



SUN.KING TECHNOLOGY GROUP LIMITED
賽晶科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 580

2021

Environmental, Social and Governance Report





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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAIRMAN'S STATEMENT

In 2021, the goal of “Carbon Peak and Carbon Neutrality” was included in the government work report for the first time. The goal of “dual carbon” has boosted the renewable energy sector. However, we also had to face challenges of various risks such as the impact of the pandemic, the severe economic environment, and the extreme weather, coupled with the supply chain issue and pressure from rising commodity prices. Under these circumstances, we, on the one hand, actively expanded our business while controlling our costs and expenses, with an aim to minimise the adverse impact on our results, and, on the other hand, strengthened the compliance management of environmental protection, introduced and cultivated scarce talents by adopting various measures, and strictly implemented the policies of safe production, responsibility for product quality and pandemic prevention, to maintain the stable development of the Company.

Regulating governance to achieve sustainable high-quality development

We have continued to standardise our corporate governance, effectively exercising the Board's role in leading and monitoring the Group's business and stimulating the Group's development. In 2021, despite the impact of adverse factors such as the pandemic, both general meeting and the Board meeting were held smoothly to ensure the formulation and implementation of major decisions. In the face of the new internal and external environment, we continued to improve our risk management and internal control systems to enhance the Group's risk prevention and control capabilities. In terms of information disclosure, we published our annual and interim reports on schedule, released information in a timely and accurate manner and maintained open communication with our shareholders and investors. We also demonstrated the Group's good corporate image in the capital market. In 2021, Sun.King Technology was included in the “MSCI China Small Cap Index” and awarded the “Golden Hong Kong Stocks Most Valuable TMT Stocks Company”, which is an encouraging recognition of the Group's healthy corporate governance structure and good business development.

Promote the development of green energy through technological innovation

The measures adopted for achieving the goal of “dual carbon” mainly included the establishment of a clean, low-carbon, safe and efficient energy system. We constantly strengthened our technological innovation capabilities and steadily developed products that can be applied to the sectors related to clean energy development and transmission as well as green and low-carbon transportation such as ultra-high voltage direct current transmission and flexible direct current transmission, new energy power generation and electric vehicles, thereby facilitating the achievement of the goal of “dual carbon”. In 2021, our ultra-high voltage capacitors were recognised as the first (set) of major equipment in Jiangsu Province, and were also admitted into the list of key new technologies and new products to be promoted and applied in the province. Our self-developed i20 IGBT chips have been supplied to customers in the sector of electric vehicles, and our product series of ED Type IGBT modules have been tested by dozens of enterprises in the sectors such as electric vehicles, wind power generation and photovoltaic power generation. Our subsidiary, Jiashan SunKing, was awarded the “First Set of Enterprises in Key Areas of Equipment Manufacturing Industry in Zhejiang Province (浙江省裝備製造業重點領域首台(套)企業)”. Wuhan Langde was awarded as one of the “Top Ten Emerging Enterprises of Science and Technology Innovation in Wuhan(武漢十大科技創新企業成長者)”.

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Clean production and effective environmental management

We utilised conventional energy such as electricity and gas in a rational manner during the course of operation and production, adopted effective measures to reduce the impact of emissions during the course of production on the environment and improved risk management and control in every part of the process from raw material procurement, storage and production to disposal. We improved facilities in our plant area, constantly planted trees and grasses, regulated the management of the plant area, strictly implemented garbage classification, and intensified the promotion of environmental protection among employees, thereby creating a plant area with beautiful greenery and a tidy and clean environment. In 2021, the Group's intelligent IGBT production line was completed and put into operation. The production line is in a dust-free workshop with industry-leading technology and equipment.

Caring for employees and promoting social harmony together

Respecting the value of employees is the source of the Company's sustainable development. We paid attention to every aspect of our employees through expanding our recruitment channels, continuously improving our policies of compensation and benefits, providing a variety of internal and external training and development opportunities, and enhancing the awareness of occupational safety and health. In 2021, we organised training activities with visits to benchmark companies to understand their corporate culture and learn from their development experience. We also actively fulfilled out social responsibility by carrying out a wide range of charity activities. Our subsidiary, Jiashan Sunking, was awarded the "Charity and Love Advancement Award" by Jiashan Economic and Technological Development Zone in 2020. We take practical action to work with all stakeholders together to promote the harmonious development of society.

In 2022, we will adhere to our corporate vision and continue our efforts to attain economic, environmental and social achievements and realise sustainable development for both the Company and society.

Xiang Jie

Chairman of the Board

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ESG GOVERNANCE STRUCTURE

Sun.King Technology Group Limited (the “**Company**”) and its subsidiaries (the “**Group**” or “**we**”) strives to create value for its shareholders and fulfil its corporate social responsibility at the same time. We take our environmental, social and governance (“**ESG**”) commitments as part of our corporate social responsibility and are committed to incorporating ESG considerations into our decision-making processes. To achieve such targets, we have developed a core governance framework to ensure that ESG is aligned with our strategic growth, and to advocate for the integration of ESG into our business operations. Our corporate social responsibility structure comprises two parts, the Board of Directors (the “**Board**”) and the ESG Working Group.

The Board has ultimate oversight responsibility for the Group’s ESG matters, including ESG strategies and policies. In order to better manage the Group’s ESG performance and identify potential risks, the Board, with the assistance of the ESG Working Group, conducts regular materiality assessments, taking into account the views of various stakeholders, to assess and prioritise key ESG-related issues. The Group is committed to integrating sustainable development into its business operations and fulfilling its corporate responsibility. The Board also seeks to reduce the environmental impact of the Group’s operations by determining ESG-related targets and indicators. The Board assesses and identifies the ESG risks and opportunities of the Group based on regular reports from the ESG Working Group and with its assistance, evaluates the implementation and effectiveness of internal control mechanisms and reviews progress against established targets and indicators.

The ESG Working Group comprises senior management members from key business departments to facilitate the Board’s oversight of ESG matters. The ESG Working Group is responsible for collecting and analysing ESG data, monitoring and evaluating the Group’s ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG Working Group arranges regular meetings to assess the effectiveness of current policies and procedures and to develop appropriate solutions to improve the overall performance of ESG policies. At these meetings, the ESG Working Group discusses existing and future plans to monitor and manage the Group’s sustainability objectives, reduce potential risks and minimise negative impacts on our business operations. By setting ESG-related targets and indicators, thereby reducing the environmental impact of the Group’s operations. The ESG Working Group will develop ESG-related objectives and targets and report regularly to the Board to help assess and identify the Group’s ESG risks and opportunities, evaluate the implementation and effectiveness of internal control mechanisms and review progress against established targets and indicators.

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REPORT SUMMARY

This ESG report (the “**Report**”) is the sixth ESG report of the Group, which sets out the Group’s initiatives, plans, performance and achievements in the ESG areas of environmental responsibility, employee responsibility, operational practices and community engagement, focusing on issues of concern to stakeholders and demonstrating its commitment to sustainable development.

The Group always upholds the operating strategy of green and sustainable development, brings a positive influence in respect of energy saving, environmental protection and social responsibilities and actively takes up its corporate social responsibilities, to perform the Group’s commitments to all stakeholders including shareholders, staff, customers and the society.



