



南方通信
Nanfang Communication

Nanfang Communication Holdings Limited
南方通信控股有限公司

(Incorporated in Cayman Islands with Limited Liability)

Stock Code: 1617

2023

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



智慧聯接 啟動未來

SMART LINKS START THE FUTURE

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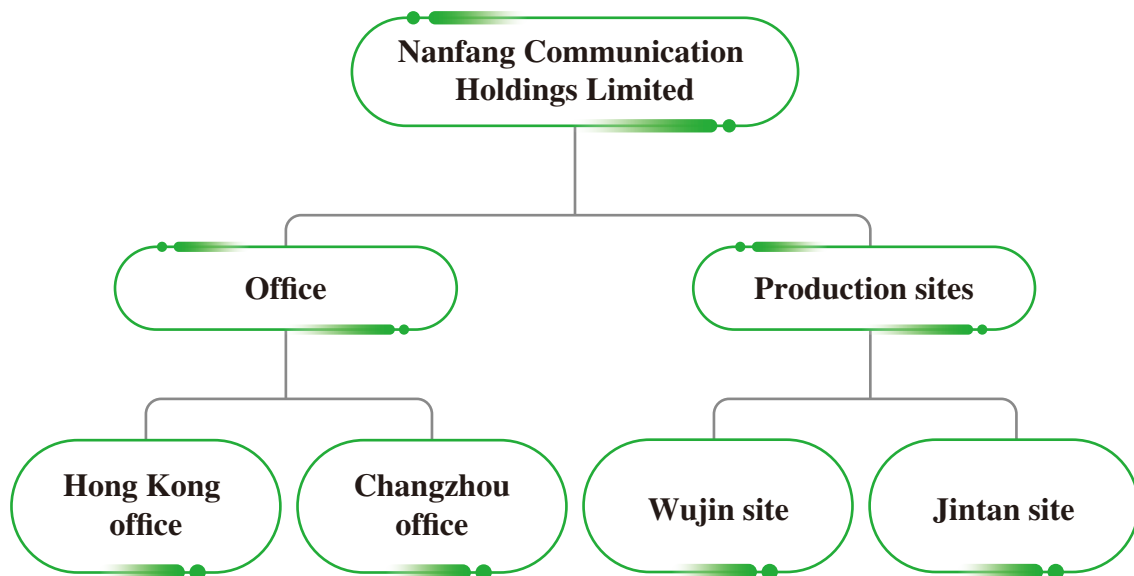


ABOUT THIS REPORT

Nanfang Communication Holdings Limited (the “Company”), together with its subsidiaries, (referred to as “we”, “Nanfang Communication” or the “Group”) is a leading player in the optical fibre cables market in China and a well-established supplier of optical telecommunication products, with the Group’s headquarters based in Changzhou City, Jiangsu Province, China. We are principally engaged in the manufacture and sales of a wide range of optical fibre cable products, related devices as well as prepainted steel sheets, to meet the various application needs of customers in the telecommunications industry and other industries. Committed to building long-term and mutual trust with the stakeholders of the industry and communities, we are pleased to present our 2023 environmental, social and governance (“ESG”) report (the “Report”). The Report summarises our ESG performance and initiatives over the past year and describes our vision and targets regarding the implementation of our sustainability strategy.

Reporting Scope

The Report addresses our governance approach to ESG matters and covers the respective ESG performance of the Group’s two production sites located in Wujin and Jintan of the People’s Republic of China (the “PRC” or “China”) and our two offices located in the PRC and Hong Kong from 1 January 2023 to 31 December 2023 (the “Reporting Period”, “2023” or the “Year”). Considering the size of our Hong Kong office and the distribution of our employees and revenue, and in accordance with the principle of materiality, the disclosure of key performance indicators (“KPIs”) covers our businesses in the PRC only. Unless otherwise stated, the scope of the Report is the same as that of our ESG report published last year.





Reporting Standards

The Report has been prepared and presented in accordance with the requirements of Appendix C2 “ESG Reporting Guide” (the “ESG Reporting Guide”) to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”), based on the reporting principles of materiality, quantitative, balance and consistency, as described below:

Reporting principle	Description
Materiality	The Group’s material ESG issues were identified through internal discussions and materiality assessments. Details of the materiality matrix and engagement of stakeholders are described in the subsequent sections of the Report.
Quantitative	Under the ESG Reporting Guide, we present our ESG performance by providing measurable environmental and social KPIs. The methods of calculation and assumptions are also described in the paragraphs on KPIs.
Balance	We report on our ESG performance in a transparent and fair manner by providing comparative data over years.
Consistency	The Group has prepared the Report by adopting the same reporting scope, methodologies and standards as those used for the preparation of our ESG report published last year, and adopted consistent environmental and social information management method to draw fair comparison with our past experience.

The Report has been approved by the board of directors (the “Board”) of the Company to ensure its truthfulness, accuracy and integrity.

Feedback

The Group believes that positive interaction and effective communication with our stakeholders are essential to our sustainable development and that your views and suggestions are valuable in our decision-making and business operations. We endeavour to build trust with communities and formulate business strategies that are in the best interest of stakeholders. Therefore, if you have any comments or suggestions, please feel free to contact us through our email address info@jsnfgroup.com, which will help us optimise our sustainability policy and drive us to move forward in a more sustainable and successful way.



MESSAGE FROM CHAIRMAN

Organic integration of ESG promises a stable and sustainable business development

Digital empowerment supports our high quality development by adoption of data-driven production to achieve standardised and error-free material weighing and feeding operations, and effectively reduces energy costs through energy efficiency management to achieve green production.

The Group has been adhering to the implementation of dual-carbon policy by innovating its corporate governance. By setting up a green management function, formulating and implementing a series of systems and programmes for green manufacturing, and enhancing the level of office information technology intelligence, the Group has successfully promoted the implementation of its efforts regarding green manufacturing taking into account the actual conditions to continuously improve and optimise the management system.

The Group always keeps in mind the corporate social responsibility, acknowledges employees as valuable assets during the journey of development since it acknowledges the cohesion of each single family can deliver a strong and united enterprise. The development results are shared with the employees to enhance their sense of belonging. In addition, it has built various platform for employees to learn and develop, practicing the working model of “Pass on, Assist and Guide”. In particular, our skilled masters are expected to train disciples with professional and technical skills passed on from generation to generation, realising development and innovation during such inheritance.

The Group is committed to assuming corporate social responsibility by engaging a series of philanthropy. Viewing food safety as a national priority, Nanfang Communication endeavors to make returns to the local communities by making multiple cooperation with them, innovating new ideas for agricultural development and supporting the development of new agriculture.

As the proverb says, the highest eminence is to be gained step by step. Nanfang Communication will, in every step in the future, effectively practise the green and low-carbon approach, further focus on product and technology innovation, continue to promote green and low-carbon development, continuously improve the corporate governance level, care for employees and return to society as it always does, and manage to be a practitioner of high quality sustainable development with real actions, contributing to the common construction of a green and sustainable new industrial ecology.

Nanfang Communication Holdings Limited

Yu Jinlai

Chairman



SUSTAINABLE DEVELOPMENT

Sustainability, being the foundation of the future business success of the Group, is also an essential pillar of our corporate culture. We hold firmly that achievement of our sustainable targets are subject to our active efforts, compliance with national environmental regulations and formulation of corresponding policies and system. Therefore, we are committed to protecting the health of our employees, and ensuring that our production process has efficient energy utilisation, conserve energy and reduce emissions, thus to develop in harmony with the environment.





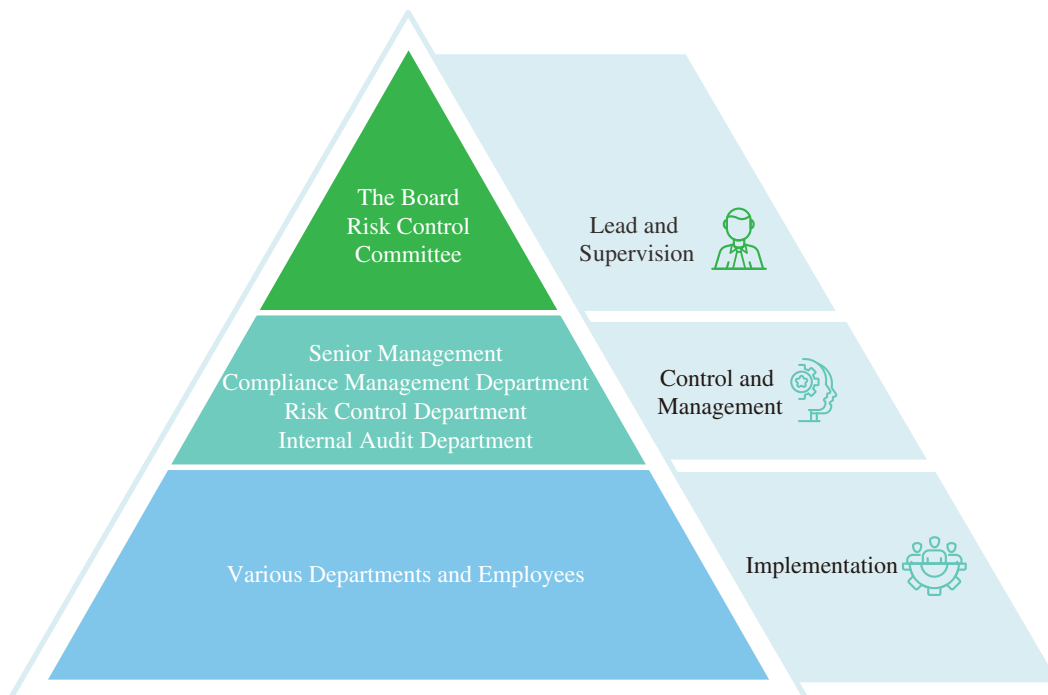
As one of the leading enterprises in the optical cable market in the PRC, Nanfang Communication is committed to implementing strict quality control and safety standards. At present, we have obtained several international standard certifications as follows:

