently. All our production sites are certified for the ISO 14001 Environmental Management System.

Continuous and consistent progress has been made by strengthening our management approach to safeguard the environment and lowering the reliance on conventional energy usage. We commission third parties to monitor and assess the effectiveness of the environmental management system and provide training to our staff on compliance and environmental protection skills and knowledge.

New production sites are planned and constructed as we expand. We ensure environmental impact assessment is conducted before commencing construction and pollution control facilities were established according to the local government's requirements. Periodic government audits are conducted after completion.

During the year, the Group was not aware of any material non-compliance with relevant laws and regulations that would have a significant impact on the Group related to the emission of gas and greenhouse gases, discharge into the water or land, and generation of hazardous or non-hazardous waste.

Addressing Climate Change

AAC recognises that climate change poses physical and transition risks to its business. Therefore, the Group is committed to developing strategies in line with industry best practices to mitigate, adapt and fortify its resilience to the impact on its operations occasioned by climate change. This year, we continued aligning our disclosure on climate-related risks and opportunities with the recommendation from the Taskforce on Climate-related Financial Disclosure (“TCFD”).

The Group has established its Climate Change Policy which aims to reduce energy consumption and its reliance on non-renewable energy by increasing renewable energy generation capabilities in where technically and economically feasible operating environments; executing action plans to continually improve energy efficiency and encouraging the use of low-carbon products and energy-efficient equipment.

Governance

The Board of Directors takes the responsibility for the oversight of climate-related risks, supported by the SWG, which regularly reports to the Board. The functions and responsibilities of the SWG are mentioned in the “Sustainability Governance” section.

Strategy and Risk Management

The Climate Change Policy was developed by the SWG in 2021 and adopted by the Board on 23 March 2022. The new policy will provide added impetus to the Group’s sustainability progress and aims to better manage its impact on climate change through mitigation, adaptation and resilience. The adoption of the Climate Change Policy supports our commitment and continuous progress of incorporating climate-related issues into our sustainability management system, ISO 14001 Environmental Management System and ISO 50001 Energy Management System. In addition, the Group actively expands the use of renewable energy to improve the energy mix and implements energy efficiency alterations to improve energy utilisation in its plants.

An Energy Saving and Emission Reduction Working Group was established and led by the Asset Management Department of each production site, it is responsible for implementing energy conservation measures including retrofitting existing air-conditioning and lighting systems.

To minimise damage caused to people, property and the environment by extreme weather such as typhoons and rainstorms, the Group has formulated the Flood Warning Emergency Response Plan and conducts regular flood prevention drills to improve its ability to cope with extreme weathers.

During the year, we conducted a flood control drill at the major Changzhou plant in June to strengthen the implementation of the Flood Warning Emergency Response Plan, enhancing the ability to tackle heavy rainstorms and flooding. Security Department, Factory Affairs Department, Manufacturing Group participated in the drill. The drill demonstrated the situation of continuous raining that the warning gradually escalated.

Flood control drill - Live rescue



Flood control drill - On-site concluding remarks



Following the TCFD recommendations, the table shows our actions undertaken in response to the potential impacts brought by the climate-related risks and opportunities that the Group may be facing.

	Description	Potential business impacts	Action undertaken	Corresponding section
Physical risks				
Acute	Increased frequency and severity of extreme weather events (e.g. typhoons) may damage our facilities and affect materials and products transportation	<ul style="list-style-type: none"> Increased operating and maintenance costs Loss of revenue 	<ul style="list-style-type: none"> Implemented natural disasters emergency plan Conducted flood drill 	Addressing Climate Change
Chronic	Prolonged period of extremely hot weather	<ul style="list-style-type: none"> Increase in operating cost such as energy cost Increased chance of heat-related injuries which affect employees' health and safety 	<ul style="list-style-type: none"> Energy management in accordance with ISO 50001 Energy Management System Implemented energy-efficiency retrofits 	Optimising Energy Structure
Transition risks				
Policy and legal	Enactment of more stringent laws and regulations related to climate change	<ul style="list-style-type: none"> Increased compliance cost 	<ul style="list-style-type: none"> Regularly monitor the regulatory trends 	Strengthening Environmental Risk Prevention
Market	Change in customer preferences for green products	<ul style="list-style-type: none"> Reduced revenue due to the decrease in demand for current products 	<ul style="list-style-type: none"> Strengthen research and development of environmentally friendly products Control and avoid the use of hazardous materials in products 	Green Products
Opportunities				
Products	More low-carbon, energy-saving technologies are developed	<ul style="list-style-type: none"> Introduction of new technology Reduced energy cost 	<ul style="list-style-type: none"> Adopted energy-saving technologies including waste heat recovery Exploring new environmental technologies and developing sustainable products 	Optimising Energy Structure

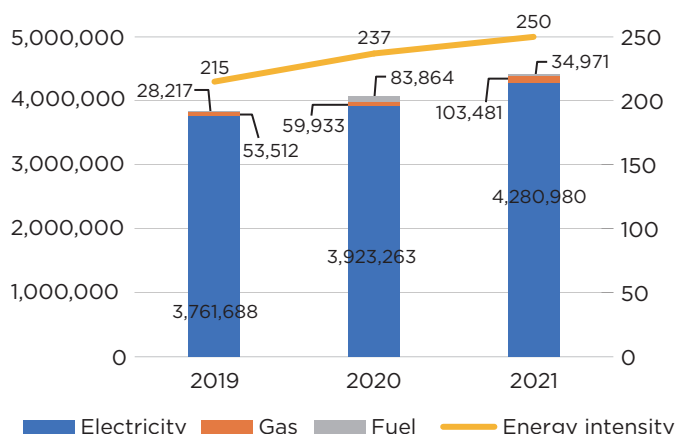
Metrics and Targets

In 2021, the Group consumed a total of 4,419,432 GJ⁴, of energy (equivalent to 1,227,619,868 kWh), with an energy consumption intensity of 250 GJ (equivalent to 69,487 kWh) per million RMB revenue. For direct energy, the consumption of fuel gas, diesel and petrol were 2,587,015 m³, 607,702 kg and 153,368 kg respectively. For indirect energy, the consumption of electricity was 1,189,161,009 kWh.

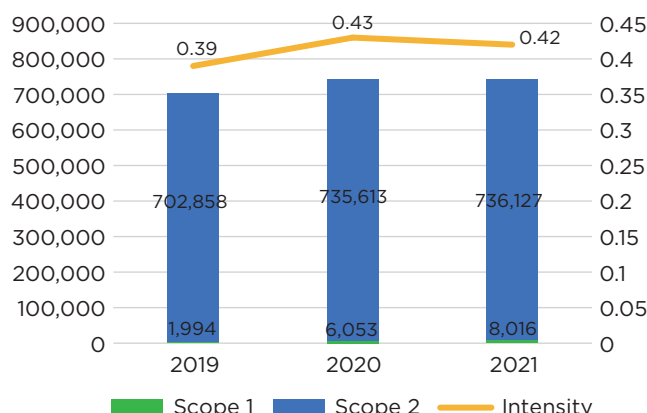
The Group's total greenhouse gas emissions were 744,143 tonnes of carbon dioxide equivalent (tCO₂e), with an emission intensity of 0.42 tCO₂e per ten thousand RMB revenue. Total greenhouse gas emissions increased by 0.3% compared to 2020. Indirect emissions from purchased electricity constitute the main source of the Group's greenhouse gas emissions, accounting for 99% of total emissions.

Targets have been set for business units to help reduce GHG emissions and ensure compliance with the tightening regulatory framework. To achieve our emissions target, we have been expanding the use of solar energy, smart production technologies and energy-saving equipment. We also plan to incorporate carbon reduction strategies into the construction of our facilities, including design, construction process and the use of raw materials. During the year, the Group reviewed existing carbon emissions and energy targets and set waste and water targets. The Group will continue to monitor its performance and work towards refining its environmental related targets in the future.

Total energy consumption (GJ) and intensity (GJ/million RMB revenue)



Greenhouse gas emissions (tCO₂e) and intensity (tCO₂e/ten thousand RMB revenue)



Carbon Emissions Target

Maintain carbon emissions at 5% lower than the government's quota each year in Shenzhen

⁴ Energy Consumption Calculation Methodology
Energy consumption calculations are referenced from "Energy Statistics Manual - Appendix 3: Units and Converted Equivalents" published by International Energy Agency.

Optimising Energy Structure

Transitioning to Clean Energy

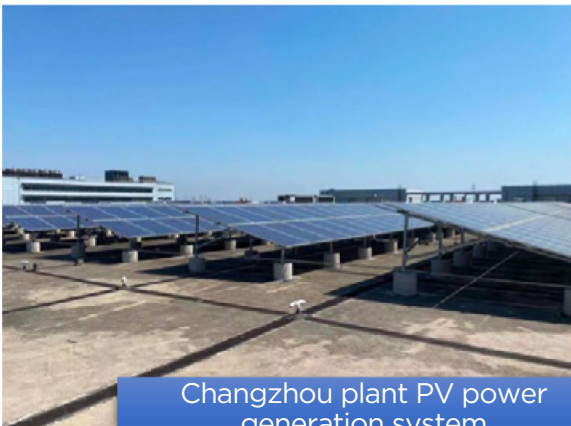
Switching from fossil-derived energy to renewable energy is one of our key initiatives to tackle climate-related risks. Aiming to align with the carbon peaking and carbon neutrality goals, the Group has set a clean energy use target for its Changzhou plant at 75% of total energy consumed by 2030 and remains on track in 2021.

Energy Target

Achieve 75% clean energy consumption at 2 major Changzhou plants in 2030

At Shuyang and Changzhou plants in China, we have commissioned solar PV power plants with an estimated aggregate annual power generation capacity of 16,400 MWh. The Group has been steadily increasing the overall capacity of PV power generation at its Changzhou plants. In addition, new solar PV power plants in Nanning are expected to commence operation in 2022.