Basis of Preparation

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guidelines (the “**ESG Reporting Guidelines**”) as set out in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “**HKEx**”).

During preparation, the Group has adopted the principle of reporting in the ESG Reporting Guidelines as follows:

- **Materiality:** Significant issues were identified through materiality assessments during the Financial Year and those identified were used as the focus for the preparation of the ESG Report. The materiality of the issues was reviewed and confirmed by the Board and the ESG Working Group. For further details, please refer to the “Stakeholder Engagement” and “Materiality Assessment” sections.

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- **Quantitative:** Supplementary notes have been added to the data disclosed in the Report to explain the standards, methods and sources of conversion factors used in the calculation of emissions and energy consumption. As the scope of the Report has been updated to take account of developments in the Group's business, we believe that comparative data is not meaningful and therefore has not been disclosed. Please refer to the "Scope of Reporting" section of the Report for further details.
- **Consistency:** The method of preparation of this report is substantially the same as that of the previous year, with explanations of changes in the scope of the disclosure and in the method of calculation of data.

For the Group's corporate governance practices, please refer to the section headed "Corporate Governance Report" on pages 16 to 23 of Annual Report 2021.

Scope of Reporting

The Report will reflect the ESG performance and contribution of the Group's main business operations in a balanced manner. The ESG key performance indicators ("KPIs") data are gathered from operations under the Group's direct operational control. The scope of business covered by the environmental data disclosed in the Report includes Wuxi Sunking Power Capacitor Co. Ltd. ("**Wuxi Sunking**"), Wuxi Sichuang Power Electronic Technology Co. Ltd. ("**Wuxi Sichuang**"), Jiashan Sunking Power Equipment Technology Co. Ltd. ("**Jiashan Sunking**"), Zhejiang Jiashan Keneng Power Equipment Technology Co. Ltd. ("**Zhejiang Jiashan Keneng**"), Zhejiang Saiying Power Technology Co., Ltd. ("**Zhejiang Saiying**"), Beijing Sunking Power Electronic Technology Co. Ltd. ("**Beijing Sunking**"), Wuhan Langde Electrics Co. Ltd. ("**Wuhan Langde**") and Sunking Pacific Semiconductor Technology (Zhejiang) Co., Ltd. ("**Sunking Pacific Semiconductor**"), which are the companies in the PRC responsible for the Group's major revenue streams. We believe that the comparison is not meaningful as the scope of data coverage is different compared to the 2020 Report due to the addition of the environmental data of Sunking Pacific Semiconductor. The social data disclosed in this Report, such as the number of employees, covers all of the Group's operations in order to be consistent with the figures presented in the annual report.

Reporting Period

The Report details the Group's activities, challenges, and measures in ESG aspects from 1 January 2021 to 31 December 2021 ("**2021**").

Contact Us

The Group welcomes opinions and suggestions from stakeholders. You may provide opinions on the Report or our sustainability performance by the following methods:

Address: Building 9-A, KongGangRongHuiYuan, Yuhua Road, Tianzhu Airport Industrial Zone B, Shunyi District, Beijing
Email: info@sunking-tech.com
Website: <http://www.sunking-tech.com>

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STAKEHOLDER ENGAGEMENT

The Group adopts two-way communication with the stakeholders to achieve mutual growth by sharing knowledge and support. Therefore, the Group values the opinions of different stakeholders on our operations and ESG matters. In order to fully understand, respond to and address the core concerns of different stakeholders, we have been working closely with stakeholders, including but not limited to employees, shareholders and investors, customers, suppliers, government and regulatory bodies as well as communities.

Through different stakeholder engagement and communication channels, we will incorporate their expectations into our operations and ESG strategies. The communication channels for stakeholders and their expectations and concerns for the Group are as follows:

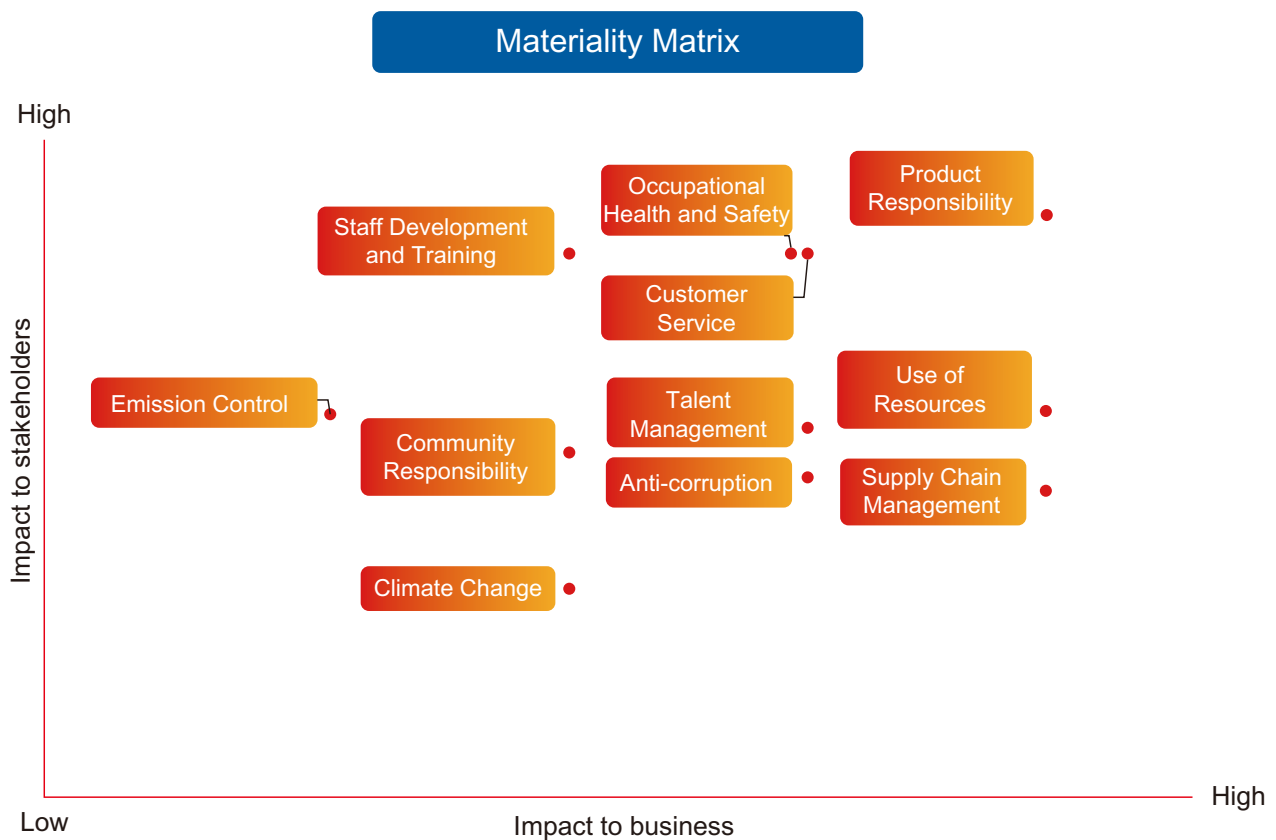
Stakeholder types	Communication channels	Expectations
Employees	<ul style="list-style-type: none">• Regular performance evaluation• Training and seminars• Internal communications• Employee satisfaction survey• Various staff activities• Labour union	<ul style="list-style-type: none">• Remuneration and benefits• Equal opportunities• Career development• Occupational health and safety
Shareholders and investors	<ul style="list-style-type: none">• Annual general meeting• Announcement and circular• Periodic reports (including financial reports)• Investor Conference• On-site investigation	<ul style="list-style-type: none">• Financial performance• Information transparency• Safeguard the interest of shareholders• Compliance operation
Customers	<ul style="list-style-type: none">• Customer service hotline and email• Company's website• Customer satisfaction survey• Customer visit	<ul style="list-style-type: none">• Product safety and quality• Customer service• Customer's privacy protection
Suppliers	<ul style="list-style-type: none">• Site visits• Correspondence• Conference	<ul style="list-style-type: none">• Supply chain management• Fair and open procurement• long-term partnership
Government and regulatory bodies	<ul style="list-style-type: none">• Regular performance monitoring and evaluation• Written or electronic communication• Government press release	<ul style="list-style-type: none">• Comply with laws and regulations• Corporate governance
Community	<ul style="list-style-type: none">• ESG Report• Community service activities	<ul style="list-style-type: none">• Environmental protection• Corporate social responsibility• Community activities• Employment opportunities