- ISO9001: 2015 Quality Management System
- ISO10012: 2003 Measurement Management System
- ISO14001: 2015 Environmental Management System
- ISO/IEC27001: 2013 Information Security Management System
- ISO45001: 2018 Occupational Health and Safety Management System
- ISO50001: 2018 Energy Management System

These international certifications not only demonstrate the excellence of our management systems in many areas, but also our commitment and responsibility to our stakeholders. By establishing and following these management systems, we can ensure high quality of our products and services, protect the environment, care for the health and safety of our employees, ensure the accuracy of our measurements and protect our customers and businesses' information security.

ESG Governance Structure

The Group has integrated the ESG concept into the management approach to establish a comprehensive ESG governance structure with clear responsibilities and reporting mechanism at various levels. We are committed to maintaining close communication with our stakeholders to systematically handle ESG related matters and manage ESG risks. The specific ESG governance structure levels and division of labour are as follows:





The Board, as the top decision-making body for the Group's ESG management, is responsible for leading all the ESG-related matters. The Board's responsibilities include, among others, monitoring and evaluating the effectiveness of our ESG work regularly, ensuring sound and good ESG governance as well as reviewing and approving ESG reports. In addition, the Board meets the Risk Control Committee on a regular basis to manage various risks (including ESG risks).

The Board has delegated its authority to the management, consisting of the senior management, Compliance Management Department, Risk Control Department and Internal Audit Department, respectively. The senior management is responsible for formulating ESG policies and supervising their implementation, reporting to the Board and the Risk Control Committee, as well as organising or commissioning external professional organisations to conduct evaluation on the Company's ESG compliance management on a regular basis, and resolving problems in compliance management in a timely manner. The Compliance Management Department is responsible for supervising ESG compliance and legal risks, providing consultation on ESG compliance to various departments and employees, and identifying risks of ESG compliance. The Risk Control Department assists the senior management in the identification, evaluation and management control of ESG-related risks in business operations. The Internal Audit Department is responsible for conducting regular post-audit review and evaluations of the establishment and implementation of the Group's internal control system, proposing improvement suggestions in respect of internal control deficiencies and urging the relevant responsible departments to make prompt respond for proper subsequent supervision.

ESG-related matters are implemented by various departments, branches and entire employees, responsible for providing ESG information and implementing policies, adhering to the implementation of the instructions on various ESG matters, and integrating the sustainable development concepts into our daily operation.

Through this ESG governance structure, the Group is able to realise the leadership of the Board, the executive responsibilities of the management and the specific implementation by the various departments and employees. This will enable the Group to ensure that ESG management is given proper attention and promotion, and that the Group's sustainable development targets will be realised in its operations.



Certificates and Awards

As a leading supplier of optical communication products in the PRC, Nanfang Communication has been focusing on market demand and seizing any possible opportunity to make targeted innovation and enhance our production capacity, and moves towards the vision of “Forging an Evergreen Enterprise in the Communication Industry”. During the Year, Nanfang Communication was awarded the honor of “Industrial Information Security Protection Three-Star Enterprise”. In addition, Jiangsu Nanfang Communication Technology Company Limited, a subsidiary of the Group, was nominated by Changzhou City as a five-star up-cloud enterprise in 2023 promoted from the original four-star. Other certificates and awards we have received include:



Certificate of High- and New- Technology Enterprise (Wujin site)



Certificate of High- and New- Technology Enterprise (Jintan site)



Certificate of Enterprise Credit AAA Grade



Certificate of “Specialized and New” Small and Medium-Sized Enterprise in Jiangsu Province



Integration of Informationization and Industrialization Management System Certificate



Jiangsu Premium Brand Certification



CNAS Laboratory Accreditation Certificate

STAKEHOLDER ENGAGEMENT

The Group acknowledges that stakeholder engagement is essential to ESG management, so it endeavors to establish open channels of communication to understand their concerns and views. We will, where practicable, incorporate the comments received into the ESG strategy of the Group. The table below summarises our engagement with key stakeholders during the Reporting Period.

Stakeholder groups	Major concerns	Communication channels
Investors and shareholders	<ul style="list-style-type: none"> Compliance operation Risk management Economic performance 	<ul style="list-style-type: none"> Company website Meetings, investor hotline Annual general meeting Annual and interim reports
Customers	<ul style="list-style-type: none"> Protection of customers' privacy Quality of products Health and safety 	<ul style="list-style-type: none"> Phone enquiries about quality consistence Customer service communication Customer information and privacy communication Customer satisfaction surveys Company website

