

China Display Optoelectronics Technology Holdings Limited

華顯光電技術控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2021



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Chairman's Statement



In 2021, the impact of the COVID-19 pandemic gradually abated and the “stay at home economy” enhanced people’s need for connectivity in everything, which not only boosted the demand for smartphones, but also enabled the display module industry return to prosperity.

During the Review Period, the Group strictly abided by applicable national laws and regulations on environmental protection, fire safety and employment, refined administrative systems, and vigorously conducted energy conservation and emission reduction activities in a socially responsible manner. The Group also carried out numerous activities to provide care for employees and the community, so as to foster harmony between the Group and its stakeholders. In terms of production, a smart factory for new display module of the Group, located in Chenjiang of Huizhou, is expected to be put into operation in the second quarter of 2022, which will help enhance production technology and increase production capacity. In the long term, the Group will continue to strengthen its competitive advantages and infrastructure, further consolidate its partnerships with top brand customers, and seize market opportunities through horizontal expansion of its own business, striving to maintain a balance between sales growth and healthy development.

The Group will stay committed to fulfilling its environmental and social responsibility and better reward our stakeholders.

LIAO Qian

Chairman

Hong Kong, 30 May 2022





2.1 STATEMENT OF THE BOARD

The board (the “Board”) of directors (the “Directors”) of China Display Optoelectronics Technology Holdings Limited (the “Company”, together with its subsidiaries, the “Group”), holds the overall responsibility for the Group’s environmental, social and governance (“ESG”) issues and acknowledges its responsibility to ensure the truthfulness of this ESG report and to the best of its knowledge, this report has disclosed material issues, and gives a fair view of the Group’s performance in ESG aspects and the relevant impact. The Board is accountable for examining and approving the Group’s ESG management approach, strategies, policies objectives, goals and targets, and priorities, ensuring the effectiveness for the Group’s ESG risk management and the internal control systems and reviewing the Group’s performance periodically against ESG-related goals. This report has been reviewed and approved by the Board.

Governance

The sustainability committee of the Group (the “Sustainability Committee”) comprises the Group’s chairman, chief executive officer and Directors and is responsible for evaluating, prioritizing and managing material ESG-related issues and risks to the business of the Group, and report to the Board regularly as and when appropriate. In addition, the Group has also established a sustainability working group which includes senior managers of relevant business functions and is responsible for collating ESG data and carrying out relevant ESG work. The sustainability working group will regularly update the Sustainability Committee on ESG-related work.

The Group has always incorporated corporate social responsibilities into its corporate strategies and operations. To ensure compliance with its social responsibilities and obligations in respect of sustainable development, the Group integrates ESG objectives into its business strategies. In response to the call of the “Dual-Carbon Strategy” of the People’s Republic of China (the “PRC”), the Group has formulated its ESG strategies in accordance with the No. 14 – Social Responsibility of the Specific Rules for Internal Control of TCL Technology Group Corporation (the indirect controlling shareholder of the Company, hereinafter “TCL Technology”), covering organizational governance, employment promotion and employee rights protection, health and safety, environmental protection, fair operation, consumer relations, community engagement and development, carbon peaking, carbon neutrality and common prosperity.



About the Report

The Group sets goals and targets for different ESG areas to reduce the impact to the environment caused by the business activities of the Group. The Group's ESG targets and indicators are set in relation to its business. Based on the Group's total sales volume and operating conditions, the Group has set targets for different departments in various areas such as corporate governance, product quality, environmental emission reduction, employee health and safety, and training in strict compliance with the laws and regulations, and evaluates the progress of each department. Through on-site audits, online monitoring and other methods, the sustainability working group monitors ESG risks, identifies and reports risk items, and facilitates business rectification. The Sustainability Committee of the Group regularly reviews the progress of ESG-related goals and reports to the Board.

2.2 REPORTING SCOPE

The ESG reports of the Company are published on an annual basis and the reporting period of this report covers the financial year of 2021 (i.e. from 1 January 2021 to 31 December 2021, hereinafter the "Review Period"). During the Review Period, the principal place of business of China Display Optoelectronics Technology (Huizhou) Co., Ltd. (a wholly-owned subsidiary of the Group), was Huizhou, PRC, where major economic activities of the Group were carried out. During the Review Period, the Group disposed of 70% equity interest in Wuhan China Display Optoelectronics Technology Company Limited ("Wuhan CDOT") to Wuhan China Star Optoelectronics Technology Co., Ltd. (a subsidiary of TCL Technology). The transaction was completed on 30 June 2021, upon which Wuhan CDOT ceased to be a subsidiary of the Company. In addition, given that the majority of the operations of Wuhan CDOT in 2021 were conducted in the panel factory of TCL China Star Optoelectronics Technology Co., Ltd. (a subsidiary of TCL Technology and the direct controlling shareholder of the Company, hereinafter "TCL CSOT") and that TCL Technology is responsible for monitoring its energy consumption and emission, the environmental data of Wuhan CDOT throughout financial year 2021 is excluded from this ESG report and has instead been incorporated into the 2021 ESG Report of TCL Technology. For details, please refer to the website of TCL Technology. For clarity, unless otherwise stated, the data and the comparing figures shown in this report comprised the continuing operations of the Group only, without taking into account the discontinued operations of Wuhan CDOT for consistency purpose. This report covers the Group's principal business activities in Huizhou so as to provide a balanced reflection of the Group's environmental, social and governance performance concerning the environment, workplace, supply chain management, product responsibility and community, and in particular the environmental, social and governance affairs that may have had a significant influence on the sustainability of the Group's business operations and which are of concern to stakeholders. Save as aforesaid, the reporting scope of this report is substantially the same as that set out in the 2020 ESG report of the Company.

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





2.3 BASIS OF PREPARATION

This is the 2021 ESG report of the Group prepared in accordance with the disclosure requirements set out in the Environmental, Social and Governance Reporting Guide (the “Guide”) in Appendix 27 to the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) to reflect the Group’s performance in environmental, social and governance responsibilities in a truthful manner.

This report was prepared by the Board and senior management of the Group who are responsible for key functions of the Group. They have assisted the Group in reviewing its operations, identifying key ESG issues and assessing their importance to its business and stakeholders. A materiality assessment has been conducted to identify ESG factors that have the most significant impact on the Company’s business and its stakeholders.

The Group adopts the following reporting principles in the preparation of this ESG report:

Materiality

The Group identifies ESG issues and factors based on the impacts on the society and the environment, the degree of concern of stakeholders, industry conditions and the Group’s characteristics. Material issues that have a significant impact on the Group’s development and on stakeholders are categorized into six aspects, namely corporate governance, products and services, environment, supply chain management, employees, and communities. The details of significant stakeholders identified and the process and results of the stakeholder engagement are disclosed in the Section 3.5 “Communication with Stakeholders and Analysis of Material Issues” of this report.

Quantitative

The Group has established ESG key performance indicators in accordance with the Guide. Relevant data on emissions/energy consumption is monitored and recorded by various departments on a daily basis using instruments and meters, collected by persons in charge of the Group’s ESG management through monthly collation, verification, calculation and analysis, and then integrated and reviewed by the Group’s sustainability working group. Information on the standards, methodologies, assumptions and/or calculation tools used, and sources of conversion factors used, for the reporting of emissions/energy consumption, where applicable, is appropriately disclosed in this report.

Consistency

The collation methodology of the key performance indicators in this report is consistent with that disclosed in the past three years. No changes have been made other than those described in Section 2.2 “Reporting Scope” of this report.

This report was prepared in Chinese and translated into English. In the event of any inconsistency or conflict between the Chinese version and the English version, the Chinese version shall prevail. To protect the environment, printed copies will only be provided upon specific request.

2.4 COMMENTS AND RESPONSE

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

Tel: (852) 2437 7610
Email: ir.cdote@tcl.com



3.1 CORPORATE PROFILE

Founded in August 2004, the Group is one of the key suppliers of small and medium-sized display modules in the PRC, and is primarily engaged in the research and development (“R&D”), manufacturing, sale and distribution of liquid-crystal display (“LCD”) modules mainly for terminal use. The Group has factories in the PRC and distributes its products in Asia, with Hong Kong and the PRC as its main markets.

3.2 CORPORATE GOVERNANCE

Governance Structure

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

Corporate Governance

As at the date of this report, the Board comprises 7 Directors, all possessing professional background and/or extensive professional expertise specifically required to supervise and monitor the Group’s strategy. The Board, headed by its chairman, sets the business policy of the Company. The Board is responsible for maintaining proper corporate governance, formulating the long-term strategy of the Company, setting business development objectives, assessing the effectiveness of management policies, monitoring the performance of the management and ensuring the effective implementation of risk management measures on a regular basis. Directors meet regularly to review the Group’s financial and operational performance and to discuss and formulate future development plans.





About the Group

During the Review Period and as at the date of this report, the composition of the Board is detailed as follows:

Non-Executive Director

Mr. LIAO Qian (*Chairman*)

Executive Directors

Mr. OUYANG Hongping (*Chief Executive Officer*)

Mr. WEN Xianzhen

Mr. ZHANG Feng (appointed on 4 March 2021)

Mr. ZHAO Jun (resigned on 4 March 2021)

Independent Non-Executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

Regular Board meetings are attended by a majority of Directors either in person or by other means of electronic communication. During the Review Period, the Board held 4 regular meetings and 5 additional meetings. During the Review Period, the Company held 4 general meetings. Work on corporate governance functions completed by the Board in 2021 includes the following:

- Review the Company's corporate governance policies and practices;
- Review and monitor the training and continuing professional development of Directors and senior management personnel;
- Review and monitor the Company's policies and practices regarding compliance with legal and regulatory requirements;
- Review and monitor codes of conduct for employees and Directors; and
- Review the Company's compliance with the corporate governance code as set out in Appendix 14 to the Listing Rules and disclosure in corporate governance reports.

The Board is responsible for ensuring that the Group has in place and maintains appropriate and effective internal control and risk management systems. The Group has adopted a set of internal control policies and procedures for risk management to ensure asset security and guarantee the safekeeping of accounting records and the credibility of financial reports, so as to ensure compliance with relevant laws and regulations. For more details on the corporate governance of the Group, please refer to the 2021 Annual Report of the Group.

About the Group

3.3 TECHNOLOGY INNOVATION

Research and Development in Technology

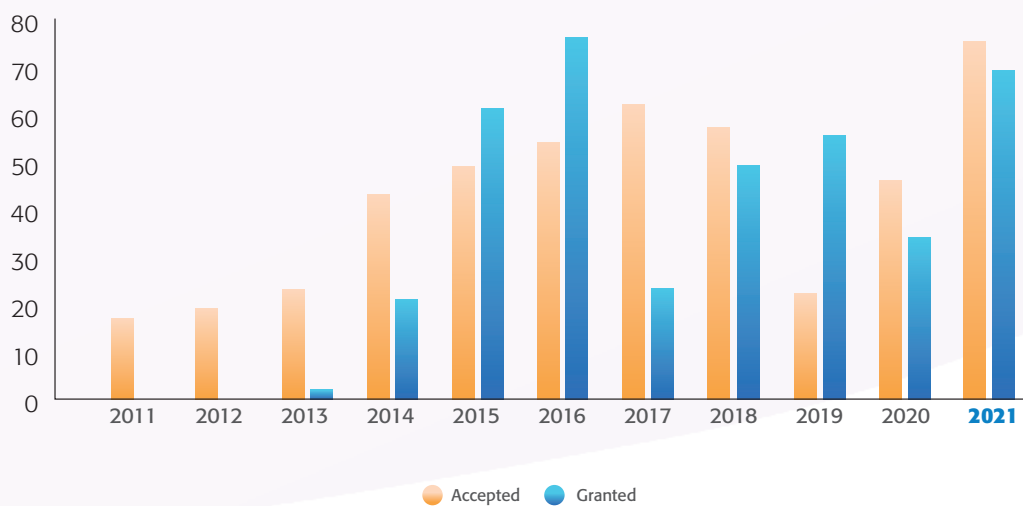
The Group has a strong R&D team. As at 31 December 2021, team members were aged around 30 on average under a ladder-shaped age group distribution and boasted open-minded thinking capacity and strong comprehension ability. Specifically, approximately 86% of the team members held a bachelor's degree or above and approximately 68% had engaged in the industry for over 5 years, accumulating profound experience and foresight. Their technical knowledge covers mechanical, electronic, optoelectronics, information technology, software and other aspects. The Group's R&D team constantly bolstered its technical research capacity, kept abreast of cutting-edge technologies in the display device industry and remained dedicated to designing the most cost-effective products for our customers.