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MATERIALITY ASSESSMENT

In order to better understand the views and expectations of stakeholders on the ESG performance of the Group, the Group not only considers the business development strategies and the industry practices but also conducts an annual materiality assessment in the form of questionnaires. Relevant stakeholders of the Group are invited to participate in the materiality assessment and rate potential material topics to help us identify the most material issues related to sustainable development in the core business considered by stakeholders.

The Group analysed the results of the materiality assessment into a materiality matrix and the material issues and stakeholder concerns identified are reviewed and discussed with the Management and disclosed in the Report. In 2021, the Group's materiality matrix is as follow:



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ENVIRONMENTAL RESPONSIBILITY

The Group always uphold the operating strategy of green and sustainable development, effectively controls pollutant emissions, utilises resources reasonably and strengthens environmental risk management, and is committed to fulfilling its ecological protection responsibilities while pursuing economic benefits. Some of our products have been certified for compliance with GB/T 24001-2016/ISO 14001:2015 environmental management system, which effectively drives our environmental management work and the sustainable development of the enterprise.

- Reactors
- Power electronic capacitors and complete sets
- Power electronic components, electrical instruments, intelligent transmission and distribution control equipment; power electronic switches; converters
- Electric transmission, transformation and distribution online detection system
- Laminated busbars

Emissions

In view of the potential environmental impact of the production process (i.e. generating waste gas, waste water and waste), the Group focuses on enhancing environmental protection measures to comply with relevant local government laws and regulations and to implement environmental policies. Through continuous process optimisation, regular renovation and ongoing maintenance of environmentally friendly facilities, the Group promotes clean production and reduces the emission of pollutants.

Effective Control of Exhaust Gas Emissions

The Group generates the following exhaust gases during its production process. We have actively implemented various methods to ensure the organised emissions meet the standards. For the small number of unorganised emissions such as dust generated during the production process, the impact on the environment is reduced by equipping ventilation facilities, enhancing ventilation and timely cleaning for dust reduction. In 2021, the Group's process exhausts were tested to meet the emission standards. In addition, the Group has also strengthened the management of dust collection device inspection and maintenance and dust collection material renewal to enhance the effectiveness of dust collection.

Pollutant types	Welding fume	Potting waste gas	Flue gas from spray paint and flue gas from drying spray paint	Shot blasting exhaust gas
Emissions	Particles	Volatile organic compounds	Paint mist/xylene	Iron particles
Treatments	Filter cartridge dust removal device treatment	Activated carbon adsorption device adsorption treatment	Water-curtain type paint fume treating equipment with activated carbon processing	Textile dust bag treatment

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Emissions from our vehicles also occur during the Group's operations. The Group strictly implements laws, regulations and policies relating to the prevention and control of motor vehicle pollution, including the use of unleaded fuel and low sulphur fuel and the elimination of substandard vehicles. The Group has also formulated the Measures for the Management of Office Vehicles (《公務用車管理辦法》) and Vehicle Management System (《車輛管理制度》), which stipulate the acquisition, use, maintenance and retirement of the Company's vehicles. The Group requires drivers to take the following measures to reduce emissions caused by vehicle exhaust. In 2021, the Group optimised the maintenance provisions in the Vehicle Management System and replaced certain vehicles with severe wear and tear and high fuel consumption.

- Switching off the engine when the vehicle is not in use;
- planning routes in advance to optimise fuel consumption; and
- regular maintenance of vehicles to ensure that engine performance does not hinder efficient use of fuel.

In 2021, the emission amount of exhaust gases are as follows:

Exhaust gas types	Unit	Amount
Nitrogen oxide (NO _x)	Kg	21.59
Sulphur oxide (SO _x)	Kg	0.51
Particles (PM)	Kg	1.59

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Efforts to Reduce Greenhouse Gases Emission

The Group's sources of greenhouse gas ("GHG") emissions mainly include vehicle use, refrigerants, diesel consumed by production equipment (Scope 1), purchased electricity (Scope 2), and business air travel (Scope 3).

The Group continues to improve its green and low-carbon management and strives to do a good job in its energy saving and emission reduction action plans. The Group has established a series of systems relating to the use of vehicles, production and office equipment, business travel, and water and electricity conservation to strengthen the management of vehicle use, equipment use and employee business travel. We also carry out regular maintenance of vehicles and production and office equipment to improve their efficiency. The Group promotes an environmentally friendly culture and actively conducts training and publicity on energy conservation and environmental protection to raise awareness of green and low-carbon development. We have taken specific measures to further implement our actions, such as turning off the power supply after getting off work, using electrical equipment scientifically and setting the temperature of air conditioners reasonably. Our subsidiaries arrange shuttle buses and encourage staff to use public transport, new energy vehicles and other green travel methods to commute. We also encourage our staff to reduce the number of business trips through electronic communication methods such as video conferencing and online conferencing to make their own contribution to achieve green and low-carbon.

In 2021, the Group set a target to reduce the intensity of GHG emissions over the next three years compared to 2021 and expects to achieve such targets through continuous review of the above carbon reduction measures.

GHG emission scope ¹	Unit ²	Amount
Direct GHG emissions (Scope 1)	tCO ₂ e	241.11
Indirect GHG emissions from energy (Scope 2)	tCO ₂ e	40,469.51
Other indirect GHG emission (Scope 3) ²	tCO ₂ e	54.05
Total amount of emission of GHG	tCO₂e	40,764.67
Intensity of GHG emission³	tCO₂e/employee	64.30

Notes:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange and the latest release of Area Grid Baseline Emission Factors in China.
2. The carbon emission of business travel is calculated by the International Civil Aviation Organization Carbon Emissions Calculator issued by the International Civil Aviation Organization ("ICAO").
3. In 2021, the Group's operation under the reporting scope had 634 employees. The data is also used for calculating other intensity data.