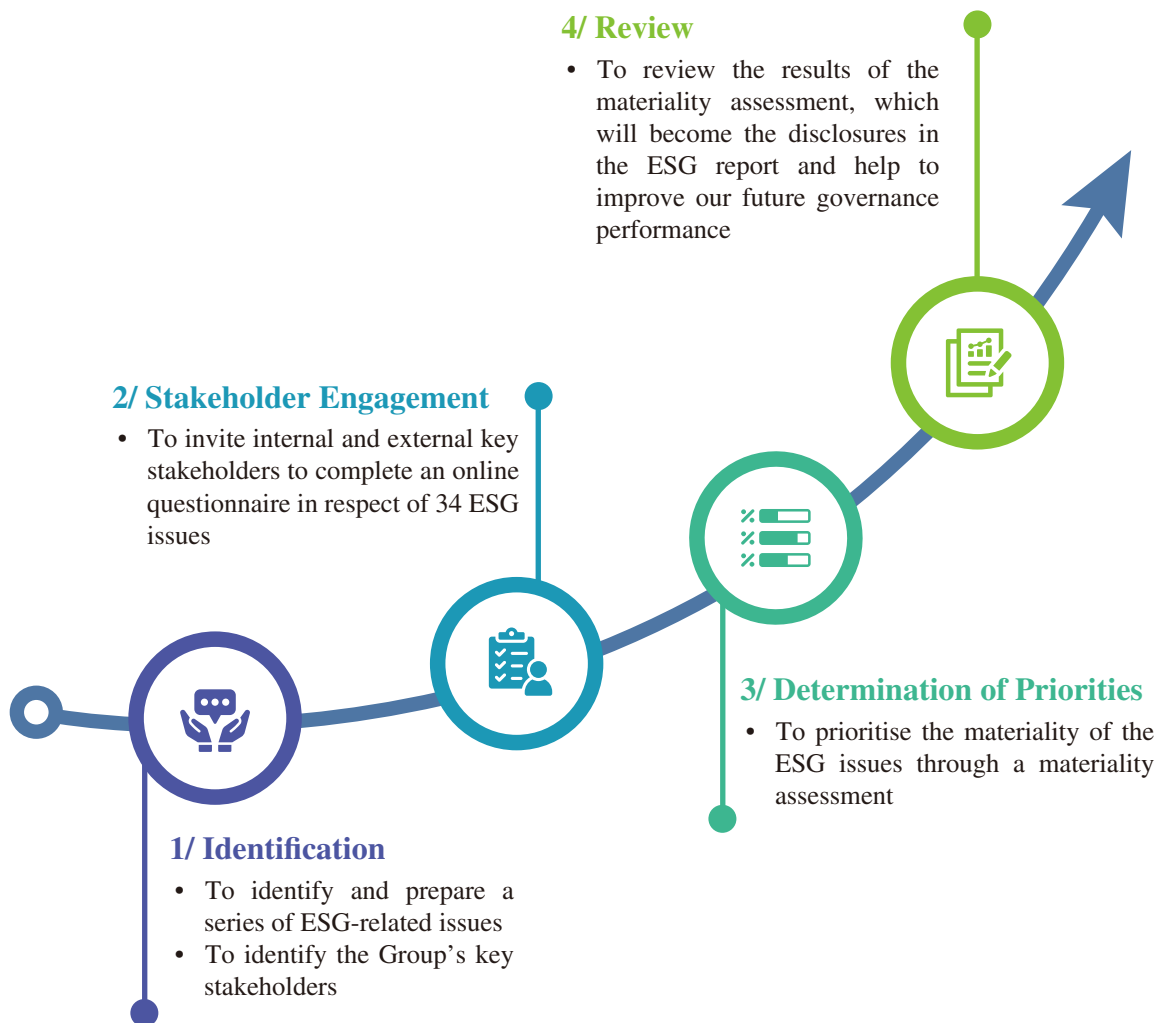


Stakeholder groups	Major concerns	Communication channels
Employees	<ul style="list-style-type: none"> • Employees' interests • Employees' health and safety • Employees' training and development • Good working environment 	<ul style="list-style-type: none"> • Meetings such as regular general management meetings, coordination meetings and regular quality management meetings • Training • Intranet, telephone • Regular performance appraisals • Team-building activities • Comment boxes • Bulletin board
Suppliers and business partners	<ul style="list-style-type: none"> • Business integrity and ethics • Fair competition • Mutual benefit 	<ul style="list-style-type: none"> • Tendering and procurement processes • Constant communication • Anti-corruption campaigns • Assessments and evaluations, on-site inspections • Supplier training • Teleconferences
Government organisations and regulatory agencies	<ul style="list-style-type: none"> • Compliance with national laws and regulations • Implementation of management requirements of the government • Corporate responsibility 	<ul style="list-style-type: none"> • Participation in the drafting of industry standards • Forums • Site investigations and visits • Meetings with government authorities and information disclosure
Community	<ul style="list-style-type: none"> • Participation in public welfare business • Community investment • Environmental protection 	<ul style="list-style-type: none"> • Charitable donations • Contributions to the community • Charity activities and press releases • Volunteer activities



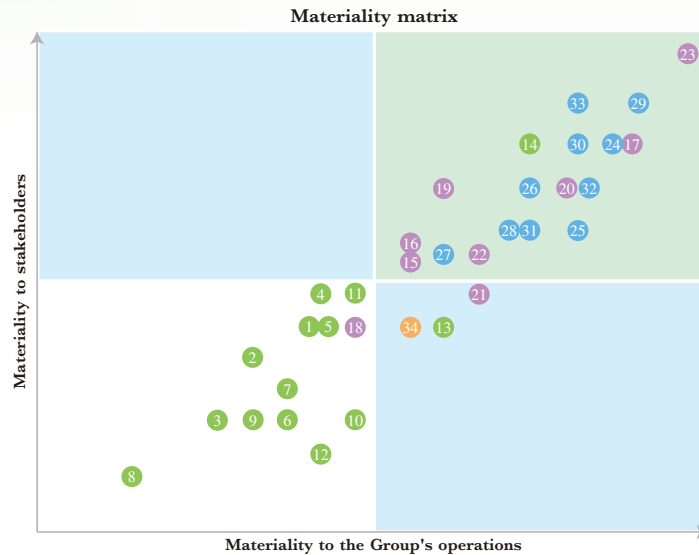
MATERIALITY ASSESSMENT

To identify the relevant material issues that affect the sustainable development of the Group, we have engaged an independent consultant to conduct an online questionnaire and invited the management, employees, suppliers and other key stakeholders to prioritise and express their views on 34 ESG issues, which helped us formulate the framework of the Report. To effectively identify and reduce ESG risks, we hold management meetings on a regular basis to evaluate various ESG risks and opportunities and further develop ESG strategies, policies and objectives thereat, making sure we are able to effectively manage and respond to the challenges related to sustainable development.





Based on the results of the materiality assessment, the issues were divided into three categories: High, Medium and Low materiality. In the upper right corner of the materiality matrix, those are issues of the highest materiality to the business operations of the Group and of greatest concern to our stakeholders.



Environment	Social		
	Labour	Operations	Community
1. Air emissions	15. Labour rights	24. Customer satisfaction	34. Community involvement
2. Greenhouse gas emissions	16. Labour relations	25. Customer service quality and complaint handling	
3. Decarbonisation	17. Employee retention	26. Customers' health and safety	
4. Conservation of ecosystem	18. Diversity and equal opportunity	27. Compliance with regulations on marketing and product and service labelling	
5. Nature-related risks and opportunities	19. Non-discrimination	28. Intellectual property	
6. Circular economy	20. Occupational health and safety	29. Protection of customer privacy and information	
7. Environmental data management	21. Employee training	30. Responsible supply chain management	
8. Climate change mitigation	22. Employee development	31. Fair operating practices on supplier	
9. Climate risk management	23. Prevention of child labour and forced labour	32. Business ethics	
10. Energy efficiency		33. Socio-economic compliance	
11. Water and effluents			
12. Use of materials			
13. Waste management			
14. Environmental compliance			



CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN

With the mission of “Coordinating Industry Upgrades and Continuously Enhancing Innovation Driver”, the Group has been committed to building sustainable value for its customers and the supply chain through strict adherence to ethical standards, establishment of a comprehensive quality management system and supply chain management, with a view to providing customers with one-stop optical communication product solutions and comprehensive services.

Customer-oriented

As a leading supplier of optical communication products in the PRC, we have years of experience in manufacturing optical cable products and relevant equipment. Nanfang Communication has always been guided by the principle of customer-centricity, keeping a close eye on market trends and technological developments in order to keep abreast of the needs and expectations of our customers. We work closely with our customers to ensure that our products and services fully meet their needs.

Customer Satisfaction

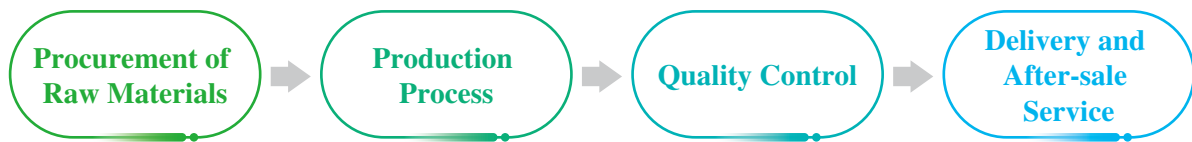
Product quality and customer satisfaction have always been the key to maintaining a close and long-term relationship with our customers. We believe that effective communication with our customers helps us to understand whether our company correctly understands and meets the current and future needs and expectations of our customers, to improve our quality management system based on the results of the communication, to continuously improve customer satisfaction and to build up a loyal customer base. We collect the opinions of direct customers, end customers and potential customers through regular surveys. Based on the findings and analysis, customers’ opinions will be reported to the relevant departments in a timely manner for proper handling and improvement to further optimise the quality management system.

Customer feedback is an important basis for us to continuously improve our services. In order to effectively handle customer complaints and improve customer satisfaction, the Group has developed a series of customer service procedures and complaint handling mechanism. Customers can submit their opinions and complaints to us through different channels such as telephone, fax, mail and letter, and we will systematically handle them in accordance with the severity of the problems. For serious complaints such as emergencies or requests for improvement from customers, the relevant departments are required to verify the situation and analyse the content of the complaint as soon as possible, and to formulate corrective measures within 24 hours. For general complaints such as occasional anomalies, we will provide recommendations to resolve the problems in a timely manner and arrange for service personnel to visit the site to resolve the problem if necessary. All complaints and feedback from customers will be reported to the relevant departments and properly recorded for future reference and improvement. During the Reporting Period, the Group has not received any complaints related to products and services.



Quality Management System

The Group's high regard for product quality is reflected in all aspects of our quality management system. The quality management system we have established has been accredited by the international standard ISO9001:2015 and given an AAA credit grade by the China Association of Communication Enterprises. In line with the requirements of ISO 9001:2015, we set clear objectives for quality and provide an effective framework for corrective and preventive action. We strictly regulate the entire production process from sourcing of raw materials to production of finished products to ensure that high quality standards are met at every step. In addition, all raw materials used by us must be sourced from suitable suppliers selected from the "Qualified Supplier List" in accordance with the prescribed procedures, and each batch of raw materials is thoroughly inspected at the time of warehousing to ensure that its quality meets the requirements. In addition, we have formulated the "ROHS Control Management Process" to ensure that the hazardous substance content in our products meets the EU standards. This process includes the operational procedures of product environmental control and the related rights and responsibilities. By effectively controlling the production process, strict raw material control measures ensure the stability and reliability of our products while protecting the environment and human health.



Through the implementation of the 6S lean production plan, we have successfully reduced quality losses, reduced inventory (excluding reasonable raw materials and finished products), shortened production cycles and reduced equipment breakdown rate. In the process of implementing the 6S lean production plan, we have not only improved our staff's ability to identify and solve problems, but also enhanced their mastery of modern management techniques and their ability to apply them. In addition, we monitor and measure raw materials, semi-finished products and finished products used in production in accordance with the "Product Monitoring and Measurement Control Procedures". The Research and Development Centre is responsible for the monitoring and measurement of the processes necessary for product realisation, including the production process, product characteristics, technical documentation requirements, and the planning of product monitoring and measurement arrangements. If any non-conforming products are found, the Quality Department will implement corrective measures in accordance with the Non-conforming Output Control Program to prevent unintended use or delivery of the non-conforming products. To ensure that we are able to trace the origin and production process of our products, we have established the "Product Marking and Traceability Control Program". We have labelled all materials, semi-finished products and finished products to enhance the reliability and efficiency of our quality management. During the Reporting Period, the Group is not aware of any material violations of laws and regulations relating to health and product safety, advertising and labelling in relation to the provision of products and services and their correction methods, and no products sold or shipped have been subject to recall for safety and health reasons.



