



瑞聲科技控股有限公司

AAC Technologies Holdings Inc.

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



2023

Sustainability Report



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Message to Stakeholders

Sensing the world, perceiving the future

As we step into 2023, we mark our 31st anniversary. Over the past three decades, we have faced challenges, embraced opportunities, and grown as a company. We recognised changing market dynamics, and embraced social environmental conditions. Our commitment to excellence, innovation, and customer satisfaction has been unwavering.

We extend our heartfelt gratitude to our loyal customers, dedicated employees, and valued partners who have been integral to our development. Together, we have built a legacy of trust, reliability, and innovation that sets us apart in the industry. Amidst a rapidly changing environment, we have prioritised strengthening our business resilience and agility. This has involved expediting the digitalisation and automation of our operations, implementing large-scale energy-saving projects, and attracting and retaining top talent. These strategic proactive initiatives are crucial for the sustainable development of our organization. They ensure the stability of our business, mitigate potential operating uncertainties and fulfill evolving regulatory requirements.

In addition to mitigate the impacts of geopolitical events, we actively manage our procurement channels, operations, and production. We have implemented a trade control compliance management system and established a trade compliance committee to oversee our overall trade compliance activities. The dedicated Trade Compliance Department would collaborate with and support other departments in addressing trade compliance matters. Our commitment to developing proprietary innovative technologies will enable us to provide our customers with tailored solutions and mitigate the adverse effects of trade frictions.

Collaboration

We are excited to expand our product range and improve cutting-edge sensory technology with our global key partners. Our connection with UltraSense Systems can help accelerate the industry transition from mechanical buttons to solid-state digital buttons. We also established a strategic cooperation with Le-AutomatiX, a new automation brand under Bosch Rexroth to focus on building digital intelligent product solutions in the electronics and new energy vehicle fields. With collaboration with Soundkrit, the provider of audio software and hardware solutions, AAC is keen to launch the world's first high-performance directional micro-electromechanical systems ("MEMS") microphone to end users across consumer electronics and automotive markets. In February 2024, we successfully completed acquisition of 80% equity interest in Premium Sound Solutions ("PSS"), being a strategic move to accelerate our diversification into the automotive industry and to enhance our acoustic capabilities in the automotive sector. All in all, we will redefine sensory experience, set new industry standards, captivate customers with extraordinary experiences and also stay competitive in the industry.

Climate Change

In line with China's national carbon neutrality goal, we have undertaken several projects to enhance energy efficiency and support sustainability. We have invested in waste gas treatment facilities and implemented an intelligent energy management system across selected plants to optimise energy usage. These initiatives align with our commitment to integrate climate-related considerations into our sustainability approach, driving comprehensive action plans and environmental targets. As part of our strategy, we have implemented energy-saving initiatives at our new factories in Yangzhou and Maanshan, with a particular focus on renewable energy. In Yangzhou, we already made significant progress in this area, achieving over a 10% utilisation of renewable energy.

Through the installation of solar panels and other renewable energy technologies, we have been able to harness clean and sustainable energy to power our operations. This not only reduces our carbon footprint but also contributes to a greener and more environmentally friendly manufacturing process.

By prioritising energy efficiency and the utilisation of renewable resources, we are committed to sustainable development and minimising our impact on the environment.

Looking forward

Looking ahead to the future, we are thrilled by the possibilities that lie ahead. With a strong foundation, a talented team, and an unwavering commitment to delivering exceptional products and services, we are well-positioned for continued growth and success.

We remain committed to promoting a sustainable future, staying at the forefront of our industry, embracing emerging technologies, and exploring new opportunities. With the support of our stakeholders, we are confident that we will continue our development with greater achievements and breakthroughs.

21 March 2024

About This Report

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

Reporting Frameworks

This report has been prepared with reference to the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”) and is in compliance with the ESG Reporting Guide (“ESG Reporting Guide”) set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). For information relating to the Group’s strategy and governance practices, please refer to our 2023 Annual Report.

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

Reporting Boundary

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

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

Reporting Principles

We have followed the reporting principles as recommended by GRI and as set out in the ESG Reporting Guide to define the report content and ensure that the quality of information presented in this report, including:

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

Reporting Period

The report covers the period from 1 January 2023 to 31 December 2023.

External Assurance

Hong Kong Quality Assurance Agency (“HKQAA”) has provided independent external assurance for the disclosures made in this report since 2017. Please refer to page 98 for the verification statement.

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

Our Sustainability and Corporate Governance Policies

AAC Technologies adheres to a wide range of robust and well-structured policies, which, we believe, are the foundation of good sustainability practices. Our key sustainability and corporate governance policies have been made available to our stakeholders and the public via our corporate website or through the hyperlinks below.

Our Sustainability and Corporate Governance Policies



Anti-Fraud and
Anti-Bribery
Policy



Board Diversity
Policy



Climate
Change Policy



Code of
Conduct



Corporate
Disclosure
Policy



Employment
Policy



Environmental
Policy



Procedures for
a Shareholder
to propose
a person for
election as a
Director



Shareholders
Communication
Policy



Sustainability
Policy



Whistleblowing
Policy

Feedback

We welcome your thoughts and feedback on this report. Please address any queries and comments to our investor relations department at aac2018@aactechnologies.com. This report is published in English and Chinese. In case of any conflicts between the two versions, the English version shall prevail. In an effort to conserve resources, we do not publish hard copies of this report. PDF version is available on HKEX's website (under the section "HKEX News") and our website under the section "Sustainable development" at <http://www.aactechnologies.com>.

About Us

AAC Technologies (HKSE: 2018) is a leading provider of sensory experience solutions with the goal of building the future of interactive sensory technologies. Through continuous innovation and global presence, we have established long-term strategic partnerships with global smart device clients. We have strong capabilities in Acoustics, Optics, Haptics, Sensor and Semiconductor and Precision Manufacturing based on decades of industry experience.

Corporate Mission, Vision and Core Values

As part of our corporate mission, we strive to create better sensory experience for the world. The vision is to become a global leader in the field of sensory technology with a broad solution portfolio. The Group continues to adapt to changing market conditions and meet customer needs by focusing on technical innovation and providing high performance, superior products to customers with differentiating user experiences. In addition, we strive hard to achieve a balance of economic performance, environmental stewardship and corporate social responsibility that extends beyond our business operations.



Mission

Create a better sensory experience for the world

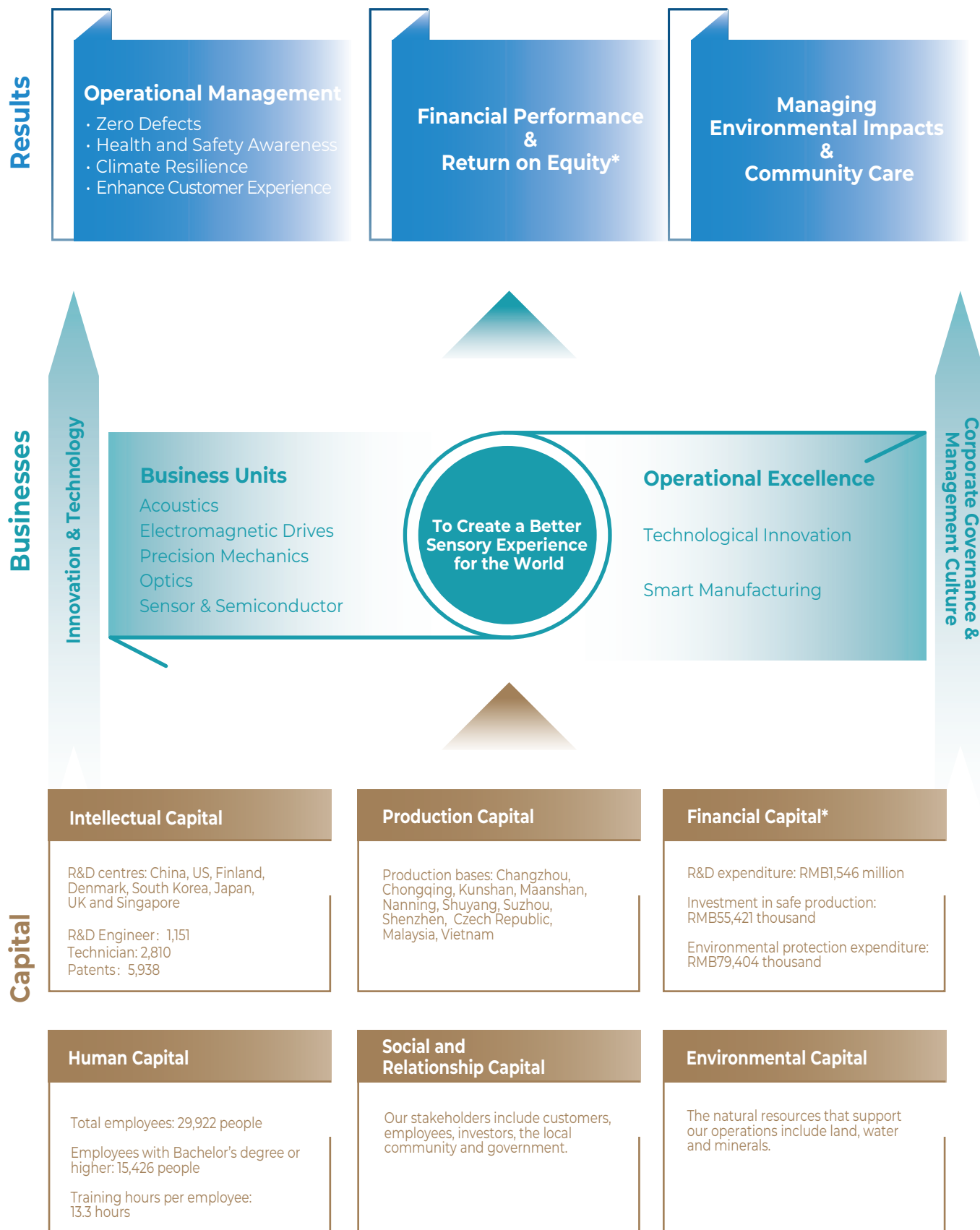
Vision

Create diversified values and become a global leader in sensory technology

Core Values

-  **Customer Experience**
-  **Winning with Talent**
-  **Innovation Focused**
-  **Agile Collaboration**
-  **Professionalism**

Our Operation Model

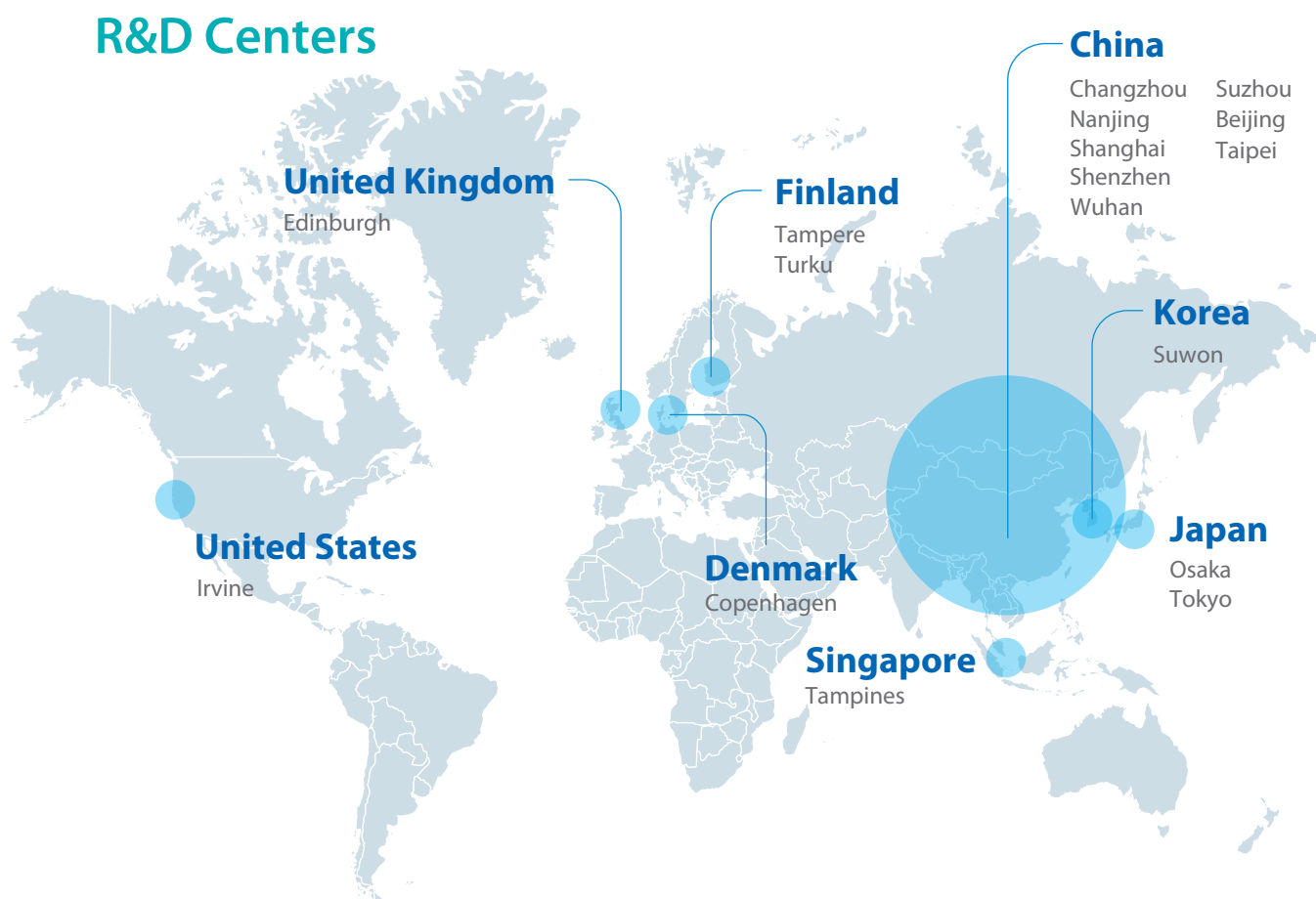


* Detailed information is covered in Annual Report 2023.

Research, Development and Innovation

Technological advancement has always been one of our core strategies, with no compromises. Since the Company's inception, we have firmly insisted on research and development as a path to go far in the highly competitive market, allowing our products to thrive through technological innovation.

Currently, our 18 R&D centres worldwide are home to over 3900 staff and technicians, who we believe are our backbone for improving product performance with technology and leading corporate advancement through innovation



Diversified Manufacturing Bases

We have taken environmental protection measures in our diversified manufacturing bases. All factories in China adopt relevant measures, such as reuse of cutting fluid, reuse of organic solvent and plastic hose, recycling of food waste and adopt ultrasonic detection technologies to detect underground water leakage.



Measures to manage environmental impacts on these specific locations are illustrated at the following chapters:

<p>Nanning</p> <ul style="list-style-type: none"> – Install solar PV plants (Working Towards Carbon Neutrality) – Operate waste gas treatment facilities (Reduce Emission of Air Pollutants) 	<p>Shenzhen</p> <ul style="list-style-type: none"> – Install solar PV plants (Working Towards Carbon Neutrality) – Permeate water and rejected water are recycled (Water Conservation and Recycling) – Provide low carbon shuttle buses (Reduce Emission of Air Pollutants) 	<p>Kunshan</p> <ul style="list-style-type: none"> – Reduction of sludge (Waste Management) – Reclaimed water treatment facilities (Water Conservation and Recycling)
<p>Maanshan</p> <ul style="list-style-type: none"> – Install new solar PV plants (Working Towards Carbon Neutrality) 	<p>Yangzhou</p> <ul style="list-style-type: none"> – Install new solar PV plants (Working Towards Carbon Neutrality) – Reduction of used lamps (Working Towards Carbon Neutrality) – Time control on street lights (Working Towards Carbon Neutrality) – Air-conditioning energy saving system (Working Towards Carbon Neutrality) – Anode waste stream project (Water Conservation and Recycling) 	<p>Shuyang</p> <ul style="list-style-type: none"> – Reduction of sludge (Waste Management)

Sustainability Framework

Our Sustainability Highlights

Workforce



64:36

Male to female ratio

51.55%

With Degree or higher

13.3

Average training hours per employee in 2023

Health and Safety



3.09

↑ 22.1%³

Work-related injuries per 1,000 workers

171,324

↓ 19.5%

Safety training hours

7,399

↑ 55.2%

Total number of occupational health checkups

Environment



33.4 million kWh

↑ 66.7%

Generated Renewable Energy

0.31 tCO₂e per ten thousand RMB revenue

↑ 8.21%

Greenhouse gas ("GHG") intensity

568 tonnes per million RMB revenue

↑ 6.86%

Water consumption intensity

Operations



5,938

↓ 6.9%

Patents

590

↑ 16.6%

Suppliers

100%

Conflict Mineral-free

R&D Innovation

18

R&D Centers



3,961

R&D Engineers and Technicians



5,938

Patents



Overseas: 2,478

2,298

Patent Applications



Overseas: 1,048

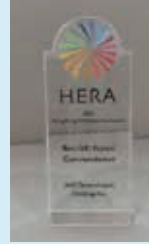
³ The Group's Safety Management Committee is committed to reviewing the occupational health and safety policies to avoid and prevent injuries.

Recognitions and Ratings



Best Corporate Governance and ESG Awards 2023

Hong Kong Institute of Certified Public Accountants



Commendation Awards in Best GRI Report

Hong Kong ESG Reporting Awards (HERA) 2023



Best Achievement Supplier

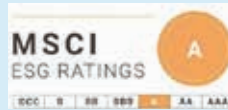
Compal Smart Device (ChongQing) Co. LTD Watch



New Economy Corporate – Leadership Awards

Standard Chartered Bank with Hong Kong Economic Journal

Stable Rating



A

MSCI ESG Ratings

Unfavorable Trending



Climate Change – C Water Security – C

CDP



3.0

FTSE4Good



18.8 Low risk
Sustainalytics

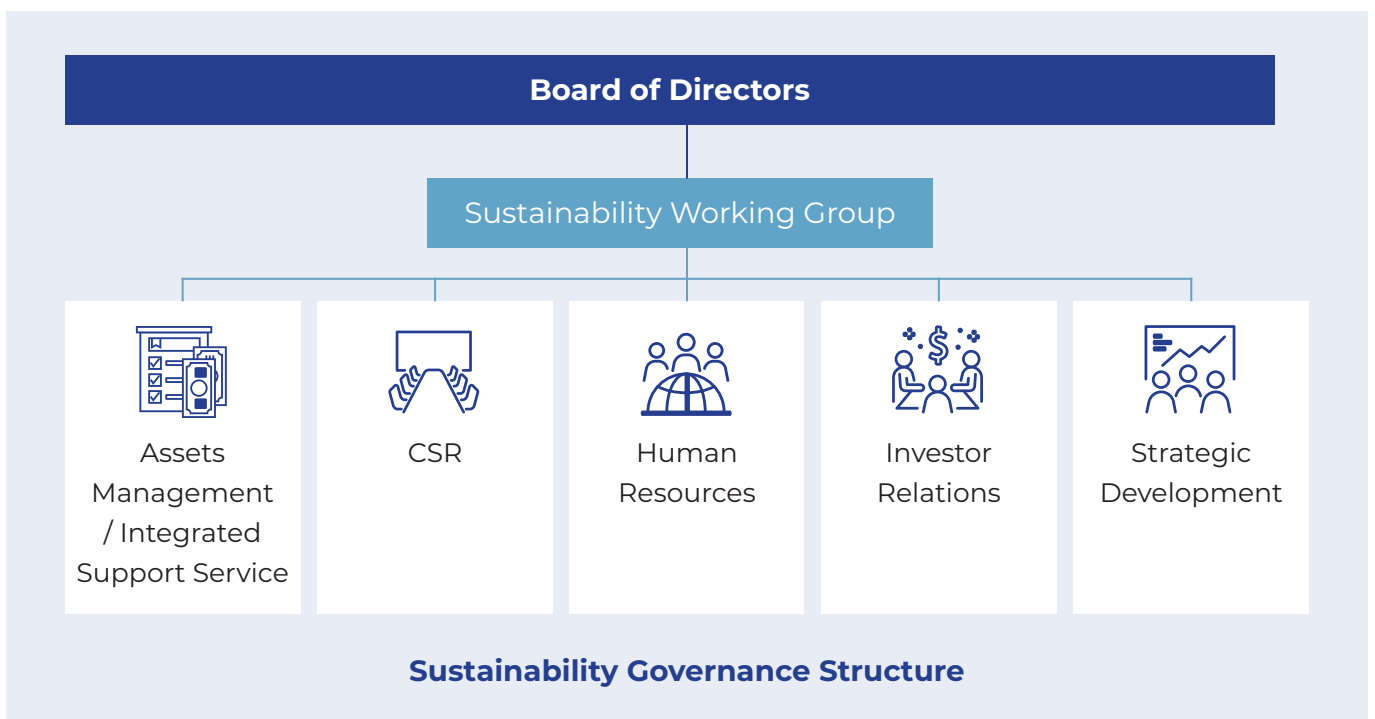
Sustainability Governance

Board Oversight

The sustainability development of the Group’s business is propelled by a robust and sustainability-oriented governance structure. The Company’s Board of Directors (the “Board”) holds the overarching responsibility for managing AAC Technologies’ Environmental, Social and Governance (“ESG”) matters. Under the leadership of the Chief Executive Officer (“CEO”) and the Executive Director, the Board is actively involved in directing the Group’s sustainability strategy, as part of the Board’s role in overseeing the broader business strategy and risk management. The Board was equipped with knowledge of the new global baseline of sustainability disclosures issued by the International Sustainability Standards Board (“ISSB”), which was released in 2023. These governance practices enable the Group and the Board to be more responsive to the ever-changing market trends and the increasingly higher stakeholders’ expectations for the company’s ESG performance.