For the Group as a whole, we will endeavour to explore the feasibility of further increasing our clean energy proportion by installing more solar PV panels and grid-connected power generation at our plants to meet the national carbon peaking target.



Changzhou plant PV power generation system



Shuyang plant PV power generation system

Improving Energy Efficiency

We are committed to making energy-saving improvements in our production facilities and buildings to raise energy efficiency. During the year, the Group undertook a number of energy-saving retrofit projects.

Air conditioning energy saving retrofit

- During the year, the Group carried out renovation of air conditioners in some of its plants for saving energy, which is expected to reduce energy consumption by 20%, equal to about 578.4 tonnes of standard coal.
- The Group plans to expand the coverage of renovation of air-conditioning systems to cover Nanning, Suzhou and Maanshan plants. These renovations are expected to save energy equivalent to about 13,889.96 tonnes of standard coal.

Air compressors energy saving retrofit

- The Group also plans to carry out an air compressor renovation project at the Wujin plant. It is expected that the comprehensive energy saving rate can reach 10% and the cost saving will be approximately RMB1.63 million per year.
- The Group will decide whether to proceed with the air compressor conversion project in other plants based on the experience at the Wujin plant.

Waste heat recovery from air compressors

- The Group recovers waste heat from air compressors at its Changzhou plant. The large amount of preheat from the air compressors can be used to heat water for domestic usage. The recovered heat is used in the new bathrooms at the site through a specially-designed heat recovery unit. The heat recovery will save energy equivalent to approximately 400 tonnes of standard coal in a year.

Steam condensate heat recovery

- The Group has implemented a project for steam condensate heat recovery at its Maanshan plant. With the addition of a heat recovery system, approximately 5,580 kWh of heat energy can be recovered daily, saving 1,860 kWh of electricity compared to using air-cooled heat pump units. It also saves 60,000 cubic metres of natural gas per year.

Energy efficiency retrofitting of buildings

- During the year, insulation on external walls of buildings was renovated at some of the plants to reduce heat dissipation from buildings and entry of cold air from outside by installation of thermal one piece panels. It is estimated that the total annual energy consumption can be reduced by 45%.
- A 40% reduction in total annual energy consumption can be achieved by retrofitting building windows with materials that have a lower heat transfer coefficient.

Energy-saving retrofit projects

The Group carried out an HVAC optimisation project at the Wujin New Energy Plant in Changzhou. The actual power consumption of the air conditioning system in this plant accounts for approximately 40% of the total electricity consumption. The rational design of the air conditioning system is of great significance in reducing the energy consumption of the Group. By setting up an energy control management platform, we are able to achieve higher energy efficiency.

Energy Control Management Platform

The energy control management platform collects the operating parameters of each equipment in the system and the building, implements analysis and adjusts the number of equipment operating and their status, and thus improves the operating efficiency of the system. The real-time data and feedback from the energy efficiency control management platform support the operation and management staff to grasp the system condition and improve the overall energy control.

Waste Management

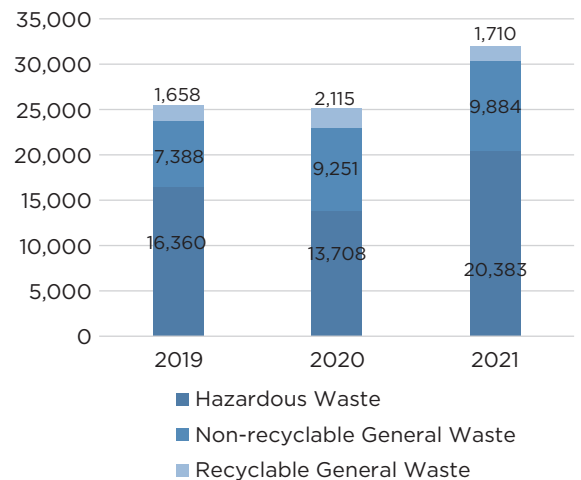
Hazardous waste generated by the Group includes waste cutting fluid, organic solvent, sludge and plastic. We have in place the Hazardous Waste Management Policy governing the management of the generation, collection, storage, utilisation and treatment of hazardous waste. We ensure that hazardous waste is separated from other solid waste and general waste, and is packaged, transferred and stored properly. Accredited third-party hazardous waste handlers were commissioned to collect and manage hazardous waste. We also regularly test rainwater samples to ensure it is not contaminated by hazardous waste. Environmental professionals were invited to conduct on-site assessments at our plants to boost our hazardous waste management.

General waste is managed according to the established Waste Management Procedures. General waste is classified into three categories, namely non-recyclable, recyclable and food wastes to ensure that general waste is disposed of in compliance with relevant regulations. Non-recyclables which are mainly domestic garbage and construction waste are collected at our office areas, public areas and production sites, and handled by third-party waste disposers. Recyclable wastes, comprising metals, paper and plastic, are sent to environmental agencies for recycling.

During the year, a total of 20,383 tonnes of hazardous waste and 11,594 tonnes of general waste were generated. 14.7% of the general waste was recyclable.

To ensure the effectiveness of our waste management approach, we have designated personnel at each production plant to ensure that waste management is carried out properly and training on waste handling and separation is provided to employees.

Waste generation (tonnes)



Hazardous Waste

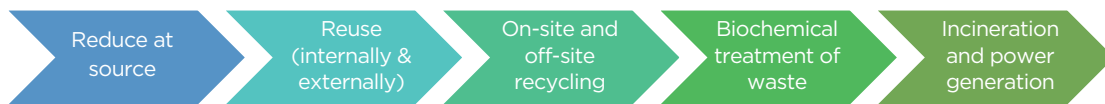
- Optimise the record of waste treatment
- Ensure safe and proper packaging of waste
- Ensure proper labelling of hazardous waste with signs and labels
- Reduce the storage time of flammable and explosive waste
- Maintain suitable storage environment, including ventilation, temperature and humidity
- Conduct regular inspection and training

Non-hazardous Waste

- Maintain a record of waste handling
- Refine the waste segregation in facilities, separating into 3 levels
- Waste stored separately according to different types
- Conduct inspection to prevent any mixing of waste with other waste and company items

Transitioning to Zero Waste to Landfill

To achieve our target on waste diversion rate, we have continued to implement a Zero Waste to Landfill project at some of our factories according to the UL ECVP2799⁵ standard. The Zero Waste to Landfill project aims to reduce waste generation at source through reduction, reuse and recycling, and maximise energy recovery from incineration. We closely monitor the monthly waste data at our factories to keep track of our waste reduction and recycling performance.



During the year, two of our factories in Changzhou held the UL Environmental Claim Validation certificate for the Zero Waste to Landfill project, achieving a 100% diversion rate and thermal processing with an energy recovery rate of 4% and 6% respectively.

Waste Target
Maintain a minimum of 90% waste diversion rate at 2 major plants in Changzhou plants
Achieve a 90% waste diversion rate in the Shenzhen plant in 2022

		Landfilling & Incineration	100% Incineration
Preparation	Awareness Training	Enhance Waste Management	Zero Waste to Landfill
<ul style="list-style-type: none"> Condensed assessment to identify possible risks and rooms of improvement Formulate an implementation plan for the project 	<ul style="list-style-type: none"> Training was provided to the management team and employees to enhance their understanding on the "Zero Waste of Landfill" concept, and raise their awareness on waste sorting and recycling 	<ul style="list-style-type: none"> Commenced on-site waste segregation project, including assigning areas for different waste Constructed chemical storage warehouse in plant Renovated the waste storage area to protect the waste from rain and wind 	<ul style="list-style-type: none"> All non-recyclable waste is sent for incineration with energy recovery

⁵ UL ECVP2799 refers to the Environmental Claim Validation Procedure for Zero Waste to Landfill, which is developed for validation of zero waste environmental claims at individual facilities. The facilities should send little or no waste for landfilling or incineration without energy recovery and achieve a landfill waste diversion rate of over 80%.

Reuse of cutting fluid

Cutting fluid is consumed in our production process for cooling and lubricating purpose. To achieve green production and reduce the amount of hazardous waste produced, we have implemented a cutting fluid treatment and recycling system, which can remove impurities and oil, kill bacteria and manage the condition of cutting fluid, so that the cutting fluid can be reused.

Reuse of organic solvent and plastic hose

The Group maximises the reuse of materials, as this can lower its operating costs and reduce the generation of hazardous and general waste. By reusing organic solvents, we can reduce organic solvent consumption by about 50%. We also reuse disposable plastic hoses, trays and other packaging materials.

Reduction of sludge

Residual sludge is generated after the wastewater process in the casting production facility. To reduce the volume of wet sludge for disposal, a sludge dryer was used at the Shuyang plant to remove the water content of the sludge by evaporation. In 2021, a new sludge drying facility was put into operation. With these facilities operating in full capacity, it is expected to reduce the amount of sludge for disposal by approximately 50%, reducing approximately 3,000 tonnes of sludge for disposal per year.

Recycling of food waste

Food waste, food oils and kitchen waste are collected and recycled for multiple purposes by a kitchen waste management company. Food oils are recycled for the production of biodiesel. After treatment and anaerobic digestion, food waste is used for electricity generation. General kitchen waste is collected and used as compost.

Water Conservation

Water consumption of the Group is for industrial and domestic purposes. In 2021, the Group consumed a total of 12,569,147 tonnes of water, with a water consumption intensity of 711 tonnes per million RMB revenue. During the year, the Group did not experience any issue in sourcing water fit for the purpose.