ISO9001:2015
Certificate



ISO10012:2003
Certificate



ISO/IEC27001:2013
Certificate

Information Security Management

The Group firmly believes that the protection of stakeholders' information and privacy is the foundation for building trust and long-term co-operation. To this end, we have established an information security management system certified by the international standard ISO/IEC27001:2013, which includes the formulation of a series of systems such as the "Information Security Management Procedures", "Confidentiality Control Procedures", and "Data Backup Management Procedures", to regulate the management of information and data security and to ensure the proper functioning of the information system. Departments are required to set up a double backup system to back up important data and hand them over to the relevant department for proper storage. Employees are not allowed to connect computers linked to the local area network to the international Internet without prior approval to prevent information leakage. If a breach of confidentiality is found, we will take immediate remedial actions to address the possible losses. At the same time, we strictly comply with the laws and regulations such as the "Personal Data (Privacy) Ordinance" of Hong Kong and the "Regulations on the Security Protection of Computer Information Systems" of the PRC. During the Reporting Period, the Group was not aware of any significant non-compliance with laws and regulations on customer data privacy that had a significant impact on its operations.



Industrial Information Security
Protection Three-Star Enterprise of
Jiangsu Province



Protection of Intellectual Property Rights

In 2023, we were granted 24 patents, including the yarn-free cable production system, replaceable rack-mounted optical splitter, indoor optical cable correction and distribution device and method, separate grease filling mold, etc.. In addition, a total of 9 of our patent applications are being entertained, including 2 invention patents and 7 utility models patents. We are also involved in drafting 2 industry standards for communications. We have 5 registered trademarks in China; and 1 registered trademark in Hong Kong.

During the Reporting Period, the Group was not aware of any breach of relevant laws and regulations on intellectual property rights from our products and services, including but not limited to the “Patent Ordinance” of Hong Kong and the “Patent Law” of the PRC.



Green Supply Chain

Nanfang Communication has always been concerned about the importance of protecting the environment as a common mission for all mankind. We are committed to the establishment of a green supply chain and the production of green products to build up our sales base. We have incorporated the concept of green supply chain management into our long-term strategic development plan, and are committed to becoming a model company for green manufacturing system with a quality-driven approach. We will continue to incorporate the principles of environmental protection and sustainable development into our supply chain management mechanism in order to regulate the procurement of raw materials, auxiliary materials, components, etc., with the aim of making our products more compliant with the requirements of green manufacturing and enhancing our competitiveness in the market. This is not only to meet customer needs, but also to create long-term sustainable value for our shareholders, communities and suppliers. During the Year, we worked with 44 suppliers, all of whom were from China. In comparison, in 2022, we worked with 41 suppliers from China. This increase reflects the expansion and deepening of our green partnerships with suppliers.



Introduction of Suppliers

In response to and in support of our country’s efforts to promote the establishment of a green manufacturing system, Nanfang Communication has developed a supplier screening mechanism that complies with the ISO9001:2015 quality management system to ensure effectiveness and fairness. All potential suppliers are required to undergo a rigorous background check and complete a questionnaire to understand their business profile, quality assurance capability, legal compliance and after-sales service. Suppliers who initially meet the requirements will be asked to provide samples and conduct small batch trial production to assess their adaptability. Finally, we will organise a supplier audit team to conduct on-site audits on the suppliers, and only those suppliers who pass the audits will be included in the list of qualified suppliers. If a supplier fails to achieve the required score, we will arrange for them to rectify the situation within a specified period of time. Through this supplier screening mechanism, we aim to ensure that we select suppliers with good backgrounds who meet our requirements, thereby guaranteeing the high quality of our products and services and contributing positively to the building of a green manufacturing system.



Criteria for selection of potential suppliers

1. Holding a state-registered business license with corresponding business scope
2. Having efficient quality assurance capabilities, such as possessing adequate facilities or equipment, technical capabilities, processing capabilities or business regulation standards, high management level and efficient testing methods
3. Having good credit and being able to provide high quality after-sales service
4. Holding other qualification documents, such as third-party test reports

Selection and Evaluation of Suppliers

By incorporating the concept of green development into our supplier management mechanism, we encourage our suppliers to work with us to promote the building and sustainable development of a green manufacturing system. We have formulated the “Related Party Control Program” to ensure that our suppliers understand and comply with the relevant requirements by communicating our environmental and social management policies to them. At the same time, Nanfang Communication strives to reduce the carbon footprint of our supply chain to ensure that our stakeholders, such as suppliers, waste handlers, maintenance service providers and transporters, comply with the environmental, health and safety standards of the Group. Through partnerships with suppliers, Nanfang Communication requires suppliers to comply with environmental regulations, occupational health and safety standards and to take the necessary steps to ensure product and service compliance.

Besides that, as a part of the procurement process, our purchasing department selects suitable suppliers from a list of qualified suppliers to ensure that their quality, lead time and service level, etc. meet our production standards. In order to continue to provide reliable and high-quality products, we regularly evaluate the performance of our suppliers to ensure that their performance meets the standards of the Group. Nanfang Communication has established a “Supplier Performance Management Control Program” to govern the daily assessment on suppliers. On a monthly basis, we comprehensively evaluate the performance of suppliers in terms of quality, delivery, service and price. We also conduct review once to twice a year based on the type of suppliers. We provide opportunities for rectification to suppliers that do not meet the objectives of the Group, and if they fail to meet the standards after repeated assessment, we will terminate the relationship with them and remove them from the list of qualified suppliers.



Supplier Ethics

The Group has developed the “Code of Conduct for Suppliers” to describe our requirements for social responsibility and environmental management to ensure suppliers to understand and strictly comply with our standards. We have developed the requirements in several ESG-related areas, including legal compliance, child labour, forced labour, remuneration, working hours, equal treatment, freedom of association, protection of intellectual property and environmental, health and safety standards. At the same time, we hope that suppliers will extend these requirements to the outsourcers with whom they work. In this way, we can build a more comprehensive and consistent supply chain system and work together to promote our goal of sustainable development. The following is a summary of the “Code of Conduct for Suppliers” :

Labour Rights

- Employees under the age of 16 shall not be employed except as permitted by national or local laws and in accordance with the framework of the International Labour Organisation (ILO). Suppliers employing employees who have reached the age of 16 and are under 18 shall ensure that their working environment and hours of work comply with national or local laws. Supplier shall file the birth date of each employee or use legal means to determine the age of each employee.
- Employees shall be employed on a voluntary basis and shall not be subject to physical harm or any other form of forced labour.
- Suppliers shall, as required by applicable laws, pay wages fairly and provide benefits to all employees without unfairness.
- Suppliers shall comply with relevant applicable laws regarding regular working hours, overtime hours and benefits.
- Employees should be respected to establish and join trade unions and have the rights to bargain collectively in a peaceful and lawful manner under applicable laws.

Health and Safety

- Suppliers shall strictly comply with the occupational health and safety system of the Group during the supply process.
- The name, quantity and degree of danger of chemicals shall be identified from the suppliers of the hazardous chemicals, and the suppliers shall be requested to make emergency preparations to ensure transportation safety.
- Systems and training illustrating prevention of accidents and injuries should be provided.

Environmental Management

- During the supply process, suppliers shall strictly follow the environmental related regulations and precautions and make emergency preparations and response measures.
- The Procurement Department shall conduct inspection on the environmental behaviour of suppliers in providing products from time to time, and if non-compliance is found, we will issue warnings and even return the products based on the situation and require them to take measures in accordance with environmental-related laws and regulations.
- All relevant departments shall maintain communication with suppliers to enhance the promotion of the Company’s environmental policy and environmental protection activities, ensuring that suppliers are aware of our environmental standards.



Business Ethics

- Suppliers shall comply with national and local laws, regulations and applicable requirements, which may be requested from international organisations.
- Suppliers shall respect and protect the corporate intellectual property rights of Nanfang Communication, which shall not be disclosed without permission.
- Suppliers shall impose similar influence on its supply chains to fulfill its social responsibility.

Business Integrity

Nanfang Communication has always insisted on establishing a business philosophy centring on compliance with laws, integrity and quality service and has adopted a zero-tolerance attitude towards unethical practice such as corruption and bribery. We will continue to create a favorable business environment together with our partners, and will maintain a strong focus on anti-corruption and compliance. The Group has strictly complied with all applicable anti-corruption laws and regulations, including but not limited to the “Anti-money Laundering Law of the PRC” and the “Prevention of Bribery Ordinance” of Hong Kong. During the Reporting Period, the Group was not aware of any material breach of the laws and regulations relating to bribery, extortion, fraud and money laundering, nor were there any legal proceedings concluded against the Group or its employees for corrupt practice.