In terms of technology research, the Group has been keeping track of the needs of customers' projects, and strived to convert technical capabilities into commercial values. In 2021, the Group made breakthroughs in various key technologies, realizing the mass production of ultra-narrow edge amorphous silicon (A-Si) display modules and completing the development of soft light eye protection display modules. The following research directions include the development of ultra-narrow edge module for side sealing adhesive, low temperature polycrystalline silicon (LTPS) 144Hz high frame rate scheme, import and development of inkjet (optical clear resin(OCR)), intelligent integrated testing system, etc.

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

During the Review Period, the Group was granted a total of 390 national patents. The Group's extensive patented technologies developed through independent R&D have contributed to the improvement of its competitiveness.

Number of patents



The engineering and production departments of the Group are also committed to the promotion of innovative production technologies, accelerating the promotion and application of new technologies and processes, improving the level of automation of production, reducing consumption and pollution, promoting the application of lean production management and control system, and improving product quality.





About the Group

Improvement of Equipment Capacity and Process Technology

The Group is committed to building top-notch smart factories. During the Review Period, it continued to renovate and upgrade equipment to improve the degree of automation of equipment, and optimised more than 20 processes to improve the management level. In 2021, the Group completed a total of 1,143 micro-innovation projects, improving yield, reducing energy and resource consumption, and promoting production safety. Meanwhile, the Group achieved bubble-free attachment of ultra-thin glass and blind-hole product manufacturing capacity through the upgrade of existing machines, thus ensuring the smooth mass production of ultra-thin and ultra-narrow products.

In terms of process technology management, the Group completed 10 key innovation projects, including solving the problem of silver slurry permeation and diffusion in the industry once and for all with direct economic benefits of more than RMB5.1 million. In response to the display problems of key customer projects, the Group carried out a series of technological and innovative improvements. Over RMB7 million of economic benefits were recovered and customer complaints on quality issues were also avoided, thereby laying a solid foundation for mass production of other projects and stepping up the technological support in serving customers.

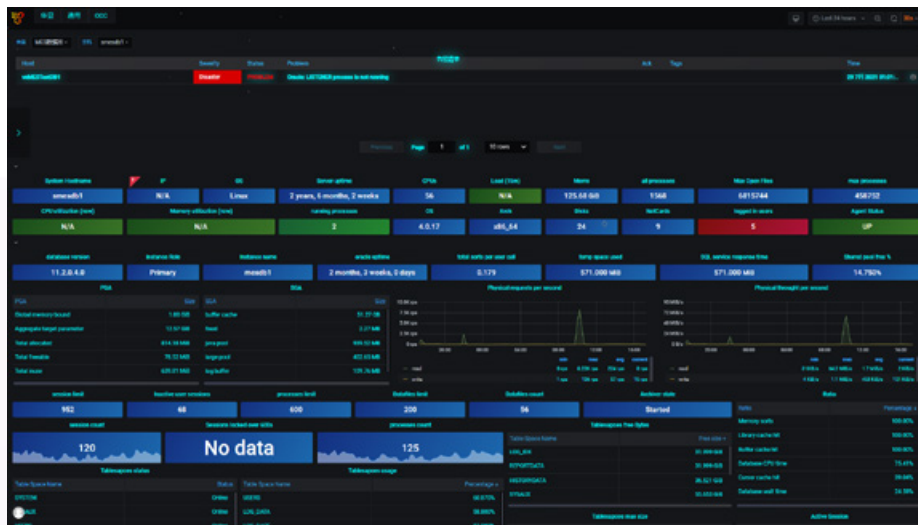
In terms of the introduction of new materials and new production processes, the Group had a breakthrough regarding the limitations on the selection of domestic materials through technological innovation and realised the mass production and introduction of domestically produced polarizers and optical clear adhesive (OCA), further improving the flexibility of material allocation and providing more room for reduction of material cost. The Group also made efforts to improve the standards for protection from occupational health hazards, such as the technical evaluation standards for volatile solvents and standards for the ease and frequency of replacement of accessories, so as to improve the working comfort of employees.

In terms of comprehensive management, the Group takes preventive management seriously. By using tools such as Six Sigma, Quality Control Circle and Plan-Do-Check-Act, the Group established a task force and adopted standardised measures to solve tricky defective problems and avoid repeating mistakes at source, with a view to enhancing the effectiveness and sustainability of improvements.

About the Group

Information Management

During the Review Period, the Group optimised the existing IT system infrastructure to enlarge the system backup capacity. Based on wireless network coverage in office areas and production areas (“All Areas”), the Group continuously optimised wireless signal, laying a solid foundation for the construction of smart factories. In addition, the Group has introduced a real-time network and server monitoring system, which is capable of warning and guarding against network security issues, into network systems in All Areas, thus improving the efficiency in responding to and handling network anomalies. Moreover, the Group has set up a system for monitoring of database operations to identify and resolve anomalies in a timely manner.



Real-time database monitoring system

The Group introduced and constantly optimised the Manufacturing Execution System (“MES”) which can help managers trace the production history, make the production and product quality inspection process transparent, and facilitate sustainable business development. In 2021, the Group has carried out optimisation of the MES for more than 30 times, and greatly improved the operation and maintenance efficiency of the MES by adding a load balancing monitoring platform, thus providing support to the Group’s capacity expansion.



Load balancing monitoring platform of MES



About the Group

The Group's new factory in Chenjiang is preparing for production. In order to achieve production efficiency, the Group has planned to install equipment module control system, reporting system and other related systems to manage the production, equipment and quality of the factory and strengthened the product quality traceability system, which enhances product quality, reduces costs and achieves sustainable business development.

As information security becomes increasingly important, in order to ensure the security of the Company's confidential information and meet the requirements of leading brand customers, the Company redesigned the firewall structure according to its internal information security requirements, and developed measures for shared disc access monitoring. By doing so, the Group strengthened its own information security, and that of its customers and stakeholders.

3.4 SOCIAL RESPONSIBILITY

The Group proactively fulfilled its social responsibilities and continuously optimised the management system relating to social responsibility and obtained relevant certificates, including: quality management (SGS ISO 9001), occupational health and safety (SGS ISO 45001), environment (SGS ISO 14001), toxic and hazardous substances (IECQ QC 080000), energy (SGS ISO 50001) and other management systems. The Group also established and implemented a social responsibility management system in accordance with the social responsibility (SA 8000: 2014) standard.

During the Review Period, the Group did not have significant complaints or incidents relating to social responsibilities.

Certifications and reports for the Group's management systems are set out below:



SGS ISO 9001



SGS ISO 14001



Carbon Emission Certification Report



SGS ISO 45001



SGS ISO 50001



IECQ QC 080000

About the Group

3.5 COMMUNICATION WITH STAKEHOLDERS AND ANALYSIS OF MATERIAL ISSUES

Communication with Stakeholders

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

Stakeholders	Major concerns	Major management measures	Communication methods
Governments	Compliance with laws and regulations and performance of social responsibilities, etc.	Establish the Management Process of Laws and Regulations Identification and Compliance Evaluation, and regularly identify and evaluate compliance with laws and regulations on an annual basis.	Regular visits, exposition of policies of the government and regulatory agencies, meetings, documents, review, information disclosure on various channels
Customers	Quality, delivery, service, and fulfillment of social responsibility	Establish corresponding management system, set up assessment indicators, and meet customer requirements.	Approval, training, customer satisfaction survey and daily communication
Shareholders/ Investors	Business performance, risk management and social responsibility	Enhance operating transparency, formulate long-term and short-term business plans and important measures, disseminate indicators to departments and posts, and assign specific tasks to specific personnel to achieve business performance.	Information disclosure, general meetings, results announcement conference, investor meetings and industry conferences
Employees	Safety, career development path, and employee benefits and compensation	Provide market-competitive compensation, benefit, learning and promotion opportunities, manage occupational health and fire safety according to the requirements of laws and regulations, implement safety contract responsibility system, and establish the Safety Committee Office and System Department to audit execution effects.	Employee communication meetings, opinion collection box, social media, hotline and mailbox
Suppliers	Long-term cooperation and win-win	Establish strategic cooperation with suppliers, share benefits and settle payment on time.	Training, audit, meetings and day-to-day communication
Communities	Pollution discharge, promote local development and care for the community	Establish an environmental management system to prevent, control and monitor wastewater, waste gas, solid waste and noise, which must meet the discharge standards; and organize volunteering and encourage employees to participate.	Volunteer activities, charity events and day-to-day communication





Material Issues

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

Most concerned issue	Category	Corporate management indicator	Performance
Integrity and compliance in operations	Corporate governance	Complaints about non-compliance	Nil
Occupational health	Health and safety	Cases of occupational diseases	Nil
Production safety management	Health and safety	(i) Serious casualties (ii) Minor injury rate ¹	(i) Nil (ii) 0%
Protection of intellectual property rights	Product responsibility	Number of patents	69
Quality control	Product responsibility	Occurrence rate of product safety accidents ²	0%
Hazardous substance management	Product responsibility	Complaints about non-compliance with regulations of hazardous substances	Nil
Anti-corruption	Integrity	Concluded legal cases of corruption	Nil

Notes:

- Minor injury rate = Number of work-related injury for the Review Period/Total number of employees at the end of the Review Period*
- Occurrence rate of product safety accidents = Batches of products involving safety accidents/Total batches of products*

4.1 MARKET AND CUSTOMERS

The Group is customer-oriented, pays attention to brand and business development, and maintains solid cooperative relationship with customers. In 2021, adhering to the concept of “create value for customers”, the Group took the initiative to create extra value for customers in the aspects of cost, quality, delivery and so on, guided by customer demand. During the Review Period, the novel coronavirus (“COVID-19”) pandemic continued to linger on globally. The Group successfully limited the impact of the Covid-19 pandemic on the Group and no cases occurred in its production base. During the COVID-19 pandemic, the production line of the Group operated without interruption, production and operation were carried out according to plan, and orders were delivered on time, which was well received by customers of the Group.