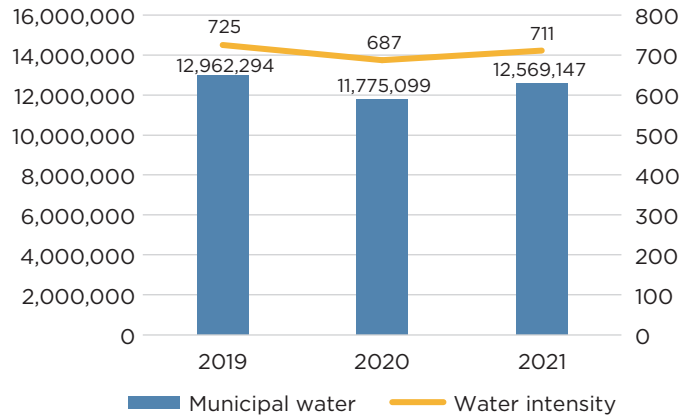
Water Target
Reduce total water consumption of all Changzhou plants by 3% in 2022

To reduce domestic water use, we have installed water-saving equipment in our washrooms and conduct regular checks on water supply systems. We have also adopted ultrasonic detection technology to

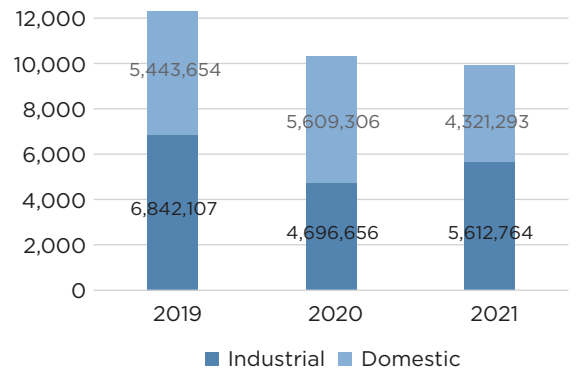
detect leakage in underground water pipe networks and would arrange immediate repair on receiving abnormal detection. Domestic wastewater in one of our Changzhou factories is recycled by a water treatment company and the recycled water is used for cooling and washing. Different water reduction or conservation initiatives continue to be put in place, with emphasis on ensuring employees receive training on facilitating the normal daily operation of water-saving technologies and the importance of water conservation.

In 2021, the Group discharged a total of 9,934,057 tonnes of wastewater. Industrial and domestic wastewater is treated at on-site wastewater treatment plants and municipal treatment plants. To reduce the amount of wastewater generated, we treat it with electro dialysis evaporation technology. We have also completed testing on reducing wastewater through low-temperature heat pump evaporation. At our Shenzhen factory, permeate water and rejected water are recycled for domestic purposes. We aim at continuously increasing our water use efficiency and water recycling proportion.

Municipal water consumption (tonnes) and intensity (tonnes/million RMB revenue)



Wastewater discharge (tonnes)



Water Recycling Project

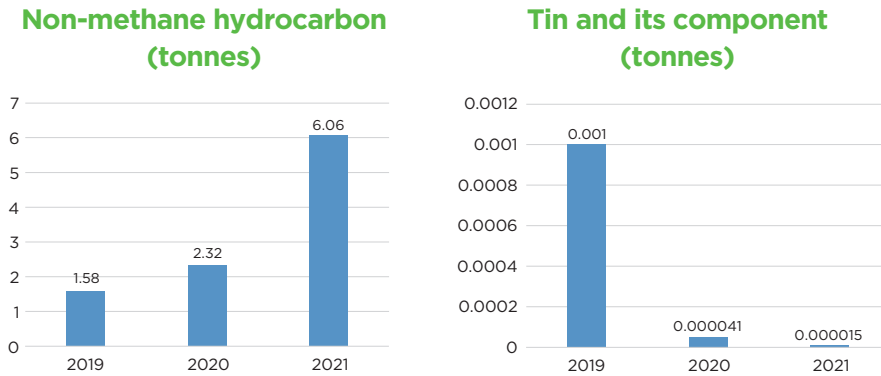
The Group has been setting up water recycling facilities at its factories so as to separate unpolluted water from wastewater and reuse it for toilet flushing and washing purposes. Not only does this alleviate the pressure of our wastewater treatment systems, but also reduces our raw materials consumption. It is expected that 30 tonnes of wastewater treatment can be reduced every day in our treatment plant in Shenzhen.

Clean Water Programme

To promote water saving, increase water recycling efficiency, reduce water pollution and enhance water management, we continue to implement the Clean Water Programme at our factories in Shenzhen. We have finished an assessment of water management and usage, water stress and water balance of the plant, and are currently conducting preliminary research and data collection.

Reducing Air Pollutants

While organic exhaust gas is generated during the bonding adhesive process, our operations produce welding fumes, though the amount is insignificant due to the nature of the miniature product. We also generate cooking fumes at our canteens and laboratory emissions. In 2021, the Group emitted a total of 6.06 tonnes, 0.000015 tonnes and 11.47 kg of non-methane hydrocarbons, tin and its compounds and sulphur oxides ("SOx") respectively. Our production process does not involve the consumption of coal. We will disclose more meaningful information by continually optimising our data collection system.



Audits of emissions of various pollutants are conducted regularly at our factories to ensure compliance with regulatory standards. Organic exhausts are treated by an exhaust treatment system, and we have in place facilities to treat cooking fumes and laboratory emissions. To reduce air pollution at operational sites, we continue to adopt exhaust treatment technologies and improve treatment efficiency. During the year, we installed an online emission monitoring system at our factory in Maanshan to monitor the emission of volatile organic compounds ("VOCs"), enabling us to collect and monitor the VOC emission data of equipment at each production stage of the Shop-Floor Control System online.

Restricted substance control standards

- To ensure our emission of VOCs meets the standards of the local government and clients, we have in place a restricted substance control standard implementing the strict control usage of coatings, inks, adhesives and cleaning agents.

Gas boiler revamping project

- To ensure nitrogen oxides ("NOx") emissions are in compliance with government requirements, we have been upgrading the burners of our gas boilers. By lowering the burning peak temperature and solving the uneven temperature distribution issue, this helps reduce NOx emissions by approximately 30% to 40%. In 2021, almost all revamping projects in Changzhou were completed, with only one project still in progress.

Renovation of exhaust treatment system

- Apart from activated carbon adsorption towers, we installed UV photolysis purifiers in our factories to treat VOCs. The adoption UV photolysis purifiers increases the emission treatment efficiency by approximately 20%-40%.

Operational Excellence



SDG Targets



Related Material Topics

- Customer satisfaction
- Product quality management
- Innovation and intellectual property rights
- Social and economic compliance

Number of patents



7,222

↑ 19.7%yoy

Conflict mineral-free



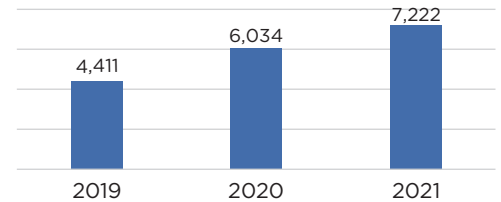
100%

Leading Innovation

AAC invests significant resources in research and development, devoting 9.8% of revenue to R&D during the year. We own and operate 18 R&D centres with 6,307 senior research staff and engineers as at 31 December 2021.

In 2021, the Group successfully obtained 1,976 new patents and making a total of 7,222 patents, representing an increase of 19.7% over 2020. To encourage our innovators, we have a Patent Incentive Scheme in place, allowing them to have a greater incentive for utility models, patent commercialisation, and other high-quality inventions. Inventors whose inventions are certified as patents or sold to third parties can receive a fixed amount of monetary rewards as encouragement.

Number of patents owned



To develop a solid patent portfolio and manage the intellectual property budget, we have tightened the new patent application assessment criteria, assessing all current patents in two dimensions, uniqueness and innovativeness. During the assessment process, we consider industry, market and legal aspects to filter out the less valuable innovations and identify high-value and highly competitive patents rights. We have also evaluated all current patents on their values, striving to maximise resources utilisation and managing patents with a strategic approach.

Intellectual Property Rights

We place great emphasis on respecting intellectual property rights (“IPRs”) and protecting ours and others. Our Intellectual Property Department is fully responsible for issues relevant to IPRs and related set of established internal regulations, practices and procedures are in place to govern the management of IPRs. The said department reviews the internal regulations and provides training to related staff on a regular basis to ensure regulatory compliance.

In compliance of international and PRC’s domestic IPRs laws and regulations, particularly in areas of infringement, we conduct internal audits regularly on our innovations in accordance with our internal procedure on “Early Warning”, which stipulates practices to be undertaken to identify and handle possible risks. Our Intellectual Property Department collaborates with R&D and Marketing teams to support the decision-making process from the design stage by closely monitoring intellectual property data in the market and modifying our product designs when necessary. We also engage third parties professionals for external audits in response to the continuous changes in the fast-paced industry.

In the case of any patent dispute, the Head of Intellectual Property Rights, the Accounts Manager, and the patent owners will form an emergency task team to handle the dispute according to the Intellectual Property Rights Contingency Plan. During the year, the Group was not involved in any litigation relating to infringement of any IPRs.

Striving for Zero Defects

Improve Quality Management System

A well-developed management system plays an important role in ensuring the product quality moves towards “zero defect”. All production sites have obtained the ISO 9001 Quality Management System and IECQ QC 080000⁶ certification for their end products. In 2021, the Group has extended its quality management system to the production of device components. Components produced in Maanshan, Nanning and Shuyang have acquired ISO 9001 certification. In line with the Group’s expansion into the automotive industry, plants in Shenzhen and Changzhou were certified with IATF 16949⁷ in 2021. Moreover, our Changzhou GP laboratory received CNAS⁸ laboratory certification, demonstrating conformity with ISO/IEC 17025⁹.

To ensure the effectiveness of the management system, we review and update the system regularly. In 2021, 28 internal documents were revised and 6 new internal documents were implemented. Moreover, with the Group’s Internal Quality Audit Procedures, internal and external professional audits of the quality management system are conducted twice a year on a rolling basis to ensure efficient implementation of the system. The corresponding departments are requested to take remedial steps based on the auditor’s findings if the management system is not sufficiently practical or effective. In 2021, the Group revised the comprehensive Non-Conforming Product Control Procedure, refining the product recall procedure and clarifying the time limit for handling non-conforming products. The said procedure defines the steps to manage the quality of goods at each stage of manufacturing, from raw materials to after-sales.

