

# China International Development Corporation Limited 中聯發展控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0264

## 2022

ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

China International Development Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present its Environmental, Social and Governance Report (the “**ESG Report**” or the “**Report**”) for the year ended 31 December 2022 to show the Group’s progress and development direction regarding on operation, and the performance of the Group in terms of environmental, social and governance (“**ESG**”) issues to our stakeholders.

The Group understands the importance of the ESG report and is committed to making continuous improvements in corporate social responsibility during our course of business in order to better respond to the changing needs of the advancing society. The Report has been confirmed and approved by the board of directors (the “**Board**”) of the Company. The Report shall be published in both Chinese and English on the websites of the Stock Exchange and the Company. In the event of any conflict or inconsistency between the Chinese and the English versions, the Chinese version shall prevail.

For information on our corporate governance, please refer to the “Corporate Governance Report” on pages 12 to 31 of the 2022 annual report which was published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.irasia.com/listco/hk/cidc/index.htm](http://www.irasia.com/listco/hk/cidc/index.htm) on 27 April 2023.

## REPORTING PERIOD

All information provided in the Report covers the period from 1 January 2022 to 31 December 2022 (“**Reporting Period**”), which is in line with the financial year covered by the Group’s 2022 annual report.

## REPORTING BOUNDARIES

The principal activities of the Group consisted of (i) manufacturing and distribution of leather products; (ii) retail of fashion apparel, footwear and leather accessories; and (iii) the industrial hemp planting and production of hemp fabric products (the “**Industrial Hemp Planting Business**”). However, the Industrial Hemp Planting Business did not include in the Report as it has not built its scale during the years and was considered immaterial by the management of the Group. The reporting boundaries of the Report covers the environmental and social performance of the core business of the Group in Hong Kong and in the PRC, including (i) manufacturing and distribution of leather products; and (ii) retail of fashion apparel, footwear and leather accessories. Unless otherwise specified, the scope of the ESG Report is consistent with that of our ESG report published last year. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the Report.

## REPORTING GUIDELINES

The Report is prepared in accordance with the disclosure obligations under the “Environmental, Social and Governance Reporting Guide” (“**ESG Reporting Guide**”) as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The purpose is to allow all stakeholders to learn more about the Group’s progress and development direction in respect of operation and sustainable development.

A complete index is appended in the last chapter hereof for reading the Report in accordance with the ESG Reporting Guide.

## REPORTING PRINCIPLES

The content of the ESG Report follows the reporting principles of the ESG Reporting Guide.



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**Materiality:** Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section “Stakeholder Engagement and Materiality” in the ESG Report.

**Quantitative:** Environmental and social measurable key performance indicators (“KPIs”) of the ESG Report are organised and disclosed in a quantitative manner to ensure that stakeholders can have a deep understanding of the Group’s ESG performance.

**Balance:** The ESG Report disclosed information in an objective and impartial manner, providing stakeholders with an unbiased picture of the Group’s overall ESG performance.

**Consistency:** Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years. The Group believes that the consistency and coherence of reporting structure would be beneficial for meaningful comparison.

### ESG GOVERNANCE STRUCTURE

The Group has developed a core governance framework to ensure the alignment of ESG governance with the Group’s strategic growth, while advocating ESG integration into its business operations. The Board holds overall responsibility for the Group’s ESG strategy and reporting. The Board actively participates in the oversight of ESG issues by evaluating and determining the Group’s ESG-related risks, ensuring that appropriate and effective ESG risk management and internal control systems are in place and reviewing and approving its annual ESG report. The Board discusses the Group’s ESG issues at least once per annum.

The audit committee (the “**Audit Committee**”) of the Board assists the Board with fulfilling its responsibility of overseeing the Group’s ESG issues and ensuring the effectiveness of the Group’s risk management and internal control system. The Audit Committee reviews the Group’s internal control and risk management systems, which include, amongst others, material risks relating to ESG. The Audit Committee monitors the Group’s ESG performance regularly, which includes the adequacy of resources, staff qualifications and experience, relevant training programmes as well as other related important matters.

The Group integrates the ESG governance into various business segments and its daily management system, monitors the potential environmental and social impacts of our business development and daily operations in a timely manner. In order to better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually.

The Group will continue to improve its sustainability-related management, the Board constantly enhances the supervision over and participation of the Company’s ESG governance, set ESG-related targets and conduct regular reviews on the progress of achieving the targets.

### EXPLANATIONS ON DATA

The information disclosed within the Report is sourced from the Group’s documents and statistics. The Board of the Group is responsible for the reliability, accuracy, objectiveness and completeness of the information. Financial data in the Report are extracted from the 2022 annual report. Hong Kong dollars is used in the Report as its functional currency. The intensity disclosed for the Reporting Period was calculated by dividing the amount of the emission/waste/resources consumption by the Group’s revenue of approximately HK\$56.04 million for the year ended 31 December 2022.





## OPINIONS AND FEEDBACK FROM STAKEHOLDERS

The Group attaches great importance to valuable opinions from all stakeholders. If you are in any doubt or have any opinion or recommendation about the content or form of reporting of the Report, you are welcome to contact the Group by the following means:

Address: Level 26, 39 Queen’s Road Central, Central, Hong Kong  
 Telephone: (852) 2329 3678  
 Fax: (852) 2359 3323  
 Email: project264@hkmorton.com

## STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an important factor in formulating the Group’s environmental and social strategy, defining our objectives, assessing materiality, and establishing policies. It also helps the Group to examine potential ESG risks and opportunities. The Group has identified key stakeholders and established various channels for communication. Through various communication channels, we collect stakeholders’ opinions to understand their expectations for the Company’s ESG development and ESG issues they concern, then formulate a targeted measures to respond to stakeholders, as below:

Key stakeholders	Key issues of concern	Major communication channel	Communication and feedback
Shareholders and Investors	<ul style="list-style-type: none"> <li>• Profitability</li> <li>• Return on investment</li> <li>• Information disclosure transparency</li> <li>• Interest protection</li> <li>• Risk management</li> <li>• ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual general meeting and other shareholder meetings</li> <li>• Corporate announcements and circulars</li> <li>• Investor relations columns on Company website</li> <li>• Communication with investors by phone/mail</li> </ul>	<ul style="list-style-type: none"> <li>• Improving profitability</li> <li>• Convening general meetings</li> <li>• Regular information disclosures</li> <li>• Optimising risk management and internal control</li> <li>• Monitoring use of resources</li> </ul>
Government and regulatory bodies	<ul style="list-style-type: none"> <li>• Operation in compliance with laws and regulation</li> <li>• Environmental management</li> <li>• Supporting local development and employment</li> </ul>	<ul style="list-style-type: none"> <li>• On-site inspections and checks</li> <li>• Government meetings</li> <li>• Assessments</li> <li>• Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Compliance of environmental policies</li> <li>• Actively assume social responsibilities</li> </ul>



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Key stakeholders	Key issues of concern	Major communication channel	Communication and feedback
Employees	<ul style="list-style-type: none"> <li>Employee compensation and benefits</li> <li>Occupational health and safety</li> <li>Career development platform</li> </ul>	<ul style="list-style-type: none"> <li>Company and departmental meetings</li> <li>Training, seminars and briefing sessions</li> <li>Internal emails</li> <li>Annual performance appraisal</li> </ul>	<ul style="list-style-type: none"> <li>Competitive salary and employee benefits</li> <li>Providing trainings for employees and strengthen their safety awareness</li> <li>Transparent promotion mechanism</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Product quality and service quality</li> <li>Customer information security</li> <li>Customer rights and interests protection</li> </ul>	<ul style="list-style-type: none"> <li>Email and customer service hotline</li> <li>Feedback forms</li> <li>Customers meetings</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring the customers' satisfaction level</li> <li>Customer privacy protection</li> <li>Complaint handling mechanism</li> </ul>
Suppliers and partners	<ul style="list-style-type: none"> <li>Integrity cooperation</li> <li>Experiences sharing</li> <li>Co-growth</li> </ul>	<ul style="list-style-type: none"> <li>Business meetings, supplier conferences</li> <li>Site visits</li> <li>Strategic cooperation</li> <li>Exchanges and interactions</li> </ul>	<ul style="list-style-type: none"> <li>Building a stable supplier chain</li> <li>Promoting daily communication</li> <li>Carrying out cooperation</li> </ul>
Public and communities	<ul style="list-style-type: none"> <li>Community involvement</li> <li>Social responsibilities</li> <li>Employment promotion</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Charitable activities</li> <li>Corporate recruitment seminars</li> <li>Company website</li> </ul>	<ul style="list-style-type: none"> <li>Using environmental protections and energy saving equipment</li> <li>Providing employment opportunities</li> <li>Community investment</li> </ul>

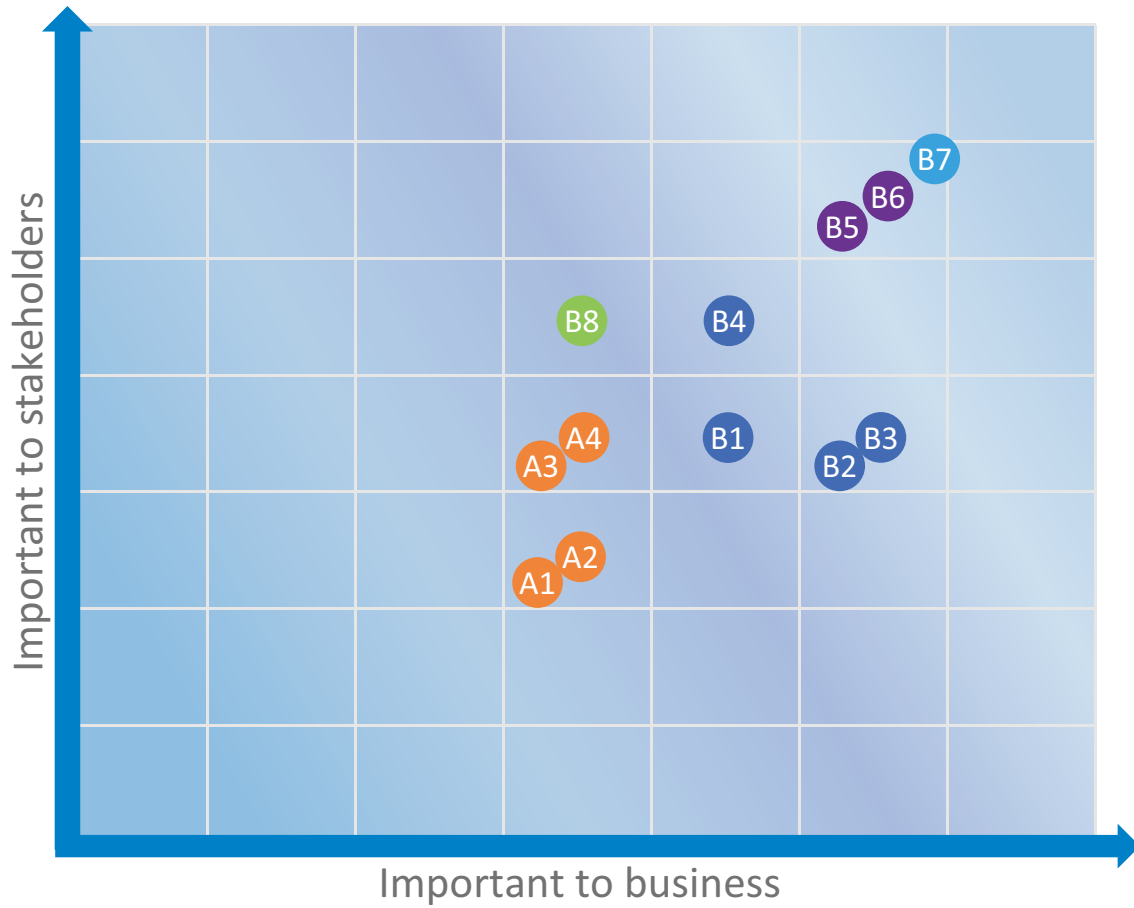
### MATERIALITY ASSESSMENT

During the Reporting Period, the Group conducted a comprehensive materiality assessment in accordance with the expectation and feedback from the key stakeholders to identify material issues and reflect the environmental, social and operational issues which have the most significant impacts on the Company's business and the relevant issues which are of concern to the stakeholders.