Continuous Monitoring of Water Pollution Control

The Group's production plants implement rainwater and sewage diversion. Production wastewater and household sewage will be treated and emitted into the municipal sewage pipe network in accordance with standards. In 2021, the Group's effluent discharge was equal to its water consumption, which is described in the section "Water Consumption" in section A2.

Strict Implementation of Waste Disposal

Hazardous and non-hazardous wastes are generated in the course of the Group's operations and production. In order to reduce the impact of waste on the environment, the Group has been implementing various waste management and emission reduction measures in strict compliance with laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and the Standard for Pollution Control on Hazardous Waste Storage.

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Hazardous waste

Hazardous waste generated from the Group's operations mainly includes waste organic solutions, sealing materials waste and oil and water mixtures. Although the volume of hazardous waste generated by the Group is not significant, the Group has established a Hazardous Waste Management Ledger to monitor the disposal of hazardous waste. In order to effectively identify and handle hazardous waste, each department has designated areas where waste is sorted, located and labelled, and then handed over to the Materials Department for centralised collection after reaching a certain quantity. Hazardous waste is then collected and stored in our hazardous waste warehouse and disposed of regularly by qualified companies commissioned by us. The Group collects and disposes of hazardous waste in strict accordance with the regulations to ensure that there is no adverse impact on the surrounding environment. To reduce the generation of waste materials in the production process, we are constantly improving our processes, enhancing the utilisation of raw materials and strengthening quality control to improve the quality of our products.

In 2021, the Group generated a total of 240.46 tonnes of hazardous waste from its production processes at an intensity of 0.38 tonnes/employee. In 2021, the Group set a target to reduce the intensity of hazardous waste emissions over the next three years as compared to 2021 and expects to achieve such target through continuous review of the above waste reduction measures.

Non-hazardous waste

Non-hazardous waste generated from the Group's business operations is mainly household waste and paper, which will be disposed of in accordance with the prescribed processes under the Management System for Warehousing Waste Products. In our daily operations, we take various measures to reduce and recycle waste. We sell waste paper, iron filings and steel scrap from our production processes to recycling companies, while the household waste of our subsidiaries is segregated and disposed of by qualified companies commissioned by us. We regularly educate and promote environmental protection to our staff to reduce the generation of waste from the source, and encourage reuse and recycling.

To reduce paper consumption in the office, we have adopted various electronic systems to implement a paperless office, which has not only greatly improved efficiency but also reduced the use of resources. We also require our staff to use double-sided copying or printing as much as possible to reduce their paper consumption during operations and to raise awareness of waste reduction.

In 2021, the Group's non-hazardous waste disposal and intensities are as follows:

Non-hazardous waste types	Unit	Amounts
Household garbage	tonnes	2.20
Iron particles	tonnes	1.75
Scrap steel	tonnes	0.99
Used paper	tonnes	44.78
Office paper	tonnes	4.51
Total non-hazardous waste disposed	tonnes	54.23
Intensity of Non-hazardous waste disposed	tonnes/employee	0.09

Use of Resources

The Group has incorporated the concept of resource conservation and environmental protection into its business operations and is committed to optimising the use of resources in all its business and production operations. In order to improve the efficiency of use, the Group has formulated a series of management systems for the use of water, electricity, motor fuel and other resources, and has identified the responsible management departments and penalty mechanisms to minimise the consumption of resources. In respect of the consumption of raw materials, the Group has implemented a timely production system and adopted a requisition system for raw materials to avoid a large scale backlog of inventory. We have also established a Quality Management System and improved the standards of our skilled workers to reduce the rate of non-conforming products.

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Energy Management

To enhance the sustainability of its production operations, the Group is committed to identifying feasible opportunities to reduce energy consumption in its operations. The Group has established the Management Rules on Electricity Conservation and closely monitors and evaluates electricity consumption, investigates any abnormal or excessive consumption, identifies the causes and implements corrective measures. When acquiring equipment, we would avoid using equipment that is inefficient in terms of energy usage. In addition, the Group regularly eliminates energy-intensive, inefficient, obsolete and outdated production equipment in our plants for energy-saving renovation and ensures that the equipment used is regularly maintained.

In 2021, the Group set a target to reduce the total energy consumption intensity for the next three years compared to 2021 and expects to achieve this target through continuous review of the above energy saving measures.

The Group's electricity and other energy consumption in 2021 are as follows:

Energy types	Unit	Consumption
Direct energy consumption	MWh	544.59
• Petrol	MWh	337.12
• LPG	MWh	207.36
• Diesel	MWh	0.11
Indirect energy consumption	MWh	51,074.30
• Purchased electricity	MWh	51,074.30
Total energy consumption	MWh	51,618.89
Intensity of total energy consumption	MWh/employee	81.42

Water Management

The Group encourages all employees to develop the habit of conscientious water conservation in order to reduce water consumption in the office. To promote water conservation, the Group has posted water saving slogans at our operations to educate and guide employees to use water wisely. In addition, we require our employees to turn off water taps when they do not need to use water and to report leaks in taps or water pipes to the relevant departments. Employees' awareness of water conservation has been enhanced through these water conservation measures. Given the geographical location of its operations, the Group did not encounter any problems in sourcing water.

In 2021, the Group set a target to reduce water consumption intensity over the next three years as compared to 2021 and expects to achieve this target through continuous review of the above water conservation measures.

In 2021, the water consumption of the Group is as follows:

Indicator	Unit	Consumption
Total water consumption	m ³	361,467.60
Water consumption intensity	m ³ /employee	570.14

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Use of Packaging Materials

The packaging materials used by the Group include foam, cardboard and wooden boxes. In order to optimise packaging methods, the Group's plant management specifies the most suitable and efficient material for each production item. We are not able to quantify the weight of the packaging as the specifications of the packaging materials used vary depending on the model of the product.

In 2021, the consumption of packaging material of the Group is as follows:

Packaging material types	Unit	Consumption
EPE foam sheet	Piece	149,589
Paper box	Piece	5,667
Wooden box	Piece	4,605
Plastic box	Piece	1,126
Static bags and air bubble bags	Piece	142

Environment and Natural Resources

We are committed to the R&D and production of high-efficiency, energy-saving electrical and electronic products and to accelerating the application and development of clean energy. The key products of the Group have relatively large market shares in the UHVDC, flexible DC transmission and electrified transportation markets, and play an important role in enhancing the efficiency and quality of transmission.

Building a Green Plant Area and Reducing Noise Pollution

In order to create a harmonious and beautiful production and office environment, we plant trees and grass in the plant area and arrange green plants and flowers in the office area, and maintain daily maintenance and management to ensure that the plant area is clean and tidy and the plants are always green in all seasons. The Group regularly carries out activities such as voluntary work and tree planting to beautify the environment.

The Group's production equipment generates noise. We take effective measures such as vibration damping, sound insulation and noise reduction to ensure compliance with relevant emission standards. At the same time, we also try to use low-noise equipment through reasonable arrangements, and strengthen the daily maintenance of equipment to ensure that it is in good operating condition, so as to eliminate the high noise caused by abnormal operation of equipment.