The Group attaches great importance to brand-driven and diversified business development. During the Review Period, while consolidating in-depth cooperation with customers, it sought to explore more business channels and upheld the principle of concentrating on high-end products and maintaining product quality. In 2021, the Group continued to manufacture products for global first-tier brand customers such as Samsung and Transsion, and became their direct supplier. Currently, the Group has established partnerships with 4 top mobile phone companies in the world, namely Samsung, Transsion, Xiaomi and OPPO. Meanwhile, the Group has carried out strategic cooperation with Transsion, which is well known as the “King of Africa”, to focus on high-end mobile phones. In addition to mobile phone module business, the Group has commenced broader and deeper cooperation with multiple Internet brands (ByteDance, Tomorrow Advancing Life, etc.) in the smart home module business to supply smart home module products to well-known customers.

The Group focused on high-end products in response to market demand. In terms of the rapid development of full-screen modules, the Group has always been in the leading position in the industry. Three-side sealant, high frame rate and other lead technologies in modules have been put into mass production during the Review Period. In the future, the Group will increase the spending on R&D and actively participate in the R&D of high-end products of major customers, creating opportunities for further cooperation.



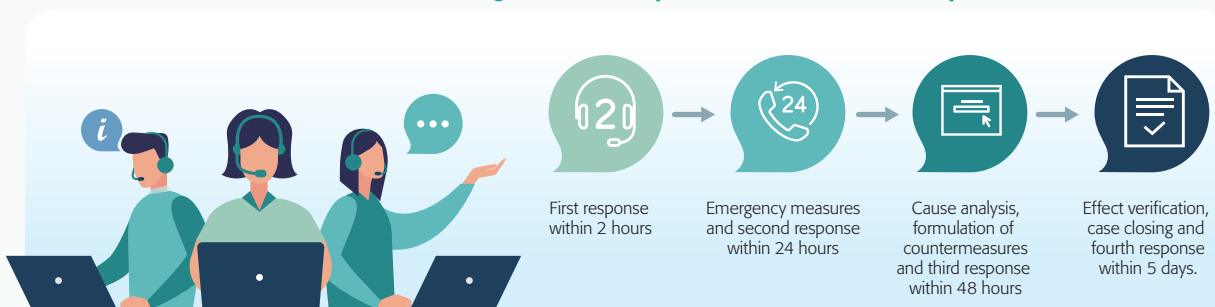


Products and after-sales services

The Group has established a comprehensive after-sales service management process and a quality service team. Following the “2485 Principle” (as shown in the picture below), the Group carries out pre-sales services work vigorously, further promotes the implementation of pre-sales matters, customises after-sales strategies for customers, deals with customer feedback in a timely manner, and implements an “early warning mechanism” based on the quality data of products collected from the customer end. In 2021, the customer return rate of products recorded a year-on-year decline of 11.9%.

During the Review Period, the Group’s customer complaint rate (i.e. the total number of product shipment batches subject to complaints divided by the total number of product shipment batches) was 0.35%. The Group believes that the customer complaint rate could better reflect the Group’s product quality compared with the number of complaints on products and services.

Procedures for Handling Customer Complaints under the “2485 Principle”



4.2 QUALITY CONTROL

During the Review Period, the Group carried out “process reengineering” programme, established a “process blueprint”, improved end-to-end processes, and optimised 127 processes, thus ensuring good quality and on-time delivery of products.

In addition, in order to improve product quality, we took a number of measures for the quality management of new projects, components and manufacturing processes, covering:

New projects

- We optimised the quality verification process for medium-sized products, implemented reliability verification of materials for medium-sized products and established a material archive;
- We reviewed the differences in equipment capacity of various production lines, strengthened the manufacturing and testing capabilities of the baseline, and ensured the accuracy of new product feasibility review; and
- We refined the random inspection review process for moulds of LCD, developed methods for verification of LCD reliability (covering product circulation, production process and use in some end devices), and expanded and fixed the standards for LCD reliability verification.



Corporate Operation

Components

- We enhanced the management of suppliers of key components such as flexible printed circuit boards (FPC), backlights, LCDs, and cover plates, and increased the frequency of supplier review; and
- We encouraged suppliers to optimise manufacturing process and equipment testing, so as to enhance their manufacturing capacity and ensure delivery quality.

Manufacturing processes

- We extended from key customer line to major project management, carried out project quality planning and line certification, and conducted analysis and characteristic management for the first repair;
- We reviewed and implemented the standards for production procedures according to the different needs of customers;
- We improved the planning for control of repaired products and increased the management requirements for the delivery of repaired products; and
- We enhanced the ability to detect defective products, and optimised the machine automatic optical inspection (MAOI) capacity.





• **Product Safety**

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

The Group ensures product safety according to the internally enacted Product Recall Management Process. If any safety risks are spotted on products not yet shipped, the Group will immediately terminate the production of such products and analyse them separately for improvement. If shipped products are involved, the Group will report the spotted issues to customers and recall the products.

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

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

• **Advertising and Labelling**

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

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

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

• **Customer Privacy Protection**

The Group complies with the Patent Law of the PRC, the Anti-unfair Competition Law of the PRC, Several Provisions on Prohibition of Infringements against Trade Secrets and the Intellectual Property Law of the PRC, and formulates the customer information security management system and remedy measures pursuant to such laws. The Group sets up areas of different levels of confidentiality for various customers, establishes access restrictions for customers' product production and storage areas, and limits the use of photography equipment. The Group manages customers' data, documents and files in a confidential manner to protect their privacy, intellectual property rights and trade secrets. In case of the occurrence of customer information leakage, the Group will as soon as practicable recover and delete relevant information, report to customers proactively, issue a sincere apology to customers sincerely and negotiate subsequent handling.

During the Review Period, the Group did not record any incidents relating to customer information leakage. The Internal Control Department of the Group will regularly review the customer privacy protection policy to ensure that relevant measures are effective.

Corporate Operation

4.3 SUPPLY CHAIN MANAGEMENT

The supplier management philosophy of the Group is to grow together with suppliers and establish an excellent ecological supply chain. An enterprise grows bigger and stronger based on the quality of products. The parts provided by upstream manufacturers are the foundation of product quality. Therefore, it is necessary to help suppliers grow together and create a more secure supply chain.

In 2021, the Covid-19 pandemic continued to linger in PRC, which led to production suspension and lack of workers of certain supply chains. The Group actively assisted suppliers in difficulties to resume production and took measures to disperse supply, and urged suppliers to take a series of pandemic prevention and control and production safety measures, ensuring the safety and health of employees and suppliers, and protecting the interests of customers and the stability of the supply chain. Since 2021, the shortage of display panels and driver chips has continued. The Group benefits from the “iron triangle” relationship with upstream supply chain and downstream customers, and takes the initiative to order customized panel resources to secure the supply, which ensures the needs of major customers are met and maximises the interests of customers.

The Group has a strict standard and sound mechanism in selecting and engaging suppliers. In 2021, the Group further optimised the Management Procedure for the Development and Import from New Suppliers to strictly manage the import qualification and information of suppliers, effectively reducing the risk of introducing unqualified suppliers (as detailed in the “Flow chart for procedure of engaging for new suppliers” below). After the suppliers are confirmed to be qualified, the supplier audit team will audit the suppliers according to the laws, regulations and system standards currently in force, on factors such as R&D, technology, quality and service, as well as the fulfillment of environmental and social responsibility and geographical location of the suppliers, so as to give due regards to the impact on society and environment. During the Review Period, new suppliers of the Group are engaged in compliance with the internal Management Procedure for the Development and Import of New Suppliers.

Passing rate of key supplier in terms of certification

	2020	2021
ISO 9001 quality and ISO 14001 environmental certification systems	100%	100%
QC 080000 certification system	78%	81%
Occupational health certification system	28%	38%





Flow chart for procedure of engaging for new suppliers

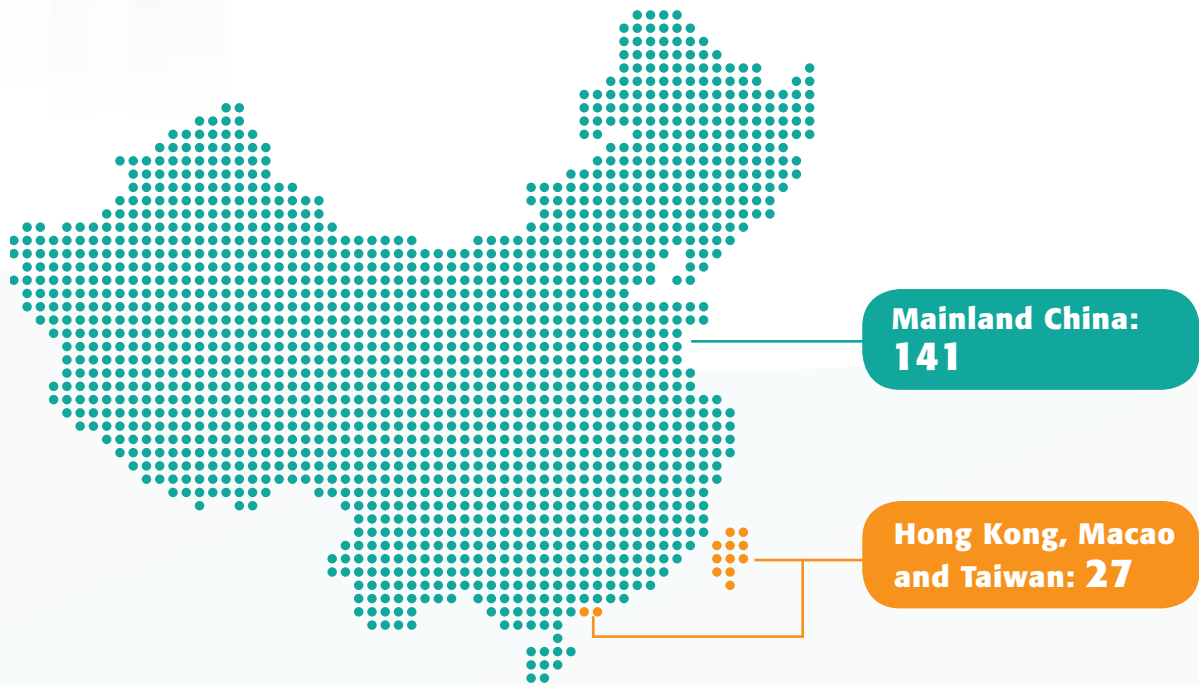
Process node	Purpose	Responsible person	Input	Key action	Output
Market information survey	Ensure that the potential supplier meets the basic requirements	Resource Development Department, Product Development Department, Process Technology Department, Equipment Department and Finance Department	New suppliers	Investigate information such as production capacity, technical capability, customer base, capital and tax payment	Whether the supplier reaches the basic threshold and business requirements
Put forward the development needs for new suppliers	Satisfy the material demand	Resource Development Department	New supplier development demand application	Apply and obtain approval	Application for new supplier development requirements approved by internal process
Supplier audit (plant on-site audit)	Confirm whether the supplier meets the requirements	Resource Development Department, Process Technology Department, Equipment Department, Software Quality Assurance ("SQA") Office of Quality Control Department, Product Development Department	Detailed Rules for Supplier Evaluation	Audit	Supplier Audit Report
Sign the supplier confirmation	Ensure that new suppliers meet the requirements	Resource Development Department, Product Development Department, Process Technology Department, Equipment Department and Finance Department	Relevant information of suppliers	Fill in the supplier confirmation and submit it for approval	Approved supplier confirmation
Sign an agreement	Ensure signing of the agreement	Resource Development Department, SQA Office of Quality Control Department	Agreement documents	Sign relevant agreements	Signed agreements
Sample acquisition	Ensure that the quantity and delivery time of samples meet the requirements	Resource Development Department	The number and time of samples required, and the documents and materials to be provided together with the samples	Place an order and require samples via e-mail	Physical samples and sample documents
Sample validation	Verify whether the sample meets the requirements	Process Technology Department, Equipment Department, SQA Office of Quality Control Department, Product Development Department	Experimental report on physical samples and new materials	Validation	Sample verification conclusion
Qualified supplier entry system	Record into the SAP software to generate supplier code and include in the qualified supplier list	Document Control Unit of the Quality Control Department and Resource Development Department	Approved supplier confirmation	Entry	Supplier code and entry into the list of qualified suppliers

In terms of supplier management, the Group has established an excellent supplier quality management team to help suppliers improve their capabilities by providing guidance to them. In 2021, with the continuous upgrades to customers' product requirements, we updated the procedures for inspection of raw materials of components and related standards, and continuously promoted and assisted suppliers to carry out quality improvement activities, so as to improve the quality of components and enhance the competitiveness of products. The Supplier Import Review Committee of the Group will monitor the effectiveness of the supplier engagement policy from time to time.