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The Materiality matrix after external and internal assessment is summarised as follows:



Area	Item	Topic
Environmental	A1	Emissions
	A2	Use of Resources
	A3	The Environment and Natural Resources
	A4	Climate Change
Labour	B1	Employment
	B2	Health and Safety
	B3	Development and Training
	B4	Labour Standards
Operating Practices	B5	Supply Chain Management
	B6	Product Responsibility
Governance	B7	Anti-corruption
Community	B8	Community Investment

### A. ENVIRONMENTAL

We become increasingly connected with our environment, the Group recognises our desire for clean environment and our responsibility as a corporate citizen, to demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environmental protection, we are constantly striving to innovate, to minimising its environmental impact from daily operation, developing a long-term mechanism and relevant policies of environmental protection and energy saving to build a resource-saving and environment-friendly enterprise.

During the Reporting Period, there was no incident of non-compliance with relevant environmental laws and regulations relating to air and greenhouse gas, emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group. The Group also confirmed that during the Reporting Period, our business operation had not encountered any punishment by respective governmental authorities due to violation of the above laws and regulations.

Apart from complying with the national laws and regulations, the Group has formulated internal environmental management guidelines and implemented carbon reduction measures to reduce energy and resource consumption such as electricity, fuel and water in its business operation. Firstly, in terms of reducing air and greenhouse gas emissions, noise pollution, and generation of hazardous and non-hazardous waste, the Group has implemented some practices and measures in order to minimize pollution derived from its daily business operation. The Chinese government has initiated a strategic plan to achieve peak emissions in 2030 and a target of carbon neutrality in 2060. The Group, as a socially responsible corporation, has hence been vigorously promoting a culture of environmental protection, and will ultimately plan to achieve ESG targets which are largely aligned with this overall national strategy, but this is subject to whether finding suitable practical solutions to adequately mitigate pollution and emissions, while at the same time, these solutions have to be economical in order to enable the Group to operate its viable businesses. Hence the Board together with the have taken a prudent stance towards setting any specific targets for emissions, waste generation and energy conservation, and are still at the first stage of reviewing the ESG risk and opportunities of the overall business, to ensure that the Group can build the necessary infrastructure so that if any targets are set in the future, these are appropriately endorsed, put into action, then measured and evaluated to ensure they are met. If any of these targets are set the Group will provide further information in due course.

#### A1: EMISSIONS

##### *Exhaust Emission*

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Air Pollution Control Ordinance (《空氣污染管制條例》), Waste Disposal Ordinance (《廢物處置條例》), the Law of the People's Republic of China on Environmental Noise Pollution Prevention (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Decision of the State Council on Several Issues Concerning Environmental Protection (《國務院關於環境保護若干問題的決定》) and other applicable environmental laws and regulations, as the Group contains the intensity and total volume of its exhaust gas and greenhouse gas emissions from daily operations within the maximum limit allowed by the state.



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The exhaust emission of the Group mainly includes nitrogen oxides (“**NO<sub>x</sub>**”), sulphur oxides (“**SO<sub>x</sub>**”) and particulate matter (“**PM**”), which have adverse effects on climate, ecosystems, air quality, habitats, agriculture, and human and animal health. The exhaust emission of the Group derives from the fuels used by vehicles. During the Reporting Period, the Group consumed an aggregate of approximately 6,630 litres of petrol for vehicles with the driving mileage of approximately 56,901 kilometres in total. Comparing with the result in 2021, the increase was mainly due to shipment required local vehicle transportation increased in 2022. Relevant departments have been taking measures to maintain vehicles in good conditions in order to minimise air emission.

To reduce unnecessary exhaust emissions, we encourage employees to take public transport as much as possible when visiting customers and only use Group’s vehicles in special cases. Meanwhile, the Group encourages employees to take electric public transport whenever possible for external meetings or activities and reduce the use of private cars. For nearby activities, the Group encourages employees to walk instead of riding a vehicle.

The Group also strictly complies with relevant national laws and regulations, the Group has adopted water spray, ultraviolet photolysis and activated carbon absorption equipment to effectively absorb and collect benzene and other exhaust gas produced by organic solvents. Consequently, the amount of benzene, methylbenzene and dimethyl benzene and total Volatile Organic Compounds volume emitted by the Group during the Reporting Period was within the air pollutant limits allowed by the government of Guangdong Province.

During the Reporting Period, exhaust emissions were as follows:

KPI A1.1: Exhaust Emission	
Type of Exhaust	Amount of Emissions (kg)
NO <sub>x</sub>	50.36
SO <sub>x</sub>	0.10
PM	4.83

### **Greenhouse Gas (“GHG”) Emissions**

During the Reporting Period, the GHG Emission mainly discharged from its self-owned vehicles and indirect energy consumed by the Group for its daily operations, including electricity, natural gas and other indirect energy. We encourage our staff choosing transport that produce less carbon emissions and encourage the employees to conduct conference calls or video conferences instead of face-to-face meetings, as well as developing energy saving policies (as mentioned in the section “Use of Resources”) to reduce the GHG emission by reducing energy consumption in the business operation. Further, drivers are encouraged and required to maintain good driving habits, so as to reduce fuel loss, thereby lowering air emissions. Drivers are also required to ensure all vehicles are in good conditions in order to improve energy efficiency and reduce fuel consumption.