During the year, the Group was not aware of any material non-compliance of relevant laws and regulations that would have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Promote a Quality Culture

To achieve quality excellence, our highly skilled workforce is an essential component of our journey to zero defect. We have a Creative Proposal Policy in place to reward employees who submit feasible and possible problem-solving technology proposals contributing to zero defect. All proposals are assessed based on rationality, application of technology and tools, benefits, application prospects and demonstration value. In 2021, 558 innovative proposals were submitted for increasing manufacturing processes or equipment efficiency.

Case Study: Improvement in waste liquid discharge of nickel electroplating

- During the nickel electroplating process, crystals easily form and obstruct the flow of waste liquid due to insufficient time for the degreasing powder to dissolve. This complicates equipment maintenance and, more importantly, reduces efficiency. When the employee’s proposal is implemented, crystallization of the degreasing powder is prevented, and the efficiency is raised to 50 batches per week.

⁶ Hazardous Substance Process Management Standards in Electrical and Electronic Components and Products

⁷ IATF 16949: 2016 Automotive Quality Management Systems

⁸ CNAS refers to China National Accreditation Service for Conformity Assessment.

⁹ ISO/IEC 17025:2017 General Requirements for the Competence of Testing and Calibration Laboratories

In addition to regular quality improvement training, we continuously encourage and assist our engineers to obtain the Six Sigma certification, which is a set of techniques and tools that not only allows engineers to identify problem areas and recurring issues that affect product quality, but also provides them with comprehensive data-based analytical and creative thinking skills to achieve higher efficiency. In 2021, 250 projects were completed as part of this training programme. To improve employee quality awareness, the Group strives to foster an environment of operational excellence through the following activities:



Promotion

- Distribute quality culture brochures to all employees
- Publish several promotional articles on DingTalk



Communication

- Monthly meeting for sharing best practices



Motivation

- Introduce a 'Likes Card' to recognize employees who spot problems early and provide solutions. It may be redeemed for presents



Competition

- Organise competitions, such as passing rate competition



Target setting

- Set specific quality targets for each of the production activities



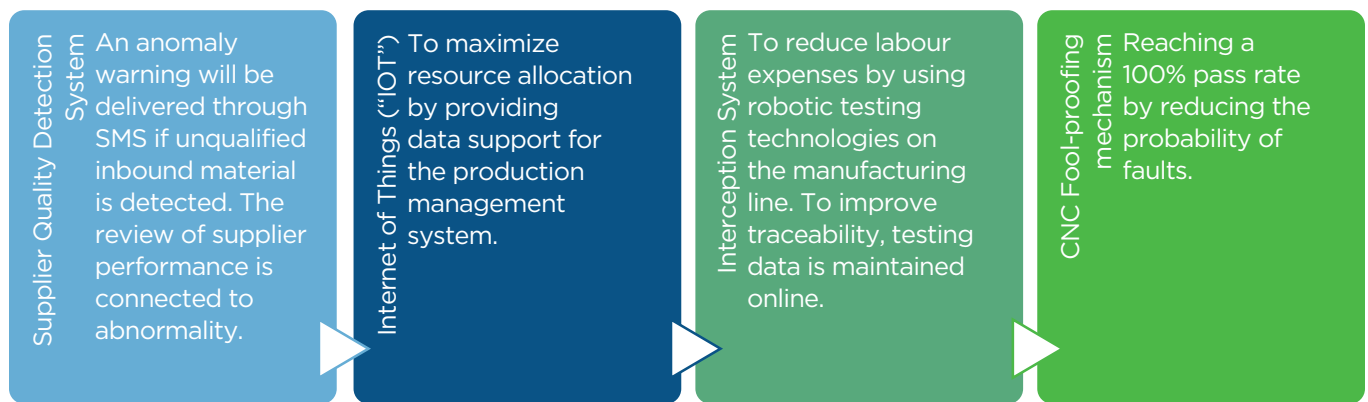
Specialised teams

- Form working groups to focus on certain topics for improvement

Real-time Monitoring

To achieve exceptional and consistent product quality, we adopt data automation for real-time monitoring, with the support of a robust management structure and a team of high-quality professionals.

A Quality Data Management (“QDM”) system and an all-encompassing closed-loop system are in place for the management of abnormal test results. The closed-loop system first collects information, then stores and analyses data to provide real-time alerts. In 2021, we have further upgraded the QDM system with the support of the closed-loop system such that production equipment can be controlled and adjusted remotely to improve product quality based on the data analysed. All information and data are uploaded to a mobile app instantly that allowing us to have real-time monitoring on the production situation. When errors are found, fast decisions can be made, minimising the influence of the mistakes.



Management of abnormal test results

Suppliers’ Management

Suppliers are critical business partners for the Group, and the selection and successful management of suppliers are directly tied to the Group’s product quality. The Group maintains an effective connection with suppliers through multiple channels in order to better communicate our expectations.

All suppliers are required to follow our Supplier Code of Conduct (the “Code”), which is drafted based on a number of international principles, including the Responsible Business Alliance and International Labour Standards of the International Labour Organisation (“ILO”), the Social Accountability 8000 International Standard, etc. Suppliers are expected to abide by the Group’s expectations in the areas of labour and human rights protection, health and safety, chemical management, and environmental protection as set out in the code. We also encourage our suppliers to regulate and monitor their suppliers (our second-tier suppliers) according to the Code.

Suppliers Assessment

Suppliers are evaluated by the Group based on transparent and fair principles. New suppliers are subjected to a rigorous pre-qualification procedure, which includes background due diligence, site audits and component certification, in accordance with the well-established Supplier Selection, Certification, and Evaluation Management Procedure. Departments, including the sourcing team, R&D department, Supplier Quality Engineer (“SQE”), Green Product (“GP”) team, and others, collaborate to perform the assessments to verify supplier competency in all areas.

In addition to the pre-qualification process, assessments on three areas including, quality, environmental and social are mandatory. Suppliers are required to obtain ISO 9001 Quality Management System certification and implement an Environmental Management System aligned with the ISO 14001 certification. For automotive component suppliers, IATF 16949 certification is required, otherwise suppliers are required to provide corresponding plans to obtain the certification. All suppliers are also required to submit a signed CSR Commitment Letter confirming compliance with the Code, adherence to requirements for labour and human rights protection, health and safety, chemical management, environmental protection and anti-corruption.

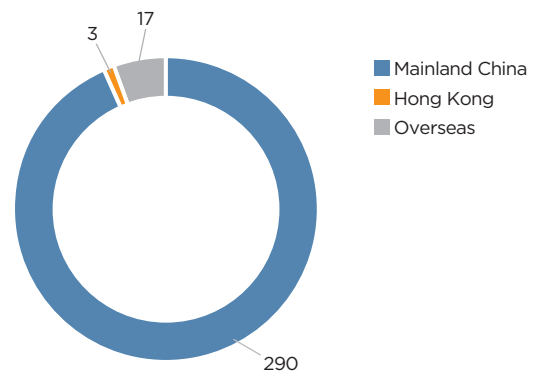
Quality	Environmental	Society
<ul style="list-style-type: none"> • ISO 9001 Quality Management System • Product quality • Technical and processing ability • Production capacity and equipment 	<ul style="list-style-type: none"> • Environmental management system • Energy management • Air emissions and waste management • Chemical management (including VOC) • Fire and emergency management 	<ul style="list-style-type: none"> • Human rights • Labour practices • Health and safety • Conflict minerals management

Three key aspects of supplier assessment on environmental, social and quality criteria

Suppliers who pass every stage of assessment are shortlisted as approved suppliers. In 2021, the Group had 310 suppliers in mainland China, Hong Kong and other areas in Asia. We evaluated 59 suppliers based on their social responsibility performance during the year.

We review the supplier relationship every year through daily management, yearly audits, and an all-round annual performance evaluation. Underperforming and expelled suppliers have to submit a written improvement report within one month and pass a quality audit to be restored as approved suppliers. Suppliers who have been barred from supplying are not permitted to reapply for a year, after which they must be recertified.

Number of suppliers by geographical region



Supplier Engagement

The Group has been striving hard to improve suppliers' capabilities through seminars, training sessions, location visits, in-person meetings, and audits, aiming to achieve win-win collaborations. In 2021, in regard to the updated standard on VOC, we organised two training programmes related to hazardous substances and VOC to help our suppliers be familiar with the new standard. We provide training to unqualified or underperforming vendors during the supplier selection and assessment process and discuss the improvement plan jointly. A system is also in place to help suppliers to submit relevant documents, allowing for efficient information interchange between the Group and its suppliers.

Conflict Minerals

AAC is committed to responsible sourcing of its materials. Therefore, stringent conflict mineral management procedures are in place to ensure that all minerals procured from suppliers are conflict-free¹⁰. The following table shows our comprehensive approach to responsible minerals sourcing:

Management system

We strictly comply with Regulation (EU) 2017/821, which imposes supply chain due diligence obligations on Union importers of tin, tantalum, tungsten, their ores, and gold originating from conflict-affected and high-risk areas.

The Group's Hazardous Substances Management Regulation prohibits the procurement of minerals from conflict areas such as Democratic Republic of Congo and it is overseen and executed by the GP team.

Identify, assess and manage risks

We actively work on improving the traceability of materials we procure. During the supplier selection process, we require all suppliers to complete the Conflict Minerals Reporting Template ("CMRT") developed by RBA and the Global e-Sustainability Initiative ("GeSI") as part of their due diligence. It compels suppliers to reveal information on the minerals' country of origin, as well as the smelters and refiners that processed them.

Audit of smelter and refinery due diligence practice

All suppliers of tin, tantalum, tungsten, their ores, and gold are required to sign a Conflict Mineral Declaration (the "Declaration") certifying that the goods, components, and materials they provide are conflict-free.

Suppliers are also required to undertake RBA and GeSI Conflict Free Smelter Audits on smelters or refineries in their supply chains, as well as prohibit buying conflict minerals.

All the information is uploaded and managed on the GSM system.

Report

During the year, we conducted due diligence to assure conflict-free procurement with 100% compliance rate.