Corporate Operation

As at 31 December 2021, the Group has 168 suppliers in total, more than 84% of which are located in Mainland China, close to the main production bases of the Group.

Suppliers by Geographical Distribution



During the Review Period, the Group provided guidance to and audited suppliers 581 times, with the aim to improving the management level of suppliers, and to ensure fulfilment of social responsibilities by the suppliers.

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

At the end of 2021, the Group held a supplier conference, at which 8 suppliers were awarded with the recognition of “excellent suppliers” to honour and encourage them to develop together with the Group.





4.4 MANAGING ENVIRONMENTAL AND SOCIAL RISKS IN THE SUPPLY CHAIN

The Group is committed to the management principle of green and responsible production and compliance with relevant environmental and social regulations. It actively monitors, identifies and manages environmental and social risks along its supply chain through Toxic and Hazardous Substance Management System, Risk and Opportunity Management Procedures, Stakeholder Management Procedures and other internal regulations. Meanwhile, the Group also adopts Toxic and Hazardous Substance Management, Green Procurement and Conflict Minerals Systems to address environmental and social risks in the supply chain. In addition, the SQA Office of the Group's Quality Control Department and environmental system engineers will monitor the policies effectiveness of the environmental and social risks of the supply chain from time to time through materials monitoring and system review.

Toxic and hazardous substances management

The Group insists on the monitoring of toxic and hazardous substances, and adopts the following measures to ensure that its products are free from toxic and hazardous substances:

1. Control from the source of procurement, review the composition during material sourcing, and reject materials exceeding control standards;
2. Request third-party testing reports from suppliers to confirm the composition; and
3. Carry out X-ray fluorescence (XRF) spectrometer testing on raw materials, or send them for external testing, to ensure that raw materials comply with the Toxic and Hazardous Substances Control Standards, so as to meet the requirements of customers and the Group on refraining from using toxic and hazardous substances, and to ensure compliance with laws and regulations.

The Group's toxic and hazardous substance management indicators increased from 3 in 2020 to 11 in 2021, which were assigned to corresponding functional departments and relevant production processes for monthly statistical assessment, to ensure the effective operation of the toxic and hazardous substance system. The key monitoring processes include standard management of toxic and hazardous substances, management over new materials, new projects and new equipment, R&D and design management, suppliers management, incoming raw materials management, process management, finished products management and change management. In 2021, type of the toxic and hazardous substances controlled by the Group increased from 103 in 2020 to 121 in 2021, and the control requirements were tightened pursuant to California Proposition 65.

During the Review Period, the Group passed the examination of toxic and hazardous substances management systems by all customers, and did not record any cases of excessive toxic and hazardous substances.

Green Procurement

The Group is committed to the concept of green procurement under sustainable development. To reduce the environmental impact of suppliers, the Group requires its business partners to comply with the standards set out in QC 080000: 2017 Toxic and Hazardous Substance Management System and the requirements of laws and regulations. Suppliers are required to sign the Environmental Protection Agreement and the Environmental Compliance Statement and are subject to strict review and monthly assessment. Meanwhile, the Group also regularly asks suppliers for RoHS2.0 and halogen test reports and Material Safety Data Sheet (MSDS) to ensure effective assessment of compliance with environmental laws and regulations. The quality control department of the Group regularly conducts X-ray fluorescence spectrometry inspection on incoming raw materials according to high, medium and low risk levels. In 2021, the Group conducted toxic and hazardous substances management system audit for 16 key material suppliers with the passing rate reaching 100%, which effectively reduced the environmental risks from the supply chain.

Corporate Operation

Supplier audit rules

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

Monthly supplier assessment rules

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





• Conflict Minerals

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

While the Group's products contain the Minerals, the Group does not procure the Minerals directly. Our suppliers purchase or use the Minerals produced from various places around the globe. As an enterprise which values its social responsibilities, the Group undertakes to neither procure nor support the use of Conflict Minerals, whether directly or indirectly.

To fulfill such undertaking, the Group follows the principles of the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas ("Due Diligence Guidance") issued by the Organisation for Economic Co-operation and Development ("OECD"), and participates in the Conflict-Free Sourcing Initiative ("CFSI") and the Due Diligence Guidance of OECD. The Company and all of its suppliers only purchase from smelters and refineries approved or certified by Conflict-Free Sourcing (CFS), the London Bullion Market Association (LBMA) or the Responsible Jewelry Industry Committee, avoid procurement and disapprove the use of any Conflict Minerals, so as to avoid negative impact on society, and pay tribute to the human rights and environment in the conflict areas.

During the Review Period, the Group conducted Conflict Minerals inquiry through the CFSI-CMRT Questionnaire with 25 suppliers (supplying IC drivers, connectors, display panels, resistors, capacitors and diodes) whose products may contain the Minerals. All of the suppliers furnished response. The survey results showed that the Minerals in the raw materials of the Group were purchased from qualified CFSI smelters and met the supply standards of the Group.

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



MANAGEMENT POLICY ON CONFLICT MINERALS

1. Suppliers are required to formulate conflict minerals policies that comply with OECD's Due Diligence Guidance, and disseminate such policies to all their suppliers.
2. Suppliers shall ensure that all the products and/or the packaging material thereof delivered to the Company are free from Conflict Minerals, and sign the Declaration of Non-use of Conflict Minerals.
3. Suppliers shall earnestly investigate the supply chain, identify and trace the sources of the Minerals, ensure the legality of sources of raw material, and truthfully fill out and reply to CMRT questionnaires or other materials.



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



Total Direct Energy Consumption

In 2021, in response to the state's call for electricity consumption control, the Group used diesel to generate electricity, consuming 78.88 tonnes of diesel in total and 1.18 g per unit. In addition, in 2021, the gasoline used for commercial vehicles by the Group was 2.60 tonnes in total and 0.04 g per unit.





Total Indirect Energy Consumption



Electricity consumption (kWh)
31,871,276



Electricity saved (kWh)
3,915,500



Others



Total packaging materials consumption (tonnes)
2,328



Environmental investment (RMB)
113,995



Total emission (tonnes of carbon dioxide equivalent (CO₂e))
18,616



Total water consumption (tonnes)
245,261



Water saved (tonnes)
61,000

Environmental Report

5.1 ENERGY AND RESOURCES CONSERVATION

In 2021, the Group continued to follow the principle of energy and water conservation, emission reduction and green production. Faced with the challenges of controlling energy consumption arising from further automation of production equipment, all members of the Group worked together to carry out energy-saving improvement projects, strengthened management, reasonably arranged production and improved efficiency. During the Review Period, total indirect energy consumption intensity (i.e. electricity consumption) per unit decreased by 13.5% year-on-year to 0.48kWh/unit, water consumption per unit decreased by 20% year-on-year to 3.68kg/unit, and packaging material consumption per unit decreased by 9.1% year-on-year to 34.9g/unit. The details are listed in the charts below:



Notes:

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





Indirect energy management

During the Review Period, the Group saved approximately 3,915,500 kWh of electricity, reaching the target of saving electricity ($\geq 3,900,000$ kWh). Major energy-saving projects carried out and measures taken are as below:

Equipment/locations	Description of measure	Result
Air conditioning system	i) Inspected and made improvements to the cleaning machines and fan filter units (FFUs) that have been used for a long time in a targeted manner to improve the performance of FFUs such as wind speed and air volume; and ii) Cleaned the dust on the exterior and in the interior of the dry coil to enhance the heat exchange capacity of the cooling system and increase the cooling capacity of air conditioning cycle, thus reducing the energy consumption of the chiller system and minimising energy waste.	<ul style="list-style-type: none"> Saving approximately 800,000 kWh of electricity
Air compressor cooling system	Reduced the operating and cooling temperature of air compressors to enhance their operational energy efficiency.	<ul style="list-style-type: none"> Saving approximately 120,000 kWh of electricity
Canteen	The Logistics Department studied the number of diners and electricity consumption in the canteens. Given the relatively small number of personnel having breakfast and night snack, arranged for the two canteens to open for business alternatively.	<ul style="list-style-type: none"> Saving 59,000 kWh of electricity Enhancing the awareness of all departments of the Company to save electricity and encouraging everyone to reduce electricity consumption
Workshop	The Production Centre leveraged its professional advantages and organised the Equipment Department, Quality Department and Manufacturing Department to carry out efficiency improvement and energy conservation activities to reduce the idle hours of equipment, improve the yield and optimise the operational procedures, thus increasing the production efficiency by more than 10% year-on-year.	<ul style="list-style-type: none"> Saving 2,936,500 kWh of electricity

Water resource management

In terms of water consumption, the Group consumes pure water for cleaning products and tap water for cleaning trays, and there is no problem in sourcing water that is fit for purpose. In 2021, the Group saved 61,000 tonnes of water mainly by recycling and reusing water used in the production process, reaching the target of saving water ($\geq 60,000$ tonnes).

Environmental Report

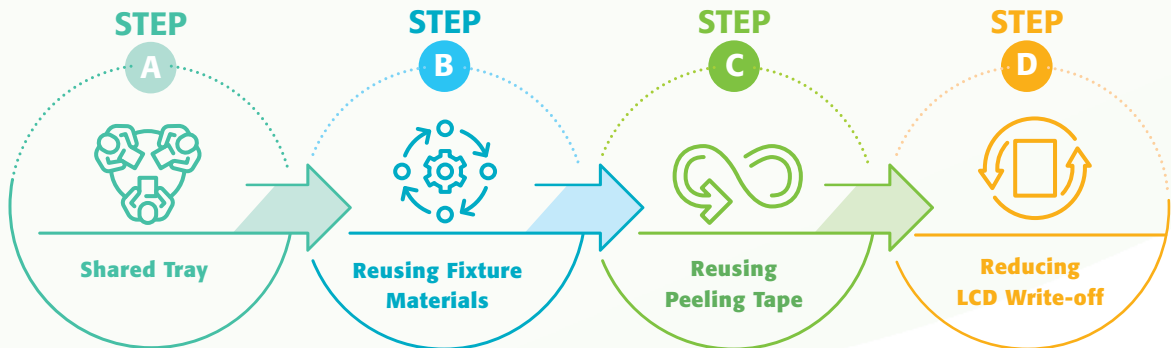
Other resources management

The Group is committed to the principle of sharing materials and conserving resources. We integrated the concept of environmental protection into the design process, took advantage of the similar size of the pallets of backlight components and that of finished products, and recycled the pallets of incoming backlight components as pallets of finished products. In 2021, more than 98% of pallets of finished products used by the Group were secondary use pallets, which reduced the consumption of plastic pallets and contributed to environmental protection.