In addition, the Group has adopted a series of stringent policies and measures to promote integrity and compliance in business activities. For example, our employee handbook expressly prohibits employees from engaging in any unlawful behaviour and sets out a series of codes of conduct, including avoiding conflicts of interest, not seeking personal gain for oneself or others, and strictly prohibiting employees from bribery and accepting gifts or benefits. It ensures that employees put the best interests of the Group first and undertake not to tarnish the Group’s reputation through illegal acts such as fraud, disloyalty and corruption. At the same time, the “Anti-commercial Bribery System” also governs the management and supervision procedures adopted in business activities to combat corruption and bribery. All employees and suppliers are required to sign an undertaking of integrity and strictly fulfill the commitments made in the agreement. If any violation of the undertaking is found, the Group reserves the right to impose penalties, terminate the contract and suspend the qualification of suppliers, and refer to the judicial authorities for criminal responsibility.

Whistleblowing and Investigation

To encourage employees to report any misconduct or violations of laws, we have established a transparent and open reporting channel with reporting methods set out in our policy in the employee handbook. Employees can report corruption through our hotline for timely investigation by the anti-commercial bribery unit. Relevant information of the case and the identity of the whistleblower will be treated in strict confidence to protect the whistleblower.

The Group attaches great importance to anti-corruption and integrity promotion, actively encourages employees to report and expose acts of corruption, and adopts strict confidentiality measures. Throughout the reporting process, the Group strictly prohibits the disclosure of information of the whistleblower and endeavours to protect his/her identity and privacy to ensure the fairness and confidentiality of the investigation process. Employees can contact the anti-commercial bribery unit to report any corrupt behaviour, and the unit will commence its investigation in a timely manner.



CREATING VALUE FOR EMPLOYEES

Employees are the key to the Group’s success and the Group firmly believes that they lay a solid foundation to our business development. Therefore, the Group endeavours to create a diversified working environment that encourages personal and professional growth, and trusts and respects each and every employee. At the same time, we encourage our staff to adhere to the “Five Attributes “ set by the Group, which include diligence, loyalty, passion, team spirit and a sense of ownership, in order to maintain the best work culture of Nanfangers.



During the Reporting Period, the Group was not involved in any violations of laws and regulations relating to remuneration and termination, recruitment and promotion, working hours, holidays, equal opportunity, diversity, antidiscrimination and other treatment and benefits. We have also complied with laws and regulations that have a material impact on our operations.



As of 31 December 2023, the Group had a total of 307 employees. Our employees mainly work on a full-time basis in the PRC and Hong Kong. The detailed information of employees is summarised as follows:

		2023	2022
Total number of employees		307	315
Number and percentage by gender	Male	201 (65.47%)	209 (66.35%)
	Female	106 (34.53%)	106 (33.54%)
Number and percentage by age group	Below 30	36 (11.73%)	39 (12.38%)
	30 to 50	229 (74.59%)	228 (72.38%)
	Above 50	42 (13.68%)	48 (15.24%)
Number and percentage by employment category	Full-time	307 (100%)	315 (100%)
	Part-time	0 (0.00%)	0 (0.00%)
Number and percentage by geographical region	China and Hong Kong	307 (100.00%)	315 (100.00%)
Employees turnover rate¹		18.24%	12.70%
Percentage by gender	Male	15.42%	15.31%
	Female	23.58%	7.55%
Percentage by age group	Below 30	55.56%	15.38%
	30 to 50	13.10%	13.60%
	Above 50	14.29%	6.25%
Percentage by geographical region	China and Hong Kong	18.24%	12.70%

¹ Calculation of turnover rate of employees:

$$\text{Turnover rate of employees} = \frac{\text{Number of employees left during the Reporting Period}}{\text{Total number of employees as of 31 December 2023}} \times 100\%$$



Labour Relations

Adhering to the people-oriented values, Nanfang Communication is committed to building a working environment that respects the rights and interests of our employees, is full of opportunities and fair competition, and provides solid support for the growth and development of our employees. To this end, we strictly comply with the labour and employment related laws and regulations applicable to our country and place of operation, including the “Labour Law of the PRC”, the “Labour Contract Law of the PRC” and the “Employment Ordinance” of Hong Kong. In order to regulate the management of staff recruitment and dismissal, promotion, remuneration and benefits, working hours, holidays and equal opportunities, we have developed a series of rules and regulations. These rules and regulations ensure that employees enjoy reasonable rights and benefits at work and create a fair and just working environment.

Fair Employment

In terms of employment, the Group adheres to the principles of “Ethics-above-all, Meritocratic, Talent-and-virtue, Play to People’s Strengths”. Recruitment of new staff is based on the principles of openness, equality, competition and selection of the best. We have established a “Recruitment Management System” to standardise and regulate the recruitment process, giving priority to internal promotions or transfers when there are vacancies or new positions available in the Company. In the recruitment, promotion and training process, we only assess job-related factors such as experience, job performance, qualifications, skills and work ethics of an employee or potential candidate. Personal characteristics such as gender, ethnicity, religious beliefs, etc. which are not relevant to the job are not taken into account in the assessment. We are committed to creating a diverse and respectful work environment that welcomes and accepts employees of different cultures and values.

Remuneration and Benefits

We believe that offering market-competitive remuneration and benefits is the best way to recognise the contribution of our employees and to retain them for the long term. Therefore, we have formulated a comprehensive Remuneration Management Plan to provide transparency in the calculation of staff remuneration and benefits as well as the incentive mechanism. Employee remuneration consists of basic salary, seniority pay, grade pay, performance pay and year-end bonus. Employees’ contribution and capability are assessed through annual appraisals, and employees with outstanding performance are given promotion opportunities and bonuses, which will encourage them to enhance their productivity.



Giveaways in Dragon Boat Festival



In addition to remuneration, we provide a comprehensive benefits package to meet the needs of our employees, enhance their sense of belonging and job satisfaction, thereby increasing their loyalty and retention rate. Depending on the requirements of different positions, we provide meal allowances and dormitory facilities for our employees. At the same time, we comply with local laws and regulations by contributing to housing funds, medical insurance, pensions and unemployment insurance for our employees. In addition, employees are entitled to receive holiday payments or gifts during major holidays.

On the occasion of the Dragon Boat Festival and Mid-autumn Festival, in order to convey blessings to all employees and thank them for their hard work and dedication, Nanfang Communication gave back to the employees by taking practical actions and sent gift packs and condolences to each employee for the festivals.



Mid-autumn Gift Packages

Labour Standards

The Group is committed to protecting the human rights and labour rights of its employees. We strictly comply with the “Labour Contract Law of the PRC”, the “Law of the PRC on the Protection of Minors” and other laws and regulations, and prohibit any form of child labour and forced labour. Our recruitment process includes a series of measures to ensure that child labour and forced labour are not misused in our operations, including strict verification of job applicants’ identity documents and work qualifications. We adhere to the principle of freedom of choice. To ensure that our employees are employed voluntarily, we sign a legally binding labour contract with each employee to protect their rights and interests. If any falsehood is found, the recruitment or employment will be terminated immediately. At the same time, we work closely with our suppliers to extend our labour standards to the supply chain and to ensure that they comply with our requirements for the prevention of child labour and compulsory labour. During the Reporting Period, there were no significant violations of laws and regulations relating to the prevention of child labour and forced labour.



Work-life Balance

We endeavour to promote work-life balance and care for the mental health of our employees. We adopt a standard working hour system to ensure that our employees have sufficient rest time. Employees work eight hours a day, five days a week, with shifts on weekends. At the same time, we do not encourage non-essential overtime work, and employees who have to work overtime will be compensated with additional wages. In addition to annual leave and statutory holidays stipulated by the state, employees are entitled to additional personal leave, sick leave, work injury leave, marriage leave, maternity leave and funeral leave.

We continue to build up our corporate culture to further enhance the happiness and cohesion of our employees. During the Year, we organised a series of social activities, such as the Trekking on International Women's Day and the Chinese New Year Party. These activities aim to promote communication and interaction among employees and create a pleasant and harmonious working environment.



Trekking on International Women's Day



Chinese New Year Party



"Rice Dumpling Making" Competition for Lantern Festival



Health and Safety

The Group has always taken people-oriented values as the core concept, prioritising the physical and mental health of our employees and providing them with good working environment. We have strictly complied with the laws and regulations of the PRC, such as the “Labour Law”, the “Work Safety Law”, the “Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance”, the “Provisions on the Supervision and Administration of Occupational Health at Work Sites” and the “Provisions on the Supervision and Administration of Labour Protection Articles”, and have established a series of regulations and system to protect the occupational health and safety of our employees. During the Reporting Period, to the best of the Group’s knowledge, there was no violation of any relevant laws and regulations on safe working environment that have a significant impact on the Group. During the past three years (including the Reporting Period), we did not have any fatal accidents, work-related injuries or any work days lost due to work-related injuries.