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Climate Change

The awareness of the public for climate change is increasing and climate change is one of the most frequently discussed topics in the international arena. The Group recognises the importance of identifying and mitigating significant climate-related issues and pays close attention to the potential impact of climate change on the Group's business and operations and is committed to managing potential climate-related risks that may affect the Group's business activities. According to the reporting framework developed by Task Force on Climate-related Financial, climate-related risks are categorised into two main groups, namely physical and transitional risks. The Group has incorporated climate change-related risks into its enterprise risk management to identify and mitigate potential risks.

Physical Risks

An increase in the frequency and severity of extreme weather events, such as typhoons, storms, heavy rainfall, extreme cold or extreme heat, would create immediate and long-term physical risks to the Group's business. Extreme weather events could threaten the personal safety of our employees and damage the power grid or plant facilities, resulting in reduced capacity and productivity or exposing the Group to the risk of non-performance and delay in performance, which could have a direct negative impact on the Group's revenue.

To minimise potential risks and hazards, the Group has put in place countermeasures, including flexible working arrangements and precautions in the event of severe or extreme weather conditions, as well as purchasing insurance against property loss. We will explore contingency plans to further avoid damage to our facilities due to extreme weather events in order to enhance business stability.

Transitional Risks

In line with the global carbon neutrality vision, the Group anticipates regulatory, technological and market changes resulting from climate change, including amendments on national policies and listing rules and the introduction of environmental-related taxes. More stringent environmental laws and regulations may expose companies to higher claims and litigation risks, potentially incurring additional compliance costs and affecting the Group's reputation.

To address policy and legal risks as well as reputational risks, the Group continuously monitors any changes in laws or regulations and global trends in climate change to avoid increased costs, fines for non-compliance or reputational risks due to delayed response. In addition, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing greenhouse gas emissions, and has set targets to gradually reduce our energy consumption and greenhouse gas emissions in the future.

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EMPLOYEE RESPONSIBILITY

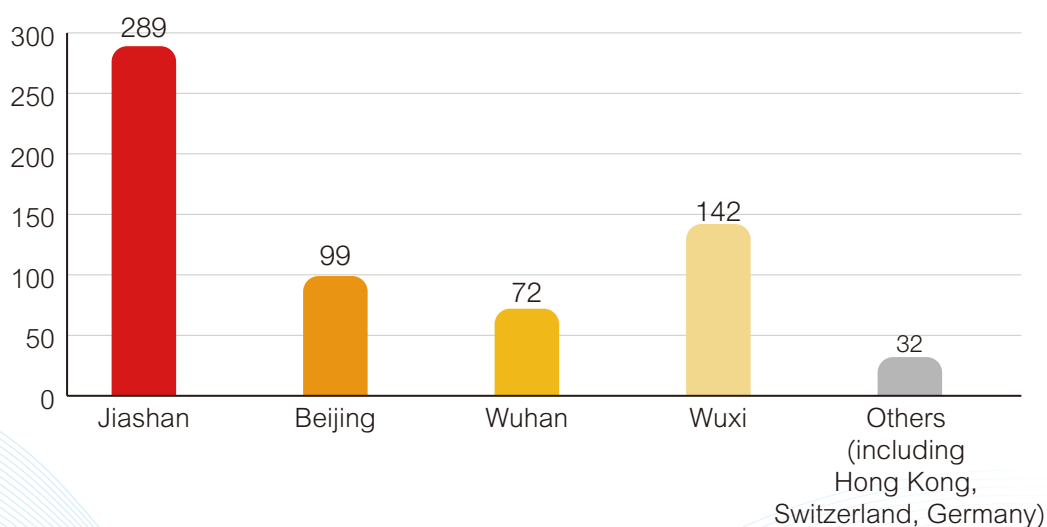
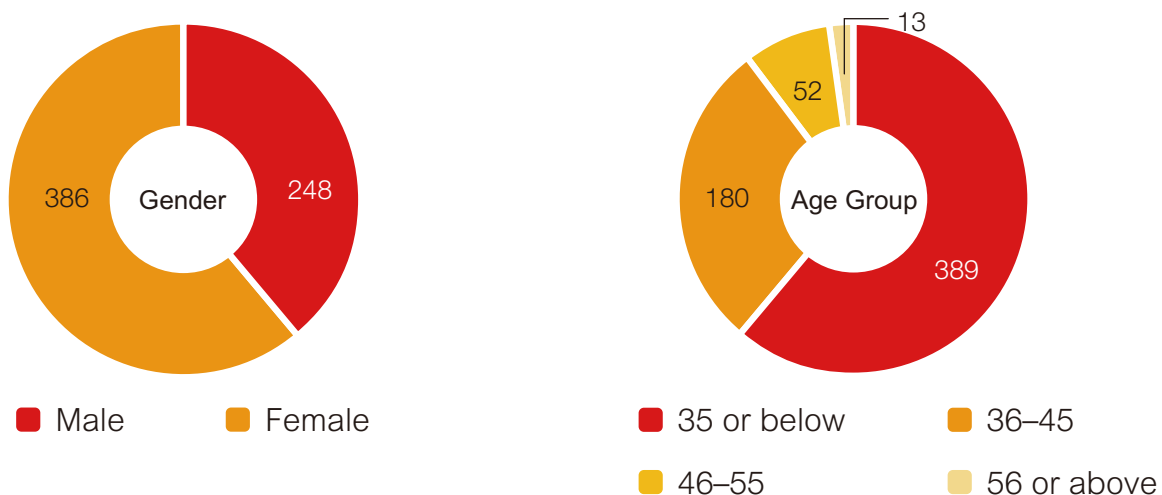
Employees are the most valuable asset of the Group and the foundation for corporate development. The Group insists on a people-oriented approach, respects and protects the legitimate rights and interests of each employee, regulates labour and employment management and protects labour health and safety. The labour union of the Group also plays an effective role in the democratic participation of employees, safeguarding employees' legitimate rights, and coordinating labour relations.

Employment

We continue to improve our human resources management system and have adopted a series of systems such as the Staff Handbook to clearly stipulate employment-related principles.

In 2021, the Group did not have any material breach of laws and regulations related to employment that had a material impact on the Group, including but not limited to the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China".

As of 31 December 2021, the Group had 634 employees, of which 633 were full-time employees and 1 part-time employee. The breakdown is as follows:



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Recruitment

The Group strictly complies with various national and local government regulations and adheres to the employment policy of openness, fairness and equality, and has formulated relevant system files to eliminate discrimination in the recruitment process and ensure that no employee is discriminated against on the basis of race, gender, colour, age, family background, ethnic heritage, religion, physical fitness and nationality, etc., so that employees can enjoy fair treatment at all stages of recruitment, training and promotion as well as in terms of remuneration, so as to make every effort to recruit professionals from different backgrounds to join the Group. We have adopted a hybrid system of external recruitment, internal nomination and job rotation to recruit personal with calibre, and developed Management System for Recruitment to specify the recruitment process.

The Group attaches great importance to the introduction and incentive of professional technical personnel and management personnel. In 2021, we announced the implementation of talent referral rewards to encourage our staff to recommend in-demand talents with rewards.

We are actively bringing in international talents and gradually building up a team of talents that match with the global strategy of the Company. We have established the Swiss electricity electronic technology R&D team, the Swiss semiconductor technology R&D team and the German circuit impedance measurement technology R&D team to strengthen the enterprise's corporate technology.