Saving Paper by Electronic Means



In order to protect the environment, in 2021, the Equipment Department of the Group made efforts to improve and innovate fixtures and reuse fixture materials. In total, more than 1,600 sets of fixtures were recycled and retrofitted to reduce the use of fixture materials. Meanwhile, the Equipment Department of the Group recycled 1,300 rolls of peeling tape by optimising the peeling equipment, which not only reduced the operating costs, but also reflected that the Group has incorporated the concepts of resource conservation, social responsibility, and sustainability into its day-to-day management.



- Designed the backlight tray to enable 98% of the finished products to share the tray with the backlight components
- Dismantled and recycled 1,600 sets of old fixtures
- Optimised fixture design to reduce material consumption
- Optimised the peeling equipment to save 1,300 rolls of peeling tape
- Made special improvements
- Reduced LCD write-off by nearly 40% year-on-year





5.2 EMISSIONS REDUCTION

The Group is committed to reducing discharges into water and land, air and greenhouse gases emission, and generation of hazardous and non-hazardous waste, and manages them in accordance with the Environmental Protection Law of the PRC, the Law on the Prevention and Control of Water Pollution of the PRC, the Law on the Prevention and Control of Atmospheric Pollution of the PRC, the Environmental Protection Law on Solid Wastes Pollution of the PRC and other national laws and regulations, so as to ensure compliance with environmental requirements.

During the Review Period, the Group continuously optimised the ISO 14001 environmental management system, established the environmental protection responsibility system and hazardous waste pollution prevention responsibility system, optimised pollutant emission management standards, and set targets for wastewater discharge/greenhouse gases emissions per unit. In 2021, the Group invested RMB1.14 million in environmental protection management. Professional tests conducted by independent third parties showed that the Group's discharge and emissions of wastewater, waste gas and waste met the national standards. The Group also carried out activities to promote environmental protection and energy conservation, in an effort to draw employees' attention to environmental protection and energy conservation, promote "green and low-carbon" production and lifestyle, and reduce the generation of pollutants from the source.

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

Industrial wastewater

Indicator	Unit	2020	2021	Waste Reduction		Management Measures	Steps taken to achieve reduction targets
				Target			
Total industrial wastewater	tonne	26,897	26,070	Industrial wastewater per unit ≤513.38 g/unit (target achieved)		1) Monitor the process regularly; 2) Adjust and optimise system operation reasonably;	1) Industrial wastewater is treated by physicochemical and biochemical methods in sewage treatment facilities. For cleaning products, pure water is used instead of lotion, and is recycled to reduce the discharge of industrial wastewater;
Industrial wastewater per unit	g/unit	540.4	390.9			3) Ensure the discharge standards and environmental protection requirements are met; 4) Set up a wastewater management list and an inspection system.	2) Improve production efficiency to reduce wastewater discharge per unit of product.

Environmental Report

Waste

Indicator	Unit	2020	2021	Waste Reduction	Management Measures	Steps taken to achieve reduction targets
				Target		
Total hazardous waste	tonne	1.752	3.653	Hazardous waste per unit ≤ 0.015 g/unit (target not achieved)	1) Hazardous waste is managed in a standardised manner: stored and transferred by type in separated areas according to environmental protection requirements, made a transfer management list, and set up hazardous waste signs; 2) A hazardous waste pollution prevention responsibility system is established and a department responsible for pollution prevention is set up; regular drills are conducted on environmental emergency plan; 3) Recycling agreements are signed with suppliers according to the type of chemical containers; 4) Chemical containers are reused in the same way as they were used before and managed in a standardised manner, and a recycling management list is established.	1) Reduce chemical usage through enhanced management: Set the limit for the amount of chemicals to be used based on production volumes; 2) Use secondary leak-proof containers to secure chemical bottles to reduce waste; 3) Promptly dispose of waste oil: Assign dedicated personnel for hazardous waste management, collect waste oil on a monthly basis, and engage qualified institutions for disposal according to the amount of waste oil.
Hazardous waste per unit	g/unit	0.016	0.05			
Total non-hazardous waste	tonne	120.00	289.46	Non-hazardous waste per unit of product ≤ 2.29 g/unit (target not achieved)	1) Non-hazardous waste is classified into two categories, namely recyclable and non-recyclable waste; 2) Recyclable waste, such as paper and metals, is recycled by waste collectors; 3) Non-recyclable waste is handed over to sanitation workers for disposal; 4) Reduce waste paper generation through paperless office and information management system.	1) We promote waste classification knowledge to our staff through email, screencast, billboard and WeChat, to conserve paper and packaging materials and reduce waste production; 2) Establish and apply an electronic approval and information system to reduce paper consumption.
Non-hazardous waste per unit	g/unit	2.41	4.34			

Notes:

1. $Industrial\ wastewater\ per\ unit = Total\ industrial\ wastewater / Total\ sales\ volume$
2. $Hazardous\ waste\ per\ unit = Total\ hazardous\ waste / Total\ sales\ volume$
3. $Non-hazardous\ waste\ per\ unit = Total\ non-hazardous\ waste / Total\ sales\ volume$

During the Review Period, the Group's hazardous waste and non-hazardous waste increased by 1.9 tonnes and 169 tonnes year-on-year, respectively. The waste reduction targets (detailed as above chart) were not achieved, mainly due to:

1. the failure of the sludge press at the end of 2020 and the insufficient amount of waste oil disposed of during the Review Period, which caused the disposal of approximately 600 kg of sludge and approximately 400 kg of waste oil which were postponed to the Review Period;
2. the addition of chip (IC) testing, which resulted in an increase of 1.5 tonnes in relevant waste solvent; and
3. the number of personnel living in the factory area of the Group increased by 12.7% year-on-year, which brought about a large amount of domestic waste and hence increased the total amount of non-hazardous waste.





Industrial waste gas and greenhouse gas emission

During the Review Period, the Group's industrial waste gas was mainly generated from chemicals such as alcohol used in the production process. In terms of management and control of waste gas, the Group first controlled the toxic and harmful components of chemicals. The Group controlled chemicals it used in compliance with EU's REACH and the national standard GB 38508 – 2020 Detergent Volatile Organic Compounds Content Limits. In the production process, the exhaust gas was collected by air extraction devices, and discharged after being filtered and adsorbed with secondary activated carbon and complying with certain standards. The waste gas emissions are regularly tested by qualified third-party testing institutions to meet national emission standards on a yearly basis.

The Group also emits other pollutants regulated by national laws and regulations, such as benzene, toluene and xylene, and VOCs. According to the review conducted by a third-party organization, the emission concentration and emission rate of these pollutants are within the PRC national standard BD44/27-2001 Air Pollutant Emission Limits. The table below sets out the review results of air emissions and pollutants of certain production facilities of the Group in 2021.

Test position	Exhaust pipe height (m)	Standard condition air volume (m ³ /h)	Test items	Test results		Standard limit	
				Emission concentration (mg/m ³)	Emission rate (kg/h)	Emission concentration (mg/m ³)	Emission rate (kg/h)
DA002 organic waste gas emission port	32	6,506	Particulates	14.5	9.43x10 ⁻²	120	21.6
			VOCs	2.29	1.49x10 ⁻²	120	5.1
			Tin (tin and its compounds)	4.31x10 ⁻⁴	2.81x10 ⁻⁶	8.5	1.68
DA005 organic waste gas emission port	28	5,701	Particulates	15.2	8.67x10 ⁻²	120	16.2
			VOCs	2.96	1.69x10 ⁻²	120	5.1
			Tin (tin and its compounds)	4.14x10 ⁻⁴	2.26x10 ⁻⁶	8.5	1.29
DA001 organic waste gas emission port	32	8,656	Particulates	14.3	0.124	120	21.6
			Benzene	0.051	4.41x10 ⁻⁴	1	0.4
			Toluene and xylene combined	0.147	1.27x10 ⁻³	15	1.6
DA003 organic waste gas emission port	32	7,487	VOCs	3.20	2.77x10 ⁻²	120	5.1
			Tin (tin and its compounds)	5.30x10 ⁻⁴	4.63x10 ⁻⁶	8.5	1.68
			Particulates	13.8	0.103	120	21.6
DA003 organic waste gas emission port	32	7,487	Benzene	0.142	1.06x10 ⁻³	1	0.4
			Toluene and xylene combined	1.34	1.00x10 ⁻²	15	1.6
			VOCs	4.44	3.32x10 ⁻²	120	5.1
		7,073	Tin (tin and its compounds)	7.83x10 ⁻⁴	5.54x10 ⁻⁶	8.5	1.68

The major sources of the Group's greenhouse gases are indirect emissions from energy such as electricity. The Group sets emission reduction targets each year, and launches energy-saving renovation projects to improve energy efficiency and reduce electricity consumption. In 2021, the Group's emissions of carbon dioxide recorded a year-on-year increase, mainly due to the increase in production lines and changes in product structure during the Review Period (higher energy consumption per unit of for producing medium-sized modules than small ones).

In response to the "30•60" carbon emission goal set by the state, national policies in carbon emission control are increasingly stricter. In 2021, the Group formulated a "double carbon" five-year response plan, developed the business strategy of low-carbon sustainable development, and established a "double carbon" management department.

Environmental Report

During the Review Period, the greenhouse gases emitted by the Group included carbon dioxide, methane, nitrous oxide, and hydrofluorocarbons (except perfluorocarbons and sulphur hexafluoride which the Group did not record emission thereof). Data on air emissions and emissions targets are calculated in terms of CO₂ equivalents. The Group's greenhouse gas emissions and targets are as follows:

Indicator	Unit	2020	2021	Waste Reduction	Management Measures	Steps taken to achieve reduction targets
				Target		
Energy indirect greenhouse gas emissions (Scope 2)	tonne CO ₂ e	14,817.36	17,552.13	A year-on-year decrease of 5% in greenhouse gas emissions per unit (≤295.70 g CO ₂ e/unit) (target achieved)	1) Optimize the process of greenhouse gas and energy management system; 2) Reduce electricity waste through daily supervision;	1) Industrial waste gas is collected by an air extraction device, and then discharged after activated carbon filtration and purification;
Direct greenhouse gas emissions (Scope 1)	tonne CO ₂ e	703.22	1,064.25		3) Improve energy efficiency and reduce emissions through improving efficiency;	2) Each year, the emissions are tested by a third-party agency and meet the Air Pollutant Emission Standards of Guangdong Province, the PRC;
Energy indirect greenhouse gas emissions per unit	g CO ₂ e/unit	297.72	263.18		4) Regularly measure and monitor emissions to evaluate whether they exceed the standard.	3) Emission reduction targets are set and carbon emissions are regularly calculated;
Direct greenhouse gas emissions per unit	g CO ₂ e/unit	14.13	15.96			4) All employees pay attention to save energy, reduce power consumption and hence carbon emissions.

5.3 IMPACT OF CLIMATE CHANGE

Climate change is one of the major challenges of the times. The Company adheres to green development, proactively adapts and responds to the potential risks and issues posed by climate change, and effectively reduces the carbon emissions of the business through measures such as improving the energy management system, increasing the use of renewable energy, building a green supply chain, and enhancing employees' carbon reduction awareness.