In order to reduce the risk of occupational health and safety issues, the Group has established an occupational health and safety management system certified in accordance with the international standard ISO45001:2018 to systematically prevent accidents in the workplace. To ensure the safety of our employees in the workplace, we provide relevant induction trainings on production safety to all new employees and employees changing jobs, so that they can understand the various hazards and risks existing in our factories as well as the corresponding protective measures. For employees responsible for special type of work, they are required to complete relevant technical training and pass an assessment by the national statutory authorities to obtain the appropriate qualification certificate before they can serve in the operating positions. In addition, we organise annual health check-ups for our employees and invite hospital staff to visit our sites for detailed examination to raise their awareness of self-protection. We hope that our employees can be aware of and understand their own health status in a timely manner, so that they can be treated in an early stage if they are diagnosed with any disease and put into the best condition to work.



ISO45001:2018 Certificate



We have established and adopted the following policies and measures in accordance with the highest standards of health and safety in the workplace:

Relevant policies and system

- | | |
|--|--|
| <ul style="list-style-type: none"> • 6S management requirements • Emergency preparation and response control procedures • Accident investigation and management procedures • Personal protective equipment management requirements • Crisis management procedures • Identification of source of hazard, risk evaluation and control procedures • Safety and security work management requirements • Safe production management system • Safety protection and safety facility management requirements | <ul style="list-style-type: none"> • Flammable and explosive control procedures • Motor workshop management requirements • Fire safety management requirements • Electrical equipment installation requirements • Air compression operation procedures • Occupational health and labour protection control procedures • Occupational diseases and occupational health prevention management requirements • Facilities and working environment control procedures |
|--|--|

Safe Production Management

To ensure safe production, we have set up a leading group for safe production, which is co-ordinated by the management and departmental heads to lead and supervise production safety work. The responsibilities of the leading group include researching and formulating technical production safety measures and labour protection plans, as well as investigating and handling accidents. In addition, the leading group is responsible for educating employees on safe production and formulating detailed implementation rules and operating procedures for safe production to ensure the enforcement of safety norms. In terms of day-to-day management, each department follows the 6S safe production management system and conducts regular inspections of on-site conditions, various equipment and instruments. At the same time, timely rectification is carried out when problems are found to ensure that potential safety hazards are resolved in a timely manner.

Emergency Plans

In order to respond to possible health and safety incidents, the Group has established a leading group for the command of emergency rescue operations and formulated a sound contingency plan under the supervision of the management and the coordination of different departments. The leading group will play a coordinating role in organising emergency relief work in the event of a health and safety incident. The contingency plan lists groups to notify and actions to take as well as escape and rescue plans in detail in the event of an accident. We strictly enforce fire safety management regulations and regularly inspect fire fighting facilities to ensure that fire fighting channels are unobstructed. For high-risk areas such as chemical warehouses and woodworking rooms, we have installed explosion-proof devices to ensure the safety of lighting and power supply. To reduce the risk of leakage, we have established a hazardous chemicals management system to regulate the procurement, storage and use of chemicals.



In 2023, Nanfang Communication joined hands with the China Red Cross by inviting professionals to carry out first aid training on cardiopulmonary resuscitation for all staff, with a view to enhancing their awareness of first aid and first aid response capability, as well as mastering basic knowledge of first aid and basic operation skills.



Personal Protective Equipment and Prevention of Occupational Hazards

The Group attaches great importance to health and safety at all workplaces and has adopted a series of measures including efforts in relation to dust, poison, radiation, heat and noise protection. We provide our employees with personal protective equipment based on the nature of their work and provide guidance on proper use of the personal protective equipment. For employees engaged in high-risk operations, we require them to undergo annual medical examinations. If they are diagnosed with any occupational disease, we will make appropriate arrangements for their work, such as work adjustments, to protect their health. To ensure the effective fulfilment of fire safety responsibilities, the Group carries out regular maintenance on fire fighting facilities and equipment to ensure their proper functioning in the event of a fire. Meanwhile, we have strengthened our safety duty inspections and strictly prohibited any occupation, blockage or closure of safety exits and evacuation routes.



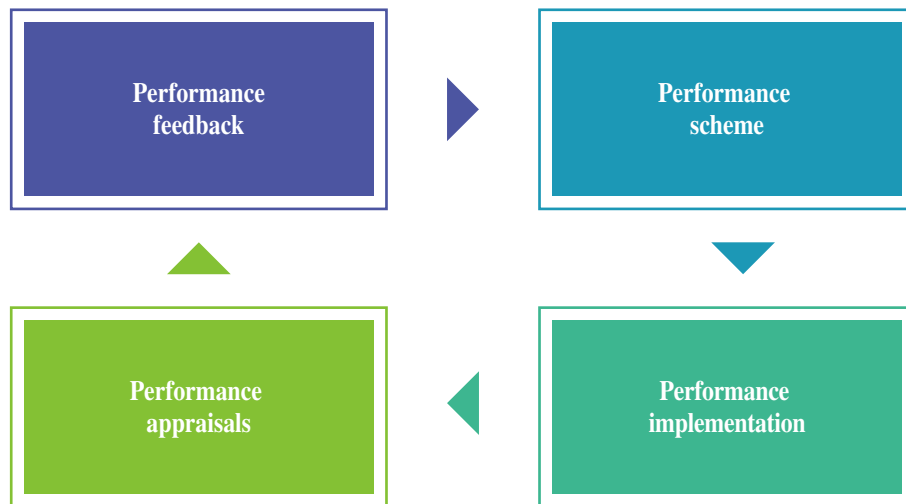
During the Year, in order to improve our employees' ability to deal with fire emergencies, we organised the 2023 Safety Production Week, in which a fire-fighting drill was conducted. The drill covered the entire process from discovering the source of fire, reporting it, determining the fire situation and taking emergency measures, to activating the plan and putting out the fire at the simulated scene. At the same time, we conducted training on evacuating staff to the assembly point for head count and report.



Training and Development

Nanfang Communication is well aware of the importance of employees for the long-term development of an enterprise. Therefore, we attach great importance to talent cultivation and development. To help our employees achieve their self-worth, we are committed to providing appropriate programs for their growth and development and have established a comprehensive employee training and development management system. Based on the business development of the Group and the needs of our employees, we have formulated an annual training plan by integrating the onsite and in-class training methods. All new employees are required to receive induction training to learn occupational health and safety related knowledge as well as understand the corporate culture and workflow. Current employees attend regular departmental and personal training to improve their personal capabilities and master new procedures. At the same time, we encourage middle and senior management personnel and technical staff to receive continuous education to contribute to the development of the enterprise. We conduct various forms of assessment during the training process to evaluate the application of training knowledge or skills in the actual workplace through observation and tests.

In addition, the Group considers talent selection and cultivation to be one of its top priorities. We evaluate and improve the performance of our employees through the cycle of performance scheme, implementation, appraisals and feedback, thereby improving their work quality and productivity to continuously improve the core competitiveness of the enterprise and individuals. We have established career development paths for our employees, and we determine internal promotion and year-end bonus based on performance appraisal results, providing opportunities for our employees to thrive in the enterprise.





The Group's employee training data during the Reporting Period is summarised below:

	2023	2022
Total training hours of employees	888	646.5
Average training hours per employee (percentage of employees trained)	2.89 (100%)	2.05 (100%)
Average training hours by gender (percentage of employees trained)		
Male	3.15 (100%)	2.15 (100%)
Female	2.41 (100%)	1.87 (100%)
Average training hours by employment type (percentage of employees trained)		
Management	13.00 (100%)	1.29 (100%)
Staff	2.48 (100%)	2.09 (100%)

CREATING VALUE FOR THE COMMUNITY

We attach great importance to building long-term community partnerships and actively practice social responsibility to give back to society. We communicate and maintain long-term relationships with various stakeholders through pro bono and social investment activities to promote social engagement. During the Year, the Group made charitable and other donations amounting to RMB2,168,100.



Renewed From Small Details

In order to promote the environmental hygiene construction of the Group, establish long-term, standardised and orderly working environment management, and thereby improve the environmental hygiene awareness of the employees in general, Nanfang Communication organised all employees to carry out a factory-wide cleaning activity. Everyone automatically formed teams by departments to carry out comprehensive cleaning to ensure full coverage of key hygiene areas inside and outside the Group, maximising the elimination of hygiene dead spots, and conduct centralised classification of garbage. During this cleaning activity, everyone has taken practical actions to improve their collaboration capabilities, enhance team cohesion and centripetal force, and create a civilized, healthy and clean working environment. At the same time, they have strengthened the implementation of the concepts of green development and maintaining health and hygiene to the community level.



CREATING VALUE FOR THE ENVIRONMENT

To respond to the “Dual Carbon” target that our country insists on, i.e. to achieve carbon peak by 2030 and carbon neutrality by 2060, in an active manner, the Group adheres to the concept of “Green Manufacturing, Low-carbon Development, Respecting Resources and Giving Back to Society”. We continue to explore and promote the renovation of energy-saving technology, push forward green production, energy saving and emission reduction through various measures. At the same time, we strive to build a sustainable supply chain and enhance the standard of green manufacturing. We have established an environmental management system accredited by the international standards ISO14001:2015 and an energy management system accredited by ISO50001:2018, striving to provide support for Nanfang Communication’s construction of a green and harmonious home.