¹⁰ Conflict minerals refer to minerals that are mined under conditions of armed conflict, notably in the Democratic Republic of Congo and adjoining countries. Profits from the sale of these minerals finance ongoing armed conflicts. The four most commonly mined conflict minerals are cassiterite (for tin), wolframite (for tungsten), coltan (for tantalum) and gold ore.

Green Products

Our dedication to the “Green Materials, Green Process, Green Goods” philosophy necessitates sourcing and production of environmental-friendly and safe products, allowing us to completely protect the health and well-being of our employees, customers, and the environment.

The Group has in place a Hazardous Substance Management Regulation that specifies management methods, accountable parties, and a list of restricted hazardous substances. Every year, we update the list in compliance with the latest national and international laws and regulations, including RoHS¹¹, REACH¹², California Proposition 65, etc., as well as customers’ specific requirements in a timely manner, forming a stringent internal regulatory process. This year, the list is updated swiftly after the national standards and customer requirements have been updated.

Classification	Class 1	Class 2	Class 3
	Substances restricted by RoHS	Substances restricted by national regulations or conventions other than RoHS	Substances concerned by the industry due to their environmental and health impacts
Response	Prohibit	Prohibit	Report and reduce
Number of items	8	95	14
Examples	<ul style="list-style-type: none"> • Cadmium and its compounds (Cd) • Lead and its compounds (Pb) • Mercury and its compounds (Hg) • Chromium VI and its compounds (Cr (VI)) • PBBs • PBDEs • Phthalates • Halogen 	<ul style="list-style-type: none"> • Arsenic and its compounds (As) • Asbestos and its compounds • Antimony and its compounds (Sb) • Halogen • Organic tin compounds • Other brominated flame retardants • Other chlorine compounds 	<ul style="list-style-type: none"> • Bismuth and its compounds • Barium and its compounds • Chromium III compounds • Rare earth elements • Benzophenone • Mineral wool • Isocyanates

Restricted Hazardous Substance List

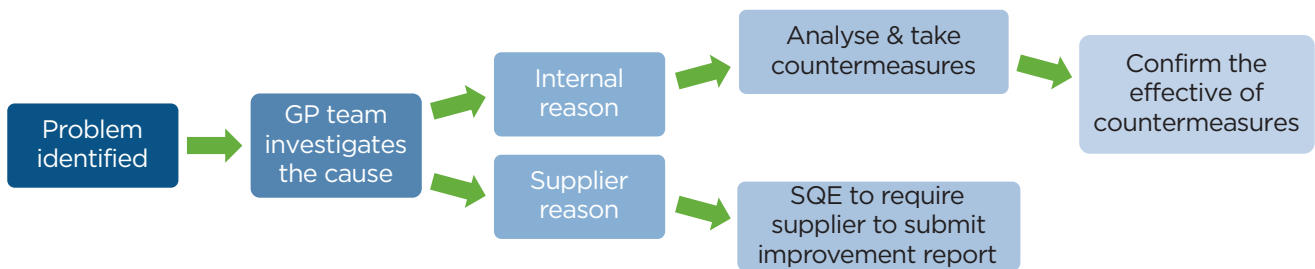
¹¹ Restriction of Hazardous Substances Directive, a directive on restriction on the use of certain hazardous substances in electrical and electronic equipment.

¹² Registration, Evaluation, Authorisation and Restriction of Chemicals.

To ensure all suppliers comply with the Hazardous Substance Management Regulation, the due diligence process covers all suppliers. The GP Team conducts audits on suppliers’ green products and hazardous materials management and also offers training to their employees. Suppliers are required to submit a number of documents to label their products with an environmental label to ensure that they have met all the requirements. All materials procured are checked with reference to the Restricted Hazardous Substance List by the GP Team before using the materials in production. The GP Team can also access all the information through the GSM system and trace the origins of the materials in case of any abnormalities.

Documents to be provided by suppliers	
1)	Signed Commitment Non-use Hazardous Substance form
2)	Third party test reports for hazardous substances
3)	Suppliers’ REACH Substances of Very High Concern (“SVHC”) survey
4)	MSDS or other material composition list
5)	Conflict Mineral Survey and Declaration
6)	Any other documents as required by customers

In the unlikely event that unqualified materials or products are used, procedures governed by the Non-Conforming Product Control Procedure and Recall Product Management Procedure will be enforced. Once unqualified materials or products are found, the management representatives are promptly notified to take containment measures in strict conformity with internal handling standards and the products are scrapped. All production stages are examined to identify the source of issues to make improvements in the future. During the year, we did not receive any complaints about environmentally harmful substances.



Procedures for the handling of unqualified environmental substances

Enhancing Customer Experience

Maintaining long-term and positive customers relationships is of utmost importance to AAC. Therefore, we actively engage our clients through various channels as well as hold conferences and review sessions to learn the most updated customers' concerns.

This year, the responsibility of customer engagement moves to each product line where it has its dedicated teams to deal with customers' requests and monitor data including the rate of product returns and the number of complaints in daily operations. This important transition allows more immediate and bespoke responses to our customers.

Internal policies about communication with customers including Communication Management Procedures and Customer Satisfaction Management Procedures are in place. Said policies define the roles and responsibilities of the dedicated teams in the product line and provide guidance for customer engagement and enhancement of customer experience and satisfaction. In addition, we maintain a high level of openness with customers. Our clients have access to all data in our QDM, which allows them to stay informed about the whole production process.

Customer Engagement

With reference to Customer Satisfaction Management Procedures, five categories including price competitiveness, service quality, delivery capacity, product quality and technical skills are used to analyse customer satisfaction. A customer satisfaction analysis report and follow-up action plan are created annually based on the results of the five categories drawn through quarterly business reviews, daily visits, annual questionnaires, and other varied engagement channels. In response to the market's increasingly customised nature, the Group can respond quickly by conducting weekly and monthly evaluations to stay on top of clients' demands and rectify any issues using the new management approach.



To deal with customers' complaints, we adhere to the Handling Customer Complaint Procedure. We aim at providing customers with a possible solution within five days. The complaints are categorised into four levels based on the severity of their effects on consumers and the product. Issues that require a production and delivery delay of more than three days are considered the most severe and are given top priority. A response team is formed to investigate the root causes of the issue, manage risk, and implement countermeasures to resolve the problem and prevent recurrence. A report stating the cause, the analysis and the solution of the complaint will be provided to customers. During the year, 506 customer complaints were recorded and all were handled according to the procedures. In the event of a defect relating to quality, we follow the Non-Conforming Product Control Procedure to investigate the problem and refer to Recall Product Management Procedure for guidelines on recalling the related products if necessary.

Information Security and Privacy

Information security concerns not only our reputation but also the interests of stakeholders including employees, customers and business partners. The Group has made significant investments in data governance to ensure that its security architecture is ready to respond to any breaches.

Management Approach

The Information Security Committee remains the driving force in the overall information security oversight. We review and revamp our information security policies annually to stay compatible with major changes happening in production and working conditions. During the year, we renewed five data-relevant policies and revised the structure of the Information Security Department by merging former Strategic Development and IT departments into the IT Digital Team, focusing on technical security control measures.

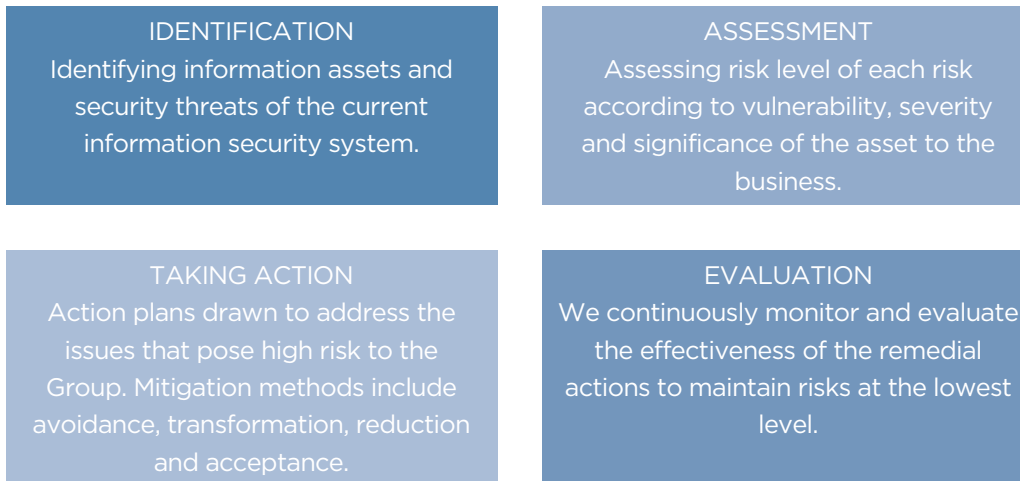
Strictly complying with the Cybersecurity Law of the People's Republic of China, the EU General Data Protection Regulation and other relevant laws of applicable jurisdictions, the Group has obtained ISO 27001 certification for its information security management system covering three departments (IT, R&D and production) of business units at nine sites. All product lines including acoustics, optics and MEMS are covered.

It is critical for us to meet customers' security requirements. We completed over 133 customer-oriented information security audits and two comprehensive data security audits without any major defects discovered. We received satisfactory ratings from customers in this regard.

Internally, we have established Information Security and Confidentiality Management Rules to reduce the risk of sensitive information being misused and disseminated illegally. Specifically, the Group has implemented an information classification and protection mechanism to categorise data according to sensitivity before transmission and storage. For customers, the privacy protection strictly adheres to their security requirements as we are aware that the leakage of customer information will lead to not only complaints and potential economic loss, but also corresponding contractual lawsuits. For suppliers, the Confidentiality Agreement is required to sign in advance to clarify their data security obligations.

Risk Management

Risk assessment is fully integrated into the Group's data governance. The annual information security risk assessment supports the identification and management of any underlying hazards in AAC's information security system and information assets, which consist of hardware, software, and confidential data. Electronic assets, people assets, software assets, and service assets are the existing assets from which risks are recognised, with risk levels rated on relevance, susceptibility, and severity.