In 2021, the Group identified the impact of climate change risks and issues to business development as follows:

Impacted entity	Possible impact of severe or extreme weather arising from climate change	Response actions by the Group
Employee	Tree collapse, landslides, flooding, damage to outdoor facilities, etc., which may result in injuries to employees on their way to or from work.	Pose weather warning notices and follow the instructions of the local government to promptly notify employees of different actions to be taken in special weather to avoid any employee injury.
Materials/products	Insufficient supply of upstream raw materials and delays in logistics, which may hinder production planning. Also, the storage environment of raw materials is affected by the climate, and power consumption will increase to ensure the quality of raw materials.	Establish long-term, amicable cooperative relations with key suppliers, and communicate with suppliers in a timely manner during extreme weather conditions to assess the impact on the overall production planning.





Environmental Report

Impacted entity	Possible impact of severe or extreme weather arising from climate change	Response actions by the Group
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Buildings

Damage to the production plant area, offices and/or staff dormitory, resulting in property damage.

Require employees to keep doors and windows closed when leaving work to reduce the risk of damage to buildings;

The Administration Department will put in place a series of wind protection measures prior to the typhoon, and will regularly check the flow of the pipes to prevent flooding.

In response to major climate-related events that may have an impact, the Group has taken active actions and formulated special systems including the Emergency Response Plan for Natural Disaster Events for identifying potential climate change risks. We have established special teams and formulated countermeasures and conducted emergency drills. Specific response actions under the emergency plan are as follows:

1. The evacuation team relocates employees and rescues injured employees;
2. The maintenance team urgently repairs damaged facilities that may cause personal injury and affect production, and dispatches emergency facilities to external entities (if necessary); and
3. When necessary' the person in charge of the emergency plan of the Group will obtain assistance from TCL Technology or the government.

Meanwhile, the Group also took the initiative to fulfil its corporate responsibilities to mitigate climate change:

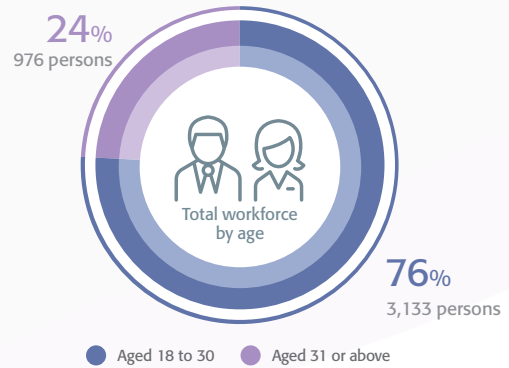
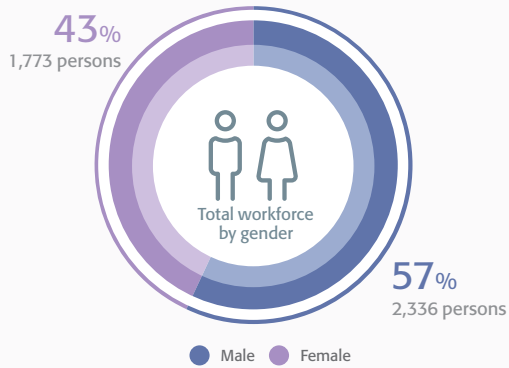
1. The Group determines environmental protection and social responsibility performance as the sustainable development requirements;
2. The Group decisively prevents the use of materials containing excessive substances that destroy the protective layers of the atmosphere; and
3. The Group launches energy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

06

Employee Report

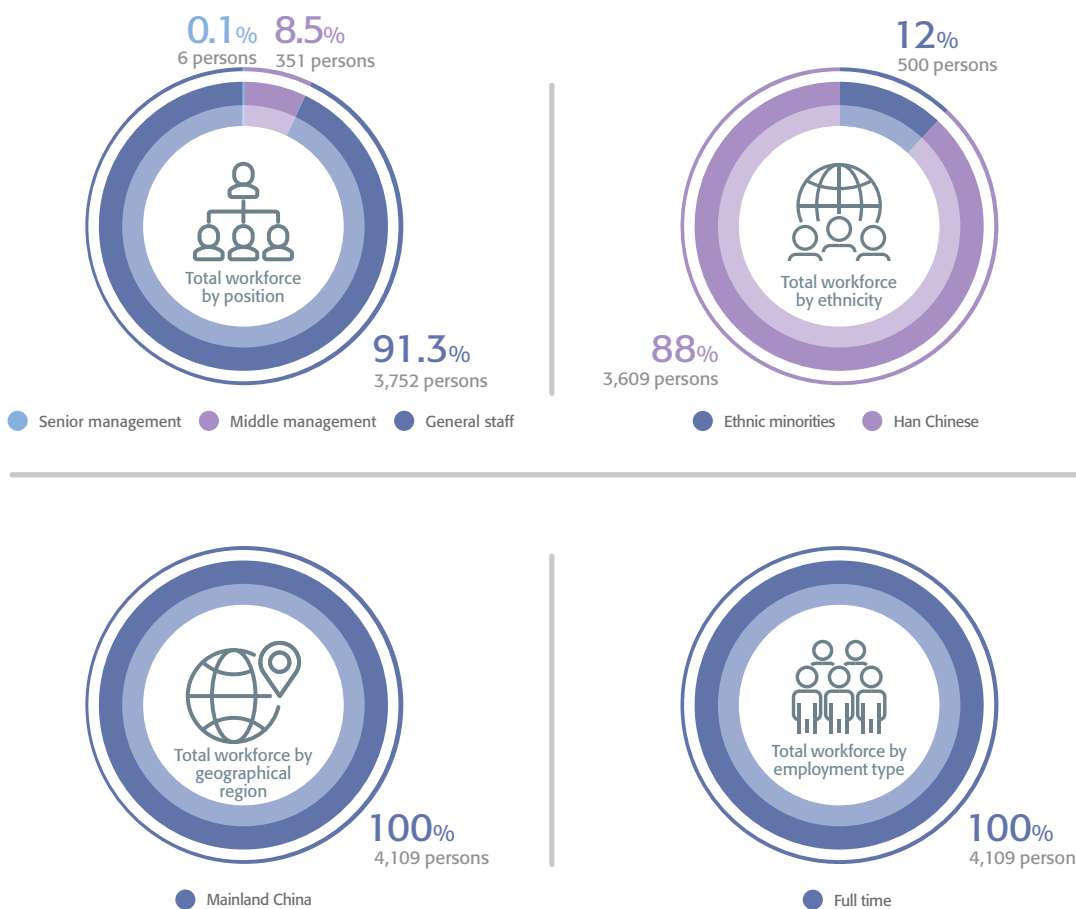


As at 31 December 2021, the Group had 4,109 employees. During the Review Period, the Group's total employee turnover rate was 8.1%, of which the turnover rate of employees aged from 18 to 30 was 4.8% and the turnover rate of employees aged 31 or above was 3.2%. The turnover rate of male employees was 5.5% and the turnover rate of female employees was 2.6%.





Employee Report



6.1 HEALTH AND SAFETY

The Group places emphasis on providing a safe working environment and protecting employees from occupational hazards. It maintains workplace safety and employees' occupational health in accordance with the Safety Production Law of the PRC, the Law on the Prevention and Control of Occupational Disease of the PRC, and the Fire Prevention Law of the PRC. The Group has established the ISO 45001 Occupational Health Management System and passed the SGS certification. The Group has formed a special team for occupational health and safety management of the staff, and formulated a comprehensive set of procedures to provide guidance for relevant initiatives. Management members have all signed a "safety production responsibility statement", which stipulates that promoting health and safety is part of their duties and will be appraised on such basis. The Group conducts safety training and emergency drills on a regular basis, with a view to raising occupational health and safety awareness of all employees and improving their relevant skills. Through regular safety checks, the Group has identified potential hazards and rectified them in a timely manner.



Employee Report

Comprehensive Safety System

The Group earnestly implemented the national production safety policy of “giving first priority to safety, laying stress on prevention and taking comprehensive measures”; strictly executed production safety policies, orders, regulations, standards, systems and rules issued by the state and other higher authorities. The Group optimised the management system based on the latest occupational health and safety standard ISO 45001: 2018, obtained the certification of the international certification body, SGS, and continuously improved the safety management systems. During the Review Period, the Group modified a total of 23 management systems, including the Management Standards for Occupational Health, the Management System for Accidents, the Safety Management Standards for Hazardous Chemicals, the Management System for Safety Education and Training, and the Comprehensive Emergency Treatment Process. It improved the risk prevention and resolution mechanism to raise the level of safety production, reduce and control risks, and achieve procedural and standardised safety management, thereby promoting safety production.

The Group established and implemented a comprehensive safety production responsibility system applicable to all employees, made clear the management responsibilities of safety production at all levels, and had safety production responsibility statement signed at every level to ensure all employees were included. The Group implemented the policy of “safety management must come before the management of industry, business and production”, and pressed ahead with the establishment of safety committees at all levels, improved the assessment system for safety committees of all departments, carried out monthly, quarterly and annual assessments, and formulated a reward and punishment mechanism for accident accountability, with a view to urging all departments to take actions on safety management independently.

Investment is the key to ensure safe production. During the Review Period, the Group spared no effort to continuously invest in and improve production safety, with a total of approximately RMB2.62 million invested to enhance production safety.

From 2019 to 2021, the Group did not record any serious injury or fatal accidents of employees. There were no lost days due to work injury during the Review Period.

The Group adopted the following specific safety measures:

- **Safety Inspection**

The department in charge of safety management of the Group arranges daily regular inspection of each workplace exposed to high risks. The internal inspections conducted by the Group comprise: comprehensive safety inspection conducted by management such as general manager/director, seasonal inspection, special inspection, and independent safety inspection conducted by the safety committee at all levels. In addition, the Group also invites external inspections from time to time, comprising regular safety inspections by government authorities, TCL Technology and TCL CSOT. All of the Group’s safety production issues and rectification thereof were noted at the general manager office meeting and published in the notice column, and designated personnel was appointed to complete the rectification of hidden safety hazards within a specified period, the progress of which was tracked by the Safety Committee Office, so as to achieve closed-loop management. The Group believes that perfect rules and regulations serve as the foundation of management, and the purpose of safety inspection lies in recognising the implementation and effectiveness of the management system, identifying issues in time, finding out potential safety hazards, and carrying out rectification to achieve closed-loop improvement.





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

Production safety education and training is essential for setting up corporate business policies and objectives, achieving production safety, improving the safety quality of employees, and reducing human errors. In early 2021, according to the Company's overall arrangements and requirements for production safety and the actual production situation in workshops, the Group formulated a detailed and effective safety training programme, and carried out trainings on (i) production safety-related laws, regulations, rules and systems; (ii) safe operation procedures and methods; (iii) hazardous chemicals; (iv) prescribed methods for using personal protective articles and safety equipment; (v) hazard identification and management; and (vi) analysis of relevant accident cases.

The Group primarily implemented safety education in a step-by-step manner. During the Review Period, the employees of the Group participated in safety trainings for over 280,000 hours, which were categorised into, among others, three-level safety education, safety management capability improvement training, special safety training, independent safety training, special skilled worker training, and practical operation training of safety facilities and equipment, and passed the examinations, thereby standardising the operational safety and skills of all employees and allowing employees to acquire the necessary knowledge and operational skills of safety production, so as to reduce the occurrence of production accidents. All special skilled workers of the Group must be certified and unlicensed work is prohibited.