Sustainability Working Group

The Sustainability Working Group (“SWG”), headed by a member of the Board, includes senior management and executives from various departments within the organisation. The SWG convenes regularly to oversee the review of the Group’s sustainability strategies and key concerns, handle associated risks and opportunities related to sustainability and assess the efficacy of ongoing initiatives. Additionally, the SWG tracks the progress of ESG performance against set targets. When necessary, the SWG reports on pertinent sustainability issues to the Board.



Materiality Assessment

Understanding material sustainability-related issues plays a central role in AAC Technologies' sustainability planning, reporting and performance. We identify relevant sustainability issues that are material to the Group or the interests and expectations of our stakeholders through cultivating close collaboration with a wide range of key stakeholders, including regulators, government authorities, investors, suppliers, customers and employees and have conducted a throughout materiality assessment. The outcomes of stakeholder engagement and materiality assessment then form the content of this report.

1

Identification



Identify a board range of environmental, social and economic issues that potentially impact to company's operations

2

Prioritisation



Prioritise material issues based on the impacts and concerns of stakeholders through interviews and/or discussions

3

Validation



The Board validates and approves the results

4

Review

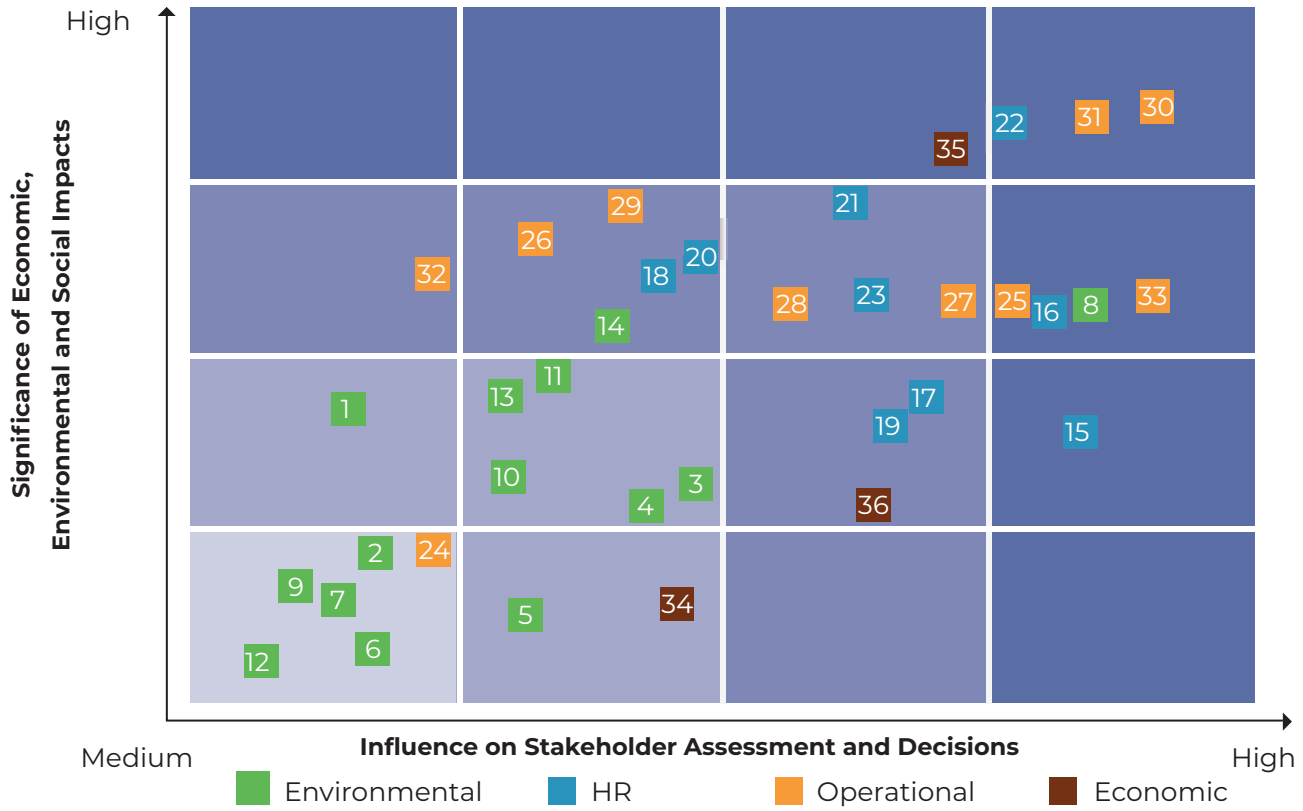


Ongoing review to identify gaps for improvement

Our Approach

The Group's ESG materiality assessment was conducted by our independent professional advisor in the year 2022 and its results of the identified 9 topics were reviewed and validated by the SWG and presented to and approved by the Board on 23 March 2023. To ensure the identified material topics continue to be of relevance to the Group, the next materiality assessment will be carried out in this year 2024, i.e. on a biennial basis.


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







Level I	Level II	Level III	Level IV
8 Environmental compliance	14 Expenditure on environmental protection	1 Energy reduction and renewable energy	2 Water consumption
15 Talent management and retention	17 Training and development	3 Raw materials consumption	6 Air emission
16 Occupational safety and health	18 Protecting labour rights	4 Waste management	7 Wastewater discharge
22 Child labour and forced labour prevention	19 Employee engagement and well-being	5 Greenhouse gases emission	9 Ecological conservation
25 Social and economic compliance	20 Anti-discrimination	10 Green products management	12 Climate change risks management
30 Product quality management	21 Diversity and equal opportunity	11 Clean production and product life cycle assessment	24 Community relations
31 Customer satisfaction	23 Human rights protection	13 Green procurement	
33 Innovation and intellectual property rights	26 Production health and safety	34 Provision of jobs and procurement locally	
35 Anti-corruption	27 Data security and customer privacy management		
	28 Suppliers' environmental and social performance		
	29 Product sales and labelling		
	32 Conflict minerals management		
	36 Anti-competitive behaviour management		

Mapping Our Actions to SDGs Targets





AAC Technologies remains fully committed to supporting the United Nations Sustainable Development Goals (SDGs), a globally recognised framework aimed at progressing towards a better future for people and the planet by 2030. A full analysis of the company's activities along its entire value chain was conducted to understand our progress and barriers in our transition towards a sustainable future. The four pillars outlined below offer a comprehensive view of how AAC's actions align with and support specific SDGs and their associated targets.

SDG Targets	Material Topics	Risk/opportunities	Progress
1. Build a Competent and Future-proof Workforce			
 <p>Target 8.2 – Achieve higher levels of productivity through technological upgrades and innovation</p> <p>Target 8.6 – Promote youth employment</p> <p>Target 8.7 – Take immediate and effective measures to eradicate forced labour and end child labour in all its forms</p> <p>Target 8.8 – Protect labour rights and promote safe and secure working environments for all workers</p>	<p>15 Talent management and retention</p> <p>16 Occupational safety and health</p>	<ul style="list-style-type: none"> • Rapid response to rapidly changing industry and labour market trends is often difficult. • Through attracting and retaining talent, particularly among the younger generation, as well as leveraging the current employees, Group's operations and efficiency are enhanced. 	<ul style="list-style-type: none"> • Refined online learning platform with 498 courses available (Talent Management) • Collaborated with 59 higher education institutions under the university-enterprise cooperation (Talent Management) • Passed all customer CSR audits during the year (Suppliers' Management) • 7,399 employees participated in occupational health checkups (Occupational Health and Safety)




SDG Targets	Material Topics	Risk/opportunities	Progress
1. Build a Competent and Future-proof Workforce			
			<p style="text-align: right;">2023 New</p> <ul style="list-style-type: none"> • Established the Group's Talent Management Committee (Human Resource) • Introduced AAC People, integrated talent information platform (Human Resource) • Investment of RMB 55.4 million in safe production (Occupational Health and Safety) • Promote "AAC Excellent Instructors" (Training and Development) • Set up Long Service Award (Training and Development) • Updated grievance system (Striving for Employee Satisfaction)

SDG Targets	Material Topics	Risk/opportunities	Progress
2. Investing in Environmental Impact Mitigation			
 <p>Target 6.3 – Improve water quality by reducing pollution</p> <p>Target 6.4 – Increase water-use efficiency</p>	<p>8 Environmental compliance</p> <p>14 Expenditure on environmental protection</p>	<ul style="list-style-type: none"> With the increase in regulatory scrutiny and inspection, a fast response is necessary to mitigate the compliance risks 	<ul style="list-style-type: none"> Close monitoring of the implementation of the Water Recycling Project and the Clean Water Programme (Water Conservation and Recycling)
 <p>Target 7.3 – Improve in energy efficiency</p>		<ul style="list-style-type: none"> Exploration of new technologies adds to compliance cost but enhances operations efficiency and environmental management 	<ul style="list-style-type: none"> Continued to install water-saving equipment in toilets (Water Conservation and Recycling)
 <p>Target 12.5 – Reduce waste generation through prevention, reduction, recycling and reuse</p>			<ul style="list-style-type: none"> Provided training to employees on water saving (Water Conservation and Recycling)
 <p>Target 13.1 – Strengthen resilience and adaptive capacity to address climate-related hazards and natural disasters</p>			<ul style="list-style-type: none"> Installed air-conditioning energy-saving system (Working towards Carbon Neutrality) Operation of additional wastewater treatment facilities (Waste Management) Operation of Anode Waste Steam Heating Electromechanical facility (Water Conservation and Recycling) Energy efficiency retrofitting of buildings (Climate Resilience) Closely monitoring of the implementation of the Zero Waste to Landfill project (Waste Management)

SDG Targets	Material Topics	Risk/opportunities	Progress
2. Investing in Environmental Impact Mitigation			
			<ul style="list-style-type: none"> • Enhanced hazardous waste and non-hazardous waste classification and recycling (Waste Management) • Continued to expand our sludge reduction facilities (Waste Management) • Reused cutting fluid, organic solvents, plastic hoses and trays (Waste Management) • Commissioned solar PV plants with an estimated cumulative annual power generation capacity of over 33 million kWh (Working towards Carbon Neutrality) • Natural disaster and emergency management plan in place (Climate Resilience) <hr/> <p style="text-align: center;">2023 New</p> <ul style="list-style-type: none"> • Installed two solar PV plants in Yangzhou and Maanshan (Working towards Carbon Neutrality) • Installed waste gas treatment in Nanning (Reducing Emission of Air Pollutants)

SDG Targets	Material Topics	Risk/opportunities	Progress
3. Innovating to Better Customer Experience			
 <p>Target 8.2 – Achieve higher levels of productivity through technological upgrades and innovation</p>	<p>30 Product quality management</p>	<ul style="list-style-type: none"> Fast response to clients' requests on product designs is required to counter the situation of shortened product cycles and increasing demand for customised products. 	<ul style="list-style-type: none"> Promoted and developed big data along with automated technology (Innovation and Development)
 <p>Target 9.5 – Enhance scientific research, upgrade technological capabilities</p>	<p>31 Customer satisfaction</p> <p>33 Innovation and intellectual property rights</p>	<ul style="list-style-type: none"> Continuous technical innovation provides a way to stay ahead of the competition in the market. 	<ul style="list-style-type: none"> Enhanced assembly lines using MES system (Innovation and Development) Upgraded the Quality Data Management (“QDM”) System, allowing remote adjustment on production equipment (Enhancing Customer Experience)
 <p>Target 12.4 – Achieve environmentally sound management of chemicals and all wastes throughout life cycles of products</p>	<p>31 Customer satisfaction</p>		<ul style="list-style-type: none"> 18 R&D Centres (Innovation and Development)
<p>Target 12.7 – Promote public procurement practices that are sustainable</p>			<ul style="list-style-type: none"> Conducted patent assessment on all patents (Ethics and Integrity)
 <p>Target 16.1 – Reduce all forms of violence and related death rates everywhere</p>			<ul style="list-style-type: none"> Obtained 5,938 new patents (Innovation and Development) Patent Incentive Scheme in place (Innovation and Development) Complied with laws and regulations regarding hazardous substances, including RoHS and REACH (Management of Hazardous Substances) All materials procured were checked with reference to the Restricted Hazardous Substance List (Management of Hazardous Substances) All suppliers were required to sign CSR Commitment Letter (Suppliers' Management)

SDG Targets	Material Topics	Risk/opportunities	Progress
3. Innovating to Better Customer Experience			
			<ul style="list-style-type: none"> • Required suppliers to establish management systems in accordance with ISO 14001 and ISO 9001 (Striving for Zero Defects) • Maintained 100% conflict-free minerals (Suppliers' Management) • 100% attendance rate on 2023 Safety Month for employees (Occupational Health and Safety) <hr/> <p style="text-align: center;">2023 New</p> <ul style="list-style-type: none"> • Established the Group's Supply Chain Committee (Suppliers' Management) • Established the Quality and Operations Committee (Striving for Zero Defects) • Investment of RMB4 billion in Phase 2 expansion of Yangzhou Smart Production Plant (Innovation and Development)

SDG Targets	Material Topics	Risk/opportunities	Progress
4. Be a Responsible and Reliable Enterprise			
 <p>Target 8.7 – Take immediate and effective measures to eradicate forced labour and end child labour in all its forms</p>	<p>25 Social and economic Compliance</p> <p>22 Child and forced labour prevention</p>	<ul style="list-style-type: none"> Building confidence with our stakeholders requires complete compliance and adherence to ethical standards. 	<ul style="list-style-type: none"> Regular risk assessments on compliance and labour issues (Ethics and Integrity) Passed all customer CSR audits during the year (Suppliers' Management) Internal policy on restricted substance in response to the latest regulatory requirements on Volatile Organic Compounds ("VOC") standards in place (Suppliers' Management) Anti-Fraud and Anti-bribery Policy in place (Ethics and Integrity) Development of online training courses on business ethics for all employees, including directors (Information Security and Privacy)
 <p>Target 12.4 – Achieve environmentally sound management of chemicals and all wastes throughout the life cycles</p>	<p>25 Social and economic compliance</p>		
 <p>Target 16.5 – Substantially reduce corruption and bribery</p>	<p>35 Anti-corruption</p>		
			2023 New
			<ul style="list-style-type: none"> Published the Redline Control System (Ethics and Integrity) Set working group to scrutinise the behaviours of suppliers (Suppliers' Management)

Ethics and Integrity

At AAC Technologies, we conduct business in strict compliance with principles of honesty, integrity, equality and high ethical standards. We are dedicated to operating its business in a way that upholds the highest levels of morality and integrity, working to adhere to relevant local, state, federal, and international regulations that are applicable to the Group's operations. To this end, AAC Technologies closely follows the ever-changing external environment by keeping abreast of the latest updates on relevant laws and regulations, including but not limited to anti-corruption laws, trade restrictions, and patent laws.

We outline our anti-corruption, fraud, conflicts of interest, anti-discrimination, anti-competition, and confidentiality initiatives in the "Code of Conduct" and "Code of Business Conduct and Ethics". These documents provide guiding principles for all employees to act with integrity, impartiality, and honesty. Employees are expected to apply these values and demonstrate a high degree of professionalism when discharging their duties in their day-to-day business activities. All forms of unethical business practices, including but not limited to bribery, extortion, fraud and money laundering, are strictly prohibited.

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

Group Ethics Committee led by the CEO

Commitment and Policy	Risk Assessment	Control Measures
<ul style="list-style-type: none"> Code of Business Conduct and Ethics Code of Conduct 	<ul style="list-style-type: none"> We conduct quarterly risk assessments to evaluate the impact and probability of various ethical risks associated with our business operations. This process aids in selecting the most suitable countermeasures to address these risks 	<ul style="list-style-type: none"> We implement control measures that include organising specialised training programs and carrying out thorough background checks in a bid to mitigate the risk of dishonest or fraudulent behaviour stemming from close personal or family relationships

Business ethics ombudsman of each operating location is in charge of overseeing and documenting the application of the control measures.

Training and Awareness in Ethics

It is mandatory for every member of our team, from general staff to management, to adhere to our “Code of Conduct”, “Code of Business Conduct and Ethics” and other pertinent internal policies. To prevent unethical business conduct, we provide anti-corruption training to all new hires and specific personnel as required by our clients.

In our ongoing efforts to enhance awareness and prevention strategies against corruption, we are currently updating our business ethics and compliance training resources. Our collaboration platform, Lark, was set to facilitate this initiative, offering all employees, both new and current, the convenience of accessing and completing these ethical training modules at any time and from any location.

The ethical responsibilities stated below are readily available to all employees (both general staff and management) to ensure that they uphold our principles of honesty, impartiality and fairness at all times.

General Staff	Management
<ul style="list-style-type: none"> • Avoid having conflict of interests: <ul style="list-style-type: none"> - Report relationship with business partners, including suppliers, employees to the Group - Employees shall not accept or claim any gratification • Anti-corruption behaviours: <ul style="list-style-type: none"> - Report and return monetary or non-monetary gifts received from external parties 	<ul style="list-style-type: none"> • Prevent anti-competitive behaviour: <ul style="list-style-type: none"> - Take cautious approach when conducting business in relation with competitors - Provide guidance when subordinates seek anti-corruption related advice • Strengthen employees' ethical awareness: <ul style="list-style-type: none"> - Provide regular training on business ethics to newcomers and staff - Ensure staff have signed the business ethics agreement at the beginning of each year - Encourage subordinates to report any suspicious corruption cases



Our Anti-Fraud and Anti-Bribery Initiatives

AAC Technologies has established and adopted an Anti-Fraud and Anti-Bribery Policy to lay a high standard framework of business integrity, honesty and transparency in its business dealings. The said policy carries a clear definition of fraud and bribery as well as detailed guidelines for conflicts of interest, improper payments, kickbacks, and facility payments. Strict adherence to this policy is required of all employees.

In 2023, we published the Redline Control System, which aims to provide clear guidelines to all employees regarding prohibited conduct within the company. It also outlines the measures that will be taken to address any employee violations of the company's conduct policies. The main objective of this system is to effectively manage and mitigate incidents that may disrupt the company's normal operations due to human related factors.

AAC Technologies is a member of the China Enterprise Anti-Fraud Alliance (CEAFA), which assists companies in developing robust anti-corruption frameworks and promotes the exchange of relevant information among its members. This collaboration is geared towards fostering and supporting high standards of integrity, internal controls, and anti-corruption practices.

Whistleblowing Mechanism

To build into a system where there are checks and balances such that no single party could 'dictate/control' a transaction, activity or process to conceal irregularities, the Company introduces "the Whistleblowing Policy" to facilitate reporting suspected fraudulent activity without fear of reprisals and ensure the whistleblower reports taken seriously. Employees and/or third parties with knowledge of suspected misconduct, malpractice, or irregularities involving the Group are encouraged to report and escalate such incidents through the Group's whistleblowing channel.

AAC Technologies adheres to a safe custody approach to protect the privacy of the whistleblowers. Our Whistleblowing Policy also seeks to ensure that those who disclose in good faith through the whistleblowing process are protected against unfair dismissal, victimisation, or unjustified disciplinary action, even if the complaints are later shown to be unsubstantiated.

The Board has delegated the Audit and Risk Committee to monitor and review the Whistleblowing Policy and to report any severe incidents investigated by the Internal Audit Department. The Internal Audit Department decides if a full investigation is necessary. All investigative findings are documented, with final reports presented to senior management and relevant departments. In 2023, 29 internal reported cases were under investigation (16 cases were investigated in 2022), primarily related to violations of the Group's regulations and disciplines. No senior management staff were involved in these cases.

Throughout the year, the Group was not aware of any significant non-compliance with relevant laws and regulations related to bribery, extortion, fraud and money laundering. Additionally, there were no legal cases concerning corrupt practices against the Group or its employees, either concluded or ongoing.

Information Security and Privacy

Information security is not just crucial for reputation, but also vital for protecting the interests of stakeholders, including employees, customers and business partners. We have heavily invested in enhancing our data governance, ensuring our security framework is resilient and well-equipped to address any potential breaches.

Management Approach

Our Information Security Committee remains the driving force in supervising our overall information security. We regularly update our information security policies on an annual basis to keep them in sync with the evolving dynamics of production and workplace conditions.

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

During 2023, we have successfully completed 37 customer-focused information security audits. No major faults were identified and positive feedback were received from our clients.

Internally, we have established “Information Security and Confidentiality Management Rules” to reduce the risk of sensitive information being misused and disseminated illegally. Specifically, the Group has implemented an information classification and protection mechanism to categorise data according to sensitivity before transmission and storage. We physically or logically segregate our IT environment into different security zones based on the functionalities of business units and the confidential level of information involved. A secure pathway is also established through proper routing controls to ensure that efficient network isolation and secure access among different network regions are achieved. For customers, the privacy protection strictly adheres to their security requirements as we are aware that customer information must not face any leakage risk. In relation to the procurement aspect, Confidentiality Agreement is required to be signed by all suppliers in advance to clarify their data security obligations.

Preventing and Managing Digital Risks

We adopted a proactive approach to prevent and mitigate risks arising in the highly complex digital environment. Risk assessment is an integral part of our Group’s data governance strategy. Our annual information security risk assessment helps in identifying and managing potential risks within AAC Technologies’ information security system and information assets, which include hardware, software, and confidential data. The risks are identified from various assets like electronic, people, software, and service assets, and are evaluated based on factors like relevance, susceptibility and severity.

Information Security Risk Management

Identification

Identify information assets and security threats of the current information security systems.

Assessment

Assess risk level of each risk according to vulnerability, severity and significance of the asset to the business.

Taking Actions

Draw action plans to address the issues that pose high risk to the Group. Mitigation methods include avoidance, transformation, reduction and acceptance.