The Group strictly complies with the “Environmental Protection Law”, the “Law on Prevention and Control of Air Pollution”, the “Law on Prevention and Control of Water Pollution”, the “Law on Prevention and Control of Environmental Noise Pollution”, the “Law on Prevention and Control of Solid Waste Pollution”, the “Law on Energy Conservation” of the PRC, and other laws and regulations on environmental protection and energy conservation in the regions where we operate. At the same time, we have developed system and procedures for handling waste water, exhaust gas, wastes and noise to regulate the environmental impact of our production process. During the Reporting Period, we did not have any significant violations of applicable laws and regulations regarding emissions of exhaust and greenhouse gases, discharges into water and land, generation of wastes and use of resources, nor did we have any issue in sourcing water.



ISO14001:2015 Certificate



ISO50001:2018 Certificate



In 2023, Nanfang Communication successfully obtained the Corporate Greenhouse Gas Verification Statement as well as five product TLC carbon footprint certification certificates, including optical splitter and outdoor optical cable. This marks a solid step forward in our pursuit of environmental protection and economic supply, and our contribution to technological innovation to promote green production and the low-carbon transformation of the nation.



Optical Fiber Active Connector Certification



Optical Splitter certification



Prefabricated End Butterfly Drop Cable Certification



Outdoor Optical Cable Certification



Butterfly Drop Cable Certification



Greenhouse Gas Verification Statement



In addition, in order to promote the practice of green manufacturing, the Group added and awarded an annual project improvement award in 2023 to encourage and recognise project teams that have achieved remarkable results in environmental protection and sustainable development. We have set a series of rigorous standards and evaluation indicators. These standards include, but are not limited to, improving production efficiency, raising processing efficiency and reducing energy consumption. The improvement work of the project team must be able to demonstrate excellent performance in these aspects and help Nanfang Communication achieve certain results in cost reduction and efficiency improvement.



Emissions Management

Considering the business nature of the Group, air pollutants are inevitably emitted during our production process. In order to reduce the impact on the environment, Nanfang Communication has installed photo-oxidation catalytic device and activated carbon fiber secondary emission device in the process that emits more air pollutants, such as coloring and sheathing. We also regularly hire qualified units to conduct emission tests on the stationary emission sources of our plants to ensure that our emissions meet the national requirements. To control vehicle emissions, we require all vehicles of the Group to use unleaded gasoline to reduce pollution such as hydrocarbons, carbon monoxide and nitrogen oxides. Moreover, we carry out annual emissions testing to ensure that all vehicles are in good condition. If the vehicles fail to meet national standards, we will install emissions abatement devices on them.

We understand that human activities are the main cause of climate change, and the current trend of climate change is going to bring forth tremendous risks to the economy and society. As a leading supplier of optical communications products, we bear the crucial responsibility of carbon reduction and have set aggressive targets. Based on 2018, the Group strives to reduce greenhouse gas emissions intensity by 80% by the end of 2030. As our carbon footprint is mainly due to indirect emissions from electricity consumption, we have implemented a number of initiatives to reduce electricity consumption, as detailed in the section of resource usage. During the Reporting Period, the Group emitted a total of 7,902.39 tonnes of carbon dioxide equivalent (“tCO₂e”) of greenhouse gases at a density of 0.09 tCO₂e per RMB ten thousand of revenue.



Target Progress

<div style="display: inline-block; width: 15px; height: 15px; background-color: #2e8b57; margin-right: 5px;"></div> Emission Reduction Target (Target Year: 2030)	Base Year Data	Data of the Year	Target Progress
To reduce the emission density of total greenhouse gases (tCO ₂ e per RMB ten thousand of revenue) by 80%, with 2018 as the base year	2018 0.12	2023 0.09	<div style="display: flex; align-items: center;"> <div style="width: 31%; height: 15px; background-color: #2e8b57; margin-right: 5px;"></div> 31% </div>
To reduce total absolute greenhouse gas emissions (tCO ₂ e) by 20%, with 2017 as the base year	2017 11,475.23	2023 7,902.39	<div style="display: flex; align-items: center;"> <div style="width: 100%; height: 15px; background-color: #2e8b57; margin-right: 5px;"></div> 100% </div>

Waste Management

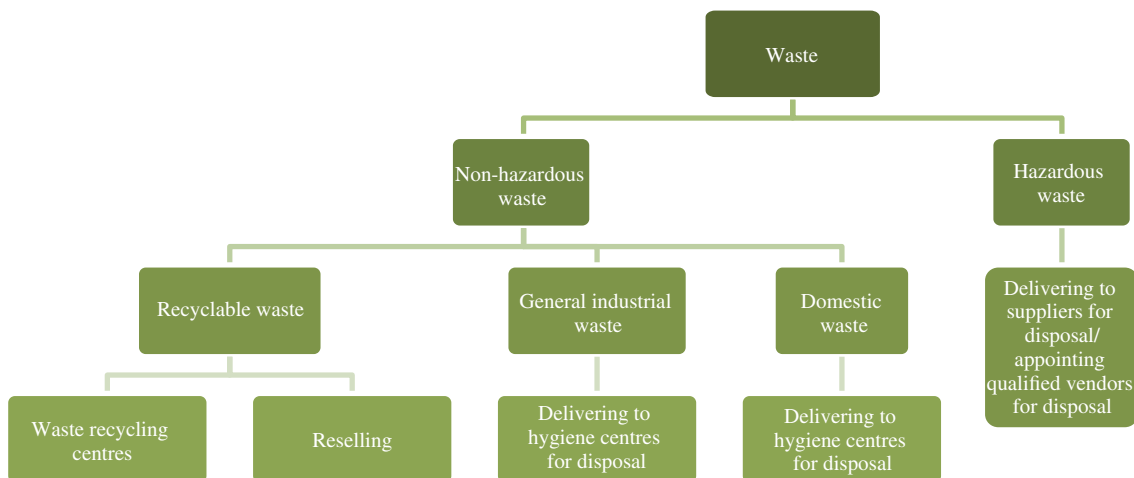
The wastes generated by the Group are mainly recyclable waste, general industrial waste, domestic waste and hazardous waste. In order to effectively control the utilisation of waste and reduce the impact of waste on the environment, we have formulated the “Waste Control Program” and “Waste Recycling and Disposal Regulations” to regulate the disposal of wastes. The wastes are stored and labelled in strict accordance with the regulations to prevent secondary pollution. Dumping and placing wastes in non-storage areas is also strictly prohibited. For non-hazardous wastes, we will recycle and reuse as much as possible, including selling them or handing them over to waste recycling stations. As for hazardous waste such as paint buckets, mercury-containing fluorescent lamps, toner cartridges, wire insulation, toxic chemicals and packaging, we will hand them over to suppliers or qualified service providers to ensure that the impact on the environment is minimised. Through the formulation of relevant measures and procedures, we are committed to standardising the waste treatment process, ensuring the effective use of wastes and reducing its negative impact on the environment.



Management of Solid Waste Contractors

During the construction process, the contractors should strictly comply with the “Regulations on the Administration of Construction Project Environmental Protection” of the PRC. For environmental factors that occur during the construction process, based on the principle of whoever carries out the construction is responsible, the project contractor will take corresponding measures, such as controlling dust, reducing noise, reducing the generation of sewage and waste oil, avoiding the scattering of debris, etc., and reducing the impact on the environment of pollution.

During the Reporting Period, the Group generated 10.19 tonnes of hazardous waste and 46.05 tonnes of non-hazardous waste.



Target Progress



Emission Reduction Target (Target Year: 2030)

	Base Year Data	Data of the Year	Target Progress
To reduce the generation of non-hazardous waste (tonnes) by 30%, with 2018 as the base year	2018 66.15	2023 46.05	100%



Use of Resources

Nanfeng Communication mainly relies on energy and water resources in the course of business operations. In order to reduce the use of resources, we have actively adopted energy-saving and consumption reduction measures and applied innovative technologies. At the same time, we also strive to implement the green office and 3R principles, i.e. to reduce, reuse and recycle resources. To manage the use of resources of the Group in an integrated manner, we collect monthly information and set consumption quotas regularly, to monitor our mode of consumption.

Energy Consumption

We are aware that greenhouse gas emissions of the Group are mainly indirect emissions from the use of purchased electricity during its production processes. Therefore, we are committed to reducing our carbon footprint by reducing electricity consumption. To this end, we have developed the “Energy Management Manual” and the “Energy Management Control Procedures”, and adopted the following energy-saving measures:

- For the main production equipment, if it is not in use for more than 2 hours, the compressed air valve should be closed; if it is not in use for more than 1 day, the power switch should be closed.
- All departments are responsible for supervising the management of lighting and electricity in the office area to save electricity and turn off the electricity facilities in due course.
- Before purchasing equipment, the Production Management Department will evaluate the energy consumption of the selected equipment to avoid purchasing equipment with low energy efficiency.
- LED light source is adopted in our plants (energy saving rate up to 30%).