Remuneration and Benefits

Based on the principles of fairness, competition, motivation, reasonableness and lawfulness, the Group has established a remuneration system for its employees, as set out in the policies of the Remuneration Management System and the Performance Appraisal System. The policies provide for a two-part remuneration system comprising basic pay and performance pay, as well as a year-end double pay system.

The Group pays the five social insurance and one housing fund for its employees as required by various national and local government laws. In addition, the Group has purchased supplementary medical commercial insurance for all employees. We also provide our employees with various daily allowances and special allowances for festivals, marriage and childbirth, provide working lunches, organise staff trips and arrange health check-ups, among other benefits.

In 2021, the Group reviewed and adjusted the annual remuneration of our employees in the light of changes in the external environment and internal circumstances, with a view to enhancing the sense of gain of our employees and the competitiveness of the Group.

Rest and Vacation

The Staff Handbook also regulates the working hours of our employees and protects their rights to various types of rest periods and holidays.

In 2021, under the premise of ensuring the health and safety of our staff, the Group organised various activities such as staff sports day, birthday parties and group activities to enhance communication and corporate cohesion.



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Resignation

The procedures relating to the resignation of the Group's employees are set out in detail in the Staff Handbook to ensure that all resignation procedures are in accordance with relevant legal and regulatory requirements. Dismissals are only carried out on a reasonable basis and full communication is ensured prior to formal dismissal. In 2021, we held a farewell party for our retirees to express our sincere gratitude for their contributions to the Company over a decade.

In 2021, the Group's employee turnover rate is as follows:

	Employee turnover rate (%)
Gender	
Male	25%
Female	14%
Age group	
35 or below	23%
36-45	19%
46-55	10%
56 or above	15%
Geographical region	
Wuxi	20%
Jiashan	13%
Beijing	19%
Wuhan	63%
Others (including Hong Kong, Switzerland, Germany)	6%

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Health and Safety

In order to provide a safe and healthy working environment for our employees, the Group attaches great importance to the occupational health and safety of our employees, continuously improves our occupational health and safety mechanism and system, and carries management work on occupational health and safe production as well as training and protection for occupational diseases. Our main subsidiaries have been accredited with GB/T 28001-2011/OHSAS 18001:2007 Occupational Health and Safety Assessment Series certification.

In 2021, the Group did not have any material breach of relevant laws and regulations on health and safety that have a significant impact on the Group, including but not limited to the Labour Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Fire Control Law of the People's Republic of China. In 2021, the Group recorded 30 days lost due to work. The Group has achieved three consecutive years of 0 work-related fatalities or injuries.

Occupational Health

The Group has formulated the "Procedures for Identifying and Evaluating Environmental Factors" and the "Management System for Occupational Hazard Position" and a series of systems and procedures, so as to focus on work environment issues and eliminate occupational injuries for employees. We take various measures to protect the health of our employees, such as regularly inspecting the production environment, increasing or renovating environmental protection facilities, equipping them with basic medical equipment, providing personal protective equipment and supervising and inspecting its utilisation. We arrange annual medical check-ups for all employees, establish comprehensive health files for employees and continue to focus on their health. In addition to the five social insurance and one housing fund, we also purchase supplementary medical commercial insurance for our employees to provide them with multiple health protection. We also focus on the mental health of our employees and establish a feedback channel for their demands, facilitate communication and strengthen mental health management through various methods such as seminars, trips, themed activities and one-to-one counselling.

The Group attaches great importance to pre-employment and post-employment medical check-ups for employees exposed to occupational disease hazards. Regular inspection of occupational disease hazards in the workplace is conducted and annual occupational health check-ups are arranged for employees exposed to the hazards.

The Group also focuses on guiding employees towards a healthy lifestyle. We organise the publicity of health knowledge and arrange health-related training and seminars for employees. In 2021, we engaged experts from the Red Cross Society to conduct special training on emergency rescue, including basic knowledge of cardiac resuscitation and bandaging, and conducted practical exercises to equip employees with basic rescue skills. The Group also has various fitness facilities such as gymnasiums and courts in our factories to allow our employees to relieve work stress and enhance physical fitness through exercise after work.



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Safety Production

The Group continues to strengthen the implementation of the main responsibility for corporate safety and establish a sound safety management system. We have formulated a series of rules and regulations such as the Production Safety Management System and the Hazardous Work Management System. We adopted systematic management to control the occurrence of safety accidents by ensuring the safety of workplaces and the sound operation of facilities, regulating job operations and the use of labour protective equipment and fire safety and other measures. We also continuously monitor (for example, regular inspection of the working environment, maintenance of facilities and equipment, inspection of the use of protective equipment, etc.) and establish early warning and contingency plans.

The Group also conducts safety education and training on an ongoing basis. All new employees are required to undergo induction of safety education and training and pre-employment training, and employees in relevant positions are required to be licensed to work. We organise annual safety training to explain to our production staff the safety hazards in the production process and conduct fire drills to gain proficiency in fire-fighting skills and to practically improve the ability to escape in case of emergency. In 2021, we also organised a competition on knowledge of pandemic prevention and safety, and a labour skills competition to strengthen the health and safety awareness of our employees and enhance their ability to protect themselves.

Battle Against COVID-19 Pandemic

With the global outbreak of COVID-19 posing a serious health risk, the Group seriously takes the potential health and safety impact of COVID-19 on its employees and customers. To minimise the risk of cross-infection, the Group has taken a number of precautionary measures to closely monitor the outbreak situation, including encouraging staff to receive vaccinations and requiring specific personnel to submit test reports. To maintain a safe working environment, the Group regularly disinfects offices, factories and common areas, prohibits the use of central air-conditioning without a fresh air system and requires visitors to register and present their health codes and tripcodes. On the other hand, the Group has stepped up education for our staff to raise their awareness of self-protection. We require staff to wear masks during working hours and to report their health codes and tripcodes regularly. We also encourage our staff to hold meetings online as much as possible to avoid close contact. Regular updates on the external environment are provided to staff in order to keep them up to date with the latest outbreak.

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Development and Training

The Group focuses on the establishment of in-house management training and development system. Therefore, the Group provides a variety of employee training to improve their skills and satisfy professional needs. New staffs receive orientation training on topics such as corporate and departmental regulations, work duties and responsibilities, work skills, production safety and career planning, etc., helping them to promptly understand the Company and adapt to their positions. For existing staff, we provide training courses specifically for their career development, while encouraging them to participate in position-relevant training offered by external institutions. For Directors and senior management, we invite professionals such as lawyers and accountants to provide annual training in respect of up-to-date information on matters such as the Companies Ordinance, regulatory policies, corporate governance, financial management and market trends. Arrangements are also made for the company secretary and other personnel to participate in relevant professional training for no less than 15 hours annually. Under the COVID-19 pandemic, the opportunities for the Group to organize training were significantly affected. Nevertheless, in 2021, the Group reached a total training hour of approximately 6,580.25 hours and we invested approximately RMB0.4 million in internal and external training.

To enhance staff morale and motivation and maintain staff stability, the Group continued to implement a reward and promotion mechanism to encourage staff to improve themselves and create benefits for the Group. Through the Promotion Management System, the Group strives to optimise the allocation of internal human resources and provide more opportunities and platforms for the career development of its staff to meet the development needs of the Group.