The Report focuses on emissions of equivalent GHG emission and includes Scope 1, which are direct emissions from the stationary and mobile combustion owned by the Group; Scope 2, which is indirect emission generated by consumption of purchased electricity by the Group and Scope 3, which is indirect emission from air business trips by employees of the Group.





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During the Reporting Period, GHG emissions were as follows:

KPI A1.2: GHG Emission		
Type of Emission	Amount (Tonnes of carbon dioxide equivalent)	Intensity (Tonnes/Revenue of HK\$ million)
Scope 1 – direct emissions	35.30	0.63
Scope 2 – energy indirect emissions	254.20	4.54
Total	289.50	5.17

### Waste Management

Emissions from the Group's operation of manufacture of leather products mainly include waste paint residue, waste wipes and gloves, waste can and other industrial waste. The Group strictly follows relevant environmental laws and regulations and submits relevant information to the Solid Waste Management Information Platform (《廣東省固體廢物管理信息平台》) pursuant to statutory requirements.

Industrial wastes produced from the Group's manufacturing processes were disposed of by professional institutions which hold the Permit for Operation of Dangerous Wastes (《危險廢物經營許可證》) issued by the local environmental authorities and the relevant qualifications. These institutions have the required qualifications to collect, store, handle and dispose of wastes. Their vehicles for transferring industrial waste, and the weight and packaging of industrial waste are also under stringent control.

The Group emphasises the effective use of water and has adopted several prevention measures: oily sewage produced by the kitchen of the Group is treated through the sedimentation basin with grease and residue trap. Fecal wastewater is treated by three graded septic tanks. Paint residue at water curtain booth is cleaned and undergoes sedimentation regularly. The Group strictly complies with national requirements on discharge of industrial wastewater as it centralises its industrial painting wastewater generated from production process to professional institution for treatment, and declare its sewage discharge. The third-party institution responsible for the treatment of the Group's industrial wastewater holds the Permit for Pollutant Discharge issued by the Ministry of Environmental Protection, and keeps detailed record of transport weight, routes and dates of each treatment of industrial wastewater, in order to prevent secondary pollution during the transferring and treatment of industrial wastewater.



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During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection, the wastes generated by the Group are as follows:

<b>KPI A1.3 and A1.4: Wastes</b>		
<b>Type of Wastes Generation</b>	<b>Amount (Tonnes)</b>	<b>Intensity (Tonnes/Revenue of HK\$ million)</b>
Hazardous waste	0.14	0.002
Non-hazardous waste	23.00	0.410

The below tables are summarised the Group's exhaust emissions, GHG emissions and wastes during the Reporting Period and corresponding period last year.

<b>Environment Indicators</b>	<b>Unit</b>	<b>2022</b>	<b>2021</b>
<b>Exhaust Emission</b>			
NO <sub>x</sub>	Kg	<b>50.36</b>	38.78
SO <sub>x</sub>	Kg	<b>0.10</b>	0.08
PM	Kg	<b>4.83</b>	3.72
<b>GHG Emission</b>			
Scope 1 – direct emissions	Tonnes of carbon dioxide equivalent	<b>35.30</b>	28.97
Scope 2 – energy indirect emissions	Tonnes of carbon dioxide equivalent	<b>254.20</b>	386.17
Total GHG emission	Tonnes of carbon dioxide equivalent	<b>289.50</b>	415.14
Intensity	Tonnes of carbon dioxide equivalent/Revenue of HK\$ million	<b>5.17</b>	8.44
<b>Wastes</b>			
Hazardous waste	Tonnes	<b>0.14</b>	0.15
Hazardous waste Intensity	Tonnes/Revenue of HK\$ million	<b>0.002</b>	0.003
Non-hazardous waste	Tonnes	<b>23.00</b>	22.00
Non-hazardous waste Intensity	Tonnes/Revenue of HK\$ million	<b>0.410</b>	0.447

## A2: USE OF RESOURCES

The Group places high priority on the efficient use of resources. During the Reporting Period, the primary resources consumed by the Group were electricity, water, paper and packaging materials. To effectively manage its resources consumption, the Group keeps improving its performance in resource use efficiency by setting up and monitoring appropriate KPIs in regulating the procurement practices and consumption of resources and implementing effective recycling program. During the Reporting Period, the Group has complied with relevant laws and regulations in relation to the use of energy.

### *Electricity*

The Group acknowledges the importance of electricity and energy saving and the fact that reducing electricity consumption will indirectly reduce GHG emissions. Therefore, the Group encourages various energy saving measures, including:

- switching off lights, computers, fans and other electronic appliances when they are not in use;
- set idle automatically mode for computers;
- replacing lighting tools of low energy-efficiency with LED and energy-saving lights;
- posting electricity saving slogan on the working areas;
- maintain indoor temperature at an energy-efficient level 24–26 degree Celsius.

Energy consumption by the Group during the Reporting Period is set out below:

KPI A2.1: Energy Consumption		
Type of energy	Energy consumed (kWh)	Intensity (kWh/Revenue of HK\$ million)
Electricity purchased	447,975	7,993.84



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### Water

Water is essential to our business and we have approached water management accordingly. Across our system, we are reducing the amount of water we use during the production processes. We post water saving tips in the restroom and pantry to remind staff of their water use behaviours. During the Reporting Period, the Group did not encounter any problems in sourcing water that is fit for purpose.