• **Safety Education Activities**

- The first safety knowledge competition of the Group was held in 2021. A total of 17 teams with 32 people participated in the competition with a heated atmosphere. The teams competed fiercely, and the audience actively participated to answer the questions.
- The second fire fighting competition of the Group was held in 2021 and seven teams consisting of 68 personnel participated in it. The competition included: using fire extinguishers, using fire hoses to put out fire, wearing fire clothes, etc. This competition achieved fire safety promotion and improvement of fire-fighting skills.



Fire fighting competition



Safety knowledge competition

• **Emergency Drills**

During the Review Period, according to the actual development of the Company, the Group revised the Emergency Plan for Production Accidents and the Emergency Plan for Environmental Emergencies and filed them with relevant government departments. In order to improve employees' awareness of fire safety and environmental protection, master the skills to respond to sudden fires, and test the operability and effectiveness of the Company's emergency plans for accidents, the Group carried out 13 emergency drills. The senior management of the Company attached great importance to and provided great support and help for the drills across all stages from drill planning, preparation, organisation and implementation to formal drill. The leading group carefully reviewed the drill plans, made arrangements for drills, steered the drill activities on site, observed the dynamics of drills, and exercised full control over the drills. The drills included fire drills, emergency evacuation of personnel, chemical leakage, fire, water leakage, equipment damage, anti-terrorism, and environmental protection. In order to improve emergency response capabilities, the Group carried out emergency response skill training every week.

During the Review Period, the Group had no safety incidents such as fire and chemical leakage.



Employee Report

- **Pandemic Prevention and Control**

In 2021, China saw sporadic cases of COVID-19 in many places and COVID-19 outbreaks in certain areas. According to the characteristics of the pandemic, the Group developed an emergency plan for COVID-19 prevention and control, set different COVID-19 risk levels across the country, and adopted tiered control measures. Throughout the Review Period, the Safety Committee Office continued to follow up on the pandemic situation in the whole country and swiftly activated the pandemic prevention and control system. When COVID-19 flared up in different areas, the Group performed point-to-point management to restrict personnel flow from medium and high-risk areas, thereby effectively prevent the spread of the pandemic within the Company and promote stable production.

In 2021, the Group continued to promote the vaccination of all employees against COVID-19, actively coordinated with the government to channel vaccine resources, and carried out five rounds of vaccination, thereby achieving 100% vaccination of employees and ensuring the health and safety of employees and normal operations of the Company.

- **Occupational Health Management Policy and Measures**

In accordance with the requirements of the Law on Prevention and Control of Occupational Diseases of the PRC and relevant laws and regulations and ISO 45001 occupational health and safety management system, the Group continued to optimise the occupational health and safety management system, strictly enforced the rules and regulations, conducted regular reviews and identified issues and proposed improvements in a timely manner. In strict compliance with laws and regulations, the Group conducted regular inspection and analysis of occupational hazards, and occupational health education and training schemes. The Group provided qualified protective equipments for workers according to laws and regulations while regularly checking on the use of such equipments, and carried out occupational disease examinations for relevant employees before they take office/annually/upon their resignation.

In 2021, the Group constantly optimised the list of subsidies and developed the subsidy system for posts exposed to occupational hazards, contributing to a decreased employee turnover and a 10% year-on-year decrease in the number of employees exposed to occupational hazards. Moreover, the Group continued to implement the New Material Import Audit Process. Specifically, the Group (i) carried out volatile component analysis for newly imported raw materials to eliminate the risk of importing high-toxicity occupational hazard factors from the source; and (ii) refined the safety equipment acceptance process to achieve safety control of equipment throughout the whole production process from import to delivery. 25 sets of equipment were accepted by the Group throughout the Review Period, and the occupational hazard factors around the equipment met the requirements of the national occupational exposure limits; (iii) optimised equipment management, established quarterly inspection mechanism for equipment safety, and checked and rectified 39 equipment safety hazards, thus improving the safety level of the Company's equipment and ensuring the health of employees.

During the Review Period, no employees of the Group recorded occupational diseases.





6.2 EMPLOYMENT

The Group complied with the relevant aspects in the Labour Law of the PRC, the Labour Contract Law of the PRC, the Implementation Regulation for the Labour Contract Law of the PRC, the Provisions on the Prohibition of Using Child Labour, the Law on Minor Protection of the PRC, the Social Insurance Law of the PRC and SA 8000 Social Responsibility Management System Standards and other applicable laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hour, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare of the Group's employees.

Compensation and benefits and promotion channels

In accordance with the internal Compensation and Welfare Management System, the Group regularly maintains the compensation conditions of employees based on local gross domestic production (GDP) growth and the latest laws and regulations to provide employees with reasonable, legal and competitive compensation and benefits. According to the Labour Contract Law of the PRC, the Group formulates the corresponding Attendance and Leave Management System, specifying the work and rest schedule of employees. All employees are entitled to various statutory paid holidays, such as paid annual leave, statutory leave, marriage leave, maternity leave, paternity leave, breastfeeding leave, medical leave, etc. In addition, the Group formulates the Employee Promotion Management Measures to create a fair and just career development and promotion channel and give employees space for growth and development.

Recruitment and dismissal

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

"Actively recruiting and providing care and support for people with disabilities" is one of the Group's recruitment principles. During the Review Period, the Group hired a total of 23 persons with disabilities, treated them with respect and care, and designated them to suitable positions according to their specific conditions. The Group adopts an equitable approach in promotion assessment and will be promoted based on their capabilities. They show full confidence in the Group and nourish passion towards work and life.

The dismissal procedures of the Group are carried out on a reasonable basis in accordance with our internal regulations and in compliance with laws and regulation.

Employment compliance

The Group strictly abides by the Law of the PRC on the Protection of Minors, the Regulations on the Prohibition of Child Labour and the laws and regulations on forced labour, and is well aware that the employment of child labour and forced labour violates basic human rights and international labour conventions and affects the sustainable development of the Company and society. As such, the Group constantly reviews and refines recruitment management process to prevent child labour, forced labour and under-age labour.

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



Employee Report

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

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

The Group strictly prohibits forced labour and any slavery or human trafficking, respects the wishes and rights of employees, and never treats employees in an unfair manner. The Human Resources Department of the Group considers the work content, number and backgrounds of employees to ensure that there are enough manpower to handle the workload and prevent employees from being overworked. According to the Guidelines on Free Choice of Occupation and Non-forced Labour of the Group issued internally, employees are entitled to freely choose their occupation, work and terminate their labour contracts in accordance with applicable laws and regulations. The Group also provides employees with complaint channels and protects their human rights such as rest and leave entitlements.

In the event that the Group is aware of any unexpected forced labor act happens, it will take the following remedial measures:

1. Immediately cease all forced labour that the employee is subjected to;
2. Return personal identification documents that may have been withheld by the Group;
3. Provide financial compensation for employees subjected to forced labour; and
4. Properly arrange for employees subjected to forced labour to return to their hometowns, or send them to relevant management agencies.

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





6.3 DEVELOPMENT AND TRAINING

It is one of the missions of the Group to create development opportunities for employees. To nurture and improve the skills and knowledge of employees, the Group has established and improved the management systems, and invested a variety of resources to provide trainings to employees each year and selected talents in a just and transparent manner.

Career Development Path

In order to cultivate and develop key technical staff, the Group established the ECP (experience, competence and performance) Certification Management System covering all employees to provide universal standards for personnel evaluation, promotion and development, with an aim to make employees aware of their career development paths, weaknesses and directions of improvement and stimulate their enthusiasm for work in 2021. During the Review Period, 32 on-site sessions of ECP debate and group review were held. After review and deliberation by a professional panel of judges, a total of 159 personnel were found to meet the competence requirements of relevant levels and passed the ECP promotion/grading certification.

Training

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

The Group believes that training can stimulate the personal potential of employees, enhance the vitality, cohesion and creativity of the team, deepen the understanding of the employees on the industry and the operation and management of the Company, and guide employees to fully utilize their creativity to drive the profit growth of the Company.

During the Review Period, in addition to providing various internal professional training schemes for employees, the Group arranged for 13 employees to participate in external professional courses while complying with local pandemic prevention measures and ensuring the personal safety of employees. Besides, the Group also engaged external professional tutors to hold 4 training sessions, which covered four major aspects, i.e. safety, professional management, technology and general management, with 124 employees participating in the training sessions and recording a total of over 970 training hours. Expenses incurred by the Group in external trainings exceeded RMB0.25 million, and the time committed by employees in trainings totaled 264,002 hours.



Employee Report

Major trainings are as follows:

Outbound Activity of Delivery Centre

To strengthen cohesion and team spirit, and create a positive corporate atmosphere, the delivery centre of the Group conducted an outbound training activity for all employees and grassroots management during the Review Period. This outbound training activity received great attention from the management of the Company. Nearly 100 employees participated in the activity. During the outbound training, participants put the workplace values of “dauntlessly advance and tirelessly persevere” and “never give up, never leave behind” into action.

Young Eagle Power Camp

As one of the important annual training projects of TCL Technology, the Young Eagle Power Camp plays an important role in training fresh college graduates. In the two-week Young Eagle Power Camp, the Group provided over ten theoretical courses, including Corporate Culture, Safety Education, and Basic Knowledge on Products and Introduction to the Industry, with a total of 64 class hours for each participant. In addition to theoretical courses, the Group also organised outbound trainings of nearly 20 hours to raise team awareness.

Online Learning

With the normalisation of the COVID-19 pandemic across the world, the Group proactively addressed the learning needs of employees through an online learning platform. Starting from June 2021, the Group has arranged a five-month online learning campaign called “Xingtu School” (星途學堂) for six departments. The courses available covered various aspects including product knowledge, process technology and career improvement, and the cumulative times of participation recorded nearly 1,000.

Empowerment and Certification of Internal Trainers

We made efforts to build an effective learning organisation in order to enhance the professionalism and effectiveness of the Company’s internal training at all levels, strengthen the pivotal role of existing trainers in the Company’s internal training programmes, and realise the accumulation, sharing and dissemination of knowledge within the Company. The external professional lecturers engaged by the Group held the Training Camp on Presentation and Interaction Skills of Trainers for internal trainers from various departments, with a total of 16 trainers passing the certification.





Percentage of employees trained

By gender



Male

100%



Female

100%

By employee category



Senior management

100%



Middle managers

100%



General staff

100%



Average training hours of the Group's employees

By employee category



Senior management

2020 51.8 hours

2021 47.0 hours



Middle managers

2020 8.4 hours

2021 12.3 hours



General staff

2020 22.8 hours

2021 69.1 hours

By gender



Male

82.5 hours



Female

40.2 hours



Employee Report

6.4 EMPLOYEE CARE AND COMMUNICATION

During the Review Period, the Group continued to show care for its employees and intensified communication with employees by various means such as employee talks, employee communication meetings, collection of opinion and suggestions, employee assistance programme, and reading of psychological information.

We continued to conduct employee satisfaction surveys to listen to the voices of employees and improve corporate management

The Group continued to pay attention to employee satisfaction data, and coordinated with the administrative, production and other departments to take various measures to improve employee satisfaction.

Meals:

- Heed the needs of employees: The administrative department conducted satisfaction surveys on a monthly basis and resolve the problems raised by employees;
- Standardising canteen management: The administrative department inspected each canteen twice or more a day to supervise whether the canteen operates in line with the food hygiene management standards;
- Making adjustments to dishes: Considering the increase in Muslim employees, we added a halal food stall in each canteen; and
- Food activities: In 2021, we held the Seafood Festival and Northwest Flavour Food Festival with a total of 425 participants.