	Percentage of employee trained (%)	Average training hours completed (hours)
Gender		
Male	58%	12.88
Female	42%	6.49
Employee categories		
Directors	1%	14.00
Administrative Officials	29%	7.95
Production Technicians	57%	11.39
Other employees	13%	13.47

Labour Standard

The Group strictly prohibits the employment of any child labour and forced labour and has set out the relevant requirements in the Management System for Recruitment. The system clearly stipulates that only employees of legal age are employed and requires new employees to provide true and accurate personal information when they join the Group. Recruiters rigorously scrutinise various identification documents of the candidates to ensure their authenticity in order to prevent any child labour in our operations. The Group enters into labour contracts with its employees in accordance with the law, which clearly set out the job descriptions and obligations, and therefore there is no compulsory use of labour. If any employee is found to have provided false information or violated the Group's regulations, the Group will immediately terminate the probationary period or terminate the labour contract in accordance with the Company's regulations.

In addition, the Group's employees work overtime on a voluntary basis to avoid violating labour standards and to safeguard employees' rights and interests. The Group also prohibits punitive measures, management methods and behaviours such as verbal abuse, physical violence and psychological oppression against employees for any reason.

In 2021, the Group did not have any material breach of relevant laws and regulations on the prevention of child labour or compulsory labour that had a significant impact on the Group, including but not limited to the Labour Law of the People's Republic of China.

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OPERATING PRACTICES

The Group strictly abides by relevant laws, operates in compliance, continues to strengthen its supply chain management, strictly controls product quality and facilitates the development of the industry. The Group is committed to creating a culture of business ethics with integrity and adheres to anti-corruption promotion and management.

Supply Chain Management

The Group have all along insisted on win-win cooperation, strengthened supply chain management, played a leading role in the supply chain, and enhanced the competitiveness of the industrial chain. At the same time, the Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. Therefore, we have established a supply chain management related policy system to improve the standard of supply chain management. In 2021, the Group cooperated with 464 Chinese suppliers and 9 overseas suppliers.

Supplier Screening

To take satisfying the Company's sustainable production and operation as the first priority condition in choosing suppliers, continuously improve the management standards on suppliers, select and evaluate suppliers in strict accordance with the "Management System on Suppliers", the Group has currently implemented supply chain management measures for all suppliers, including the following:

1. To resolutely eliminate favouritism; bidding must be implemented in choosing cooperative suppliers, and it is forbidden to dismantle or divide a bidding which should be tendered in a unified manner into sub-items or zero to avoid bidding;
2. To select and evaluate suppliers based on the information collected, including but not limited to their qualifications, production, financial status, past results, etc., and through a series of procedures such as site visits and sample trials;
3. According to the category of the procurements and the degree of influence on the quality of the Company's products, one or more of the following control methods are implemented for suppliers:
 - (i) entering into a supply quality agreement;
 - (ii) implementing incoming inspections and tests;
 - (iii) submitting relevant inspection and test data with the goods; and
 - (iv) implementing the statistical analysis of incoming goods every month.
4. The quality department and the procurement department shall review the supply performance and quality assurance capabilities of the identified qualified suppliers every year to promote the mutual improvement of both parties;
5. At the beginning of each year, based on the annual budget to determine the procurement plan which should include cost control plans and proposals for various materials; and
6. Actively carrying out communication with suppliers to improve the level of supply chain management and control, and promote cost reduction; actively communicate with suppliers to promote cost reduction.

Information-based Management

The Group also uses information systems in its operations to effectively improve management. Our enterprise resource planning ("ERP") system optimises corporate resources from the scope of the supply chain and supports the operation of our main businesses such as procurement, sales, warehousing, planning, production, quality, finance and project management, thereby realising:

- a comprehensive sales tracking system on customers and after sales service system;
- a high-efficiency supply chain system;
- a sound docking on technical data management and product lifecycle management realisation;
- a rigorous financial management and budget management system; and
- an intelligent warehouse management system, which docks with the manufacturing execution system to create a modern smart factory.

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Green Procurement

According to the Group's system, when selecting suppliers, we require suppliers to fill in the Supplier Questionnaire and provide environmental, quality and occupational health management system certificates and other relevant information, conduct on-site inspections and implement the Procedures for Management of Environmental Impact on Related Parties to ensure that the selected suppliers have no actual potential significant impact on the environment and comply with local laws and regulations. In our daily management, we regularly assess, inspect and review the environmental and social performance of our suppliers, and work with them to improve the environmental and social risk management of supply chain through meetings, exchanges and learning, and take measures to prevent, mitigate and avoid significant adverse impacts.

The Group requires its suppliers' products and the raw materials they use to meet the requirements of national, local and industry laws and regulations relating to environmental protection, and to give priority to production processes and equipment that are pollution-free or less polluting. The Group terminates supply contracts with suppliers that may cause serious pollution or serious hazards or that have caused major environmental pollution incidents.

In addition to environmental risks, the Group also takes measures to assess whether its major suppliers or contractors comply with relevant laws and regulations and other required standards in the areas of health, safety, forced labour and child labour, as well as the awareness of suppliers in each of these areas.

Product Responsibility

The Group's products are mainly used in the field of power transmission and transformation, electrified transportation and new energy fields, and continue to promote the rapid development of electricity technologies in the PRC through the innovation of electric power technologies, and to promote the continuous upgrading of energy technologies in the PRC.

We have always regarded product quality as the foundation of the Company, the main products — capacitors, reactors, busbars and online monitoring have all passed the ISO9001 quality management system certification. In 2021, the filter compensating capacitor units for ultra-high voltage DC transmission project developed and produced by Wuxi Sunking was recognized as the first (set of) major equipment in Jiangsu Province, and also selected as the key new technology and new product catalogue to be promoted and applied in Jiangsu Province. Wuhan Langde passed the identification of three new products for online monitoring, and undertook projects such as the transformation of intelligent switchgear online detection device for 220KV Guyangshu and other substations in Zhangjiakou, and the transformation of intelligent GIS online monitoring device for partial discharge, and became a secure electricity supplier for the Beijing Winter Olympics, providing "panoramic sensing", "intelligent wisdom", and "green power" for the Beijing Winter Olympics. Zhejiang Saiying was awarded the 2020 Excellent Supplier of Laminated Busbars by its customer, Sungrow Power Supply, and has been awarded for three consecutive years. Jiashan Sunking was awarded the Jiashan County Mayor's Quality Award. These awards fully reflect the recognition of our product quality and quality service.



Jiashan County Mayor's Quality Award

The Group's business does not involve significant matters relating to advertising and labelling. Notwithstanding this, the Group is committed to ensuring that the labelling of the Group's products is in line with the reality of the products. The Group strictly complies with the Advertising Law of the People's Republic of China and other relevant laws and regulations on advertising and marketing, formulates and implements a system to monitor advertising and marketing and strictly scrutinises publicly released promotional materials and sales promises to prevent inaccurate or misleading promotional content and to protect customers' consumer rights from being infringed.

In 2021, the Group did not have any violations of laws and regulations related to products and services related to health and safety, advertising, labelling and privacy matters, and remedies that had a significant impact on the Group, including but not limited to the Product Quality Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and the Technology Contract Law of the People's Republic of China.