During the Reporting Period, the water consumption of the Group is as follows:

KPI A2.2: Water Consumption		
	Water consumed (m <sup>3</sup> )	Intensity (m <sup>3</sup> /Revenue of HK\$ million)
Water	14,610	260.71

### Paper and packaging material

Reduction in paper use indirectly reduces the overall GHG emission. The Group has been taking the following steps to reduce paper consumption:

- advocate the use of email to reduce the use of paper;
- use multiple office software for online work to reduce the paper usage and delivery;
- reduce the use of paper by printing or photocopying on both sides of paper, where applicable;
- encourage the employee to use suitable font size/shrinkage mode to minimise pages, if possible. Besides, electronic media is recommended for circulation/communication, to minimise using paper.

The Group is very aware and concerned about the potential adverse environmental impacts brought by the packaging materials consumed. Therefore, the Group spares an effort to reuse and recycle the packaging materials by themselves as much as possible in order to minimize the potential environmental impacts brought by the disposal of packaging materials. The main packaging material used were paper boxes and plastic tapes. During the Reporting Period, the Group consumed approximately 1,464 square inches paper boxes and approximately 66 tonnes plastic tapes. The Group will keep recording its resource consumption for reviewing effectiveness of its conservation measures in the future and formulating more specific improvement measures and objectives.



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The below tables are summarised the Group's use of resources during the Reporting Period and corresponding period last year.

Environment Indicators	Unit	2022	2021
<b>Energy Consumption</b>			
Electricity	kWh	<b>447,975</b>	669,976
Intensity	kWh/Revenue of HK\$ million	<b>7,993.84</b>	13,619.61
<b>Water Consumption</b>			
Water	m <sup>3</sup>	<b>14,610</b>	27,617
Intensity	m <sup>3</sup> /Revenue of HK\$ million	<b>260.71</b>	561.41
<b>Paper and packaging material</b>			
Paper boxes	square inches	<b>1,464</b>	1,250
Plastic tapes	tonnes	<b>66.00</b>	64.47

### A3: THE ENVIRONMENT AND NATURAL RESOURCES

Recognising that environmental protection is an important obligation of global enterprises, the Group complies with all applicable environmental laws and regulations and make great efforts to reduce consumption of resources and energy. The Group regularly assesses its environmental risks incurred from operations, review its environmental practices and adopt necessary preventive or improvement measures. The Group communicates with its suppliers and business partners to better understand their environmental policies and procures and purchase more environmental equipment. Meanwhile, the Group equips its employees who play a key role in daily business actions with internal programmes to advance their environmental awareness and encourage them to make continuous changes. Leveraging on the policies mentioned in the sections headed "Emissions" and "Use of Resources" above, the Group will continue to implement environment-friendly practices in the Group's operation in order to enhance environmental sustainability.



## A4: CLIMATE CHANGE

Climate change has been a worldwide growing issue in recent years. The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore, the Group is committed to managing the potential climate-related risks which may impact the Group's business activities., including physical risks and transition risks.

### *Physical Risks*

Physical risks are risks related to physical impacts of climate change which can be driven by events such as floods and typhoons (acute risks) or longer-term shifts in climate patterns such as sustained high temperatures and sea level rise (chronic risks). The increased frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt the Group's operations by damaging the power grid, and communication infrastructures, hindering and injuring its employees during their work, which could result in temporary, permanent, partial or complete shut-down of the Group's business operations, exposing the Group to risks associated with non-performance and delayed performance. In response, the Group evaluates the possible extreme weather events that may suspend the business operations, and formulates crisis response plans to reduce negative impacts brought to the Group by such extreme weather events. Such measures would minimise the potential impact of extreme weather events on the Group's business.

### *Transition Risks*

Transition risks are risks related to the transition to a lower-carbon economy, which may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. The Group anticipates that the relevant standards for disclosing information relating to climate change would rise. For instance, the Stock Exchange has recently updated its ESG Reporting Guidance to include disclosures of an issuer's major climate-related effect. More exposure to claims and legal action may result from stricter environmental laws and regulations for the Group. Failure to comply with the climate change compliance obligations could also harm the Group's reputation. Hence, the costs of compliance and corresponding capital investments for the Group rise. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the top management where necessary to avoid cost increments, noncompliance fines and/or reputational risks due to delayed response.



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In support of the national carbon goal "30.60 carbon targets" and in response to the gradually increasing demand from investors and the wider society, during the Reporting Period, the Group made a holistic view of different climate scenarios and transition pathways and identified several climate risks related to its business that may cause significant impact. For physical risks, the Group has developed a contingency plan for extreme weather. In case of extreme weather conditions, special working arrangements in accordance with the contingency plan were followed to protect our employees. As for the transition risk, the Group continues regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks which may have impact on the Group's business operation and implement relevant measures to minimise the potential impact of climate change.

The Group will continuously incorporate sustainable practices in its business operations and modify the response plan when necessary. During the Reporting Period, there was no climate-related risk, including physical risks and transitional risks that had a significant impact to the Group.

### **B. SOCIAL**

#### **B1: EMPLOYMENT**

We believe that the employees are the most important and valuable assets of the Group. We put great emphasis on the protection of the legitimate rights and interests of all employees. During the Reporting Period, the Group strictly complied with labour legislations and related regulations in the PRC and Hong Kong. The Group was not involved in any confirmed violation relating to employment that have a significant impact on the Group.

We are committed to be an ideal employer of choice and providing a healthy working environment where our employees can thrive. We have established an effective system of employment policies, including equal recruitment policy, equal promotion policy, work-life balance policy, compensation policy, remuneration and allowance policy, dismissal and retirement policy, anti-discrimination policy, diversity policy, employee welfare and benefit policy. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.