Information Security Risk Management

The risks are subsequently mitigated through strategies such as avoidance, transformation, reduction, and acceptance, depending on the risk degree. For serious risks, the information security department develops precise corrective measures within the specified time frame and provides the risk assessment's results to the information security committee.

Risk Assessment

In 2021, we replaced the existing Skype with another communications app DingTalk. The Information Security Department carried out a data security review before migrating to the new platform. Specifically, departments and personnel are categorised into different levels of security controls (i.e. Red, yellow, and green). Each level is permitted different data transmission strategies. The red level mainly covers R&D personnel which are not allowed to install DingTalk, the yellow level is for data sensitive departments which are allowed to send messages but not transfer files and the green level is for daily operations-related personnel. When documents are uploaded or transferred, a security alert pops up as it triggers a corresponding mechanism.

Risk Prevention

One major challenge the information security team needs to deal with is the unknown viruses and the corresponding new vulnerabilities varying from year to year. To maintain data confidentiality and security, we keep up to date with the fixes for disclosed vulnerabilities, both domestically and internationally. We also actively work with industry experts and data technology vendors to safeguard data and information through comprehensive risk prevention and response management.

Software update and hardware protection

We work closely with service providers to ensure that Intrusion Prevention System (“IPS”), which includes firewalls and anti-malware software, is continually deployed to provide the greatest security possible. To protect against virus entry, the system has an automated monitoring and alarm mechanism. On a daily basis, it reports the scope and dispersion of viral assaults to each endpoint, including office and production endpoints, as well as the particular building and floor where the intrusion occurred. We can respond to cyber-attacks more precisely and effectively, thanks to the closed-loop management system. Each of the Group’s premises has an IT technical support engineer who is responsible for monitoring the data and improving the system if needed.

In the case of a cyberattack, emergency reaction measures are implemented. During the year, we ran multiple emergency exercises to ensure that the systems and business processes could handle major events, such as firewall failure and network failure.

Two data centre emergency drills were conducted during the year to ensure that all hardware operates properly and is capable of working effectively, in order to secure our hardware facilities. The purpose of these drills is to keep the information security system safe from prospective threats. Power outages, air conditioning system failures, and a fire exercise were all part of the preparations. All equipment, including fire-fighting appliances and pressurised chemicals, worked properly and responded quickly to the simulated emergency.

Internal regulations and training

Controlling internal information access is another important aspect of data security. We employ several procedures for managing authentication and authorisation of our systems, such as assigning access permissions to specific individuals and keeping a separate encrypted backup system, in addition to installing anti-virus software on all computer devices.

When choosing service providers, we take safety into account. To ensure that the launch and procedures of all projects completely conform with our information security standards and clients’ expectations, we prepared a list of safety control points and regulations for suppliers and the development team.

Information security training is a fundamental part of the staff induction training, which is mainly conducted by production departments. Training contents include regulatory requirements, information security strategy and management, regulations of the Group, personal information protection, etc. Employees working in special product lines and projects are offered specific training, only employees who pass the examination are permitted to enter the customer project. To fortify employees’ understanding and allow revisiting of training contents irrespective of time and location, certain information security training topics are available on the online training platform. In terms of data safety training, ten security standards were added in 2021, and real-time updates are made according to the customer’s information security requirements.

Community Care

AAC has continuously engaged in supporting the economic and social development of the local communities. The Group's public relations department actively responds to government policy and co-ordinates cooperative deployment of corporate resources, carrying out optimised initiatives.

Highlights of activities conducted during the year

Supporting the employment of community residents where we operate

Considering the large demand for general workers, we are keen to recruit the residents in villages and towns. We have effectively contributed to solving the employment problems and promoting the economic development of the local community.

Providing emergency assistance for the Zhengzhou flooding and the pandemic in Vietnam

In July, Henan province suffered from a severe rainstorm flooding emergency, the Group reacted immediately by sending over numerous rescue and relief items to the local Red Cross organisation to offer timely assistance. In addition, to help control the COVID-19 pandemic, the Group made donations to the Vietnam government for the purchase of vaccines to safeguard the local community in Bac Ninh Province, Vietnam, where we operate.



Contributing to poverty alleviation, rural revitalization, and education development in Nanning

As a member of the Nanning Economic and Technological Development Zone, AAC participated in activities including donations of daily necessities for Longlin Village and Longxun Village, of school supplies for Tanbai Primary School, to support the economy and education development of the rural areas. Also, aligning with the government's one-on-one poverty alleviation policy, we purchased agricultural products and handicrafts from villages where we operate to stimulate economic development. In the future, AAC is committed to providing targeted assistance for Longxi Village, Liuqing Town, Hengzhou City under the guidance of the government.



Appendices

Performance Data Summary

The data summary provides statistical information on the Company's sustainability performance, which helps facilitate stakeholders' understanding and benchmark our environmental and social performance.

Workforce Demographics			
	2021	2020	2019
Number of employees	37,591	33,735	39,385
By Geographical Distribution			
Changzhou	17,816	15,100	17,312
Shenzhen	1,639	1,896	1,921
Shuyang	4,000	4,091	6,213
Suzhou	2,027	887	901
Nanning	6,427	4,160	4,554
Vietnam	4,314	6,557	7,352
Overseas and other areas	1,368	1,044	1,138
By Age			
<30	18,475	18,854	23,343
31-40	15,804	12,650	13,511
41-50	2,925	1,975	2,201
>50	387	256	270
By Gender			
Male	24,199	20,928	24,783
Female	13,392	12,807	14,602
By Educational Background			
Degree or above	18,525	16,537	16,991
High school or below	19,066	17,198	22,394
By Employee Category			
Management	2,169	1,960	2,090
R & D	1,040	1,876	1,644
Technician	5,267	2,459	2,533
Mechanics	15,993	12,663	13,394
Operators	13,122	14,777	19,724
Employees Training			
Average training hours	20.5	13.4	19.1

Health and Safety			
	2021	2020	2019
Safe Manufacturing Investments (RMB'000)	47,824	98,795	52,400
Major pollution/safety incidents	0	0	0
Fire hazard	1	0	2
Total Work-related Accidents	105	97	69
Type A – Slight injury	38	47	28
Type B – Minor injury	67	49	39
Type C – Severe injury	0	0	1
Type D – Fatalities	0	1	1
Work-related injuries per 1,000 workers	2.79	2.88	1.75
Lost time injury frequency rate (“LTIFR”) (per million hours worked)¹³	0.95	0.96	0.70
Lost days due to work-related injury	3,734	3,005	2,861
Number of occupational disease cases	0	0	0
Training on Occupational Safety and Health			
Total person-times training	84,093	82,947	94,337
Total training hours	126,140	124,421	141,506
Percentage of workers trained	100%	100%	100%
Environment ¹⁴			
	2021	2020	2019
Environmental Protection Expenditure (RMB'000)	100,271	216,033	95,480
Total Resources Consumption			
Indirect Consumption			
Electricity (kWh)	1,189,161,009	1,089,795,192	1,044,913,303
Direct Consumption			
Fuel Oil (kg)	761,070	1,965,732	659,409
Fuel Gas (m ³)	2,587,015	1,539,468	1,374,547
Coal (Tonnes)	0	0	0
Total energy consumption (GJ)	4,419,432	4,067,060	3,843,417
Total energy intensity (GJ per million RMB revenue)	250	237	215
Water			
Water consumption (Tonnes)	12,569,147	11,775,099	12,962,294
Water intensity (Tonnes per million RMB revenue)	711	687	725

¹³ LTIFR is calculated based on the following formula: Number of lost time injuries in the reporting year x 1,000,000/Total hours worked in the reporting year

¹⁴ **Environmental KPIs calculation methodology**

Environmental KPIs stated in the report are calculated with reference to HKEX’s “How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs”.

Environment ¹⁴			
	2021	2020	2019
Emissions			
Air Pollutant			
Non-methane hydrocarbon (Tonnes)	6.06	2.32	1.58
Tin and its compounds (Tonnes)	0.00002	0.00004	0.001
Wastewater Discharge (Tonnes)	9,934,057	10,305,962	12,285,761
Waste			
Hazardous waste (Tonnes)	20,383	13,708	16,360
Hazardous waste intensity (Tonnes per million RMB revenue)	1.15	0.80	0.91
Non-hazardous waste (Tonnes)	11,594	11,366	9,046
Non-hazardous waste intensity (Tonnes per million RMB revenue)	0.66	0.66	0.51
Greenhouse Gases Emissions¹⁵			
Total Greenhouse Gases Emission (tCO ₂ e)	744,143	741,666	704,852
Scope I (tCO ₂ e)	8,016	6,053	1,994
Scope II (tCO ₂ e)	736,127	735,613	702,858
Emission intensity (tCO ₂ e per ten thousand RMB revenue)	0.42	0.43	0.39
Usage of Packaging Materials			
Carton (Pcs)	4,214,308	4,552,960	5,492,677
Blister boxes (Pcs)	84,183,346	71,804,936	65,647,858
Carrier tape (Meter)	14,193,683	13,719,934	14,361,704
Carrier disc (Pcs)	603,799	495,088	648,795
Packing belt (Rolls)	7,645	2,265	975
Sealing paper (Rolls)	1,127,430	1,003,387	1,746,525
Sealing paper (square meter)	160,768	132,597	108,353
Label (Pcs)	46,070,560	45,646,289	9,410,019
Label (Rolls) ¹⁶	87,045	-	-
Community			
	2021	2020	2019
Donation (RMB'000)	1,451	880	800

¹⁵ **GHG calculation methodology**
GHG emissions calculations are referenced from the "Corporate Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines Power - Generation Facilities" published by the Ministry of Ecology and Environment of the People's Republic of China in 2021 and the "IGES List of Grid Emission Factors" published by The Institute for Global Environmental Strategies in 2021.

¹⁶ The packaging material, label (rolls), was newly included in the data collection system in 2021. Therefore, the data of label (rolls) in 2019 and 2020 was not available.