At the same time, in order to increase the rate of using renewable energy and further reduce our reliance on purchased electricity, we have installed solar panels at our Jintan and Wujin plants. During the Reporting Period, the Group consumed 12,764,887.00 kWh of electricity, 13,529.34 litres of unleaded petrol and 4,266.67 litres of diesel.



Water Conservation

Water resources are precious resources necessary for the survival of humanity. In order to promote sustainable corporate development, the Group has adopted various measures to strengthen the water management capabilities and improve water efficiency. We value reduction in water consumption at source or achievement of recycling water resources for reuse. In order to raise the awareness of water conservation among the employees, we have posted signs of water conservation at water taps and actively encourages the employees to take parts in water conservation initiatives. At the same time, we have stepped up inspection of water pipes and industrial water points. We will immediately notify the relevant personnel to repair the equipment if problems are found. Moreover, we also strive to recycle cooling water in the production process to achieve effective recycling of wastewater. During the Reporting Period, the Group's water consumption was 29,345.00 m³ and the intensity was 0.33 m³ per RMB ten thousand of revenue.



In addition, we have obtained the relevant drainage permits and we treat the wastewater in the production process in strict accordance with the Tier 1 standard of the “Integrated Sewage Discharge Standard”. Through the establishment of internal procedures such as the “Wastewater, Waste Gas and Noise Control Procedures”, we require all wastewater to undergo tertiary treatment at wastewater treatment facilities before discharge. In order to prevent them from flowing into the sewers, we strictly prohibit the washing of vehicles in the plant and require our employees to use rags to wipe off oil and chemicals on the floor.



Emission Reduction Target (Target Year: 2030)

	Base Year Data	Data of the Year	Target Progress
To reduce electricity consumption (kWh) by 30%, with 2017 as the base year	2017 14,119,121.00	2023 12,764,887.00	32%
To reduce water consumption (m ³) by 20%, with 2017 as the base year	2017 17,138.00	2023 29,345.00	To meet the target, we expect to slash the consumption by approximately 53.3% starting from 2023



Coping with Climate Change

In face of an increasingly serious global climate problem, climate change has become a common challenge for all mankind, and carbon reduction has become a consensus among all countries. Since 2021, Dual Carbon has been the primary goal of the Chinese government in environmental protection, and Nanfang Communication has actively responded to the national carbon peak and carbon neutrality targets and set ambitious targets in carbon reduction to contribute to the fight against climate change.

At the same time, the Group has attached great importance to the operational risks brought about by climate change. We understand that climate change has increased the frequency and intensity of extreme weather, which affects enterprises in various ways. The production sites in Jintan and Wujin are exposed to extreme weather conditions such as storms, floods and extremely hot weather, which may cause damage to equipment, business interruption and endanger the safety of employees. Therefore, we have established “Contingency Planning and Response Control Procedures” to prevent and reduce the impact.

In response to these situations, we have developed the following counter-measures:

- We have stipulated that cooling equipment such as electric fans should be installed and cold drinks should be provided in our workshops during summer. At the same time, workshop offices should be equipped with medication for the prevention and treatment of heatstroke.
- In case of extreme weather conditions such as strong winds and heavy rain, the power supply of our production sites will be temporarily cut off in accordance with relevant procedures and work will be halted.
- We will enhance our safety management of electrical equipment in adverse weather. For instance, inspections of electrical rooms will be carried out more frequently during thunderstorms, rainstorms and typhoons, and any equipment failures or abnormalities will be reported and handled in a timely manner according to relevant procedures.



Environmental Performance

The Group's environmental performance during the Reporting Period is summarised in the table below:

	Unit	2023	2022
Air emissions²			
Nitrogen oxides	kg	31.04	33.70
Sulfur oxides	kg	0.27	0.33
Particulate matter	kg	2.81	3.02
Energy consumption			
Electricity	kWh	12,764,887.00	14,232,975.00
Intensity	kWh per RMB ten thousand of revenue	145.66	164.92
Unleaded gasoline	litre	13,529.34	17,378.00
Intensity	litre per RMB ten thousand of revenue	0.15	0.20
Diesel oil	litre	4,266.67	4,538.00
Intensity	litre per RMB ten thousand of revenue	0.05	0.05
Greenhouse gas emissions			
Scope 1 ³	tCO ₂ e	43.78	53.96
Scope 2 ⁴	tCO ₂ e	7,787.86	8,683.54
Scope 3 ⁵	tCO ₂ e	70.75	31.93
Total	tCO ₂ e	7,902.39	8,769.43
Intensity	tCO ₂ e per RMB ten thousand of revenue	0.09	0.10
Water consumption			
Total	m ³	29,345.00	28,473.00
Intensity	m ³ per RMB ten thousand of revenue	0.33	0.33
Waste			
Hazardous waste	tonnes	10.19	6.03
Intensity	tonnes per RMB ten thousand of revenue	0.00012	0.00007
Non-hazardous waste ⁶	tonnes	46.05	47.25
Intensity	tonnes per RMB ten thousand of revenue	0.0005	0.0005
Material consumption			
Office paper	tonnes	2.84	2.45
Intensity	tonnes per RMB ten thousand of revenue	0.00003	0.00003
Packaging material (wood)	tonnes	2,506.87	2,646.35
Intensity	tonnes per RMB ten thousand of revenue	0.03	0.03

² The air emissions data only cover vehicles with records of vehicle mileage.

³ Scope 1: direct greenhouse gas emissions are generated from the combustion of fuels by vehicles owned by the Group.

⁴ Scope 2: energy indirect greenhouse gas emissions are generated from the use of purchased electricity by the Group during its production processes.

⁵ Scope 3: other indirect greenhouse gas emissions are generated from paper consumption in offices and the business travel of the Group's employees by air.

⁶ It was estimated based on the number of employees at the end of the Reporting Period and the average daily quantity of domestic waste generated by each employee.



APPENDIX – SEHK ESG REPORTING GUIDE CONTENT INDEX

General Disclosures and KPIs of the SEHK ESG Reporting Guide		Explanation/Reference Section
Aspect A Environmental		
A1 Emissions	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, generation of hazardous and non-hazardous wastes.	CREATING VALUE FOR THE ENVIRONMENT
KPI A1.1	The types of emissions and respective emissions data.	CREATING VALUE FOR THE ENVIRONMENT - Emissions Management, Environmental Performance
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Emissions Management, Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Waste Management, Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Waste Management, Environmental Performance
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	CREATING VALUE FOR THE ENVIRONMENT



General Disclosures and KPIs of the SEHK ESG Reporting Guide		Explanation/Reference Section
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.	CREATING VALUE FOR THE ENVIRONMENT - Waste Management
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	CREATING VALUE FOR THE ENVIRONMENT
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Use of Resources, Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Use of Resources, Environmental Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	CREATING VALUE FOR THE ENVIRONMENT - Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	CREATING VALUE FOR THE ENVIRONMENT - Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.	CREATING VALUE FOR THE ENVIRONMENT - Environmental Performance
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	CREATING VALUE FOR THE ENVIRONMENT
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	CREATING VALUE FOR THE ENVIRONMENT



General Disclosures and KPIs of the SEHK ESG Reporting Guide		Explanation/Reference Section
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	CREATING VALUE FOR THE ENVIRONMENT - Coping with Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	CREATING VALUE FOR THE ENVIRONMENT - Coping with Climate Change
Aspect B Social		
B1 Employment	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.	CREATING VALUE FOR EMPLOYEES – Labour Relations
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	CREATING VALUE FOR EMPLOYEES
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	CREATING VALUE FOR EMPLOYEES
B2 Health and Safety	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.	CREATING VALUE FOR EMPLOYEES – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	CREATING VALUE FOR EMPLOYEES – Health and Safety
KPI B2.2	Lost days due to work injury.	CREATING VALUE FOR EMPLOYEES – Health and Safety



General Disclosures and KPIs of the SEHK ESG Reporting Guide		Explanation/Reference Section
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	CREATING VALUE FOR EMPLOYEES – Health and Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	CREATING VALUE FOR EMPLOYEES – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	CREATING VALUE FOR EMPLOYEES – Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	CREATING VALUE FOR EMPLOYEES – Training and Development
B4 Labour Standards	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.	CREATING VALUE FOR EMPLOYEES – Labour Relations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	CREATING VALUE FOR EMPLOYEES – Labour Relations
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	CREATING VALUE FOR EMPLOYEES – Labour Relations
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain
KPI B5.1	Number of suppliers by geographical region.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain



General Disclosures and KPIs of the SEHK ESG Reporting Guide		Explanation/Reference Section
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented



General Disclosures and KPIs of the SEHK ESG Reporting Guide		Explanation/Reference Section
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.4	Description of quality assurance process and recall procedures.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Business Ethics
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.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Business Ethics



General Disclosures and KPIs of the SEHK ESG Reporting Guide		Explanation/Reference Section
B8 Community Investment	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.	CREATING VALUE FOR THE COMMUNITY
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	CREATING VALUE FOR THE COMMUNITY
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	CREATING VALUE FOR THE COMMUNITY