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As at 31 December 2022, the Group had a total of 142 employees (2021: 157), with the employee structure as follows:

	2022	2021
<b>By Gender</b>		
Male	74	85
Female	68	72
<b>Total</b>	<b>142</b>	<b>157</b>
<b>By employment type</b>		
Full-time	140	157
Part-time	2	0
<b>Total</b>	<b>142</b>	<b>157</b>
<b>By Age Group</b>		
18–25 years old	2	4
25–30 years old	3	5
30–40 years old	25	22
40–50 years old	78	84
Over 50 years old	34	42
<b>Total</b>	<b>142</b>	<b>157</b>
<b>By Geographical Region</b>		
Hong Kong	21	28
Mainland China	121	129
<b>Total</b>	<b>142</b>	<b>157</b>



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During the Reporting Period, the Group's annually employee turnover rate (calculated by dividing the number of departed employees by the average number of employees in the specified category) is as follows:

	2022	2021
<b>By Gender</b>		
Male	13.51%	7.06%
Female	29.41%	12.50%
<b>By Age Group</b>		
18–25 years old	100.00%	50.00%
25–30 years old	66.67%	–
30–40 years old	16.00%	18.18%
40–50 years old	17.95%	8.33%
Over 50 years old	–	4.76%
<b>By Geographical Region</b>		
Hong Kong	42.86%	46.43%
Mainland China	17.36%	1.55%

### **Talent Acquisition and Retention**

Our staff is the cornerstone of our corporate operation and development, therefore, we have a fair and equitable talent selection system, which undergoes optimisation from time to time for talent recruitment. We have formulated annual recruitment plans and generally recruit our employees through campus recruiting and placing advertisements in the open market with reference to factors such as experience, qualifications and expertise required for our business operations. In general, our Group determines employee's remuneration based on each employee's qualifications, position and seniority and remuneration policies established by us. Our Group has designed an appraisal system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions. We believe that the above arrangement can maintain good relationship with our employee.

### **Remuneration and Benefits**

We offer reasonable and competitive salary and benefits to staff. Employees are awarded a salary adjustment and promotion based on their job performance as well as progress achievement and the results of performance appraisal. We make timely contribution to social insurances (i.e., pension, medical insurance, unemployment insurance, maternity insurance, and occupational injury insurance) and the housing fund (五險一金), mandatory provident fund and employees' compensation insurance in strict accordance with the Social Security Law of the People's Republic of China and the Labour Law of the People's Republic of China, Mandatory Provident Fund Schemes Ordinance of Hong Kong and Employees' Compensation Ordinance of Hong Kong.

### ***Equal Opportunities and Diversity***

The Group is committed to providing a fair and equitable workplace where all individuals are treated equally in every aspect of their work or employment. Candidates and employees have equal opportunities to employment, remuneration and promotion. We will not conduct or tolerate discrimination or harassment against individuals on the basis of age, gender, race, marital status, religion healthy status or any legally protected ground or on any other ground which we consider inappropriate and unacceptable.

We also place high value on female employees' career development by ensuring that they have the same promotion opportunities as male staff. We also comply with the requirements of the Law on the Protection of Women's Rights and Interests of the People's Republic of China, which stipulates that female employees are entitled to basic salary and their employment contracts will not be released or terminated, without cause, during their pregnancy, maternity leave or breastfeeding period.

### ***Dismissal Policy***

With regards to the policies relating to dismissal of employees, if an employee has committed serious misconduct and fails to improve despite repeated warnings, his/her supervisor and the senior management of the Company will have a thorough internal discussion and allow the employee to answer and explain before the dismissal is announced. The reasons for the dismissal will be conveyed to the employee clearly. The dismissal procedure must be in accordance to applicable laws and regulations as well.

### ***Staff Communication***

We appreciate the significance of communication with and care for our employees. We believe that maintaining a close relationship with our staff allows us to better understand their needs. Besides employee orientation with introduction of corporate system, culture and other information, we are willing to listen to our employees about their daily work condition, working environment and personal career development, with a view to properly adjusting our internal resources and policies. The Group also regularly organises staff activities to facilitate interaction among them and enhance their sense of belonging.

### ***Working Hours and Rest Periods***

The Group has formulated its policy based on local employment laws including the Provisions of the State Council on Employees' Working Hours (《國務院關於職工工作時間的規定》) to determine working hours and rest periods for employees. Specially, the Group has installed the attendance management system that could keep monitoring its employee's working hours and compensate those who work overtime with extra pay or additional days off. In addition to basic paid annual leave and statutory holidays, the employees are also entitled to leave benefits such as marriage leave, maternity leave and compassionate leave etc.

## **B2: HEALTH AND SAFETY**

The Group is committed to ensuring a sound and safe working environment for our employees to prevent injury and illness, in compliance with all relevant legislation. People are crucial to the sustainable development of our Group. We manage the safety of the office in accordance with relevant occupational health and safety laws and regulations. We strive for the highest standards of safety and health performance by taking into consideration of all possible precautionary measures to achieve a zero-incident working environment.





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The Group strictly implements various labour protection, safe production and fire prevention rules, and regularly coordinates safety check for factory, including:

- carrying out daily patrol of production facility to ensure that employees wear protective gear properly, and keeping record for review;
- organising regular training on usage of protective gear to raise employees' awareness;
- establishing safety organisational structure for clear division of labour and minimising impact caused by accidents;
- halting production when emergency and unsafe situation takes place;
- producing statistics for serious factory incidents and making preventive measures based on the monthly statistics; handling fire, chemical leakage, serious safety and health incidents at factory in accordance with Emergency Preparation Contingency Procedure, and calling for meeting for review;
- performing regular check on machineries;
- organising safety production contest to encourage employees to make reasonable suggestion and share experience from different departments;
- organising regular fire drill, providing emergency and first-aid skill training; checking fire hydrant regularly and repairing, maintaining and replacing old and obsolete equipment; and
- solidifying theoretical knowledge base of medics and employees of specialty work procedures on a monthly basis.

The employees responsible for specialty work, such as electricians, instrument calibration staff, etc., are required to obtain certification recognised by the national government in order to perform job duties. The Group's employees are required to:

- carry out regular maintenance and repair on machineries to ensure safety;
- switch off power when repairing electric appliances and hoisting safety signs of power outage and repair whilst assigning staff to secure the area and prevent others from electric shock; and
- ensure that electronic appliances and wire are in compliance with national safety requirement and have good insulation.