Awards and Recognitions

Award Received	Awarded to	Awarded by
Sustainability		
Best GRI Report – Commendation	AAC Technologies Holdings Inc.	Hong Kong ESG Reporting Awards
Certificate of Excellence in Environmental, Social and Governance Reporting	AAC Technologies Holdings Inc.	Hong Kong Management Association
Forbes World’s Top Female Friendly Companies 2021	AAC Technologies Holdings Inc.	Forbes
Corporate Transparency		
Special Mention for Corporate Governance in the Hang Seng Index Category	AAC Technologies Holdings Inc.	Hong Kong Institute of Certified Accountants
Socio-Economic Contribution		
2021 Guangdong-Hong Kong-Macao Greater Bay Area “Top 50 Leading Enterprises”	AAC Technologies Holdings Inc.	Shenzhen Strategic Emerging Industry Development Promotion Association
2021 Top 30 Manufacturing Enterprises in Nanning	AAC Technologies (Nanning) Co., Ltd.	Nanning Enterprises and Entrepreneurs Confederation
2021 Nanning Top 50 Enterprises	AAC Technologies (Nanning) Co., Ltd.	Nanning Enterprises and Entrepreneurs Confederation
Jiangsu Excellent Enterprise Unit	AAC Optoelectronics Technology (Changzhou) Co., Ltd	Jiangsu Economic Newspaper
2021 Golden Responsibility Award “Annual Sustainable Development Award”	AAC Technologies Holdings Inc.	Sina Finance
APEC “China’s Digital Economy Industry Demonstration Sample”	AAC Technologies Holdings Inc.	APEC China Business Council
The Most Beautiful Jiangsu Enterprise to Fight Against the Epidemic	AAC Acoustic Technologies (Shenzhen) Co. Ltd	Jiangsu Economic Newspaper
The 6th “Golden Hong Kong Stocks Awards” “Best TMT Company”	AAC Technologies Holdings Inc.	Zhitong Finance
Environmental Responsibility		
Green Office and Eco-Healthy Workplace Awards Label	AAC Technologies Holdings Inc.	World Green Organisation
Product Excellence		
China’s Top Ten Semiconductor MEMS List	AAC Acoustic Technologies (Shenzhen) Co., Ltd.	China Semiconductor Industry Association
“The Best Innovative Product” of 2022 China IC Top Award	AAC Technologies Holdings Inc.	China Semiconductor Investment Alliance
“The Best Technology Breakthrough” of 2022 China IC Top Award	AAC Optics Technologies (Shenzhen) Co., Ltd.	China Semiconductor Investment Alliance

Memberships and External Initiatives

We actively involved in a number of initiatives and charters promoting sustainable development in economic, environmental and social aspects. The table below summarises our memberships of industry associations and chambers.

Organisations	Membership company
China Electronic Components Association	AAC Technologies Holdings Inc.
Federation of Shenzhen Commerce in Shenzhen	AAC Technologies Holdings Inc.
Jiangsu Chamber of Commerce in Shenzhen City	AAC Technologies Holdings Inc.
The Shenzhen Nanshan Capital Market Association	AAC Technologies Holdings Inc.
Changzhou Overseas Chinese Entrepreneurs Association	AAC Technologies Holdings Inc.
Changzhou Capital Market Industry Chamber of Commerce	AAC Technologies Holdings Inc.
China Semiconductor Industry Association	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Shenzhen Hi-Tech Industry Association	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Federation of Shenzhen Industries	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Shenzhen General Chamber of Commerce	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Shenzhen Changzhou Chamber of Commerce	AAC Acoustic Technologies (Shenzhen) Co., Ltd.

Laws and Regulations

The Group strictly abides by relevant laws and regulations, including but not limited to the following:

Topic	Applicable laws and regulations
Environment	<ul style="list-style-type: none"> The Environmental Protection Law of the People's Republic of China The Law of the People's Republic of China on Environmental Impact Assessment The Environmental Protection Tax Law of the People's Republic of China The Law of the People's Republic of China on the Promotion of Clean Production The Law of the People's Republic of China on the Prevention and Control of Water Pollution The Regulation on Urban Drainage and Sewage Treatment The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution of Solid Waste The Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste The Law of the People's Republic of China on the Prevention and Control of Air Pollution Integrated Emission Standard of Air Pollutants
Employment	<ul style="list-style-type: none"> Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Provisions on the Prohibition of Using Child Labour Law of the People's Republic of China on the Protection of Minors
Safety	<ul style="list-style-type: none"> Production Safety Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Occupational Diseases
Product Liability	<ul style="list-style-type: none"> Tort Liability Law of the People's Republic of China The Patent Law of the People's Republic of China The Decision of the State Council on Further Strengthening of Protection of Intellectual Property Cybersecurity Law of the People's Republic of China The General Data Protection Regulations (EU)
Anti-corruption	<ul style="list-style-type: none"> Criminal Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China Hong Kong Prevention of Bribery Ordinance



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by AAC Technologies Holdings Inc. (“AAC Technologies”) to undertake an independent verification for the 2021 Sustainability Report (“the Report”). The Report stated the economic, safety, environmental and social performance of AAC Technologies for the period from 1st January 2021 to 31st December 2021 for its operations. This is the ninth report that AAC Technologies published to communicate its commitments, efforts and progress of performance towards sustainability.

The aim of this verification is to provide a reasonable assurance on the reliability of the report contents. The Report has been prepared in accordance with the Core Option of the GRI Sustainability Reporting Standards (“GRI Standards”) and Appendix 27 Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited.

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the GRI Standards: Core Option and ESG Reporting Guide.

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data, reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative sample of data and information. Raw data and supporting evidence of the selected samples were also thoroughly examined during the verification process.

Independence

AAC Technologies is responsible for the collection and presentation of the information presented. HKQAA is not involved in the collection and calculation of data or the compilation of the reporting contents where HKQAA’s verification activities were entirely independent from AAC Technologies. There was no relationship between HKQAA and AAC Technologies that would affect the independence of HKQAA for providing the verification service.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report is complied with all mandatory disclosure requirements and “comply or explain” provisions outlined in the ESG Reporting Guide;
- The Report is prepared in accordance with the GRI Standards: Core Option;
- The Report illustrates the sustainability performance of AAC Technologies, covering all material aspects, in a balanced, comparable, clear and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA attention that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
April 2022

GRI and HKEX ESG Content Index

This Content Index includes references to KPIs of the GRI Standards and the HKEX ESG Reporting Guide.

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/ Reasons for Omission
GRI 101: Foundation 2016					
GRI 102: General Disclosures 2016					
Organisational Profile					
102-1	Name of the organisation		About this Report	Page 2	
102-2	Activities, brands, products and services				
102-3	Location of headquarters		Sustainability at AAC	Page 6-8	
102-4	Location of operations				
102-5	Ownership and legal form				
102-6	Markets served				
102-7	Scale of the organisation				
102-8	Information on employees and other workers	KPI B1.1	Talent Management <i>Our Workforce</i>	Page 28-29	
102-9	Supply chain	KPI B5.1	Operational Excellence	Page 54	
102-10	Significant changes to the organisation and its supply chain		Operational Excellence		No significant changes
102-11	Precautionary principle or approach		Sustainability at AAC	Page 14-16	
102-12	External initiatives		Appendices <i>Memberships and External Initiatives</i>	Page 67	
102-13	Membership of associations				
Strategy					
102-14	Statement from senior decision-maker		Sustainability at AAC	Page 9-10	
Ethics and Integrity					
102-16	Values, principles, standards, and norms of behaviour		Sustainability at AAC	Page 6	
Governance					
102-18	Governance structure		Sustainability at AAC	Page 11	
Stakeholders					

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/ Reasons for Omission
102-40	List of stakeholder groups		Sustainability at AAC <i>Materiality Assessment</i>	Page 12-13	
102-41	Collective bargaining agreements		Talent Management <i>Regulatory Compliance</i>	Page 30	
102-42	Identifying and selecting stakeholders		Sustainability at AAC <i>Materiality Assessment</i>	Page 12-13	
102-43	Approach to stakeholder engagement				
102-44	Key topics and concerns raised				
Reporting Practice					
102-45	Entities included in the consolidated financial statements				Annual Report P.164-167
102-46	Defining report content and topic boundaries		About this Report	Page 2-3	
102-47	List of material topics		Sustainability at AAC <i>Materiality Assessment</i>	Page 12-13	
102-48	Restatements of information				There are no restatements.
102-49	Changes in reporting		Sustainability at AAC <i>Materiality Assessment</i>		No significant changes
102-50	Reporting period		About this Report	Page 2-3	
102-51	Date of most recent report				April 2021
102-52	Reporting period		About this Report	Page 2-3	
102-53	Contact point for questions regarding the report				
102-54	Claims of reporting in accordance with the GRI standards				
102-55	GRI content index		Appendices <i>GRI and HKEX ESG Content Index</i>	Page 70-78	
102-56	External assurance		Appendices <i>Verification Statement</i>	Page 69	
Material Topics					

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/Reasons for Omission
GRI 307: Environmental Compliance 2016					
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundary	A1 GD	Managing Environment Impacts <i>Environmental Management</i>	Page 38	
103-2	The management approach and its components	A1 GD KPI A3.1			
103-3	Evaluation of the management approach	A1 GD			
Topic-specific Disclosures					
307-1	Non-compliance with environmental laws and regulations	A1 GD	Managing Environment Impacts <i>Environmental Management</i>		During the year, there were no non-compliance incidents.
GRI 205: Anti-corruption 2016					
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundary	B7 GD	Sustainability at AAC <i>Ethics and Integrity</i>	Page 18-19	
103-2	The management approach and its components	B7 GD KPI B7.2 KPI B7.3			
103-3	Evaluation of the management approach	B7 GD			
Topic-specific Disclosures					
205-3	Confirmed incidents of corruption and actions taken	B7 GD KPI B7.1	Sustainability at AAC <i>Ethics and Integrity</i>		During the year, there were no non-compliance incidents.
GRI 401: Employment 2016					
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundary	B1 GD	Talent Management <i>Striving for Employee Satisfaction</i>	Page 26-27	
103-2	The management approach and its components				
103-3	Evaluation of the management approach				
Topic-specific Disclosures					