Evaluation

Continuously monitor and evaluate the effectiveness of the remedial actions to maintain risks at the lowest level.

These risks are then addressed through various strategies such as avoidance, transformation, reduction, and acceptance, depending on the level of risk. In cases of significant risks, our information security department develops specific corrective actions within a defined timeframe and reports the findings of the risk assessment to the information security committee.

Risk Prevention

Preventive measures are also adopted to reduce digital risks, in the face of unknown viruses and new vulnerabilities that change year by year. To safeguard data confidentiality and security, we keep abreast of updates for disclosed vulnerabilities both domestically and internationally. We actively collaborate with industry experts and data technology vendors to protect our data and information through comprehensive risk prevention and management strategies.

We work closely with service providers to ensure that Intrusion Prevention System (“IPS”), which includes firewalls and anti-malware software, is continually deployed to provide the greatest security possible. All network devices are updated regularly to the most upgraded version as provided by the manufacturer, and the existing configuration and critical files are backed up before the update.

To guard against potential malware attacks, our system is equipped with an automated monitoring and alert system. It reports the extent and spread of viral attacks to each endpoint daily, including those in office and production areas, and even identifies the specific building and floor where an intrusion occurred. This closed-loop management system enables us to respond to cyber-attacks more precisely and effectively. Each of our Group’s premises is monitored and potentially improved by an IT technical support engineer.

Emergency response measures are in place in the event of a cyberattack. Throughout the year, we conduct multiple emergency drills to ensure that our systems and business processes are equipped to handle major incidents like firewall failures and network disruptions. Our critical networks are designed with redundancy to prevent single-point failures and guarantee business continuity.

Emergency Drills at Data Centres

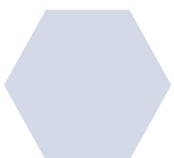
During the year, we conducted 2 emergency drills in our data centres. These drills were designed to test our information security system against potential threats, including power outages, air conditioning system failures and fire incidents. Our server room infrastructure is capable of maintaining normal IT equipment operations even during a power outage. All equipment, such as fire-fighting appliances and pressurised chemicals, functioned correctly and responded swiftly in these simulated emergencies.

Internal Regulations and Training

Controlling internal information access is another important aspect of data security. We employ several procedures for managing authentication and authorisation of our systems, such as assigning access permissions to specific individuals and keeping a separate encrypted backup system. The systems deployed in the public net also adopt a strong password policy and authentication verification methods, such as Multi-Factor Authentication (“MFA”). All third parties including suppliers, customers and external auditors, are prohibited from accessing the internal office network. In the event that a third-party employee must access the internal network, a series of strict application and screening processes is needed, and a designated IT personnel will supervise the terminal operation behaviour of the third-party employee who accesses the internal networks.

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

Information security training forms a core component of our staff induction process, primarily led by the Production Departments. This training encompasses a range of topics, including regulatory compliance, strategies for information security and management, the Group's internal regulations and the protection of personal information. Employees assigned to specialised product lines and projects receive targeted training, tailored to their specific roles. Participation in certain customer-specific projects is conditional upon employees successfully passing an examination following their training. To reinforce understanding and provide flexible access to training materials, select information security topics are made available on our online training platform, allowing employees to review and revisit the content at their convenience, regardless of their location.



Operational Excellence



SDG Targets



Related Material Topics

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



Number of patents

5,938



Number of suppliers

590



Conflict mineral-free

100%



Customer satisfaction achieved a score of 4.0 or above in all five categories

Enhancing Customer Experience

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

We are proud that AAC Technologies continues to be trusted and valued by our clients this year, as we strive to provide excellent customer service contributing to customer success. We received various awards from our prominent clients, for successful delivery solutions. Our performance was also affirmed by our peers, as we have been recognised as the most influential business in the photography industry and have received the prestigious automotive industry Lingxuan Award in China for our car seat vibration and haptic technology solution.



Strategic Collaboration with global partners

Our strategic partnership with UltraSense Systems Inc. (U.S) helps accelerate the consumer electronics and automotive industry transition from mechanical buttons to solid-state digital buttons. Our collaboration with Le-AutomatiX, a new automation brand under Bosch Rexroth (German) and Zhejiang Hechuan Technology (China), is also a crucial step in enhancing AAC Technologies' presence in the intelligent manufacturing equipment industry. Additionally, our cooperation with Soundskrit (Canada), a pioneer of high performance MEMs directional microphone, is expected to redefine industry benchmarks and enthral customers with exceptional experiences while maintaining competitiveness in the industry.

Overall, these strategic partnerships not only benefit AAC Technologies but also offer significant advantages to its partners. By combining resources, expertise, and technologies, the Company can accelerate its innovation development, expand its market reach, and deliver cutting-edge products and solutions to customers, ultimately enhancing its competitiveness in the industry.

Top 100 Global Innovators 2023

In 2023, AAC Technologies has been selected for the first time by Clarivate, a leading international intellectual property company, in its “Top 100 Global Innovators of 2023”. This award recognises the 100 companies and organisations that occupy the forefront of the global innovation landscape and consistently exhibit exceptional performance in innovation, as assessed through Clarivate’s distinctive methodology reliant on patent information from across the globe.

Outstanding Achievement in R&D

AAC (China) Investment Company Limited and AAC Microtech (Changzhou) Company Limited were both listed in the Changzhou “Improving Quality and Efficiency, Innovating and Striving for Stars” category and captured a total of 5 awards, including “Major Contribution Award”, “Industrial Star Enterprises – Five Star Enterprise”, “Top 100 Taxpayer Enterprise Award”, “Sales Scale Award” and “Top 10 Enterprise in R&D Investment”. AAC Technologies will maintain its steady pace of development, continue to increase investment in R&D and innovation, carry out the R&D and production of more new products, and seize the opportunities in the rapid development of the new energy industry.



MI & AAC Camera Joint Lab

This year, AAC Technologies has established a strategic partnership with Xiaomi to launch the “MI & AAC Camera Joint Lab”. The Lab allows AAC Optics and Xiaomi to re-think and re-discover photography technology and optics to reduce over-reliance on computational photography. The Lab deepens our collaboration with Xiaomi in innovation and technological advancement, it also helps AAC Technologies further elevate our relationship with clients.



To enhance the customer experience, we value each customer's feedback and protect customers' best interests through our proprietary technologies offerings.

Accessible Technologies

AAC Technologies serves beyond the traditional customer market and extends our reach to disabled community. We have used technology to improve inclusivity and accessibility, as we recognise that people with accessibility needs often face barriers to accessing mainstream technologies. In 2023, we applied our RichTap® technology, haptic system that improves accessibility of touchscreen for visually impaired users. In particular, we introduced an improved haptic feedback system, which decreases inputting error for Braille text displayed and work well with Morse code.

Participated industry-led exhibitions and seminars:

Sensor Shenzhen 2023 – Shenzhen International Sensor Technology Exhibition

2023 深圳國際感測器與應用技術展覽會

Asia Smart Wearable Expo (“ASWE”) 2023 (春季) 亞洲智慧穿戴展 2023

Mobile World Congress Shanghai (“MWC”) 2023

上海世界移動通訊大會 2023

China International Optoelectronic Expo (“CIOE”) 2023 中國光博會 2023

AUTOMOTIVE WORLD Nagoya 2023 日本名古屋國際汽車技術展 2023

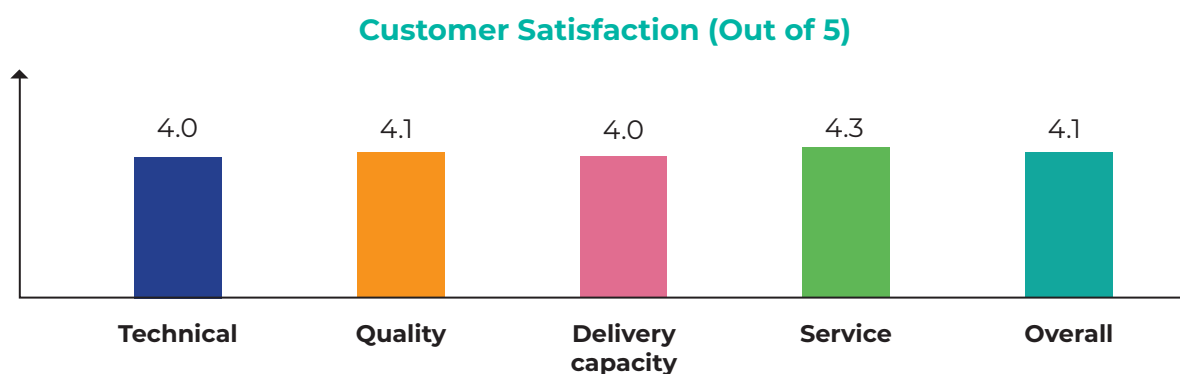
The 8th International Symposium on ElectroAcoustic Technologies (“ISEAT”) 第八屆電聲技術國際研討會



Customer Engagement and Satisfaction

The Communication Management Procedures and Customer Satisfaction Management Procedures are in place for internal communications with customers. These procedures define the roles and responsibilities of the dedicated teams in the product line and provide guidance for customer engagement and enhancement of customer experience and satisfaction. In addition, we maintain a high level of openness with customers. Our clients have access to the relevant data in our QDM, which allows them to stay informed about the whole production process. In addition, we have dedicated teams in each product line to handle customer requests and monitor product returns, and complaints in our day-to-day operations to ensure we respond promptly to customers' requests.

With reference to Customer Satisfaction Management Procedures, five categories, namely, service quality, delivery capacity, product quality, technical skills and overall rating, have been used to analyse customer satisfaction. Customer satisfaction analysis reports and follow-up action plans are created based on the results of the five categories drawn through quarterly business reviews, daily visits, annual questionnaires and other varied engagement channels. In response to the market's increasingly customised nature, the Group conducts weekly or monthly evaluations to stay on top of clients' demands and rectify any issues. According to the result of the survey, an overall customer satisfaction rating of 98.4% was achieved for the year of 2023.



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

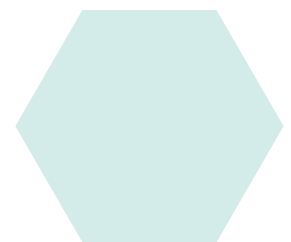
Innovation and Development

Smart Manufacturing and Sustainable Development

The popularisation of Industry 4.0 technologies continues to accelerate digitalisation and smart manufacturing. In 2023, AAC Technologies continued to be on the front line of smart and sustainable manufacturing, as we upgraded our production processes by embracing smart manufacturing technologies. We have made substantial investments in advanced technologies such as visual inspection systems and automated guided vehicles to build continuously flowing automatic production lines. We have also integrated Enterprise Resource Planning (“ERP”), MES and other digital systems to collect primary production data, facilitating preventive maintenance management and lean production.

AAC Technologies' flagship Yangzhou smart production plant is adopting the latest smart systems in the Industry 4.0 era where a wide range of digital technologies are harnessed. Production processes in the factory, ranging from resources and facility management to sales and distributions are guided by advanced technologies such as Big Data, smart resource-saving technologies and automation. This year the Phase 2 expansion of the production plant, with RMB4 billion invested enabled the company to more deeply integrate Industry 4.0 technologies into the company's manufacturing process.

Our MES system enables us to manage the quality of our employees and track their performance. It connects “4M2E” together, which are Machine, Men, Materials, Methods, Energy and the Environment. The flexibility of magnetic drive flexible assembly lines enables quick changeover and stability of process flow which are among the highlights of one of the MES projects. Our goal is to realise automated, digital and smart flexible manufacturing to satisfy customised demands. With production processes that are highly flexible, efficient, and cost-effective, we can do more to accomplish our sustainable development goals, make products traceable throughout the whole process from design to production and further to delivery and effectively control end-to-end safety, environmental protection, and quality performance.

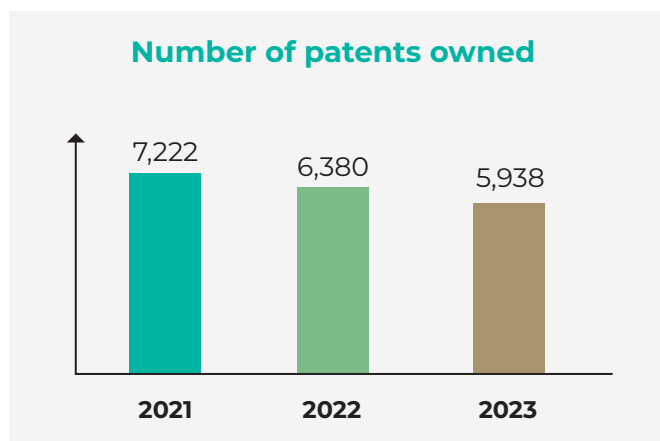


Patents Management

AAC Technologies invests heavily in R&D, devoting 7.7% of revenue to R&D during the year. We own and operate 18 R&D centres with over 3,900 senior research staff and engineers as of 31 December 2023.

The Group has a Patent Incentive Scheme in place to support our inventors and give them a bigger incentive for utility models, patent commercialisation and other high-calibre inventions. Financial incentives will be awarded to inventors whose creations are licensed as patents or sold to third parties.

A set of rigorous assessment criteria is applied to every successful patent application to determine its distinctiveness and inventiveness. To maximise the value of our intellectual property budget and ensure the effective management of our patent portfolio, we conduct ongoing assessments in order to identify high-value ideas and quickly identify patents that are extremely competitive. Our assessment process considers industry trends, market development, legal issues, as well as the value of our current patents to optimise our resource management and manage patents strategically.



The Group owned 5,938 patents as of 31 December 2023. The drop from previous year was a result of regular review based on the latest technical and commercial relevance. We will continue to invest in R&D in order to provide our customers with new innovative solutions and products.

Intellectual Property Rights

Respecting others' and defending our intellectual property rights ("IPRs") is very important to us. Our Intellectual Property Department is in charge of resolving IPR-related issues and developing pertinent internal policies, methods and procedures to oversee IPR management. To guarantee regulatory compliance, the said department periodically examines internal regulations and offers training to relevant workers.

The Group has "Intellectual Property Business Management Policy" and "Patent Management Policy" in place to safeguard its intellectual property, which includes patents, trademarks, copyrights, etc. These policies ensure that the Group's intellectual properties are protected through proper planning, monitoring, evaluation, and risk assessment.

We regularly conduct internal audits of our innovations in accordance with our internal "Early Warning" procedure, which outlines the steps to take in order to identify and manage potential risks, to comply with relevant international and PRC laws and regulations relating to IPRs, in particular in areas of infringement. Our Intellectual Property Department collaborates with R&D and Marketing teams to support the decision-making process from design to the manufacturing stage by closely monitoring intellectual property data in the market and modifying our product designs when necessary. We also engage third-party professionals for external audits in response to continuous changes in the fast-paced industry.

Anytime a dispute arises over a patent, the Head of Intellectual Property Rights, the Accounts Manager and the patent owners will come together to form an emergency task force to handle the situation in accordance with the Intellectual Property Rights Contingency Plan.

During the year 2023, the Group is defendant in a number of litigation proceedings in respect of alleged infringement of certain invention patents. The proceedings are continuing and at invalidation stage. The Group believed that there are valid grounds to defend and has been preparing to contest the claims vigorously.

Striving for Zero Defects

Quality Management System

AAC Technologies is strongly committed to producing “zero defect” products, and we believe it could be achieved by a well-designed management system. All production facilities have obtained ISO 9001:2015 certification for their quality management systems and IECQ QC 080000 accreditation for their finished goods. At the same time, the Group has extended its quality management system to the production of device components. Components produced in Maanshan, Nanning and Shuyang have acquired ISO 9001 certification, while the production plants in Shenzhen and Changzhou were certified with IATF 16949⁴. Our Changzhou GP laboratory received CNAS⁵ laboratory certification, demonstrating conformity with ISO/IEC 17025⁶.

Our quality management system is continually reviewed and updated to maintain its efficacy. Standardising the management procedures of component supply was part of the company's progress toward high-quality management this year. The Group has implemented clear and standard steps for sourcing components both internally and externally to ensure that components can be certified in a timely manner and production needs for components were fulfilled.

In 2023, we established the Group's Quality and Operations Committee, led by our senior management, to enhance the Group's quality management and lean operation structure. The committee plays a crucial role in identifying, investigating and responding to major quality-related issues. By recognising exceptional departmental and personnel achievements in quality and lean operations, the committee expects stronger leadership and drives operational success.

The Group's “Internal Quality Audit Procedures”, and internal and external professional audits of the quality management system are conducted twice a year on a rolling basis to ensure efficient implementation of the system. The corresponding departments are requested to take remedial steps based on the auditor's findings if the management system is not sufficiently practical or effective.

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

Achieving Quality Excellence

Our highly skilled workforce is the key to achieving zero defects and quality excellence. A “Creative Proposal Policy” is in place to reward employees for submitting technology proposals that contribute to zero defects. Each proposal is evaluated based on its rationality, application of technology and tools, benefits, application prospects and demonstration value.

⁴ IATF 16949: 2016 Automotive Quality Management Systems.

⁵ CNAS refers to China National Accreditation Service for Conformity Assessment.

⁶ ISO/IEC 17025:2017 General Requirements for the Competence of Testing and Calibration Laboratories.

We continuously encourage and support our engineers to obtain Six Sigma certification in order to enhance their data analytical and creative thinking skills and introduce different techniques or tools so that they can identify recurring problems and issues that may affect product quality or operating efficiency. In 2023, more than 20 projects were completed as part of this certification programme. To improve employee quality awareness, the Group strives to foster an environment of operational excellence through the following activities:

- 

Promotion
Distribute quality culture brochures to all employees
- 

Communication
Monthly meeting for sharing best practices
- 

Training
Implement Green Belt Training to provide systematic trainings
- 

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

Competition
Organise competitions, such as passing rate competition
- 

Target Setting
Set specific quality targets for each of the production activities
- 

Specialised Teams
Form working groups to focus on certain topics for improvement

Management of Abnormal Test Results

Supplier Quality Detection System	Internet of Things ("IoT")	Interception System	CNC Fool-proofing mechanism
An anomaly warning will be delivered through Short Message Service ("SMS") if unqualified inbound material is detected. The review of supplier performance is connected to abnormality.	To maximise resource allocation by providing data support for the production management system.	To reduce labour costs by using robotic process automation technologies on the manufacturing line. To improve traceability, testing data is maintained online.	Reaching a 100% pass rate by reducing the probability of faults.

Suppliers' Management

Suppliers are essential partners for our Group, and their proper selection and management critically impact our product quality. We engage with our suppliers through various channels to clearly convey our expectations.

In 2023, we established the Group's Supply Chain Committee which is comprised of our senior management to monitor the overall process from supplier assessment, selection and engagement to work evaluation and optimisation. The committee is also responsible for building up cost models, developing the roadmap for goals and accelerating the overall execution of the Group's policies in supplier management procedures.

A formal Supplier Code of Conduct (the "Code") has been implemented to set out the Group's expectations in areas of labour and human rights protection, health and safety, chemical management, and environmental protection with reference to a number of international principles, such as the Ethical Trading Initiative, and the Social Accountability 8000 International Standard. We also encourage our suppliers to regulate and monitor their suppliers (our second-tier suppliers) according to the Code.

In addition, all suppliers were required to submit a signed CSR Commitment Letter confirming compliance with the Code, adherence to requirements on labour and human rights protection, health and safety, chemical management, environmental protection, and anti-corruption.

Suppliers Selection and Assessment

Suppliers are sourced based on the needs of business units and a series of assessments. New suppliers are subjected to a rigorous pre-qualification process, which includes background due diligence, site audits and component certification, in accordance with requirements set out in the relevant Supplier Selection, Certification and Evaluation Management Procedures.

Various departments, including the Sourcing Department, R&D Department, Supplier Quality Engineers ("SQEs"), Green Products ("GP") team and others, collaborate and perform assessments to determine a supplier's competency in various areas.

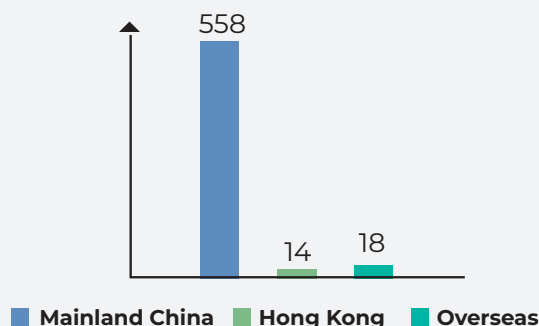
In addition to the pre-qualification process, detailed supplier assessments are performed on three key aspects, namely environmental, social and quality, with the assessment criteria listed below.

Quality	Environmental	Society
<ul style="list-style-type: none"> ISO 9001 Quality Management System⁷ Product quality Technical and processing ability Production capacity and equipment 	<ul style="list-style-type: none"> Environmental management system (aligned with ISO certification) Energy management Air emissions and waste management Chemical management (including VOC) Fire and emergency management 	<ul style="list-style-type: none"> Human rights Labour practices Health and safety Conflict minerals management

⁷ For automotive component suppliers, IATF 16949 certification is required, otherwise suppliers are required to provide corresponding plans to obtain the certification.

Suppliers who pass every stage of assessment are shortlisted as approved suppliers. In 2023, the Group had a total of 590 suppliers in mainland China, Hong Kong and other areas of Asia and we completed 86 assessments for new suppliers based on their social responsibility performance.

Number of suppliers by geographical region



We review our suppliers' performance and relationships on an ongoing basis through day-to-day management, yearly supplier audits and a comprehensive annual performance evaluation. Underperforming and expelled suppliers must submit a written improvement report within one month and pass a quality audit to be restored as approved suppliers. Suppliers who have been barred from supplying are not permitted to reapply for a year, after which they must be recertified.