In addition, the Group stresses the importance of hygiene of work environment and promotes safety and hygiene awareness among employees. Garbage is not allowed to be left at factory overnight and the Group hires professional firms for pest and ant control.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For safety of chemical warehouse, the Group strictly complies with national standards relating to design and installation of electronic appliances, as well as national safety regulations of electronic appliances at explosive and hazardous area. For instance, the Group uses explosion-proof lighting tools at chemical warehouse; uses non-flammable PVC pipes to protect electricity wire at warehouse; installs separate switch box outside warehouse; prohibits the use of electric furnace, electric motor and other machines.

As new waves of COVID-19 cases occurred in different areas, we implemented special working arrangements accordingly for relevant employees in different locations and provided updates to them regularly to protect the health of employees. In addition, in response to the requirements of the local authority, the Group implements a series of prevention measures to safeguard the safety of employees while maintain the stable business continuity of the Group:

- requiring all staff and customers to properly wear masks at all times during contact;
- conducting body temperature screening and present health code before entering all workplaces;
- disinfecting the workplace regularly;
- upholding the principle of social distance, control the flow of people and prevent the gathering of staff; and
- equipped with sufficient masks, gloves, disinfectants and other necessary prevention and control materials.

The Group will closely monitor the development of the epidemic and strengthen the precautionary measures if necessary.

During the past three years including the Reporting Period, there were no work-related fatalities/injuries and no severe or lethal industrial accident and no lost days due to work injury recorded by the Group. We will continue to foster greater safety awareness amongst our employees through series of on-the-job training.

### **B3: DEVELOPMENT AND TRAINING**

The Group recognises the importance of training for the development of our employees as well as our Group. The Group has established Training Planning to conduct periodic training to our employees regarding the requirements of their job duties. All employees must comply with the codes and policies and obtain required knowledge and techniques for their positions.

The Group focuses on growing together with its employees and provides new joiners, current employees and management with training on professional skills so as to enhance competitiveness. The Group also encourages employees to self-learn and improve during spare time. Our human resources department provides newly-joined front-line employees with job training, covering corporate system, factory regulations, fire safety, equipment usage safety, in order to help new employees understand the corporate culture and requirements of relevant positions within the Group, and familiarise with the work environment and job duties. In addition to internal orientation, we also encourage and support employees taking training courses and workshops that are relevant to their roles internally or at external organisations in order to enrich their knowledge in discharging their duties.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group provided employees with various training programs to improve work performance and kept record of the participants of each session, including but not limited to:

- induction training;
- safety awareness training, first aid training;
- fire safety training; and
- anti-corruption training.

During the Reporting Period, the total of 178 hours of training was received by the Group's employees. The average number of training hours that each employee received was 1.25 hours.

	Trained person-times (Percentage of employees trained) (Note 1)	Average training hours per employee
<b>Employee trained by gender</b>		
Male	66%	0.5
Female	59%	2.0
<b>Employee trained by employment category</b>		
Senior management	64%	3.3
Middle management	100%	2.3
General staff	62%	1.1

Note 1: It is calculated by dividing the number of employees received training in the specified category by the number of employees in the specified category.

## B4: LABOUR STANDARDS

The Group respects the human rights of employees, and is strongly against the employment of child labour and forced labour. The Group strictly complies with the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), Employment Ordinance of Hong Kong and other relevant labour laws and regulations in Hong Kong.

The Group is firmly committed to eliminating the employment of child labor and forced labor and has taken the following necessary measures to ensure that no child labor or forced labor is employed:

- conducting interviews with candidates to understand their backgrounds and motivations for working for the Group;
- raising the minimum educational requirements, requiring all job applicants to have at least completed high school education, so that no children will be employed in labour recruitment; and
- checking identification documents to verify whether they meet the statutory age of 18 years old.

In addition, all employees are not encouraged to work overtime. Overtime payments are made in accordance with the standards as prescribed by law in case of workday overtime, weekend overtime, and overtime during national and statutory holidays.

The human resources department of the Group is responsible for reviewing the measures to ensure they remain effective for avoiding child and forced labour. When any child labour or forced labour is discovered, the Group would terminate the employment relationship, report to the relevant authorities and arrange to provide any necessary assistance to the subject persons if required.

During the Reporting Period, the Group has no violation against the relevant laws and regulations regarding prevention of child labour or forced labour.

## B5: SUPPLY CHAIN MANAGEMENT

The Group works closely with its suppliers who are committed to high quality, environmental, health and safety standards. As part of our commitment to environmental protection, product quality and social responsibility, we recognised the great importance of supply chain management and formulated internal policies and guidelines and selection of external suppliers.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our suppliers are mainly located in Dongguan, and nearby cities, such as Shenzhen, Guangzhou, Qingyuan and Huizhou, in order to minimise the transportation cost and carbon emission from transportation. The Group has erected a designated procurement department with designated officers. Suppliers are sorted by their delivery quality, after-sales service, production scale, production capability and other indicators. Coupled with the Group's business needs, the Group will undertake integrated assessment on suppliers and rank their integrated capabilities from A to D, with those getting higher scores amongst the priority list; whilst limiting or even stopping procurement from suppliers which score low to ensure quality of raw materials. Our procurement department will fill out procurement forms based on requirements and purchase the materials needed from eligible suppliers on the list. The Group also conducts annual evaluation of eligible suppliers on a regular basis to assess the suppliers' ability to continuously provide quality services or goods and review the compliance level and service capabilities of suppliers to ensure the stability of the supply chain. If violation is observed from suppliers, the Group will suspend the cooperation.

During the Reporting Period, the Group had engaged a total of 123 suppliers, all of them were from Mainland China.