Accommodation:

- Investing resources in maintenance, cleaning and renovation: The Group (i) renovated 91 dormitories; (ii) completed 1,295 maintenance and improvement items for dormitories; (iii) purchased 48 new bed frames and 80 new wardrobes; and (iv) cleaned 220 air conditioners in the dormitories.
- Inspections and rewards: The Group conducted 322 safety and hygiene inspections of dormitories, carried out dormitory evaluation twice, and rewarded 35 personnel for excellent performance, with a view to encouraging employees to develop good habits.

Employee Assistance Programme

The Group values the physical and mental health of employees, and continuously provides support for employees in addressing their concerns in work and personal life. During the Review Period, the Group held a variety of thematic lectures, including the “Drum Circle Music to Relieve Stress” and lectures on emotional management, personality analysis, family relations, etc. In addition, the Group developed an app for reading out psychological information and regularly gave out posters to employees to improve the convenience for employees to access psychological services.

Reviewing and Improving Employee Communication Channels

The Group has in place a complete staff communication process with various communication channels, including email, hotline, WeChat official account and WeChat group. The “Staff Communication Meeting” held by the Group from time to time serves as one of the important channels for collecting staff advice. Employee representatives are responsible for collecting employees’ advice and furnishing feedback through the “Employee Communication Meeting”. The Human Resources Administration Department is responsible for making improvement on issues reported and publishing the improvement results.





In addition, the Group continued to promote the “Sunshine Ambassador” communication mechanism, added a channel to collect opinion and suggestions from employees, and expanded employee communication channels, thereby motivating employees to participate in corporate management and offer advice on making improvements to the Company. During the Review Period, the Group held a total of 7 employee communication meetings with 126 time of participations recorded, 215 problems were raised out. The improvement rate of the problems reached 97%. We collected 53 suggestions, 17 of which were adopted.

Cultural and Leisure Activities

The Group attaches great importance to the physical and mental health of employees. In order to enrich the spare time of employees and increase the cohesion and sense of belonging of employees, the Group has set up various interest groups, such as yoga, badminton and baking interest groups. The groups carry out various activities on a regular basis. The Group also organises sports events such as running around the lake to welcome new employees, basketball game, fun sports meeting, badminton game, etc. On the anniversary of the Company, theme days and traditional festivals, the Group will hold a variety of cultural activities such as “Paying Tribute to Workers”, Dragon Boat Race (with online interaction), Collecting Likes on the Birthday Wall, Mid-Autumn Festival Garden Tour, and Giving Likes and Blessings, so that employees can feel the love and vitality of the Company.



Badminton game



Basketball game



Fun games



Yoga activity



Running around the lake for welcoming new hires

Employee Report

Employee Benefits

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

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



Afternoon tea



Afternoon tea



Mid-Autumn Festival garden party



Employee birthday party



7.1 INTEGRITY POLICY

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

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

In an effort to facilitate the Company’s integrity management in business activities, the Group has formulated the Integrity Management Policy which defines the Company’s integrity requirements, identifies employees in high-risk positions, sets out provisions on how to deal with violations of integrity rules, regulates employees’ integrity practices, and guides employees to act according to the law and consciously resist unfair competition, with a view to promoting the healthy and sustainable development of the Company. The Group requires all employees to sign the Employee Integrity Commitment, thus enhancing their awareness of integrity. Directors also actively take part in integrity training and consciously abide by integrity requirements. The Group will also provide anti-corruption training to its directors and staff from time to time.

In 2021, the Company carried out clean governance measures under the theme of “Promoting Honesty and Advocating Integrity” to guide employees to practice integrity and self-discipline and consciously observe the principles of “no nepotism, no bribery, no substandard products as quality ones, no jerry-building, no deception no commercial fraud and keeping promises”, and improved directors’ and employees’ understanding and awareness of “Promoting Honesty and Advocating Integrity” through posters and training activities.

Integrity Report

In 2021, the Group released the second issue of publicity materials; and organised 5 training sessions on promotion of integrity, which basically covered nearly all directors and staff of the Group. In addition, the Group has extended the management of social responsibility such as anti-corruption to the supply chain, and requires all suppliers to sign the Letter of Integrity Commitment for Related Parties, which covers prohibition of bribery, anti-corruption, and prevention of unfair business practices. Starting from 2021, the Group will review the social responsibility performance (including anti-corruption) when introducing new suppliers or conducting the annual supplier review of major suppliers.

During the Review Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.



Integrity training

7.2 WHISTLE-BLOWING POLICY

The Group is committed to upholding high standards of integrity, transparency and accountability, and believes that an effective whistle-blowing system can help detect and deter improprieties within the Group. To ensure the fulfillment of its commitments, the Company has specified the whistle-blowing process in the Employee Relations Management Process, and formulated the Whistle-Blowing Policy to encourage employees and third parties to report misconducts in relation to the Group. Methods for filing complaints are set out in the Whistle-Blowing Policy and Employee Relations Management Process issued by the Company. Whistleblowers can report misconducts to the head of the Audit Department or the chairperson of the Audit Committee via email. The Company will handle relevant reports in accordance with the Employee Relations Management Process and Whistle-Blowing Policy, and will review and update its Whistle-Blowing Policy from time to time.

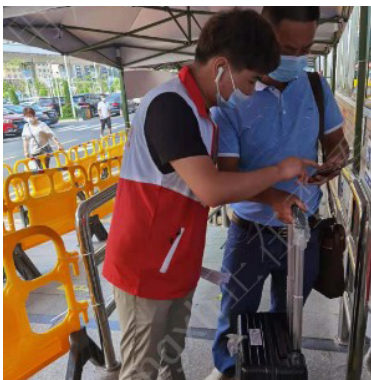


08

Social Welfare Events

The Group has always attached great importance to the value-adding of the community where the Company is located, striving to contribute to the development of the community and regarding community service as an important part of its sustainable development. In 2021, the Group improved the Regulations on the Management of Public Welfare Activities, designating the Human Resources Administration Department of the Group to be responsible for organizing and carrying out community activities in different areas such as labour needs, health, care for the elderly, sports and disaster relief to fulfill corporate responsibilities. Through community engagement, we understand the needs of the communities where we operate to ensure that the Group's business activities are in line with the interests of the communities.

During the Review Period, the Group organised and encouraged employees to participate in a number of volunteer activities including community-based mental health promotion, caring for the elderly, the fight against COVID-19, etc. The volunteer teams carried out various volunteering activities, including assisting the medical staff of local hospitals in carrying out nucleic acid testing, participating in the construction of youth psychological counseling centres, and delivering meals to the elderly in the community. During the Review Period, the Group contributed 78 hours of volunteer services in total for the aforementioned contribution areas. The conscientiousness and good service attitude of our volunteers were highly praised.



Volunteer services for epidemic prevention of CITIC Huizhou Hospital



Volunteer services for the elderly organised by Yuhuzhai Charity Mutual Aid Association

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

9.1 MANDATORY DISCLOSURE REQUIREMENTS

Description	Disclosure section
<p>Governance Structure</p> <p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board’s oversight of ESG issues; (ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses. 	2.1 Statement of the Board
<p>Reporting Principles</p> <p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	2.3 Basis of Preparation
<p>Reporting Boundary</p> <p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	2.2 Reporting Scope





9.2 “COMPLY OR EXPLAIN” PROVISIONS

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS

		Disclosure section
A. Environmental		
Aspect A1: Emissions	General Disclosure	
	Information on:	5.2 Emissions Reduction
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
	<i>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</i>	
	<i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i>	
	<i>Hazardous wastes are those defined by national regulations.</i>	
KPI A1.1	The types of emissions and respective emissions data.	5.2 Emissions Reduction
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Emissions Reduction
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Emissions Reduction
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Emissions Reduction
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	5.2 Emissions Reduction
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.	5.2 Emissions Reduction

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Disclosure section

Aspect A2: Use of Resources

General Disclosure

Policies on the efficient use of resources, including energy, water and other raw materials. 5.1 Energy and Resources Conservation

Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.

KPI A2.1 Direct and/or indirect energy consumption by type (e.g. Electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). 5 Environmental Report 5.1 Energy and Resources Conservation

KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). 5 Environmental Report 5.1 Energy and Resources Conservation

KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them. 5.1 Energy and Resources Conservation

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. 5.1 Energy and Resources Conservation

KPI A2.5 Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced. 5 Environmental Report 5.1 Energy and Resources Conservation

Aspect A3: The Environment and Natural Resources

General Disclosure

Policies on minimising the issuer's significant impact on the environment and natural resources. 5.2 Emissions Reduction

KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. 5.2 Emissions Reduction

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. 5.3 Impact of 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. 5.3 Impact of Climate Change



Disclosure section

B. Social

Employment and Labour Practices

Aspect B1: Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	6.2 Employment
	<p>KPI B1.1 Total workforce by gender, employment type, age group and geographical region.</p>	6 Employee Report
	<p>KPI B1.2 Employee turnover rate by gender, age group and geographical region.</p>	6 Employee Report
Aspect B2: Health and safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	6.1 Health and Safety
	<p>KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p>	6.1 Health and Safety
	<p>KPI B2.2 Lost days due to work injury.</p>	6.1 Health and Safety
	<p>KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.</p>	6.1 Health and Safety

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Disclosure section

Aspect B3: Development and training

General Disclosure

Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. 6.3 Development and Training

Note: Training refers to vocational training. It may include internal and external courses paid by the employer.

KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). 6.3 Development and Training

KPI B3.2 The average training hours completed per employee by gender and employee category. 6.3 Development and Training

Aspect B4: Labour Standards

General Disclosure

Information on: 6.2 Employment

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to preventing child and forced labour.

KPI B4.1 Description of measures to review employment practices to avoid child and forced labour. 6.2 Employment

KPI B4.2 Description of steps taken to eliminate such practices when discovered. 6.2 Employment

Operating Practices

Aspect B5: Supply Chain Management

General Disclosure

Policies on managing environmental and social risks of the supply chain. 4.4 Managing Environmental and Social Risks in the Supply Chain

KPI B5.1 Number of suppliers by geographical region. 4.3 Supply Chain Management

KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. 4.3 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. 4.4 Managing Environmental and Social Risks in the Supply Chain



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		Disclosure section	
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.4 Managing Environmental and Social Risks in the Supply Chain
Aspect B6: Product Responsibility	General Disclosure		
	Information on:		4.2 Quality Control
	(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.	
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.2 Quality Control
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	4.1 Market and Customers
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.3 Technology Innovation
	KPI B6.4	Description of quality assurance process and recall procedures.	4.2 Quality Control
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.2 Quality Control
Aspect B7: Anti-corruption	General Disclosure		
	Information on:		7.1 Integrity Policy
	(a)	the policies; and	
	(b)	compliance with relevant laws and regulations that have a significant impact on the issuer	
		relating to bribery, extortion, fraud and money laundering.	
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	7.1 Integrity Policy

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Disclosure section

KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	7.1 Integrity Policy 7.2 Whistle-Blowing Policy
KPI B7.3	Description of anti-corruption training provided to directors and staff.	7.1 Integrity Policy

Community

Aspect B8:
Community
Investment

General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8 Social Welfare Events
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8 Social Welfare Events
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	8 Social Welfare Events