Supplier Engagement

Our approach to managing supplier performance and relationships is continuous and multifaceted. It includes daily management activities, annual supplier audits and a thorough yearly performance evaluation.

In 2023, a working group led by the CEO and comprised of senior management was formed to scrutinise the behaviours of suppliers. In particular, it monitors and investigates whether suppliers have been engaged in unethical behaviours, corruption or regulation violations. The working group encourages the engagement of all staff and has set up a few whistleblowing channels, including hotline, email, WeChat and Lark platform, to report any misconduct of suppliers.

Conflict Minerals

AAC Technologies is committed to responsible sourcing of its materials. Therefore, stringent conflict mineral management procedures are in place to ensure that all minerals procured from suppliers are conflict-free⁸. The following table shows our comprehensive approach to responsible minerals sourcing:

Management System	Identify, Assess and Manage Risks	Audit of Smelter and Refinery Due Diligence Practice
<p>We strictly comply with Regulation (EU) 2017/821, which imposes supply chain due diligence obligations on Union importers of tin, tantalum, tungsten, their ores and gold originating from conflict-affected and high-risk areas.</p> <p>The Group’s Hazardous Substances Management Regulation prohibits the procurement of minerals from conflict areas such as Democratic Republic of Congo and it is overseen and executed by the GP team.</p>	<p>We actively work on improving the traceability of materials we procure. During the supplier selection process, we require all suppliers to complete the Conflict Minerals Reporting Template (“CMRT”) developed by Responsible Business Alliance (“RBA”) and the Global e-Sustainability Initiative (“GeSI”) as part of their due diligence. It compels suppliers to reveal information on the minerals’ country of origin, as well as the smelters and refiners that processed them.</p>	<p>All suppliers of tin, tantalum, tungsten, their ores and gold are required to sign a Conflict Mineral Declaration (the “Declaration”) certifying that the goods, components and materials they provide are conflict-free.</p> <p>Suppliers are also required to undertake RBA and GeSI Conflict Free Smelter Audits on smelters or refineries in their supply chains, as well as prohibit buying conflict minerals. All the information is uploaded and managed on the GSM system.</p>
Report		
<p>During the year, we conducted due diligence to assure conflict-free procurement with 100% compliance rate.</p>		

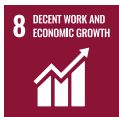


⁸ Conflict minerals refer to minerals that are mined under conditions of armed conflict, notably in the Democratic Republic of Congo and adjoining countries. Profits from the sale of these minerals finance ongoing armed conflicts. The four most commonly mined conflict minerals are cassiterite (for tin), wolframite (for tungsten), coltan (for tantalum) and gold ore.

Talent Management



SDG Targets



Related Material Topics

- Occupational safety and health
- Talent management and retention



Total workforce

29,922
employees



Investment in safe production

RMB55.4
million invested



Learning platform

396,638
hours of training completed
Online courses 498 courses offered



Average training hours

13.3
hours per employee

To maintain our leading position, it's essential for us to react swiftly and embrace innovative methods and technologies, particularly in the management and development of our talent. In a highly competitive environment, AAC Technologies focuses on strengthening our talent pool. We are digitalising our talent development processes and enhancing our employees' health and well-being, aiming to attract and retain top talent.

Our continued success and future development rely heavily on our valuable asset – employees. Therefore, “talent first” has become the primary concern of the Company’s corporate culture. We dedicate resources to identify, acquire, develop and retain the best-fit talents to satisfy the demand for talent from different business segments. Our Human Resources (“HR”) Department takes up the role of an internal business partner to offer tailored talent solutions to meet the specific skillset needed for each distinctive product segment. In addition, the HR Department helps drive change within the corporate by being reactive to the needs of the rapidly changing industry.

Human Resources

We established the Group's Talent Management Committee for the first year to lead the Group's HR-related management work. The responsibilities of the Committee are illustrated below.

Formulation of the Group's HR policies, the introduction and training of high-end talents and the empowerment of HR functions	The inventory, selection, inspection, appointment, promotion and exit management of the Group's cadres	The establishment and implementation of the Group's cadre evaluation system and supervision
The Group's reserve cadre echelon construction and succession plan management	The construction of the Group's current and reserve cadre training system and the design and implementation of training projects	

An all-in-one information service platform, AAC People, was introduced this year to enhance HR and management functions in talent selection, engagement, nurturing and retaining. By integrating talent information, the platform facilitates talent search and helps our HR Department find suitable candidates for projects. AAC People presents the organisational structure clearly to all employees, ensuring that everyone can easily understand the layout and structure of the team. It also helps managers to gain a comprehensive understanding of their team members, allowing them to tap into suitable talent anytime and anywhere to get support under various work scenarios by accessing and analysing employees' full profiles. The system can generate multidimensional reports which provide insights to support decision-making. Furthermore, the platform could serve the purpose of project performance evaluation. It guides teams to achieve high performance, helps the Group reach its annual performance goals and provides real-time motivation to team members.

Future-proofing the Workforce

AAC Technologies needs individuals who possess the ability to anticipate upcoming challenges, such as increased competition and regulatory requirements, in a dynamic market. Recruiting talent is one of our key strategies for supporting future growth by identifying and acquiring the most qualified candidates. By improving our talent acquisition programme and strengthening our collaboration with higher education institutions, we ensure we identify the right talents and equip them with the skills needed for the future.

Taking into consideration the Group's strategic developments, we placed an increasing emphasis on talent acquisition and development. Through various exchange programmes, we acquired and developed young talents in schools and nurtured exceptional talents. In addition, we enhanced our training engagement and effectiveness through a combination of online and offline training. To better retain our talents, we also upgraded the traditional incentive model by incorporating more positive and timely monetary incentives and developing thorough promotion channels for diversified talents.

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

Purpose of Talent Review

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

Talent Acquisition

To maintain a robust and relevant talent pool, AAC Technologies conducts regular reviews from a demand-side perspective, focusing on authenticity, validity and bridging competence gaps. Our strategy dictates the necessary skillsets and qualities, guiding our dedicated recruitment team in their tasks, which include training, assessing recruitment needs, screening resumes, arranging interviews, and more. We've also revamped our recruitment procedures and assessed headhunting agencies, leveraging their resources for specific roles to augment our talent pool.

University-enterprise collaboration is a cornerstone of our people strategy. In 2023, we engaged in recruitment activities with 59 universities, such as Nanning University, Sichuan University, Changzhou University etc. These activities ranged from online introductions to on-campus sharing sessions, helping us identify talents that resonate with our core values and fit into our company culture. We also collaborated with both traditional and online recruitment platforms, including 51job, Haitou, Nowcoder etc. to attract talent.

In 2023, we conducted a five-day training camp in Changzhou called “New Generation” specifically designed for fresh graduates. The training camp consisted of four key components: curriculum line, activity line, task line and motivation line. These aspects worked together to facilitate the transformation of experiences and fostered team development among the fresh graduates. An official opening and closing ceremonies were organised to create a motivated and inspiring atmosphere and to recognise the achievements of all new generations.

Experience Transformation	Team Development
<p>The HR Department and the management from each business department provided different experiences, from development history to corporate culture, from business introduction to forward-looking sharing, which helped the new generation to understand AAC, and integrate into AAC.</p>	<p>Communication, collaboration, innovation, and win-win are the main goals and purposes of “New Generation”. The team development activities allowed all members to work together, gain trust, courage and friendship and understand the meaning of responsibility which further enhanced team cohesion.</p>



Our approach to recruiting young talents involves understanding their career aspirations, promoting our company culture, and presenting career opportunities. This is supported by our strengthened network with universities and professors, alongside data from market analysis and informational channels to stay abreast of workforce trends, particularly for campus recruiting. We aim to extend our school-enterprise cooperation in regions like Jiangsu, Shanghai and Guangdong to attract more young, high-potential talents, targeting partnerships with 300 institutions in the long term.

To expand the reach of recruitment advertising and attract more potential candidates, it is important to improve the dissemination and lasting impact of recruitment presentations. This can be achieved by attracting a larger target audience to help the company establish a strong employer brand image. In preparation for the 2024 campus recruitment campaign, an aerial presentation video was produced. The video showcased the company’s culture, work environment and employee life to prospective graduates through guest discussions, testimonials from senior students and messages from past campus recruits. This visually engaging video aimed to provide a more vivid and lively representation of AAC, enabling candidates to better understand the company and strengthening their desire to apply.

For fresh graduates, we provide travel and accommodation allowances, one-on-one coaching and training encompassing both specific and general skills and conduct regular follow-ups from six months to a year to facilitate their integration into AAC Technologies’ culture. In Vietnam, we’ve deployed experienced recruiters to support local talent acquisition, offering them the necessary training and guidance.

Number of university recruitment activities in 2023	
Spring Recruitment for 2023 graduates	19 – 89% top ranked universities participated
Autumn Recruitment for 2024 graduates	48 – 81% top ranked universities participated
Technology sharing, career lectures	2 – University of Science and Technology of China and Fudan University
Total	69 activities in 59 universities



A series of recruitment activities were conducted during the year to recruit 2024 graduates

In 2023, the Group conducted global recruitment, covering regions such as the United States, Germany, Singapore, Malaysia, Vietnam and South Korea and successfully recruited over 100 management and technical personnel.

Training and Development

Staying competitive is crucial for the Group, and a key aspect of this involves nurturing talent with the right skillsets and capabilities. Beyond enhancing productivity, our aim is to foster an environment conducive to long-term career growth. This approach not only supports our employees in realising their individual career aspirations but also plays a significant role in helping AAC Technologies achieve its organisational goals.



Rongsheng Journey: Onboarding Training for Newcomers from the Local Community

Compared to large-scale and centralised school recruitments, social recruiters always encounter greater difficulties in training new employees due to recruiting time differences and personnel dispersion. As a result, we have also enhanced our induction programme for newcomers from the local community to ease their transition and give them a sense of belonging through our tailored orientation programme, “Rongsheng Journey 融声之旅”^{*}.

“Rongsheng Journey” is a blend of online and offline training modules. Our online platform offers 498 courses that encompass a wide array of topics, including corporate information, policies and procedures, and professional ethics. These are designed to assist newcomers during their initial onboarding phase. Additionally, face-to-face training is provided to help new employees adapt to and integrate more smoothly into the Company’s culture, further easing their transition and fostering a sense of belonging.

* Chinese translation: Integrating into AAC Technologies

AAC Excellent Instructors

To promote internal instructor incentive strategies, the Group initiated AAC Excellent Instructors in 2023 to build an in-house trainer team offering various topics within the company, fostering the sharing of internal expertise. The entire training programme was divided into four categories: Culture & Policy, General Skills, Professional and Management. Through monetary incentives including course certification allowances and outstanding course bonuses, teaching allowances and Teacher's Day gifts, as well as spiritual incentives including promotion and salary adjustment references, special team-building activities and opportunities for external learning, we motivated talented employees to become trainers to facilitate the sharing of internal expertise. This has effectively promoted the development of continuous learning and the establishment appreciation within the company, creating a virtuous cycle where everyone is keen to learn and share their knowledge.



Green Belt Training – Six Sigma Certification

The company has implemented several rounds of Green Belt Training systematically across different departments, including operations and quality, with the goal of enhancing the skills and knowledge of personnel and enabling them to attain Six Sigma certification. Six Sigma is a valuable technical approach for improving quality and reducing costs within the organisation. The Green Belt Training employs an inclusive and comprehensive training approach, aiming to create an immersive learning experience. This approach ensures that all participants achieve optimal training outcomes through preview sections, classroom exercises, interactive discussions and a reward system.



Vietnam Training Centre

Furthermore, the Vietnam Training Centre was established and officially launched in December 2023. It focused on building a team of trainers and nurturing talent through training programmes. The centre has already completed one batch of training and has plans to expand the programme throughout the year 2024, aiming to facilitate better integration of employees into the company.



Online Learning Platform

Online learning plays a crucial role in our training strategy, offering benefits such as flexibility, extensive coverage and inclusivity. Over the past year, we have developed five additional learning modules to enhance our online education platform. These modules focus on key areas including leadership, management, professionalism, integration and general learning.

Our online platform now features a total of 498 courses, with a notable 80% of these focused on professional and technical training, conducted by experienced lecturers and technical experts.

In 2023, our online learning platform was upgraded and provided 45,263 training sessions, and cumulatively completed 170,958 hours of training. This adoption of online learning has substantially improved our training efficiency, ensuring that our employees have access to the necessary training and resources to develop and refine their skills effectively.

Our collaboration with prestigious institutions like Nanjing University Business School and China Europe International Business School is a strategic effort to develop essential skill sets for our senior engineers and directors. This initiative focuses on cultivating advanced skills such as coaching, change management, organisational design and persuasiveness, aiming to equip our leaders with the necessary competencies and mindset for their roles.

In total, our employees have completed 396,638 training hours, averaging 13.3 hours per employee. The online learning platform has significantly improved training efficiency and gives flexibility to our employees to explore topics they are interested in learning.

	Total number of training sessions	Total Employees	Total Training Hours	Average Training Hours
General staff	91,731	24,181	317,042	13.1
Management	49,576	5,741	79,596	13.9
Total	141,307	29,922	396,638	13.3

Performance Appraisal and Career Development

Performance Management System is embedded into the regular employee evaluation framework. We are continuously enhancing our incentive model have arranged monthly performance appraisals for employees and made timely changes to the management structure on appraisal results, enabling more promotion opportunities for our young talents.

As part of our career development strategy, the Group has enhanced its career development pathway by clearly defining the corporate ladder in each of the following channels: managerial, technical, functional, marketing and skills. This allows employees to better understand their career paths, thus keeping them motivated. In 2023, over 100 management level vacant positions were successfully filled through this approach, representing approximately 10.7% of the total number of management level vacancies filled.

We also help employees, from managers to frontline staff define goals and measure their performance. Our product lines have adopted an agile management approach to increase the efficiency of work distribution, project leadership and execution. This approach also helps develop a strong team with a unified goal. Data on employee performance is collected and analysed to determine work arrangements, employee incentives and job rotation options. The Group is built on a high-performance culture, where outstanding employees are empowered and promoted to vital positions, where they can make a significant contribution and deliver results. We encourage employees to set higher goals, set higher benchmarks and reinforce sustainable performance so that our employees and the Group can thrive together.



Career Development Pathway

Long Service Award

In 2023, we have set up the Long Service Award to recognise employees who have completed 15, 20, and 25 years of dedicated service in the Group. An award ceremony was held to honour and express our gratitude to over 1,000 long-term staff for their many years of their dedication, commitment and loyalty to the Group. All recipients of awards were presented with personalised gift boxes and honorary medals.



Striving for Employee Satisfaction

Engagement and Grievance

Employee engagement is an integral part of AAC Technologies’ talent management practices and philosophy. To preserve a harmonious workplace, we strive to ensure each employee’s concerns and feedback are heard and addressed in a timely manner. All enquiries, complaints and grievances can be communicated via “Lark”, mail, email, hotline and directly to the HR office.

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

Complaints Received	Investigation	Report	Communication
<ul style="list-style-type: none"> The Legal Department gathers and monitors all the complaints received and contacted the relevant complainants within 3 working days. 	<ul style="list-style-type: none"> Cases are reviewed and filed for investigation. If the case is found not suitable for investigation, the relevant complainant will be notified with reasoning. 	<ul style="list-style-type: none"> Immediate follow-up actions are taken for violation cases. Complainants are notified of results within 5 working days⁹. The complainants have the right to appeal. 	<ul style="list-style-type: none"> Cases of non-compliance are clearly communicated to employees via intranet and internal bulletin by the HR Department.

In 2023, we upgraded the grievance system and received active responses from our employees. 79,038 suggestions and reports on issues including but not limited to accommodation, catering services and work arrangements have been received on the system. All of them were resolved according to procedures, with records of grievances kept at the online grievances handling platform.

⁹ Cases relating to disciplinary matters shall be resolved within 14 days, while fraud investigations shall be resolved within 30 days unless an extension has been granted by the Department Heads.

Employee Welfare

The Group assures that all employees will receive equal treatment and perks. Annual leave, allowances, incentives and social insurance, amongst other perks, are provided in line with local rules in the countries and regions in which we operate.

Salary Adjustments and Incentives

Salary is adjusted annually based on merit. Every year, the HR Department performs compensation and benefits research against industry standards and adjusts the compensation and benefits structure based on the results of research findings and big data analytics. As for frontline workers, the Group has implemented a Piece Incentive Plan to motivate them to strive for higher production. As workers' production of piecework increases, the percentage of monetary incentives that can be obtained will also increase. The plan greatly enhanced workers' enthusiasm, and ended up with higher satisfaction.

This year, the Vietnam factory implemented salary adjustments that alleviated the pressure on most employees who had not received salary adjustments during the pandemic and mitigated the risk of losing key technical talents. The adjustment covered four major business departments and benefited more than 160 employees.

Employee Satisfaction and Wellbeing

In order to prioritise the well-being of our employees, we provide free medical checkups for both new hires and existing employees annually. In 2023, more than 41,000 health checks were conducted. To safeguard the rights and welfare of female employees, related policies such as particular work arrangements for pregnant workers and breastfeeding hours for nursing mothers have been implemented. Nursing room rules are in place to guarantee that suitable breastfeeding places are available when required.

At AAC Technologies, our primary objective is to foster a deep sense of belonging among our employees by actively listening to their needs. In response to their feedback, we have undertaken various initiatives this year to further improve employee engagement and well-being in different regions such as Changzhou, Nanning and Vietnam. These actions have been implemented with the goal of addressing their concerns and creating a supportive work environment that promotes their overall satisfaction and happiness.

Our Vietnam factory celebrated its 10th-anniversary of establishment, and organised a sports event to encourage teamwork and collaboration among the staff. On Women’s Day, they organised team-building activities to support diversity. In Nanning, two regional birthday parties were held, helping employees establish closer relationships, strengthen team cohesion and encourage cooperation.



10th Anniversary Celebration



Sports event



Vietnamese Women's Day

Night Shift Allowance Policy in Malaysian Factories

In accordance with the Employment (Amendment) Act 2022, we have implemented a Night Shift Allowance Policy to ensure compliance with the updated regulations. This policy specifically addresses the needs of our employees working night shifts. As part of this policy, we provide overtime allowances to night-shift employees to compensate for their additional working hours during night time.

By adopting this policy, we aim to adhere to legal requirements and prioritise the well-being of our employees. We recognise the unique challenges and sacrifices that come with working night shifts, and our goal is to provide fair compensation and support to those employees. The implementation of the Night Shift Allowance Policy demonstrates our commitment to creating a positive work environment that values and safeguards the rights of our workforce.

Distributing Gifts and Benefits to Employees during Festive Seasons

To express gratitude for the hard work and contributions of all employees throughout the year and to convey the greetings and blessings from the management, we distributed gifts to our employees during festivals. We collected their preferences and made purchases accordingly. Through regional procurement, we have successfully reduced welfare spending costs, allowing us to enhance the quality of welfare provided to employees while staying within the budget. This approach ensures that our employees receive meaningful gifts while optimising resource utilisation for the benefit of all.

Achieve and Maintain a Good Work-Life Balance

To enrich employees' work-life balance, we organised a variety of activities such as birthday celebrations, sports events, photography exhibitions, team-building activities to demonstrate our commitment to employee well-being and a positive work environment. It helps create a sense of belonging and enhances employee engagement and teamwork.

Occupational Health and Safety

AAC Technologies places a high priority on health and safety, aiming for zero fire incidents, injuries or disasters. The CEO leads the Safety Management Committee (“the Committee”), which oversees the execution of the Group’s occupational health and safety system. The Committee is responsible for facilitating occupational safety management in production and keeping abreast of health and safety trends. The committee meets every three months to mobilise Group resources for dealing with occupational health and safety matters, as well as to ensure the smooth operation of the system. Employee representatives from different departments and functions are invited to join the quarterly meetings to ensure their opinions are valued.

In 2023, RMB55.4 million investment was placed for the improvement of safe production in our factories. For example, we upgraded the anode production line to avoid occupational risks in Kunshan factory and automated the stamping machine to reduce potential risks from manual operation.



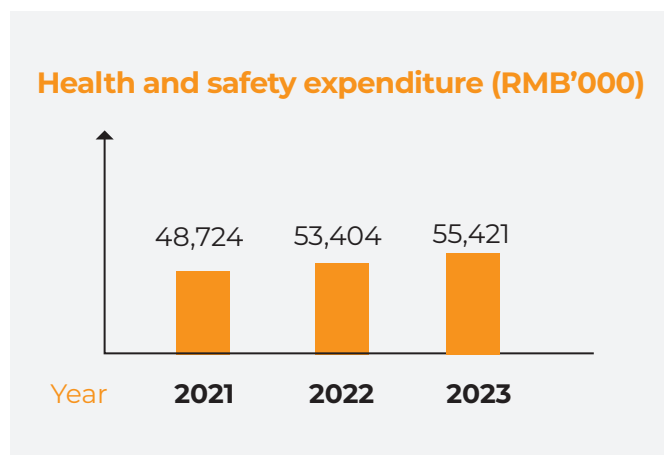
We have established an “Occupational Health Management procedure”, which directs us to conduct inspections of health and safety hazards at our production locations and take immediate remedial measures to prevent employees with a high health and safety risk from performing production work. To raise the awareness and knowledge of employees about health and safety, we follow the Safety Education and Training Policy, ensuring that sufficient training is provided to employees of different categories, including but not limited to new employees, safety management staff, special operating staff, and management staff at different levels. Specialised safety inspections are conducted weekly covering different themes including but not limited to electrical safety, hazardous chemicals, occupational health and safety, construction, and facility safety management. During the year, all identified potential hazards have either been addressed or are in the process of being rectified. By proactively addressing these potential risks, we aim to create a safer work environment for our employees.