### **B6: PRODUCT RESPONSIBILITY**

#### *Quality Assurance*

The Group endeavours to offer high-quality products and services. We are committed to improve our product quality, attract new customers and strengthen the relationship with existing customers. The Group established the stringent quality assurance standards and inspection management procedures. The standards and procedures are reviewed periodically as well. Products are made in strict accordance with clients' requirements to ensure quality. Our quality assurance department will fill out the source material inspection report for any faulty and unqualified raw materials, suggest preventive measures based on actual circumstances and instruct the procurement department for recall from suppliers. Prior to the sale of products, we will conduct a quality control inspections and will only sell products that have passed testing, the Group will proactively recall its products if there is any non-compliance with the quality standards.

The Group's retail shops in Hong Kong offer high-quality products and services to customers. Our Employee Manual states that employees shall maintain a customer-first attitude to serve customers in an enthusiastic and polite manner. We believe that customers' feedback is vital to improving our service quality, our customers can avail themselves of various channels to file an opinion regarding our products and services. We also have a comprehensive complaint-handling and recall mechanism. Upon receiving customer complaints, our customer service officers will keep a record and immediately respond to them with follow-up measures. All complaints are investigated and reviewed in a serious manner.

During the Reporting Period, there is no products and services related complaints received and there is no product recall for health and safety problems.



### **Product Responsibility**

Ensuring customer satisfaction with our products and services is a high priority for the Group. We place importance on the quality standard of our products and services to achieve sustainable growth of our business. We are committed to ensure compliance with the laws and regulations relating to product health and safety, labelling, advertising and privacy matters including the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) and the Hong Kong Personal Data (Privacy) Ordinance. Policies about product quality and safety as well as compliance with laws and regulations have been clearly stated to the employees and suppliers.

During the Reporting Period, we had no violation record on relevant laws and regulations that have a significant impact on the Group relating to product responsibility issues.

### **Intellectual Property Right Protection**

The Group understands the importance of protecting its own intellectual property right and the intellectual property right of its customers or suppliers. The Group follows the legitimate intellectual protection laws and regulations of the PRC and Hong Kong. The Group regularly monitors to ensure that intellectual property rights of the Group, our customers and our suppliers are not being infringed upon.

During the Reporting Period, the Group had no violations related to the above aspects.

### **Privacy Protection**

The Group takes privacy issues of our customers, internal employees, data, and external partners and suppliers very seriously. We have established confidentiality guidelines in order to demonstrate our firm commitment to privacy issue. Contracts between the Group, its employees and suppliers contain a confidentiality clause. All confidential information relating to the customers are securely protected and only use for internal purposes and should not be revealed to anyone other than staff who are in the normal course of conducting duties and responsibilities. Anyone who disclosure of confidential information to unauthorised personnel in violation of the guidelines could result in disciplinary action, up to and including termination of employment.

During the Reporting Period, the Group had no violations related to the above aspects.

## **B7: ANTI-CORRUPTION**

The Group attaches great importance to anticorruption, corporate integrity and honesty, and strictly comply with the relevant laws and regulations, including the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Prevention of Bribery Ordinance (《防止賄賂條例》) (Cap. 201 of the Laws of Hong Kong) and other laws and regulations relating to anti-bribery, anti-fraud and anti-money laundering. The Group has implemented "Anti-fraud, Anti-Corruption and Anti-Commercial Bribery Management Policy" to set out the Group's specific requirements on improper gain, such as prohibitions against personal gains by abusing office power, acceptance of bribes, gifts, rebates or other improper gains, and prohibit to negotiate business separately such as signing of contract, purchase of equipment or goods without obtaining approval from relevant superiors, etc. Employees are required and have the responsibility to conduct themselves with integrity in an ethical and proper manner. Payments or acceptance of any kickbacks from external parties is strictly prohibited. The Group takes disciplinary action to combat against any violation of the Group's anti-corruption and fraud-related regulation.



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During the Reporting Period, the Group has provided anti-corruption training by means of online and physical meeting as well as circulation of e-training materials to its directors and staff to raise their awareness towards anti-corruption law and regulations, and corruption related issues. Training on anti-corruption is also provided to all new employees as part of their orientation programme.

The Group endeavours to prevent any non-compliance to relevant laws. To enhance corporate governance, the Group sets up Audit Committee and engages external lawyers and auditors to review and provide opinions on the company's financial report and other compliance issues. Besides complying with the requirement to the corporate governance of listing companies enforced by the Stock Exchange, we constantly review the effectiveness of our internal control measures to enhance governance level.

### *Whistle-Blowing Policy*

The Group sets up report channel to encourage employees to report any suspected misconduct and violation of rules. Investigation work for whistleblowing reports is conducted by the Group's the Audit Committee with strict confidentiality under all circumstances to preserve anonymity. The Board will oversee the implementation and monitor the provisions of whistleblowing policy. If there is sufficient evidence to suggest that a case of possible corruption exists, the case will be reported to the relevant local authorities. The Group continuously monitors the implementation of the preventative measures and whistle-blowing procedures.

During the Reporting Period, the Group was not aware of any incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering, moreover, there was no legal case regarding corrupt practices brought against the Group or its employees, or impose fines, penalties or sanctions on the Group or its employees.

## **B8: COMMUNITY INVESTMENT**

Apart from pursuing business development, the Group also attaches high importance to corporate social responsibilities and is committed to creating sustainable prosperity that brings long-term social and economic benefits for stakeholders, seek to make contributions to programmes that have a positive impact on community development.

The Group encouraged its employees to participate in various charitable events and community service. During the outbreak of coronavirus disease, the Group has taken the necessary pandemic preventive measures to protect the health of its employees from the pandemic in accordance with the relevant community requirements.

The Group will continue to take part in other activities to give back to society and help the needy, including organising activities and joining those held by other organisations. By maintaining a harmonious relationship with the community, the Group believes it will be able to move the company forward and ensure the continued growth of its business.



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