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/ Reasons for Omission
401-1	New employee hires and employee turnover	KPI B1.2	Talent Management <i>Our Workforce</i>	Page 28-29	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	B1 GD	Talent Management <i>Striving for Employee Satisfaction</i>	Page 26-27	
GRI 403: Occupational Health and Safety 2018					
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundary	B2 GD KPI B2.3	Talent Management <i>Health and Safety</i>	Page 32-36	
103-2	The management approach and its components				
103-3	Evaluation of the management approach				
Management Approach Disclosures					
403-1	Occupational health and safety management system	B2 GD KPI B2.3	Talent Management <i>Health and Safety</i>	Page 32-34	
403-2	Hazard identification, risk assessment, and incident investigation		Talent Management <i>Health and Safety</i>	Page 32-34	
403-3	Occupational health services		Talent Management <i>Preventing Occupational Diseases</i>	Page 36	
403-4	Work participation, consultation, and communication on occupational health and safety		Talent Management <i>Health and Safety</i>	Page 34-35	
403-5	Worker training on occupational health and safety		Talent Management <i>Health and Safety</i>	Page 34-35	
403-6	Promotion of worker health		Talent Management <i>Health and Safety</i>	Page 32-36	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		Talent Management <i>Health and Safety</i>	Page 32-36	
Topic-specific Disclosures					
403-9	Work-related injuries	KPI B2.1 KPI B2.2	Appendices <i>Performance Data Summary</i>	Page 64	

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/ Reasons for Omission
GRI 404 Training and Education 2016					
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundary	B3 GD	Talent Management <i>Building a Future-proof Workforce</i>	Page 23-26	
103-2	The management approach and its components				
103-3	Evaluation of the management approach				
Topic-specific Disclosures					
404-1	Average hours of training per year per employee	KPI B3.1 KPI B3.2	Appendices <i>Performance Data Summary</i>	Page 64	
404-2	Programs for upgrading employee skills and transition assistance programs	B3 GD	Talent Management <i>Building a Future-proof Workforce</i>	Page 23-26	
GRI 408: Child Labour 2016					
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundary	B4 GD	Talent Management <i>Regulatory Compliance</i>	Page 30-32	
103-2	The management approach and its components				
103-3	Evaluation of the management approach				
Topic-specific Disclosures					
408-1	Operations and suppliers at significant risk for incidents of child labour	B4.1 B4.2	Talent Management	Page 30-32	
GRI 409: Forced or Compulsory Labour 2016					
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundary	B4 GD	Talent Management <i>Regulatory Compliance</i>	Page 30-31	
103-2	The management approach and its components				
103-3	Evaluation of the management approach				

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/ Reasons for Omission
Topic-specific Disclosures					
409-1	Operations and suppliers at significant risk for incidents of Forced or Compulsory Labour	B4.1 B4.2	Talent Management	Page. 30-31	
GRI 419: Social and Economic Compliance 2016					
GRI 103: Management Approach 2016					
103-1	Explanation of the material topic and its boundary	B1 GD B2 GD B4 GD B7 GD	Sustainability at AAC <i>Business Ethics</i>	Page 18-19	
103-2	The management approach and its components				
103-3	Evaluation of the management approach				
Topic-specific Disclosures					
419-1	Non-compliance with laws and regulations in the social and economic area	B1 GD B2 GD B4 GD B7 GD	Sustainability at AAC <i>Business Ethics</i>	Page 68	During the year, there were no non-compliance incidents.
Product Quality Management					
103-1	Explanation of the material topic and its boundary	B6 GD	Operational Excellence <i>The Path to Zero Defects</i>	Page 51	
103-2	The management approach and its components	B6 GD KPI B6.4	Operational Excellence <i>The Path to Zero Defects</i>	Page 51-53	
103-3	Evaluation of the management approach	B6 GD	Operational Excellence <i>The Path to Zero Defects</i>	Page 51-53	

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/Reasons for Omission
Customer Satisfaction					
103-1	Explanation of the material topic and its boundary	B6 GD	Operational Excellence <i>Enhancing Customers Experience</i>	Page 58	
103-2	The management approach and its components	B6 GD KPI B6.2	Operational Excellence <i>Enhancing Customers Experience</i>		
103-3	Evaluation of the management approach	B6 GD	Operational Excellence <i>Enhancing Customers Experience</i>		
Innovation and Intellectual Property Rights					
103-1	Explanation of the material topic and its boundary	B6 GD	Operational Excellence <i>Lead Innovation</i>	Page 50	
103-2	The management approach and its components	B6 GD KPI B6.3	Operational Excellence <i>Lead Innovation</i>		
103-3	Evaluation of the management approach	B6 GD	Operational Excellence <i>Lead Innovation</i>		
Other Topics					
GRI 201: Economic Performance 2016					
201-1	Direct economic value generated and distributed	KPI 8.2	Sustainability at AAC <i>About Us</i>	Page 6-8	
201-2	Financial implications and other risks and opportunities due to climate change	A4 GD KPI A4.1	Managing Environmental Impacts <i>Addressing Climate Change</i>	Page 39-41	
GRI 301: Materials 2016					
301-1	Materials used by weight or volume	KPI A2.5	Appendices <i>Performance Data Summary</i>	Page 64-65	

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/ Reasons for Omission
GRI 302: Energy Management 2016					
302-1	Energy consumption within the organisation	KPI A2.1	Managing Environmental Impacts <i>Improving Energy Efficiency</i>	Page 42-44	
302-4	Reduction of energy consumption	KPI A2.3	Managing Environmental Impacts <i>Optimising Energy Structure</i>		
GRI 303: Water and Effluents 2018					
303-1	Interactions with water as a shared resource	KPI A2.4	Managing Environmental Impacts <i>Water Conservation</i>	Page 47	
303-5	Water consumption	KPI A2.2			
GRI 305: Greenhouse Gases Management 2016					
305-1	Direct (Scope 1) GHG emissions	KPI A1.1 KPI A1.2	Managing Environmental Impacts <i>Addressing Climate Change</i>	Page 39-41	
305-2	Energy indirect (Scope 2) GHG emissions	KPI A1.1 KPI A1.2	Managing Environmental Impacts <i>Addressing Climate Change</i>		
305-4	GHG emissions intensity	KPI A1.2 KPI A1.5	Managing Environmental Impacts <i>Addressing Climate Change</i>		
305-5	Reduction of GHG emissions	KPI A1.2 KPI A1.5	Managing Environmental Impacts <i>Optimising energy structure</i>		
GRI 306: Waste 2020					
306-3	Waste generated	KPI A1.3 KPI A1.4	Managing Environmental Impacts <i>Waste Management</i>	Page 44-46	
306-4	Waste diverted from disposal	KPI A1.6			

Material Topics	Disclosure	HKEX ESG Guide	Section Title	Page	Remarks/ Reasons for Omission
GRI 308: Supplier Environmental Assessment 2016					
308-1	New suppliers that were screened using environmental criteria	KPI B5.2 KPI B5.3 KPI B5.4	Operational Excellence <i>Suppliers' Management</i>	Page 53-57	
GRI 405: Diversity and Equal Opportunity 2016					
405-1	Diversity of governance bodies and employees	KPI B1.1	Talent Management <i>Our Workforce</i>	Page 28-29	
GRI 413: Local Communities 2016					
413-1	Operations with local community engagement, impact assessments, and development programs	KPI B8.1	Community Care	Page 62	
GRI 414: Supplier Social Management 2016					
414-1	New suppliers that were screened using social criteria	KPI B5.2 KPI B5.3	Operational Excellence <i>Suppliers' Management</i>	Page 53-57	
GRI 416: Product Health and Safety 2016					
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	KPI B6.1	Operational Excellence <i>The Path to Zero Defects</i>	Page 51	During the year, there was no non-compliance incidents.
GRI 417: Product Sales and Labelling 2016					
417-2	Incidents of non-compliance concerning product and service information and labelling	B6 GD	Operational Excellence <i>Enhancing Customer Experience</i>	Page 58	During the year, there was no non-compliance incidents.
417-3	Incidents of non-compliance concerning marketing communications				
GRI 418: Customer Privacy 2016					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	KPI B6.5	Operational Excellence <i>Informational Security and Privacy</i>	Page 59	During the year, there were no complaints concerning breaches or losses of customer data.

International Standards

We endorse United Nations Global Compact which is a set of 10 principles in the areas of human rights, labour, environment and anti-corruption. In addition, we also adhere to the following international guidelines and standards: International Labour Organisation Conventions; United Nations Guiding Principles on Business and Human Rights; ISO 14001 Environmental Management System; ISO 45001 Occupational Health and Safety System; ISO 50001 Energy Management System; Electrotechnical Commission Quality Assessment System for Electronic Systems (IECQ) QC 080000 and UL2799 Environmental Claim Validation Procedure for Zero Waste to Landfill.

United Nations Global Compact 10 Principles		Location in this report
Human Rights		
Principle 1	Business should support and respect the protection of internationally proclaimed human rights; and	Page 26, 30, 53-54
Principle 2	Make sure that they are not complicit in human rights abuses.	Page 26, 30, 53-54
Labour Standards		
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Page 31-32
Principle 4	The elimination of all forms of forced and compulsory labour;	Page 31-32
Principle 5	The effective abolition of child labour; and	Page 31-32
Principle 6	The elimination of discrimination in respect of employment and occupation.	Page 31
Environment		
Principle 7	Business should support a precautionary approach to environmental challenges;	Page 39-41
Principle 8	Undertake initiatives to promote greater environmental responsibility; and	Page 39-48
Principle 9	Encourage the development and diffusion of environmentally-friendly technologies.	Page 39-48
Anti-corruption		
Principle 10	Business should work against corruption in all its forms, including extortion and bribery.	Page 18-19