All production sites in Changzhou, Nanning, Shenzhen, Shuyang, Suzhou, and Vietnam have been certified for the ISO 45001 Occupational Health and Safety Management system. We conduct third-party audits and internal audits of our occupational health and safety management system to ensure that our standards are up-to-date with the laws and regulations, striving for the best practices in the industry.

Below is a three-tier safety inspection system that AAC Technologies has implemented to foster health and safety management.

Tier 1: EHS Engineer	Tier 2: Safety Inspector	Tier 3: Departmental Level
<ul style="list-style-type: none"> Monitor the overall health and safety matters in the operations 	<ul style="list-style-type: none"> Carry out safety inspections and facilitates client engagement 	<ul style="list-style-type: none"> Responsible to regulate self-checking and periodical reviews Coordinate their own safety training and inspection were necessary

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



Chemical Safety

The production of electronic items involves the handling and consumption of chemicals which can be hazardous to human health and the environment. In response, we have established a hazardous chemicals management system and “chemical full-process control requirements for managing hazardous chemicals” 《化學品全流程管控要求》. They are designed to prioritise chemical safety and ensure compliance with relevant safety regulations throughout the entire lifecycle of the chemicals, including procurement, transportation, storage, utilisation, and ultimately, proper disposal at the end of their lifecycle. In 2023, the Group updated the hazardous chemicals management system to improve chemical safety in the workplace. For instance, employees working with hazardous chemicals or chemical substances and their management personnel are required to undergo training provided by the EHS department and unauthorised personnel are strictly prohibited from working in these positions. The Procurement department was also required to sign and review the “Hazardous Chemicals Procurement and Supply Safety Management Agreement” 《危化品採購供應安全管理協議》 and “Notification of Environmental and Occupational Health and Safety for Relevant Parties” 《相關方環境與職業健康安全告知書》 with hazardous chemical suppliers regularly.

The digitalised chemical management system provides a structured approach to chemical usage and flexible chemical safety training before onboarding. The system records the number of chemicals being stored as well as the capacity of the storage. Chemicals purchased from suppliers are evaluated before entering storage with other chemicals. Upon successful evaluation, the newly purchased chemicals are recorded in the system according to their types and quantities. Relevant personnel will be invited to attend pre-onboarding training through visual materials and assessments on the EHS platform. We are working to include full participation from employees to be eligible to review all course content when necessary.

Preventing Occupational Diseases

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

Every three years, we conduct occupational disease inspections at our operational sites. We commissioned a qualified third party to ensure that our product aligns with related laws and regulations, identify potential occupational disease risks and their hazardous level to employees and evaluate the prevention measures. By carrying out such inspections, we reinforce our health and safety management to better prevent workplace hazards. Our Emergency Response Team supervises and monitors the management procedures and assigns responsibilities to different departments. Personal protective equipment is distributed to related personnel to ensure that employees are equipped with adequate and qualified safety gear during the operations.

Occupational checkups required by the local government, including pre-, during and post-employment, were applied to certain employees who are prone to occupational diseases in their workplace. In 2023, over 7000 employees fulfilled the medical requirements. Should any abnormal results be found, further checkups or examinations will be scheduled to detect occupational diseases as early as possible.

Health and Safety Awareness

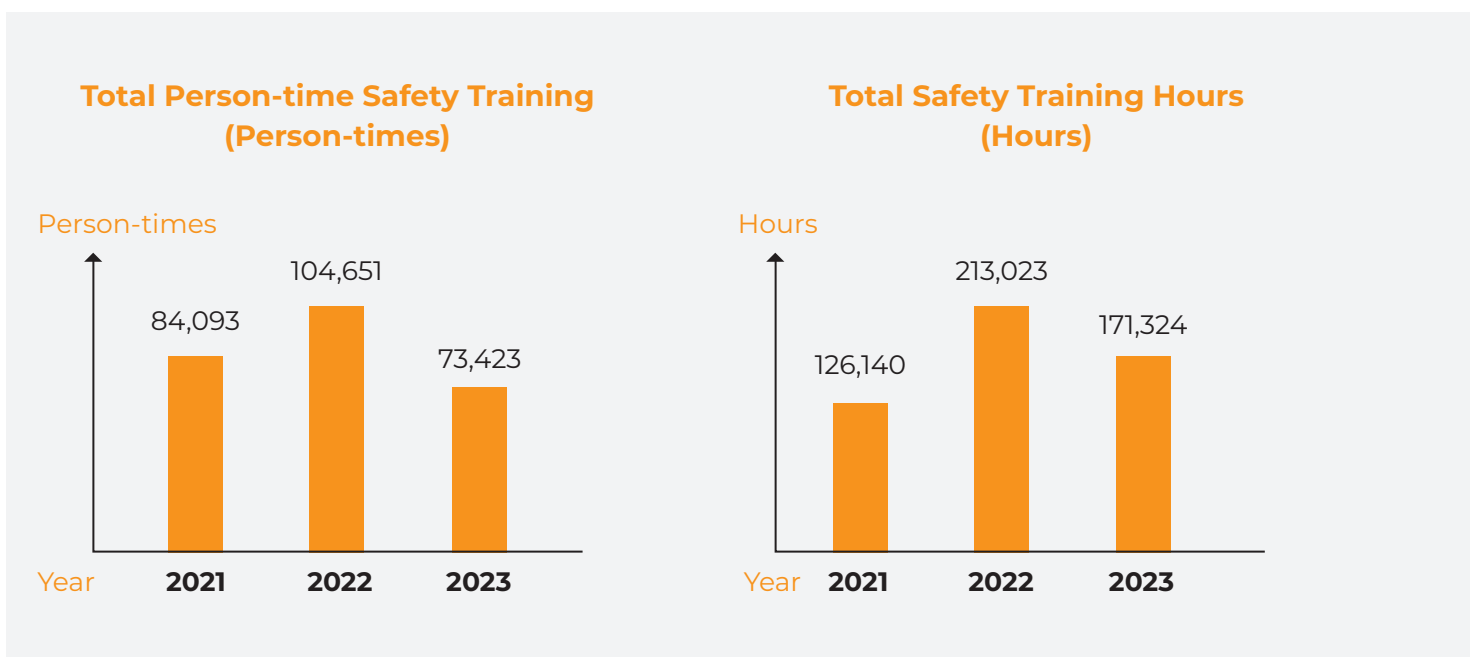
Digitalised EHS platform

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

A safety culture is promoted within our organisation through close collaboration between all levels of employees. On a day-to-day basis, we communicate decisions made at the management level through a WeChat official account and internal portal. EHS management publishes hot topics and seasonal content on the official account or newsletter to emphasise the importance of maintaining safety practices at the workplace.

Raising Safety Awareness through training

In 2023, we conducted a Safety Month aimed at promoting workplace safety awareness under the theme “Safety for all, Emergency response takes all” (人人講安全，各個會應急). Through a series of activities, we encouraged employees to actively contribute to creating a safer working environment. As part of our safety initiatives, we regularly conduct emergency preparedness drills for identified potential emergencies. These drills serve to prepare all employees for crisis situations and assess the adequacy of our response procedures. After each drill, we evaluate the outcomes and implement corrective actions to enhance our preparedness for future emergencies. By organising Safety Month and carrying out emergency preparedness drills, we demonstrate our commitment to maintaining a safe working environment and continuously improving our safety practices.



During the year, we recorded 4,519 lost person-days due to work-related injuries.

Highlights of our Safety Training and Activities in 2023



Strengthen Employee's Awareness and Safety Knowledge

- All major responsible persons in each business unit are trained and certified
- 99 workshops and drills were held, and 194 people obtained certificates
- A team of 21 internal auditors was trained on ISO14001:2015/ISO45001:2018



Enhancement on Fire Protection and Drills

- Each production plant is equipped with a fire control room manned 24 hours a day
- Safety gate checkpoint inspection management
- 49 fire drills were held in various factories. A total of 17,513 employees participated



Safety Experience Center

- Simulation of hazards, safety risks, and the corresponding effective protective measures and requirements presented in the factory
- Provided employees with experiential safety education and training
- Safety Promotional Zone was set up to provide safety knowledge to employees

Our Workforce

As of 31 December 2023, the Group had a total of 29,922 employees. The proportion of male to female employees was maintained roughly at 64:36. Around 85% of our employees were located in China, with Changzhou and Nanning accounting for 45% and 17% respectively of the total. The majority of the overseas employees were in Vietnam, taking up 13% of the total. 81% of the Group's employees were general staff, while 19% were management executives.

Mechanics and operators accounted for 44% and 35% respectively of the total employees, which also formed the majority of the general staff. 46% of the general staff were below age 30. There were 3,961 R&D staff and technicians. Approximately 52% of employees have degree-level qualifications or higher.

Employee by Geographical Region



Changzhou 13,437	Shenzhen 1,262	Shuyang 2,960	Suzhou 262	Nanning 5,144
Kunshan 1,059	Yangzhou 386	Maanshan 386	Vietnam 3,959	Overseas or other areas 1,067

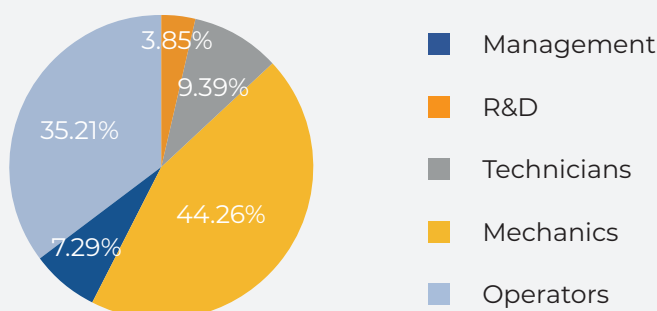
Employee by Gender

	Changzhou	Shenzhen	Shuyang	Suzhou	Nanning	Vietnam	Overseas or other areas	Kunshan	Yangzhou	Maanshan	Total
Male	9,418 (31.48%)	842 (2.81%)	1,984 (6.63%)	175 (0.58%)	2,962 (9.90%)	1,882 (6.29%)	814 (2.72%)	551 (1.84%)	246 (0.82%)	300 (1.00%)	19,174 (64.08%)
Female	4,019 (13.43%)	420 (1.40%)	976 (3.26%)	87 (0.29%)	2,182 (7.29%)	2,077 (6.94%)	253 (0.85%)	508 (1.70%)	140 (0.47%)	86 (0.29%)	10,748 (35.92%)

Employee distribution by Age, Education and Profession

	By Age				By Education		By Profession				
	<30	31-40	41-50	>50	Degree or above	High School or below	Management	R&D	Technicians	Mechanics	Operators
Management	1,356	3,322	879	184	5,636	105	2,180	1,151	2,410	0	0
General Staff	10,425	11,195	2,378	183	9,790	14,391	0	0	400	13,244	10,537
Total	11,781	14,517	3,257	367	15,426	14,496	2,180	1,151	2,810	13,244	10,537

Employee distribution by profession



New Hire

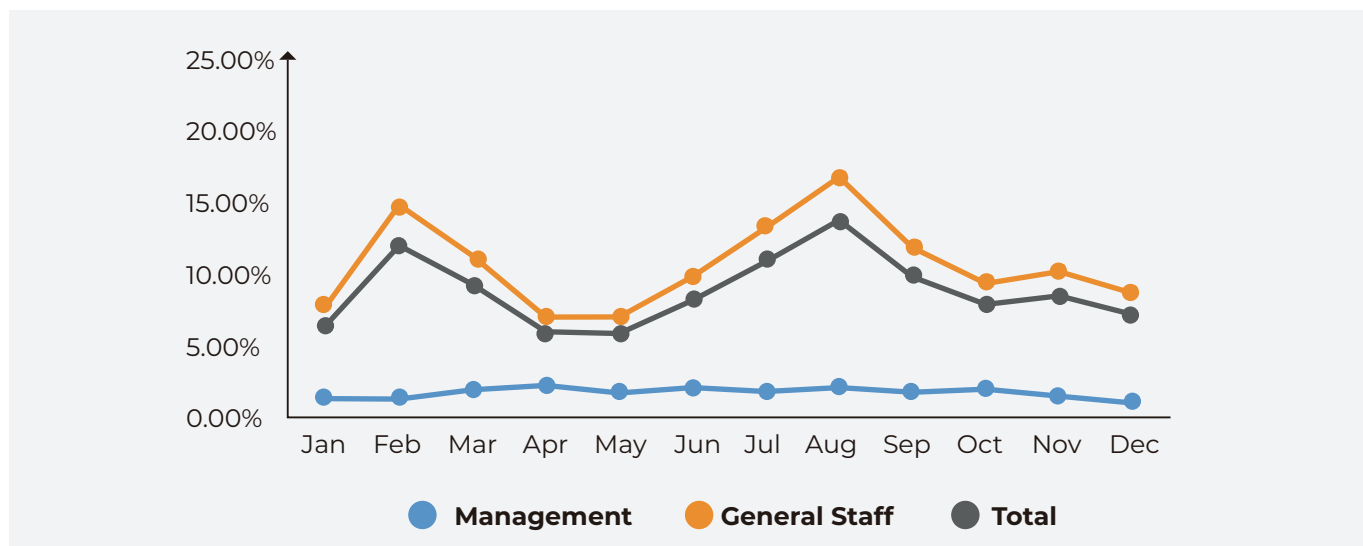
Composition of New Hires

New Hires	Number of New Hires in 2023	New Hire Retention Rate ¹⁰
Gender		
Male	20,261	31%
Female	10,708	33%
Age		
<30	18,358	31%
31-40	10,979	32%
41-50	1,615	27%
>50	17	65%
Geographical Region		
Changzhou	17,131	22%
Kunshan	3,170	10%
Maanshan	398	51%
Shenzhen	134	86%
Shuyang	1,079	60%
Suzhou	48	75%
Nanning	5,115	50%
Vietnam	2,392	68%
Yangzhou	1,217	20%
Mainland (other areas)	191	87%
Overseas or other areas	94	88%
Function		
Management	1,159	82%
General Staff	29,810	29.4%

¹⁰ The new hire retention rate refers to the number of new hires who remain employed by the Group as of 31 December 2023 divided by the total number of new hires during the year.

Employee Turnover Rate

91.21% of employees left by voluntarily resignation, while the remaining 1.91% left by agreement with the Group and 2.37% due to contract termination.



By Age				By Gender		By Business Function	
<30	31-40	41-50	>50	Male	Female	General Staff	Management
13.51%	6.24%	4.30%	2.95%	8.86%	8.19%	10.43%	1.63%

By Geographical Region					
Changzhou	Shenzhen	Shuyang	Suzhou	Nanning	Vietnam
10.54%	1.69%	3.12%	3.72%	7.61%	4.91%
Overseas or other areas ¹¹	Kunshan	Yangzhou	Maanshan	Mainland (other areas)	
2.31%	20.91%	17.92%	7.26%	1.85%	

¹¹ The scope of Overseas or other areas included Kunshan, Yangzhou, Maanshan and Mainland (other areas) in 2022 Sustainability Report. For more granularity, we list out these locations separately this year.

Labour and Employment Compliance

Respect for Human and Labour Rights

AAC Technologies upholds and values fundamental human rights and labour rights, aligning with internationally recognised frameworks such as the Universal Declaration of Human Rights, United Nations International Covenant on Civil and Political Rights, United Nations International Covenant on Economic, Social and Cultural Rights, and other applicable international agreements and declarations. In all the locations where we operate, we maintain a strict commitment to abide by labour rules and regulations, including but not limited to the Labour Law of the People's Republic of China ("PRC"). Furthermore, we adhere to the principles outlined in the Responsible Business Alliance's Code of Conduct, alongside other relevant social compliance industry standards. These guidelines serve as a compass for our business practices, ensuring that we conduct ourselves responsibly and ethically in areas such as human rights, labour conditions, environmental stewardship, and ethical sourcing. By adhering to these principles and standards, AAC Technologies demonstrates its unwavering dedication to respecting human rights, promoting fair labour practices and operating as a responsible and conscientious corporate entity.

The Group is committed to fostering an inclusive and diverse workplace, upholding the principles of equal opportunity for all. We take responsibility for creating a fair and inclusive environment, where discrimination and harassment regarding contract type, ethnicity, gender, religion, disability, and other protected characteristics are strictly prohibited. To ensure the effective implementation of our non-discrimination policy, our Code of Conduct establishes a clear set of expected behaviours from employees, along with the consequences of violating these standards. This Code serves as a guiding document, outlining the appropriate conduct that is expected from every individual within the organisation.

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

Managing Labour Risks

The Group works closely with customers on social compliance and mitigating labour risks. Regular audits are initiated by the customer with a focus on labour and other relevant social practices at our production sites. Findings of the audits and corresponding improvement plans on labour practices will be implemented following the approval of the customer and third-party inspection. All outstanding items identified during these audits are promptly followed up and resolved.

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

The table below summarises the Group’s potential labour-related risks and our mitigating actions.

Labour-related risks	Our mitigating actions
Maternity	We strictly prohibit demanding a pregnancy test during the recruitment process to protect women’s right to work. Employees who are pregnant are not assigned to night shifts, overtime duty, or high-risk activities.
Working hours	Overtime work is voluntary, and we strive to minimise unnecessary working hours by improving production planning collaboration.
Salary payment	We ensure timely and accurate salary payments in accordance with local laws. Employees can use our online HR services system to access salary information. Salary deductions are not allowed as a disciplinary measure.
Freedom of association	<p>We fully respect the rights of workers to unionise and engage in collective bargaining. Discrimination or retaliation against employees based on their union membership or activities is strictly prohibited. To facilitate open communication, we have established an effective grievance resolution procedure that enables workers to voice their concerns easily.</p> <p>We maintain an open line of communication with employee-elected representatives to better understand the needs and concerns of our workforce, aiming to prevent labour strikes in the future. In Vietnam, our production sites are equipped with emergency response mechanisms to ensure lawful and peaceful conflict resolution with mutual respect. We conduct thorough research to identify the underlying causes and strive to find solutions that benefit all parties involved.</p>
Discrimination and harassment	We review job advertisements to eliminate discriminatory language and provide training to managers on promoting inclusivity. We also have grievance mechanisms available for reporting incidents of discrimination and harassment.
Forced labour	Recruitment personnel are not allowed to withhold candidates' identity papers or collect deposits as conditions of employment. Random inspections and interviews with newcomers are conducted to ensure compliance with the recruitment procedure.
Child and Young Labour	We review employees' identity papers and conduct interviews to verify their age. A facial recognition system linked to the public security system is used for identity verification. Further investigations are conducted in suspected cases.

Child and Young Labour

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

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

Managing Environmental Impacts



SDG Targets



Related Material Topics

- Environmental compliance
- Expenditure on environmental protection



Environmental Protection Expenditure

RMB79.4
million



Total Energy Consumption

3,951,489
GJ



Total Water Consumption

11,598,835
tonnes



Total GHG Emissions

641,012
tCO₂e

To align with China's goal of attaining carbon neutrality and reducing our impact on the environment, we have been concentrating on strengthening our comprehensive action plans and environmental management systems. A significant emphasis has been placed on expanding our utilisation of renewable energy sources. In 2023, we successfully generated over 33.4 million kWh of renewable energy, marking a notable increase of over 66.7% compared to 2022.

Environmental Management

In order to reduce environmental impacts caused by the Group's business activities, the General Management Offices regulate environmental issues at our production facilities. We have acquired ISO 14001:2015 certification for environmental management systems at all production sites.

The Group is committed to making consistent and ongoing advancements in environmental protection and reducing conventional energy consumption. We provide our staff with training in environmental preservation practices and diligently monitor the effectiveness of our environmental system. Before constructing new production sites, we conduct comprehensive environmental impact assessments. Furthermore, we ensure that pollution control facilities are established in accordance with local government regulations, and we undergo periodic government audits upon completion.

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

Climate Resilience

AAC Technologies is dedicated to developing strategies that are aligned with industry best practices to address the physical and transition risks associated with climate change. Through adopting a range of sustainability strategies, we aim to mitigate, adapt to, and enhance our resilience to the risks and impacts on our business operations.

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

To ensure transparent and consistent communication of climate-related information to our stakeholders, we are committed to assessing and aligning our disclosures on climate risks with the recommendations provided by the Task Force on Climate-Related Financial Disclosure (“TCFD”). In February 2023, AAC Technologies initiated the enhancement of TCFD-aligned disclosures by engaging a third-party consultant to conduct a review in 2023. This review will identify any gaps and areas for improvement in our future TCFD-aligned disclosures.

Governance

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

Strategy and Risk Management

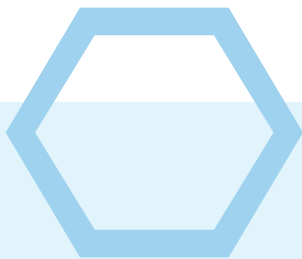
The Climate Change Policy helped drive the Group’s sustainability progress and guided the Group in managing its impact on climate change through mitigation, adaptation, and resilience. The adoption of the Climate Change Policy supports our commitment and continuous progress in incorporating climate-related issues into our sustainability management system, ISO 14001:2015 Environmental Management System and ISO50001 Energy Management System. The Group will also improve energy efficiency and incorporate climate change into its procurement considerations.

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

In accordance with the recommendations of the TCFD, the following table provided outlines the actions we have taken to address the potential impacts associated with climate-related risks and opportunities that the Group may encounter.

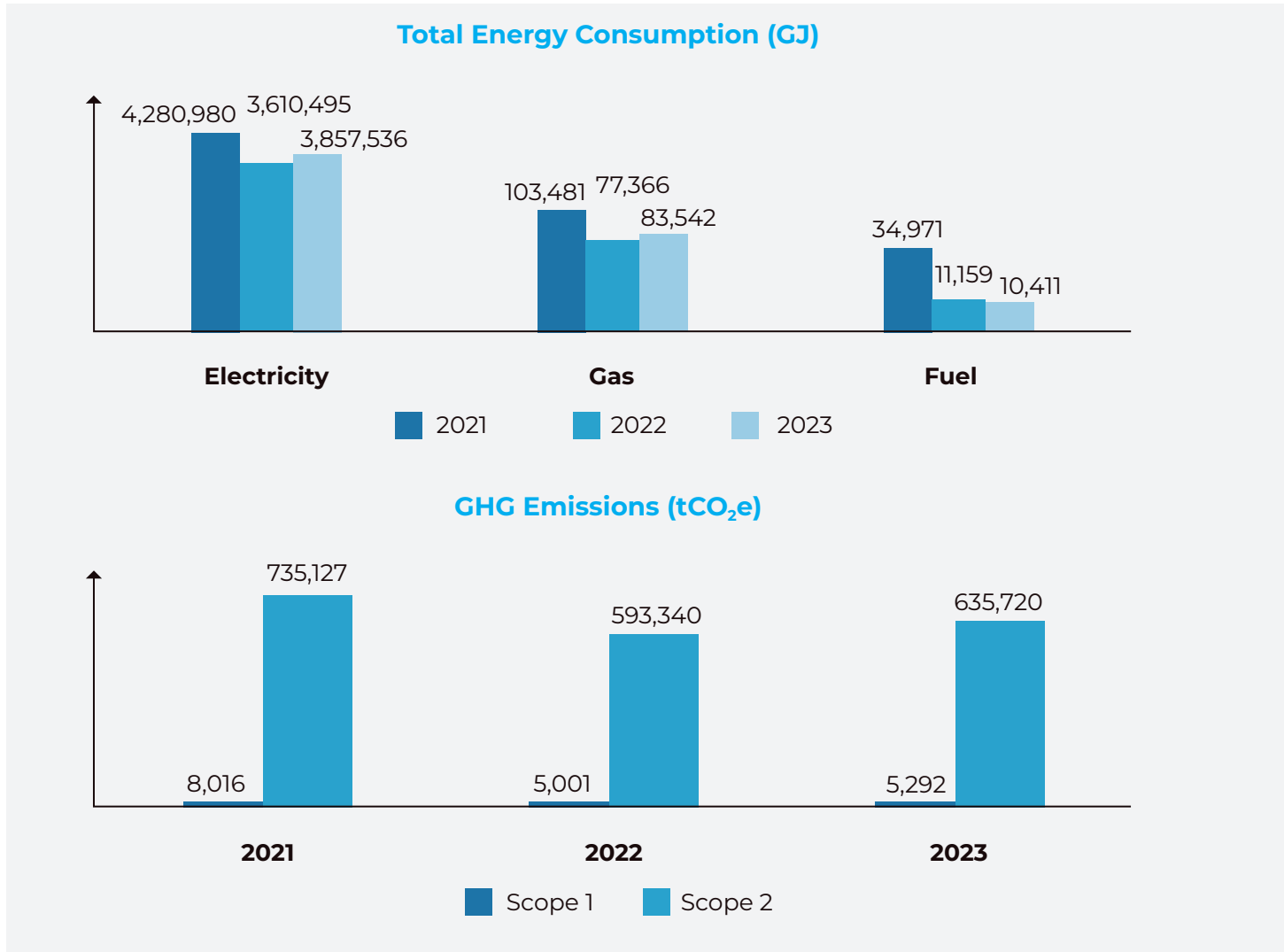
	Description	Potential Business Impacts	Actions Undertaken	Corresponding Section
Physical risks				
Acute	Increased frequency and severity of extreme weather events (e.g., typhoons) may damage our facilities and affect materials and products transportation	<ul style="list-style-type: none"> • Increased operating and maintenance costs • Loss of revenue 	<ul style="list-style-type: none"> • Implemented natural disasters emergency plan 	<ul style="list-style-type: none"> • Climate Resilience
Chronic	Prolonged period of extremely hot weather	<ul style="list-style-type: none"> • Increase in operating cost such as energy cost • Increased chance of heat-related injuries which affect employees' health and safety 	<ul style="list-style-type: none"> • Energy management in accordance with ISO50001 Energy Management System • Implemented energy-efficiency retrofits 	<ul style="list-style-type: none"> • Working towards Carbon Neutrality
Transition risks				
Policy and legal	Enactment of more stringent laws and regulations related to climate change	<ul style="list-style-type: none"> • Increased compliance cost 	<ul style="list-style-type: none"> • Regularly monitor the regulatory trends 	<ul style="list-style-type: none"> • Climate Resilience
Market	Change in customer preferences for green products	<ul style="list-style-type: none"> • Reduced revenue due to the decrease in demand for current products 	<ul style="list-style-type: none"> • Strengthen research and development of environmentally friendly products • Control and avoid the use of hazardous materials in products 	<ul style="list-style-type: none"> • Management of Hazardous Substances

Description	Potential Business Impacts	Actions Undertaken	Corresponding Section
Opportunities			
Products	<ul style="list-style-type: none"> More low-carbon, energy-saving technologies are developed 	<ul style="list-style-type: none"> Introduction of new technology Reduced energy cost 	<ul style="list-style-type: none"> Adopted energy-saving technologies including intelligent energy management system Exploring new environmental technologies and developing sustainable products Establishing energy-efficiency facilities Replacing traditional fossil fuel-based shuttle buses with renewable energy powered shuttle buses
			<ul style="list-style-type: none"> Working towards Carbon Neutrality Reducing Emissions of Air Pollutants



Metrics and Targets

In 2023, the Group consumed a total of 3,951,489 GJ¹² of energy (equivalent to 1,097,723,644 kWh), with an energy consumption intensity of 194 GJ (equivalent to 53,893 kWh) per million RMB revenue. For direct energy consumption, the consumption of fuel gas, diesel and petrol were 2,088,562 m³, 62,055 kg and 160,879 kg respectively. For indirect energy consumption, the consumption of electricity was 1,071,537,597 kWh.



The Group's total GHG emissions were 641,012 tonnes of carbon dioxide equivalent (tCO₂e), with an emission intensity of 0.31 tCO₂e per ten thousand RMB revenue. Indirect emissions from purchased electricity constitute the main source of the Group's GHG emissions, accounting for 99% of total emissions.

The SWG is presently working on refining the Group's quantitative environmental targets for 2024. The objective is to improve environmental performance and meet the expectations of stakeholders. To meet our emissions targets, we have expanded the utilisation of solar energy, smart production technologies, and energy-saving equipment. Furthermore, our carbon reduction strategies will encompass the design, construction process, and selection of raw materials for our facilities.

¹² Energy Consumption Calculation Methodology
 Energy consumption calculations are referenced from "Energy Statistics Manual - Appendix 3: Units and Converted Equivalents" published by International Energy Agency.



Carbon Emissions Target

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

Progress in 2023:

The carbon emission in Shenzhen has reduced 20% this year compared to 2022. The Group will continue to take active decarbonisation actions to further progress towards a low carbon future.

Currently, the Group is in the process of reviewing its existing environmental targets, which include targets for carbon emissions, energy consumption, waste diversion, and water consumption. In order to combat climate change and move towards a low-carbon operation, the Group will continue to monitor its sustainability performance and take the necessary actions.

Working towards Carbon Neutrality

Converting to Renewable Energy

In order to mitigate climate-related risks, the Group has transitioned from fossil-derived energy to renewable energy. We aim to achieve 75% clean energy consumption at two Changzhou plants in 2030 in order to meet the national carbon neutrality target.

Over 33 million kWh of solar energy was generated by all our solar photovoltaic ("PV") plants in 2023, representing a significant increase of approximately 65% when compared to the solar energy generated in 2022. In 2023, we successfully installed two solar PV plants in Yangzhou and Maanshan plants, contributing over 2.98 million kWh of clean energy. Our goal is to launch additional solar PV plants in Shenzhen and Nanning plants in 2024 to generate more clean energy. We have recently installed solar panels in Yangzhou factory as part of our commitment to harnessing clean and renewable energy. The majority of the solar panels are installed above the factory, where the rooftop capacity is 2,250 kilowatts, and the capacity on the roof of the electric bike parking lot is 79.6 kilowatts. These solar panels utilise the sun's power to generate electricity, reducing our dependence on traditional energy sources and significantly lowering our carbon footprint.



Energy Consumption Target

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

Progress in 2023:

In order to achieve our target in 2030, we will continue to increase our consumption on clean/renewable energy. In Yangzhou, we have made significant progress in achieving over a 10% utilisation of renewable energy.



Enhancing Energy Conservation

In our pursuit of enhanced energy efficiency, we are dedicated to implementing energy-saving measures across our production facilities and buildings. We take pride in the fact that our energy management platform has earned ISO50001 accreditation, further validating our commitment to effective energy management practices. This year, the Group successfully executed several energy-saving projects in the Yangzhou Factory, saving over 115,399 kWh.

Location	Projects	Electricity consumption saving	Energy-saving efficiency
Yangzhou Factory	Reduction of the use of lamps	30,640 kWh	15.6%
Yangzhou Factory	Time control on street lights	8,236.8 kWh	23.2%
Yangzhou Factory	Air-conditioning energy-saving system	76,523 kWh	7%

Management of Hazardous Substances

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

The Group has in place a “Hazardous Substance Management Regulation” that specifies management methods, accountable parties and a list of restricted hazardous substances. Every year, we update the list in compliance with the latest national and international laws and regulations, including RoHS¹³, REACH¹⁴ and California Proposition 65, as well as customers’ specific requirements in a timely manner.

Restricted Hazardous Substance List of the Group

Classification	Class I	Class II	Class III
	Substances restricted by RoHS	Substances restricted by national regulations or conventions other than RoHS	Substances concerned by the industry due to their environmental and health impacts
Response	Limited	Limited	Report and reduce
Number of items	8	100	15
Examples	<ul style="list-style-type: none"> • Cadmium and its compounds (Cd) • Lead and its compounds (Pb) • Mercury and its compounds (Hg) • Chromium VI and its compounds (Cr (VI)) • Polybrominated biphenyls (PBBs) • Polybrominated diphenyl ethers (PBDEs) • Phthalates 	<ul style="list-style-type: none"> • Arsenic and its compounds (As) • Asbestos and its compounds • Antimony and its compounds (Sb) • Organic tin compounds • Other chlorine compounds • Per-and polyfluoroalkyl substances (PFAS) • Perfluorooctanoic Acid (PFOA)-related substances 	<ul style="list-style-type: none"> • Bismuth and its compounds • Barium and its compounds • Chromium III compounds • Rare-earth elements • Benzophenone • Mineral wool • Isocyanates

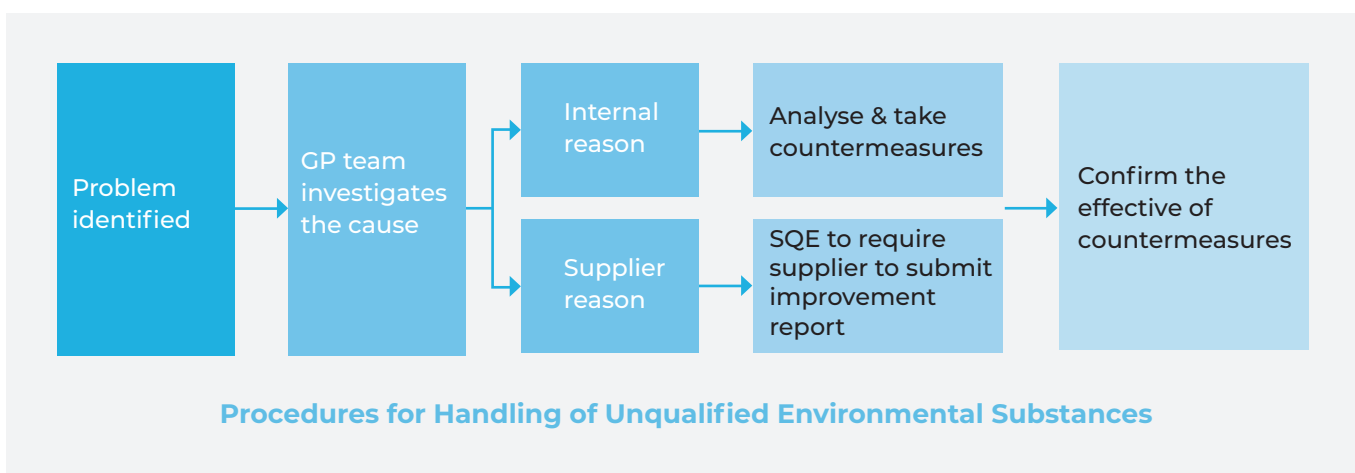
¹³ Restriction of Hazardous Substances Directive, a directive on restriction on the use of certain hazardous substances in electrical and electronic equipment.

¹⁴ Registration, Evaluation, Authorisation and Restriction of Chemicals

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

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

A non-conforming product control procedure and a recall product management procedure will be enforced if unqualified materials or products are used. Once unqualified materials or products are detected, the management is promptly notified to take containment measures in strict conformity with internal handling standards and the products are scrapped. All production stages are examined to identify the source of issues to make improvements in the future. During the year, we did not receive any complaints on detection or usage of any environmentally harmful substances.

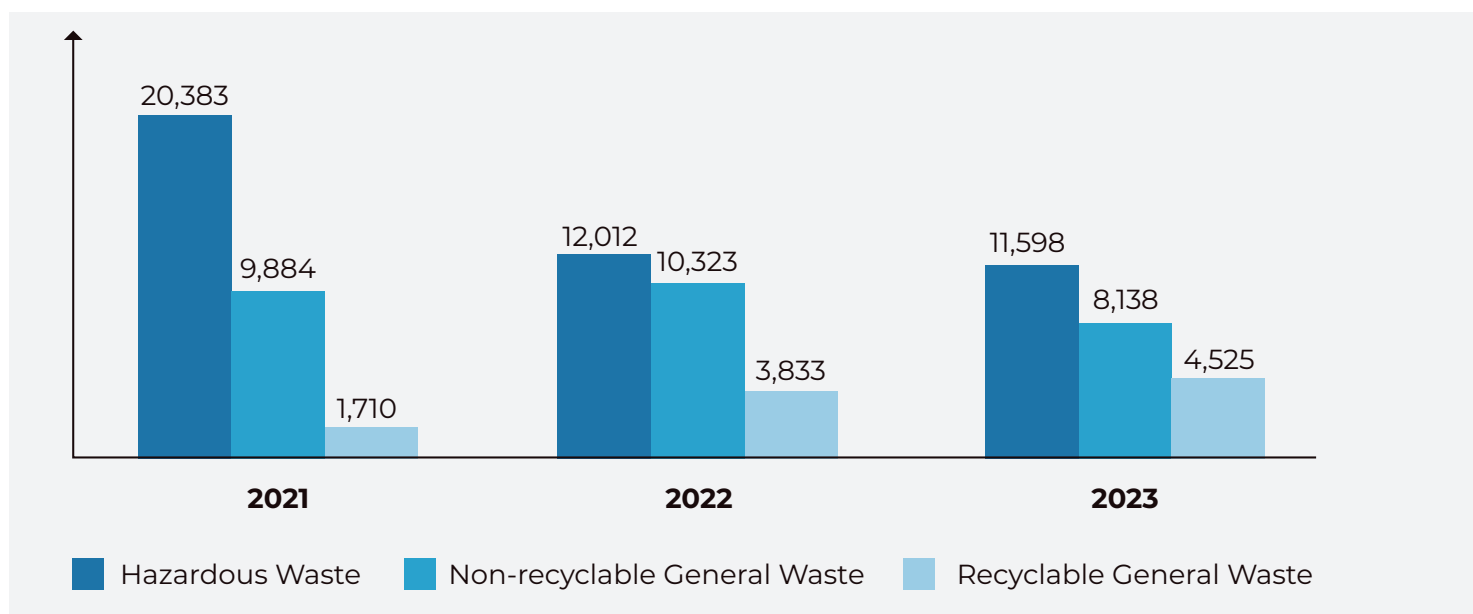


Waste Management

Responsible and sustainable production practices are our top priorities. In accordance with our strict guidelines regarding hazardous and non-hazardous waste handling and disposal, we continuously evaluate the effectiveness of our waste management approach, including responsibly storing, repurposing and disposing of waste.

During the year, a total of 11,598 tonnes of hazardous waste and 12,663 tonnes of general waste were generated. 36% of the general waste was recyclable.

Waste Generation (tonnes)



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

Hazardous Waste	Non-hazardous Waste
<ul style="list-style-type: none"> Optimise the record of waste treatment Ensure safe and proper packaging of waste Ensure proper labelling of hazardous waste with signs and labels Reduce the storage time of flammable and explosive waste Maintain suitable storage environment, including ventilation, temperature and humidity Conduct regular inspection and training 	<ul style="list-style-type: none"> Maintain a record of waste handling Refine the waste segregation in facilities, separating into 3 levels Waste stored separately according to different types Conduct inspection to prevent any mixing of waste with other waste and company items

Hazardous Waste Management

Hazardous waste generated by the Group includes waste-cutting fluid, organic solvent, sludge and plastic. We have in place the “Hazardous Waste Management Policy” governing the management of the generation, collection, storage, utilisation and treatment of hazardous waste. We ensure that hazardous waste is separated from other solid waste and general waste and is packaged, categorised, transferred and stored properly. We also perform daily inspections on hazardous waste classification and management procedures. In addition, we have appointed an accredited third-party hazardous waste handler to collect and manage hazardous waste in accordance with the Solid Waste Pollution Prevention and Control Law of the PRC and other related rules and regulations.

We also examine rainwater samples on a regular basis to guarantee that they are not contaminated by hazardous waste. We have engaged environmental consultants to conduct on-site audits at our factories to improve our hazardous waste management processes. This proactive strategy allows us to maintain high levels of environmental safety and compliance.



Reuse of Cutting Fluid

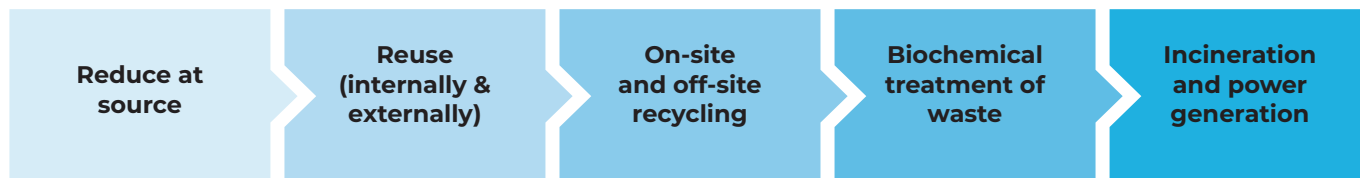
To promote green production and minimise hazardous waste, our production process incorporates a cutting fluid treatment and recycling system. This system effectively removes impurities, oil and bacteria from the cutting fluid, allowing for its reuse.

Reuse of organic solvent and plastic hose

Our commitment to material reuse enables us to lower operating costs and minimise the generation of hazardous and general waste. By reusing organic solvents, we reduce consumption by approximately 50%. Additionally, we actively reuse disposable plastic hoses, trays and packaging materials.

Achieving Zero Waste to Landfill

To achieve our target on waste diversion rate, we continue to implement a Zero Waste to Landfill project at some of our factories according to the UL ECVP2799¹⁵ standard. The Zero Waste to Landfill project endeavours to reduce waste generation at its source by reducing, reusing and recycling waste and maximising energy recovery from incineration. Data on waste reduction and recycling at our factories are monitored monthly to record our performance in waste management.



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



Waste Diversion Target

Maintain a minimum of 90% waste diversion rate at two major plants in Changzhou and Shenzhen plant in 2023

Progress in 2023:

Both plants reached the waste diversion rate of over 90%.

¹⁵ UL ECVP2799 refers to the Environmental Claim Validation Procedure for Zero Waste to Landfill, which is developed for validation of zero waste environmental claims at individual facilities. The facilities should send little or no waste for landfilling or incineration without energy recovery and achieve a landfill waste diversion rate of over 80%.

General Waste Management

General Waste is categorised into three categories, namely non-recyclable, recyclable, and food waste, and is managed by our “Waste Management Procedures”. Non-recyclable wastes, such as household garbage and construction debris, are handled by a third-party waste disposal company. Various recyclable materials, such as metals, papers, and plastics are sent to designated recycling plants.



Reduction of Sludge



In our casting production facility, a sludge dryer is utilised to reduce the volume of wet sludge generated during wastewater treatment. By evaporating the water content, we can significantly decrease the amount of sludge for disposal. At the Shuyang plant, a sludge dryer is already in use, and at the Kunshan plant, seven new facilities have been added, which are expected to reduce sludge disposal by approximately 50%, equivalent to 3,000 tonnes per year.

Recycling of Food Waste

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

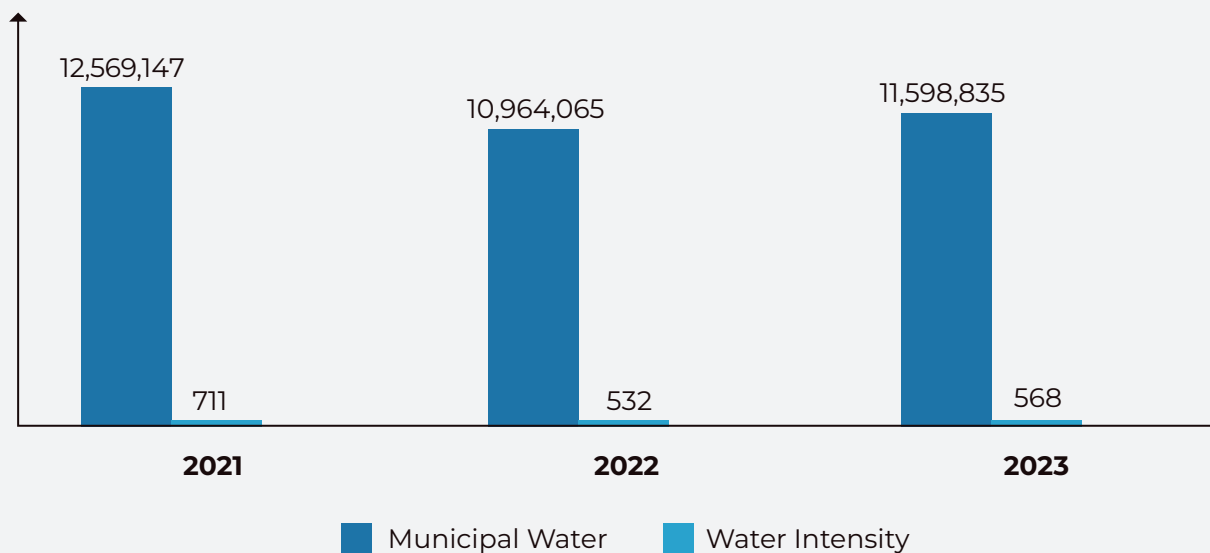
Reuse of Old Office Furniture

The Group treasures resources and prefers reuse rather than disposal. Since 2022, we established an internal system which brings idle furniture a second life. We saved RMB196,000 by re-allocating over 300 pieces of furniture from our factories.

Water Conservation and Recycling

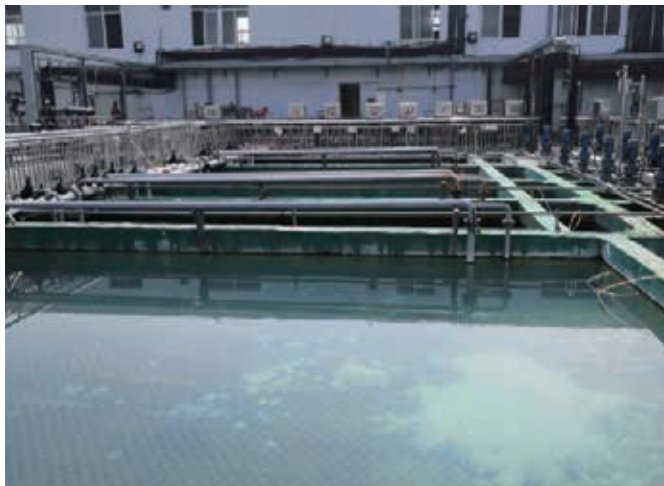
Water consumption of the Group is for industrial and domestic purposes. In 2023, the Group consumed a total of 11,598,835 tonnes of water, with a water consumption intensity of 568 tonnes per million RMB revenue. During the year, the Group did not experience any issues in sourcing water.

Municipal Water Consumption (tonnes) and Intensity (tonnes/ million RMB revenue)

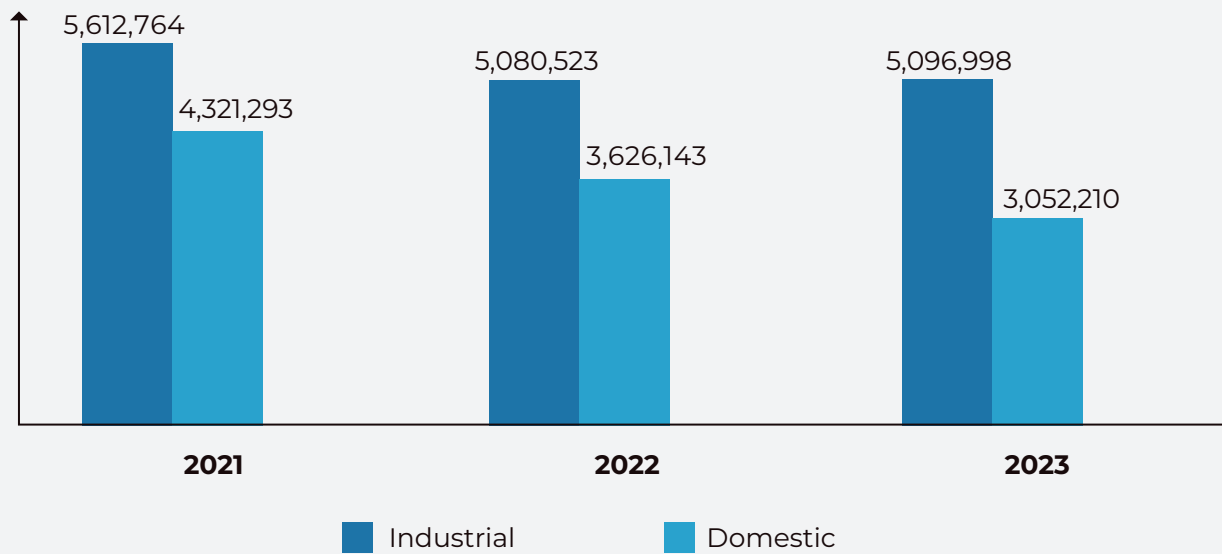


Water-saving equipment has been installed in our washrooms, and we regularly examine water supply systems to reduce domestic water use. We have also adopted ultrasonic detection technology in order to detect leaks in underground water pipe networks and arrange immediate repairs if abnormalities are detected. Additionally, we continue to implement various water reduction or conservation initiatives, with an emphasis on ensuring that employees are trained on using water-saving technologies and the importance of conserving water on a daily basis. For example, domestic wastewater in one of our Changzhou factories is recycled by a water treatment company and the recycled water is reused for cooling and washing.

In 2023, the Group discharged a total of 8,149,208 tonnes of wastewater. Industrial and domestic wastewater is treated at on-site wastewater treatment plants and municipal treatment plants. To reduce the amount of wastewater generated, we treat it with electro dialysis evaporation technology. We have also completed testing on reducing wastewater through low-temperature heat pump evaporation. At our Shenzhen factory, permeate water and rejected water are recycled for domestic purposes. We aim to continuously increase our water use efficiency and water recycling proportion.



Wastewater Discharge (tonnes)



The Reclaimed Water Treatment Facility in Kunshan

This year, the reuse rate of the reclaimed water maintained 75% at the reclaimed water treatment facility in Kunshan.

Anode Waste Steam Heating Electromechanical Installation Project in Yangzhou Factory

The water vapour mixture produced after heating the anode used to be discharged directly into the rainwater pipe in Yangzhou Factory. We have taken steps to improve energy utilisation and constructed an insulated water storage tank and implemented a constant pressure high-temperature water pump system. This setup allows us to collect and convert the water vapour mixture into energy. The collected mixture was then transported to 90 radiators installed in both Yangzhou factories (factory no. 1 and no. 2) to provide heating. This year, we achieved annual steam savings of 624T and annual electricity savings of 140.4MWh.

Electronic device carrier project of Yangzhou Economic and Technological Development Zone

The building design incorporates green elements to process water discharged from the project. In 2023, the project discharged 270,732 tonnes of water. The Group is committed to monitoring and ensuring the quality of drainage meets the corresponding standard requirements. For instance, an industrial wastewater regeneration and reuse system has been established for wastewater collection, pipe network transmission, and reuse of equipment according to standards. High-performance and zero-leakage valves are also selected for draining and exhaust valves for better quality.



Water Consumption Target

Reduce total water consumption of all Changzhou plants by 3% in 2023.

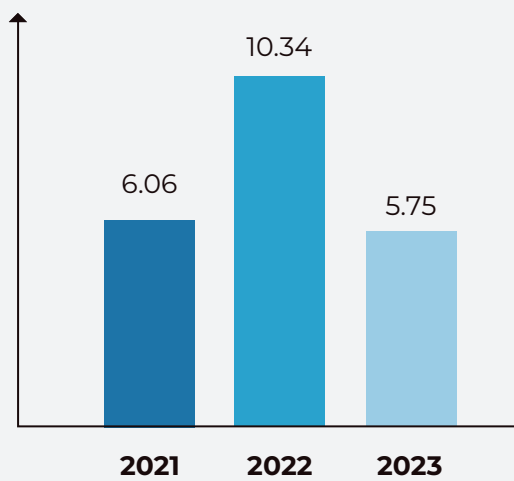
Progress in 2023:

The extension of production in Changzhou plant led to an increase in water consumption by 7.2% in 2023, compared with 2022. The management process of water usage will be revamped to improve on timeliness of monitoring the performance of water usage. Also, it is intended that we will increase the renewable water use in future.

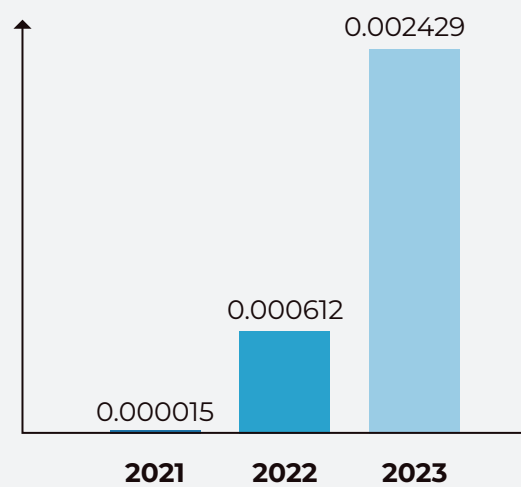
Reducing Emissions of Air Pollutants

Organic exhaust gas is generated during the bonding adhesive process, our operations produce welding fumes. The amount is insignificant due to the nature of the miniature product. We also generate cooking fumes at our canteens and laboratory emissions. During the year, the Group emitted a total of 5.75 tonnes and 0.00243 tonnes of non-methane hydrocarbons, tin and its compounds. Our production process does not involve the consumption of coal.

Non-methane Hydrocarbon (tonnes)



Tin and its Component (tonnes)



Audits of emissions of various pollutants are conducted regularly at our factories to ensure compliance with regulatory standards. Organic exhausts are treated by an exhaust treatment system, and we have in place facilities to treat cooking fumes and laboratory emissions. To reduce air pollution at operational sites, we continue to adopt exhaust treatment technologies and improve treatment efficiency.

Specialised Waste Gas Treatment in Nanning

The installation of 60 laser engraving machines in the Nanning facility encompasses a specialized design of waste gas treatment which can collect and process a capacity of 30,000 m³/h exhaust dust gas.

The exhaust gas, emitted from the laser engraving machines, is collected via a point-to-point suction system. It is then treated via a pneumatic cyclone spray tower. The gas which contains dust particles, enters the tower, is swirled, sprayed with water and mixed the dust particles with water. The dust-laden water is removed using centrifugation or filtering, and the cleaned gas is discharged safely. A mud bucket added to the circulating water tank to facilitate the deposition of dust particles and avoid the creation of hard lumps. The system provides simplicity and ease of administration and operation with a broad range of application, high-cost efficiency and reliability.



Transition to Greener Transportation

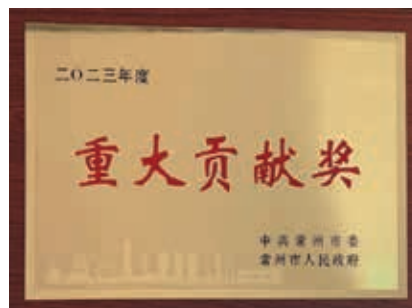
The Group provides shuttle buses for workers to commute to and from factories. As part of our effort to transition to a low-carbon operation, we are phasing out traditional fossil fuel-based shuttle buses and replacing them with shuttle buses powered by renewable energy. As a result, an estimated of 24,583L of fuel was saved in the Group's factories in Shenzhen and Nanjing in 2023.

Community Care

We have continuously engaged in supporting the economic and social development of the local communities. We have implemented several initiatives to foster philanthropy and address social issues. During the year, we collaborated with the Changzhou government to identify pressing social needs and develop sustainable solutions. We organised fundraising events and made donations to give back to the communities where we operate. The following examples show our commitment to community care.

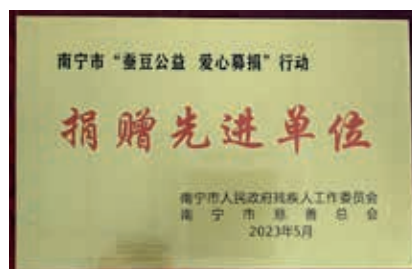
Outstanding contributions to the development of Changzhou

We receive the “Outstanding Contribution Award” from the Changzhou Government. Changzhou holds significant importance as both an R&D hub and a manufacturing base for AAC. The consistent advancements in intelligent production have infused substantial energy into the high-quality growth of Changzhou’s advanced manufacturing industry. Additionally, our efforts have aided in releasing labour resources in Changzhou and recruiting a greater proportion of local workers. By continually enhancing the global competitiveness of our enterprise, we are assisting Changzhou in expanding its leading position as a new energy city and making fresh contributions to the development of diverse industries in the region.



Support the Local Community through Charitable Donations

This year, we donated over RMB1.1 million to support various local communities, including Changzhou, Nanning and Kunshan. These donations focus to assist the disadvantaged in areas such as education, medical services, and poverty.



Appendices

Performance Data Summary

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

Workforce Demographics				
	Unit	2023	2022	2021
Total employees	Number	29,922	27,798	37,591
By Employment Type				
Full-time ¹⁶	Number	29,922	27,798	–
Part-time	Number	0	0	–
By Geographical Distribution				
Changzhou	Number	13,437	13,416	17,816
Shenzhen	Number	1,262	1,391	1,639
Shuyang	Number	2,960	2,982	4,000
Suzhou ¹⁷	Number	262	1,443	2,027
Nanning	Number	5,144	3,672	6,427
Kunshan	Number	1,059	–	–
Yangzhou	Number	1,217	–	–
Maanshan	Number	386	–	–
Vietnam	Number	3,959	3,467	4,314
Overseas and other areas ¹⁸	Number	1,067	1,427	1,368

¹⁶ All employees are full-time and permanent employees.

¹⁷ The significant drop of number in 2023 was because we were gradually moving production lines from Suzhou.

¹⁸ Figures in Overseas and other areas include the employee figures in other part of mainland China.

Workforce Demographics				
	Unit	2023	2022	2021
By Age				
<30	Number	11,781	11,865	18,475
31-40	Number	14,517	12,892	15,804
41-50	Number	3,257	2,691	2,925
>50	Number	367	350	387
By Gender				
Male	Number	19,174	17,168	24,199
Female	Number	10,748	10,630	13,392
By Educational Background				
Degree or above	Number	15,426	15,321	18,525
High school or below	Number	14,496	12,477	19,066
By Employee Category				
Management	Number	2,180	2,185	2,169
R & D	Number	1,151	1,356	1,040
Technician	Number	2,810	2,524	5,267
Mechanics	Number	13,244	13,199	15,993
Operators	Number	10,537	8,534	13,122
Employees Training				
Average training hours	Hours	13.3	14.0	20.5
By Gender				
Male	%	64	62	64
Female	%	36	38	36
Health and Safety				
	Unit	2023	2022	2021
Type A – Slight injury	Number	27	30	38
Investment in Safe Production	RMB'000	55,421	53,404	47,824
Major pollution/safety incidents	Number	0	0	0
Fire hazard	Number	1	0	1
Total Work-related Accidents	Number	85	85	105
Type A – Slight injury	Number	27	30	38
Type B – Minor injury	Number	57	54	67
Type C – Severe injury	Number	0	0	0
Type D – Fatalities	Number	1 ¹⁹	1	0
Work-related injuries per 1,000 workers	%	3.09	2.53	2.79
Lost time injury frequency rate ("LTIFR")²⁰ (per million hours worked)	% (Per million hours worked)	1.00	1.26	0.95

¹⁹ During the year, a fatal traffic accident occurred outside our production plant site. One of our employees passed away after being struck by a private vehicle owned by a third party.

Health and Safety				
	Unit	2023	2022	2021
Lost days due to work-related injury	Days	4,519	2,903	3,734
Occupational disease cases	Number	0	0	0
Training on Occupational Safety and Health				
Total person-times training	Number	73,423	104,651	84,093
Total training hours ²¹	Hours	171,324	213,023	126,140
Percentage of workers trained	%	100%	100%	100%

Parental Leave				
	Unit	2023	2022	2021
Employees entitled to Parental Leave				
Male	Number	587	647	–
Female	Number	1,040	740	–
Employees that took Parental Leave				
Male	Number	570	638	–
Female	Number	967	574	–
Employees Return to Work Rate ²²				
Male	%	97.7	98.1	–
Female	%	81.0	92.1	–
Employees Retention Rate ²³				
Male	%	77.0	60.3	–
Female	%	39.9	36.5	–

Board Diversity				
	Unit	2023	2022	2021
By Age				
<30	%	0%	0%	0%
31-40	%	0%	0%	0%
41-50	%	0%	17%	14%
>50	%	100%	83%	86%
By Gender				
Male	%	83%	83%	86%
Female	%	17%	17%	14%

²⁰ LTIFR is calculated based on the following formula: Number of lost time injuries in the year times 1,000,000 and then divided by Total hours worked in the year.

²¹ Each employee may participate in training more than once.

²² Return to work rate is calculated as total number of employees who did return to work after parental leave divided by total number of employees due to return to work after taking parental leave and then multiplied by 100%.

²³ Employee retention rate on is calculated as the total number of employees retained 12 months after returning to work following a period of parental leave, divided by total number of employees returning from parental leave in the prior reporting period(s), multiplied by 100%.

Supply Chain Management				
	Unit	2023	2022	2021
Total number of suppliers	Number	590	506	310
Number of new suppliers	Number	86	–	–
Number of new suppliers screened using environmental criteria	Number	86	–	–
Number of new suppliers screened using social criteria	Number	86	–	–
By Geographic Region				
Hong Kong	Number	14	14	3
Mainland China	Number	558	475	290
Overseas	Number	18	17	17

Community				
	Unit	2023	2022	2021
Donation	RMB'000	1,130	1,480	1,451

Environment ²⁴				
	Unit	2023	2022	2021
Environmental Protection Expenditure	RMB'000	79,405	67,860	100,271
Total Resources Consumption				
Indirect Consumption				
Electricity	kWh	1,071,537,597	1,002,915,220	1,189,161,009
Direct Consumption				
Petrol and diesel	Kg	222,935	239,835	761,070
Natural gas	m ³	2,088,562	1,934,147	2,587,015
Total energy consumption	GJ	3,951,489	3,699,020	4,419,432
Total energy intensity	GJ per million RMB revenue	194	179	250
Water				
Water consumption	Tonnes	11,598,835	10,964,065	12,569,147
Water intensity	Tonnes per million RMB revenue	568	532	711

²⁴ Environmental KPIs calculation methodology
Environmental KPIs stated in the report are calculated with reference to HKEX's "How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs".

Environment				
	Unit	2023	2022	2021
Emissions				
Air Pollutant				
Sulphur oxides ("SOx")	Tonnes	0.00446	0.00469	–
Nitrogen oxides ("NOx")	Tonnes	1.41	30.23	–
Particulate matter ("PM")	Tonnes	3.58	2.35	–
Non-methane hydrocarbon	Tonnes	5.75	10.34	6.06
Tin and its compounds ^{25, 26}	Tonnes	0.00243	0.00061	0.00002
Waste				
Hazardous waste	Tonnes	11,598	12,012	20,383
Hazardous waste intensity	Tonnes per million RMB revenue	0.57	0.58	1.15
Non-hazardous waste	Tonnes	12,663	14,156	11,594
Non-hazardous waste intensity	Tonnes per million RMB revenue	0.62	0.69	0.66
Wastewater discharge	Tonnes	8,149,208	8,706,666	9,934,057
GHG Emissions²⁷				
Total GHG emission	tCO ₂ e	641,012	598,341	744,143
Scope I ²⁸	tCO ₂ e	5,292	5,001	8,016
Scope II ²⁹	tCO ₂ e	635,720	593,340	736,127
Emission intensity ³⁰	tCO ₂ e per ten thousand RMB revenue	0.31	0.29	0.42

²⁵ Exhaust gas discharge outlets are newly operated in the production facilities in Naning in 2023. Further investigation would be conducted to determine the appropriate course of action if necessary.

²⁶ The Tin and its compounds figures in 2022 was restated due to the emission of 2 exhaust gas discharge outlets were updated in accordance with the latest calculation result.

²⁷ GHG calculation methodology

GHG emissions calculations are referenced from the "Corporate Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines Power – Generation Facilities (2022 revised edition)" published by the Ministry of Ecology and Environment of the PRC in 2022 and the "IGES List of Grid Emission Factors" published by The Institute for Global Environmental Strategies in 2021.

²⁸ Scope 1 emissions comprise CO₂, CH₄, and N₂O emissions from natural gases consumed and emissions from our private vehicles and medium trucks that run on petrol and diesel. The global warming potentials used for calculation are adopted from Intergovernmental Panel on Climate Change ("IPCC") Fifth Assessment Report.

²⁹ Scope 2 emissions are generated from the electricity consumed by AAC Technologies' major operations.

³⁰ Calculation of GHG intensity covers scope 1 and scope 2 emissions.

Environment				
	Unit	2023	2022	2021
Usage of Packaging Materials				
Carton	Pcs	2,197,900	4,397,577	4,214,308
Blister boxes	Pcs	44,828,554	60,263,931	84,183,346
Carrier tape	Meter	10,992,554	13,468,289	14,193,683
Carrier disc	Pcs	374,331	398,874	603,799
Packing belt	Rolls	74	664	7,645
Sealing paper	Rolls	286,454	789,642	1,127,430
Sealing paper	Square meter	77,033	317,390	160,768
Label	Pcs	474,950	34,720,853	46,070,560
Label	Rolls	23,997	12,166	87,045
Bubble wrap ³¹	Pcs	3,537,339	11,420	–
Bubble wrap	Meter	8,300	6,500	–

³¹ The production facilities in Changzhou are newly included for calculation of the usage of bubble wrap (Pcs) in 2023.

Awards and Recognitions 2023

Award/Recognition Received	Awarded to	Awarded by
Reporting		
Best GRI Report – Commendation	AAC Technologies Holdings Inc.	Hong Kong ESG Reporting Awards 2022
Best Corporate Governance and ESG Awards	AAC Technologies Holdings Inc.	Hong Kong Institute of Certified Public Accountants
Best TMT Company	AAC Technologies Holdings Inc.	Wisemen Financial Technologies, Hithink RoyalFlush Information Network Co.,Ltd.
New Economy Corporate – Leadership Awards	AAC Technologies Holdings Inc.	Standard Chartered Bank, Hong Kong Economic Journal
Operation Excellence		
Best Achievement Supplier	AAC Technologies Holdings Inc.	Compal Smart Device (Chongqing) Co., Ltd.
Guangxi industrial leading enterprises (the first batch)	AAC Technologies (Nanning) Co., Ltd.	Industry and Information Technology Department of Guangxi Zhuang Autonomous Region
Guangxi Manufacturing single champion enterprises	AAC Technologies (Nanning) Co., Ltd.	Industry and Information Technology Department of Guangxi Zhuang Autonomous Region
2023 Nanning Top 50 Enterprises	AAC Technologies (Nanning) Co., Ltd.	Nanning Enterprise Confederation, Nanning Enterprise Directors Association
2023 Nanning Top 50 Enterprises	AAC Raytech Module (Nanning) Technologies Co., Ltd.	Nanning Enterprise Confederation, Nanning Enterprise Directors Association
2023 Nanning Top 50 Enterprises	AAC Acoustic Technologies (Nanning) Holdings Inc.	Nanning Enterprise Confederation, Nanning Enterprise Directors Association
2023 Nanning Top 30 Manufacturing Enterprises	AAC Technologies (Nanning) Co., Ltd.	Nanning Enterprise Confederation, Nanning Enterprise Directors Association
2023 Nanning Top 30 Manufacturing Enterprises	AAC Raytech Module (Nanning) Technologies Co., Ltd.	Nanning Enterprise Confederation, Nanning Enterprise Directors Association

Award/Recognition Received	Awarded to	Awarded by
2023 Nanning Top 30 Manufacturing Enterprises	AAC Acoustic Technologies (Nanning) Holdings Inc.	Nanning Enterprise Confederation, Nanning Enterprise Directors Association
2023 Qixia District Economic Quality Development Contribution Award	AAC Technologies (Nanjing) Co., Ltd.	Qixia District, Nanjing
2023 District Key Industrial Enterprises – Medals	AAC Optoelectronics Technology (Changzhou) Co., Ltd	Wujin, Changzhou People's Government
Implementation of the 532 development strategy to promote high-quality development of advanced collectives	AAC Optoelectronics Technology (Changzhou) Co., Ltd	Changzhou People's Government
Outstanding Enterprise in Jiangsu Province	AAC (China) Investment Co., Ltd.	Jiangsu People's Government
Single champion demonstration enterprise in the manufacturing industry	AAC Module Technologies (Changzhou) Co., Ltd.	Ministry of Industry and Information Technology of the People's Republic of China, China Federation of Industrial Economics
2023 Top 500 Chinese Manufacturing Enterprises	AAC Technologies Holdings Inc.	China Enterprise Confederation/China Enterprise Directors Association
2023 Top 500 Chinese Manufacturing Private Enterprises	AAC Technologies Holdings Inc.	All – China Federation of Industry and Commerce
Guangdong Top 100 Private Enterprises 64th	AAC Technologies Holdings Inc.	Guangdong Federation of Industry & Commerce
2023 Top 100 Chinese large enterprises innovation	AAC Technologies Holdings Inc.	China Enterprise Confederation/China Enterprise Directors Association
2023 Top 100 Private Enterprises in Guangdong Manufacturing Industry 38th	AAC Technologies Holdings Inc.	Guangdong Federation of Industry & Commerce
2023 Top 100 Global Innovation Organisations	AAC Technologies Holdings Inc.	Clarivate
2023 Camera Industry Most Influential Enterprise Award	AC Optics (Changzhou) Co., Ltd.	Shenzhen Camera Industry Association
2023 The 8th Lingxuan Award for Excellence in Intelligent Cockpit category (Multi-functional Vibration Seat)	AAC Module Technologies (Changzhou) Co., Ltd.	World New Auto Technology Collaboration Ecosystem Association



Award/Recognition Received	Awarded to	Awarded by
Talent Development		
2023 Forward Thinking Employer Award	AAC Technologies Holdings Inc.	Hrise
2023 Future Most Socially Responsible Employer for School Recruitment	AAC Technologies Holdings Inc.	Nowcoder
2023 Jiangsu Extraordinary Employer Awards	AAC Technologies Holdings Inc.	Liepin &WORK DIFFERENT
Community Care		
Advanced Donation Unit	AAC Technologies (Nanning) Co., Ltd.	Nanning Municipal People's Government Working Committee for the Disabled, Nanning Charity Federation
2023 Qixia District's Most Beautiful Youth Collective Honours	AAC Technologies (Nanjing) Co., Ltd.	Communist Youth League of Nanjing

Memberships and External Initiatives

Organisations	Membership company
Changzhou Overseas Chinese Entrepreneurs Association	AAC Technologies Holdings Inc.
Changzhou Capital Market Industry Chamber of Commerce	AAC Technologies Holdings Inc.
China Electronic Components Association	AAC Technologies Holdings Inc.
China Semiconductor Industry Association	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Federation of Shenzhen Industries	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Shenzhen Hi-Tech Industry Association	AAC Acoustic Technologies (Shenzhen) Co., Ltd.
Shenzhen Nanshan District Capital Market Association	AAC Technologies Holdings Inc.
Shenzhen Sensors and Intelligent Instrumentation Industry Association	AAC Technologies Holdings Inc.

Laws and Regulations

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

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



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by AAC Technologies Holdings Inc. (“AAC”) to undertake an independent verification for the Sustainability Report 2023 (“the Report”). The Report stated the economic, safety, environmental and social performance of AAC for the period from 1st January 2023 to 31st December 2023 for its operations. This is the eleventh report that AAC published to communicate its commitments, efforts and progress of performance towards sustainability.

The aim of this verification is to provide a reasonable assurance on the reliability of the report contents. The Report has been prepared in accordance with Appendix C2 “Environmental, Social and Governance Reporting Guide (“ESG Guide”)” of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and with reference to the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”).

Level of Assurance and Methodology

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

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

Independence

AAC is responsible for the collection and presentation of the information presented in this Report. HKQAA was not involved in the calculations, compilation, or development of the Report. HKQAA’s verification activities are entirely independent from AAC. There was no relationship between HKQAA and AAC that would affect the independence of HKQAA for providing the verification service.

Conclusion

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

- the Report satisfies all the mandatory disclosure requirements and “comply or explain” provisions specified in the ESG Guide;
- the Report has been prepared with reference to the GRI Standards;
- the Report illustrates the sustainability performance of AAC, covering all material aspects, in a balanced, comparable, clear and timely manner; and
- the data and information disclosed in the Report are reliable and complete.

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

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
March 2024

GRI and HKEX ESG Content Index

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

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 1: Foundation 2021				
	Statement of use	The Group has reported with reference to the GRI Standards for the period from 1 January 2023 to 31 December 2023.		
GRI 2: General Disclosures 2021				
2-1	Organisational details	About this Report	P.5	
2-2	Entities included in the organisation's sustainability reporting	About this Report	P.5	
2-3	Reporting period, frequency and contact point	About this Report	P.6	
2-4	Restatements of information	There are no restatements.		
2-5	External assurance	–	P.98	Assurance Report
2-6	Activities, value chain and other business relationships	About this Report About Us Sustainability Framework Operational Excellence	P.5-6 P.9-11 P.12-29 P.30-42	There were no significant changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection, and termination
2-7	Employees	Talent Management – Our Workforce	P.62-64	
2-8	Workers who are not employees	Workers who are non-employees are not a majority of the worker population of AAC Technologies.		
2-9	Governance structure and composition	Sustainability Framework	P.12-29	–

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 2: General Disclosures 2021				
2-10	Nomination and selection of the highest governance body	–	–	Annual Report – Corporate Governance Report
2-11	Chair of the highest governance body	–	–	Annual Report – Corporate Governance Report
2-12	Role of the highest governance body in overseeing the management of impacts	–	–	Annual Report – Corporate Governance Report
2-13	Delegation of responsibility for managing impacts	Sustainability Framework	P.12-29	–
2-14	Role of the highest governance body in sustainability reporting	Sustainability Framework	P.12-29	–
2-15	Conflicts of interest	Sustainability Framework	P.12-29	Annual Report – Corporate Governance Report
2-16	Communication of critical concerns	Sustainability Framework	P.12-29	–
2-17	Collective knowledge of the highest governance body	–	–	Annual Report – Corporate Governance Report
2-18	Evaluation of the performance of the highest governance body	–	–	Annual Report – Corporate Governance Report
2-19	Remuneration policies	–	–	Annual Report – Corporate Governance Report
2-20	Process to determine remuneration	–	–	Annual Report – Notes to the Consolidated Financial Statements

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 2: General Disclosures 2021				
2-21	Annual total compensation ratio	–	–	Annual Report – Notes to the Consolidated Financial Statements
2-22	Statement on sustainable development strategy	Sustainability Framework	P.12-29	–
2-23	Policy commitments	About this Report	P.5-7	–
2-24	Embedding policy commitments	Sustainability Framework – Materiality Assessment	P.15-16	–
2-25	Processes to remediate negative impacts	Sustainability Framework – Ethics and Integrity	P.24-26	–
2-26	Mechanisms for seeking advice and raising concerns	Sustainability Framework – Materiality Assessment Sustainability Framework – Ethics and Integrity	P.15-16 P.24-26	–
2-27	Compliance with laws and regulations	During the year, we were not subject to any significant fines or non-monetary sanctions due to non-compliance with relevant laws or regulations.		
2-28	Membership associations	Appendices – Memberships and External Initiatives	P.96	–
2-29	Approach to stakeholder engagement	Sustainability Framework – Materiality Assessment	P.15-16	–
2-30	Collective bargaining agreements	Talent Management – Labour and Employment Compliance	P.65-66	–

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 3: Material Topics 2021				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
3-2	List of material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
3-3	Management of material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
GRI 201: Economic Performance 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
201-1	Direct economic value generated and distributed	–	–	Annual Report – Notes to the Consolidated Financial Statements
201-2	Financial implications and other risks and opportunities due to climate change	Managing Environmental Impacts – Climate Resilience	P.69-73	–
201-3	Defined benefit plan obligations and other retirement plans	–	–	Annual Report – Notes to the Consolidated Financial Statements
201-4	Financial assistance received from government	–	–	Annual Report – Notes to the Consolidated Financial Statements

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 205: Anti-corruption 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
205-1	Operations assessed for risks related to corruption	Sustainability Framework – Ethics and Integrity	P.24-26	–
205-2	Communication and training about anti-corruption policies and procedures	Sustainability Framework – Ethics and Integrity	P.24-26	–
205-3	Confirmed incidents of corruption and actions taken	During the year, there was no confirmed incident of corruption.		
GRI 301: Materials 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
301-1	Materials used by weight or volume	Appendices – Performance Data Summary	P.87-92	
GRI 302: Energy 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
302-1	Energy consumption within the organisation	Managing Environmental Impacts – Working towards Carbon Neutrality	P.73-74	
302-3	Energy intensity	Appendices – Performance Data Summary	P.87-92	
302-4	Reduction of energy consumption	Managing Environmental Impacts – Working towards Carbon Neutrality	P.73-74	
302-5	Reductions in energy requirements of products and services	Appendices – Performance Data Summary	P.87-92	

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 303: Water and Effluents 2018				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
303-1	Interactions with water as a shared resource	Managing Environmental Impacts – Water Conservation and Recycling	P.81-83	
303-2	Management of water discharge-related impacts	Managing Environmental Impacts – Water Conservation and Recycling	P.81-83	
303-3	Water withdrawal	Managing Environmental Impacts – Water Conservation and Recycling	P.81-83	
303-4	Water discharge	Managing Environmental Impacts – Water Conservation and Recycling	P.81-83	
303-5	Water consumption	Appendices – Performance Data Summary	P.87-92	
GRI 305: Emissions 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
305-1	Direct (Scope 1) GHG emissions	Appendices – Performance Data Summary	P.87-92	
305-2	Energy indirect (Scope 2) GHG emissions	Appendices – Performance Data Summary	P.87-92	
305-3	Other indirect (Scope 3) GHG emissions	Appendices – Performance Data Summary	P.87-92	
305-4	GHG emissions intensity	Appendices – Performance Data Summary	P.87-92	
305-5	Reduction of GHG emissions	Managing Environmental Impacts – Climate Resilience	P.69-73	
305-6	Emissions of ozone-depleting substances (ODS)	Appendices – Performance Data Summary	P.87-92	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Appendices – Performance Data Summary	P.87-92	

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 306: Waste 2020				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
306-1	Waste generation and significant waste-related impacts	Managing Environmental Impacts – Waste Management	P.77-80	
306-2	Management of significant waste-related impacts	Managing Environmental Impacts – Waste Management	P.77-80	
306-3	Waste generated	Appendices – Performance Data Summary	P.87-92	
306-4	Waste diverted from disposal	Appendices – Performance Data Summary	P.87-92	
306-5	Waste directed to disposal	Appendices – Performance Data Summary	P.87-92	
GRI 308: Supplier Environmental Assessment 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
308-1	New suppliers that were screened using environmental criteria	Operational Excellence – Suppliers’ Management	P.40-42	
308-2	Negative environmental impacts in the supply chain and actions taken	Operational Excellence – Suppliers’ Management	P.40-42	
GRI 401: Employment 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
401-1	New employee hires and employee turnover	Talent Management – Our Workforce	P.62-64	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Talent Management –Striving for Employee Satisfaction	P.52	
401-3	Parental leave	Appendices – Performance Data Summary	P.87-92	

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 403: Occupational Health and Safety 2018				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
403-1	Occupational health and safety management system	Talent Management – Occupational Health and Safety	P.57-61	
403-2	Hazard identification, risk assessment, and incident investigation	Talent Management – Occupational Health and Safety	P.57-61	
403-3	Occupational health services	Talent Management – Occupational Health and Safety	P.57-61	
403-4	Worker participation, consultation, and communication on occupational health and safety	Talent Management – Occupational Health and Safety	P.57-61	
403-5	Worker training on occupational health and safety	Talent Management – Occupational Health and Safety	P.57-61	
403-6	Promotion of worker health	Talent Management – Occupational Health and Safety	P.57-61	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Talent Management – Occupational Health and Safety	P.57-61	
403-8	Workers covered by an occupational health and safety management system	Appendices – Performance Data Summary	P.87-92	
403-9	Work-related injuries	Appendices – Performance Data Summary	P.87-92	
403-10	Work-related ill health	Appendices – Performance Data Summary	P.87-92	

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 404: Training and Education 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
404-1	Average hours of training per year per employee	Appendices – Performance Data Summary	P.87-92	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Talent Management – Human Resources	P.44-47	
404-3	Percentage of employees receiving regular performance and career development reviews	Currently, our human resources system does not capture or track such data. However, our employees do receive performance and career development reviews and feedback on a regular basis to aid their personal development.		
GRI 405: Diversity and Equal Opportunity 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
405-1	Diversity of governance bodies and employees	Talent Management – Our Workforce	P.62-64	
405-2	Ratio of basic salary and remuneration of women to men	The same policies for remuneration and benefits apply to all employees, irrespective of gender, religion, origin, age, disability or sexual orientation. Due to confidentiality consideration, the ratio of basic salary and remuneration of women to men is unavailable for disclosure.		
GRI 409: Forced or Compulsory Labour 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Talent Management – Labour and Employment Compliance	P.65-66	

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 413: Local Communities 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	
413-1	Operations with local community engagement, impact assessments, and development programmes	Community Care	P.86	
413-2	Operations with significant actual and potential negative impacts on local communities	Community Care	P.86	
GRI 414: Supplier Social Assessment 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
414-1	New suppliers that were screened using social criteria	Operational Excellence – Suppliers’ Management	P.40-42	–
414-2	Negative social impacts in the supply chain and actions taken	Operational Excellence – Suppliers’ Management	P.40-42	–
GRI 416: Customer Health and Safety 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
416-1	Assessment of the health and safety impacts of product and service categories	Operational Excellence – Striving for Zero Defects	P.38-39	–
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	During the year, there was no incident of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.		

Material Topics	Disclosure	Section Title	Page Number	Remarks
GRI 417: Marketing and Labelling 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
417-1	Requirements for product and service information and labelling	Operational Excellence – Enhancing Customer Experience	P.31-34	
417-2	Incidents of non-compliance concerning product and service information and labelling	During the year, there was no non-compliance incidents.		
417-3	Incidents of non-compliance concerning marketing communications	During the year, there was no non-compliance incidents.		
GRI 418: Customer Privacy 2016				
3-1	Process to determine material topics	Sustainability Framework – Materiality Assessment	P.15-16	–
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	During the year, there were no complaints concerning breaches or losses of customer data.		

HKEX ESG Reporting Guide Content Index

Aspects, General Disclosure, KPIs	Description
Governance Structure	Sustainability Framework
Reporting Principles	About This Report
Reporting Boundary	About This Report

Aspects, General Disclosure, KPIs	Description	Reference Chapters / Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Managing Environmental Impacts
KPI A1.1	The types of emissions and respective emissions data.	Appendices – Performance Data Summary
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Appendices – Performance Data Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Appendices – Performance Data Summary
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Appendices – Performance Data Summary
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Managing Environmental Impacts
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.	Managing Environmental Impacts

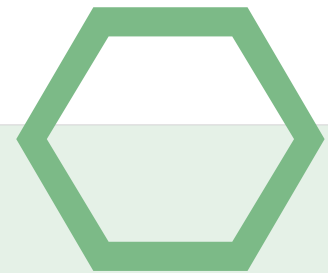
Aspects, General Disclosure, KPIs	Description	Reference Chapters / Remarks
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Managing Environmental Impacts
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Appendices – Performance Data Summary
KPI A2.2	Water consumption in total and intensity.	Appendices – Performance Data Summary
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Managing Environmental Impacts
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.	Managing Environmental Impacts
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendices – Performance Data Summary
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Managing Environmental Impacts
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Managing Environmental Impacts
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.	Managing Environmental Impacts
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.	Managing Environmental Impacts

Aspects, General Disclosure, KPIs	Description	Reference Chapters / Remarks
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Talent Management
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendices – Performance Data Summary
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendices – Performance Data Summary
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Talent Management
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendices – Performance Data Summary
KPI B2.2	Lost days due to work injury.	Appendices – Performance Data Summary
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Talent Management
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Management
KPI B3.1	The percentage of employees trained by gender and employee category.	Appendices – Performance Data Summary
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendices – Performance Data Summary

Aspects, General Disclosure, KPIs	Description	Reference Chapters / Remarks
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Talent Management
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Management
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Management
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operational Excellence
KPI B5.1	Number of suppliers by geographical region.	Operational Excellence
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.	Operational Excellence
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operational Excellence
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operational Excellence

Aspects, General Disclosure, KPIs	Description	Reference Chapters / Remarks
Aspect B6: Product Responsibility		
General Disclosure	<p>Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	Operational Excellence
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	During the year, there was no non-compliance incidents
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	During the year, there were no complaints concerning breaches or losses of customer data
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operational Excellence
KPI B6.4	Description of quality assurance process and recall procedures.	Operational Excellence
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Operational Excellence
Aspect B7: Anti-corruption		
General Disclosure	<p>Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	Sustainability Framework
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.	During the year, there was no confirmed incident of corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Sustainability Framework
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Sustainability Framework

Aspects, General Disclosure, KPIs	Description	Reference Chapters / Remarks
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.	Community Care
KPI B8.1	Focus areas of contribution.	Community Care
KPI B8.2	Resources contributed to the focus area.	Community Care



International Standards

We are committed to the United Nations Global Compact, which encompasses 10 principles relating to human rights, labour, environment and anti-corruption. Additionally, we adhere to a range of international guidelines and standards, including those set by the International Labour Organisation Conventions, the United Nations Guiding Principles on Business and Human Rights, ISO 14001 Environmental Management System, ISO 45001 for Occupational Health and Safety System, ISO50001 Energy Management System, Electrotechnical Commission Quality Assessment System for Electronic Systems (IECQ) QC080000 and the UL2799 Environmental Claim Validation Procedure for Zero Waste to Landfill. These commitments reflect our dedication to responsible business practices, sustainability and upholding the highest standards in various areas of operation.

United Nations Global Compact 10 Principles		Location in this report
Human Rights		
Principle 1	Business should support and respect the protection of internationally proclaimed human rights; and	P. 40-41, 52, 65
Principle 2	Make sure that they are not complicit in human rights abuses.	P. 40-41, 52, 65
Labour Standards		
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;	P. 66
Principle 4	The elimination of all forms of forced and compulsory labour;	P. 66
Principle 5	The effective abolition of child labour; and	P. 66
Principle 6	The elimination of discrimination in respect of employment and occupation.	P. 66
Environment		
Principle 7	Business should support a precautionary approach to environmental challenges;	P. 69-84
Principle 8	Undertake initiatives to promote greater environmental responsibility; and	P. 69-84
Principle 9	Encourage the development and diffusion of environmentally-friendly technologies.	P. 69-84
Anti-corruption		
Principle 10	Business should work against corruption in all its forms, including extortion and bribery.	P. 24-26