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Quality Inspection Procedures

The Group has established a quality inspection responsibility system and has formulated job responsibilities for relevant departments in relation to quality inspection. Through a series of procedures such as quality inspection process and non-conforming product control process, the Group ensures quality assurance in all aspects from procurement to product delivery. For the quality inspection of raw materials, the procurement department purchases raw materials on demand according to the application of the relevant department, and the quality inspection department conducts stock-in inspection upon arrival and keeps records. The production system specifies the staff in charge of the quality according to the workshop and team, and sorts out the inspection control points according to the production process, and the quality inspection department will finally conduct the ex-factory inspection. In addition, the Group is constantly refining and optimising its product quality inspection standards to meet market demand.

In 2021, supervising experts from the State Grid conducted on-site supervision of the capacitor units for the Baihetan-Jiangsu 800 UHVDC transmission project and the Fujian-Guangdong interconnection project undertaken by Wuxi Sunking. The supervising experts viewed the production workshop, inspected the trial samples and witnessed the noise sample test. Through the supervision, State Grid was able to keep abreast of the design, quality and production plans of the required products to ensure on-time and quality delivery. The State Grid also adopted the acceptance method through the physical confirmation meeting of the first set of devices in the Fujian-Guangdong interconnection project. After examining the capacitors of Wuxi Sunking, it was determined and confirmed that relevant capacitors met all performance indicators and conditions for mass production.

Product Recall Procedure

The Group continuously improves the quality of its products and also recalls products that are found to be defective. If a product is found to be defective through information such as quality control records and customer complaints, the Group will assess the defectiveness of the product, the hazards and the cost of recall. After deciding to recall the product, we are able to trace the status of defective product through the established product and customer information system, and promptly notify our customer to recall the defective product for repair or exchange.

After-sales services are also an important part of our product quality management. Based on customer needs, we continue to improve customer satisfaction. In order to facilitate timely collection, follow-up and handling of the feedback from customers on product quality, we formulated the “Product Quality Information Feedback Management System” which refined the division of work between the relevant departments in quality management and ensured that problems in respect of product quality are resolved in a reasonable and effective manner. In 2021, the Group had no products sold that were subject to recall for health and safety reasons and did not receive any complaints about its products and services.

Intellectual Property Rights and Data Protection

The Group believes that intellectual property rights such as trademarks, technical know-how and processes are extremely valuable assets to its business. Therefore, the Group makes every effort to defend its brands and protect the Group’s interests. In 2021, the Group obtained 4 patent certificates and had filed 32 patent applications. As of 31 December 2021, the Group obtained a total of 180 patent certificates and had 37 patent applications pending. We have strengthened the training of our staff on intellectual property rights and signed confidentiality agreements with our staff to effectively protect the Group’s interests.

The Group also manages its customer files closely and carefully to avoid disclosure of customer privacy. To this end, we require strict compliance with the confidentiality policy for internal communications, the custody of customer information and the use, retention and destruction of customer files and other items to be carried out by a dedicated person. At the same time, customer information and customer data are part of the Group’s resources and may not be sold, shared or disclosed by anyone for any purpose.

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Anti-corruption

The Group believe that the establishment of a rigorous anti-corruption and anti-fraud systems and regular implementation of the internal control system will be conducive to the trust of our employees, customers, suppliers and other business partners as well as the sustainable development of the Company's business. We strictly comply with relevant national laws and regulations, advocate a clean corporate culture and promote the healthy development of enterprises. In order to strengthen the internal control on anti-corruption and anti-fraud, the Group has put in place the "Internal Reporting System", the "Internal Audit System" and the "Audit Management System" under which the Board authorises the audit committee to monitor the conduct of activities in violation of commercial standards and moral standards and to review the internal control system on a regular basis.

The Group has also further established a whistleblowing system to build and maintain a culture of integrity and transparency within the Group. The Audit Department has set up a complaints channel, such as a whistleblower mailbox and telephone number, where all employees and stakeholders of the Group (including customers, suppliers, etc.) can report negligence, corruption, bribery and other misconduct within the Group to the Audit Department anonymously. Reports are followed up promptly, fairly and confidentially by the Audit Department and reported directly to the Audit Committee. On the other hand, the whistleblowing system also protects whistleblowers from unfair treatment as a result of making a report, from being unreasonably dismissed, from being unjustifiably disciplined, etc.

To enhance management and staff understanding of corporate governance practices, the Group provides regular anti-corruption training to directors and staff. The training covers a wide range of topics, from industry best practices to case studies on recent corruption pitfalls in corporate governance and ethical practice prevention practices.

In 2021, the Group did not have any serious violations of laws and regulations related to bribery, extortion, fraud and money laundering that had a significant impact on the Group, including but not limited to the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China, the Company Law of the People's Republic of China, the Bidding Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China.

COMMUNITY INVESTMENT

The Group believes that enterprises have a responsibility to give back to the community. Therefore, while pursuing its own development, the Group has not forgotten to devote itself to social charitable causes and actively helps the needy. Jiashan Sunking was honoured to be awarded the 2020 Charity Advanced Unit Award issued by the Jiashan Economic and Technological Development Zone that demonstrates the Group's passion for contributing to the community and recognises the Group's efforts in charity activities, which is encouraging. In 2021, we also made a donation to the Jiashan County Charity Federation to set up a "Help for the Needy" relief fund for its charity works.

The Group actively participated in the new era civilisation. In 2021, in order to support the new era civilization in Jiashan County and facilitate social harmony, the Group donated RMB100,000 to the Jiashan County Charity Federation for the Jiashan County New Era Civilization Foundation.

We have been encouraging our staff to participate in social welfare activities and have arranged for our staff to participate in environmental protection, school donation and social service activities in order to foster a sense of social responsibility among our staff. On 1 December 2021, staff of Sunking Pacific Semiconductor participated in a blood donation activity organised by the Jiaying Central Blood Station in the plant area, to donate blood to chronic patients and those who needed surgery due to illness or accident, so that people in need in the community could receive proper treatment as soon as possible. We believe that through personal participation in charitable activities, we can enhance the civic awareness of our staff to build up proper values.

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CONTENT INDEX TABLE OF THE “ESG REPORTING GUIDELINES” OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)	Description	Section/Statement
Aspect A1: Emissions		
General Disclosure	Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Effective Control of Exhaust Gas Emissions, Efforts to Reduce Greenhouse Gases Emission, Strict Implementation of Waste Disposal
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and intensity.	Emissions — Efforts to Reduce Greenhouse Gases Emission
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Strict Implementation of Waste Disposal
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Strict Implementation of Waste Disposal
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions — Efforts to Reduce Greenhouse Gases Emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Strict Implementation of Waste Disposal
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity.	Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of packaging materials

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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")	Description	Section/Statement
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change — Physical Risks, Transitional Risks
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety

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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")	Description	Section/Statement
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety — Occupational Health, Safety Production, Battle Against COVID-19 Pandemic
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Green Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Green Procurement

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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")	Description	Section/Statement
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Product Recall Procedure
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Product Recall Procedure
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Intellectual Property Rights and Data Protection
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Quality Inspection Procedures, Product Recall Procedure
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Intellectual Property Rights and Data Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")	Description	Section/Statement
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment