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**Nanfang Communication Holdings Limited**

**南方通信控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 1617)**

# 2018 | ENVIRONMENTAL, SOCIAL and GOVERNANCE REPORT

**智慧連接 啟動未來**  
**SMART LINKS START THE FUTURE**



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## ABOUT THIS REPORT

Nanfang Communication Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “we”, “Nanfang Communication” and the “Group”) are pleased to present our Environmental, Social and Governance (“ESG”) report (the “Report”). The Report describes our sustainability vision and the progress we have made in implementing the sustainability strategy over the past year.

### Reporting Scope

The scope of this Report covers two production sites of the Group in Wu Jin and Jin Tan of the People’s Republic of China (the “PRC”), and two offices in the PRC and Hong Kong. The reporting period starts from 1 January 2018 to 31 December 2018 (the “Reporting Period”). Taking into account of the size, the number of staff and revenue distribution of the Hong Kong office, and based on the materiality principle, the disclosure of key performance indicators only covers the operations in the PRC.

### Reporting Standards

The Report has been prepared in accordance with the “comply or explain” provisions of the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Report has been approved by the Board to ensure its truthfulness, accuracy and completeness.

### Feedback

If you have any comments on the Report or the Group’s sustainability performance, please feel free to contact us by the following email address for improving our sustainability policy: [info@jsnfgroup.com](mailto:info@jsnfgroup.com).

## MESSAGE FROM CHAIRMAN

Driven by the global information construction, 5G has brought new opportunities for the development of optical communication, and the optical fibre cable market continues to benefit from the construction and application of 5G. In 2018, Nanfang Communication, as a high-quality supplier of optical fibre preform, optical fibre and optical fibre cable in the industry, continued to expand its industrial chain, and was committed to developing and adapting to the continuous growth of market demand and the continuous improvement of its own innovation capabilities.

**To achieve better and sustainable development of the Company**, we keep abreast of the national policy and practise social responsibility. While consistently insisting on ensuring production and operation, Nanfang Communication proactively puts more commitment in social responsibility and practical actions. The Company has consistently upheld the mission of “coordinating industry upgrades and continuously enhancing innovation drivers” to provide quality products and solutions to its customers.

**To achieve better and sustainable development of the Company**, we attach importance to the organisational structure and give full play to the role of management. Nanfang Communication continues to make innovation and development, improve the system, and control the quality to achieve greatest customer satisfaction. We give our top priority to green production in our annual governance. We rationally integrate internal resources and ensure that all environmental management matters meet the standards; we formulate corresponding plans – from quality control through management to quality control by system, to further improve efficiency and quality control of products through intelligent deployment – hereby continuously improving and enhancing the all-round management system.

**To achieve better and sustainable development of the Company**, we promote intelligent manufacturing. We control the quality of products by implementing intelligent system. We also enhance efficiency and quality control of products by intelligent deployment. We apply the ERP system to commence the corporate resource planning system and implement quality monitoring for the whole process from raw material procurement, contract review, production of goods, delivery of finished products to after-sales service, to ensure that the products, processes and services meet the needs of our users. In 2018, the grant of accreditation for laboratories from China National Accreditation Service for Conformity Assessment and two integrations marked that the management system of the Company has been continuously improved and enhanced from the initial introduction of quality management to the comprehensive management system.



**To achieve better and sustainable development of the Company**, we firmly believe that human resources is the top resource for the development of an enterprise. With the concept of “Integrity and Initiative” in regard to human resources, we hold various activities including annual meetings, skill competitions and employee promotion. The internal management of the Company attaches importance to the physical and mental health, work-life balance, as well as promotion and development of its employees. It strives to cultivate a warm corporate culture and to create and promote common growth of employees and the Company, thereby achieving mutual benefit and win-win results.

**To achieve better and sustainable development of the Company**, with the rapid development of the Company, we pay attention to activities such as education, disaster relief, public welfare and social care to continue to show our gratitude for the society and the government. We continue to practise corporate social responsibilities and work with the community to build a harmonious life in a more professional and direct way.

Looking forward, in the 5G era featuring rapid development of information-based construction, Nanfang Communication will adhere to the corporate vision of “Smart Links Start the Future”, and strive to diversify the development in terms of the industrial chain improvement, technological innovation and intelligent manufacturing, geographical expansion and capital operation with combination of active layout, to connect the intelligent future with a bold and aggressive spirit!

**Nanfang Communication Holdings Limited**

**Yu Jinlai**

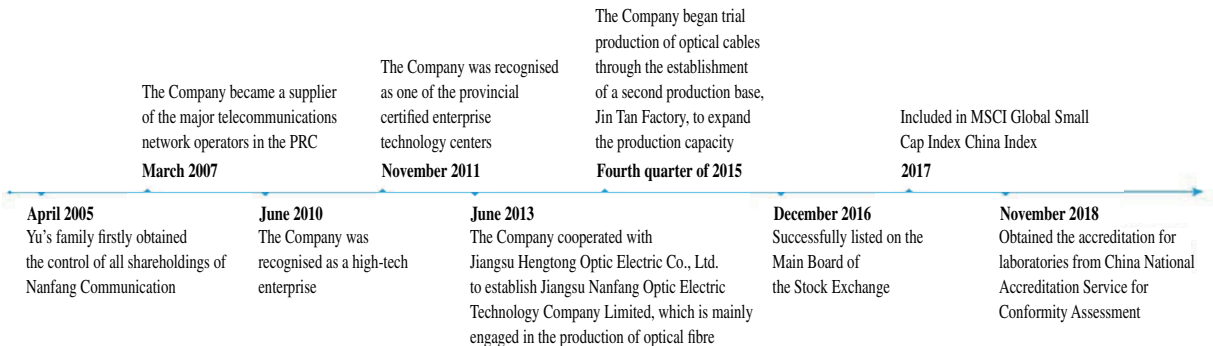
*Chairman*

19 June 2019

## ABOUT THE GROUP

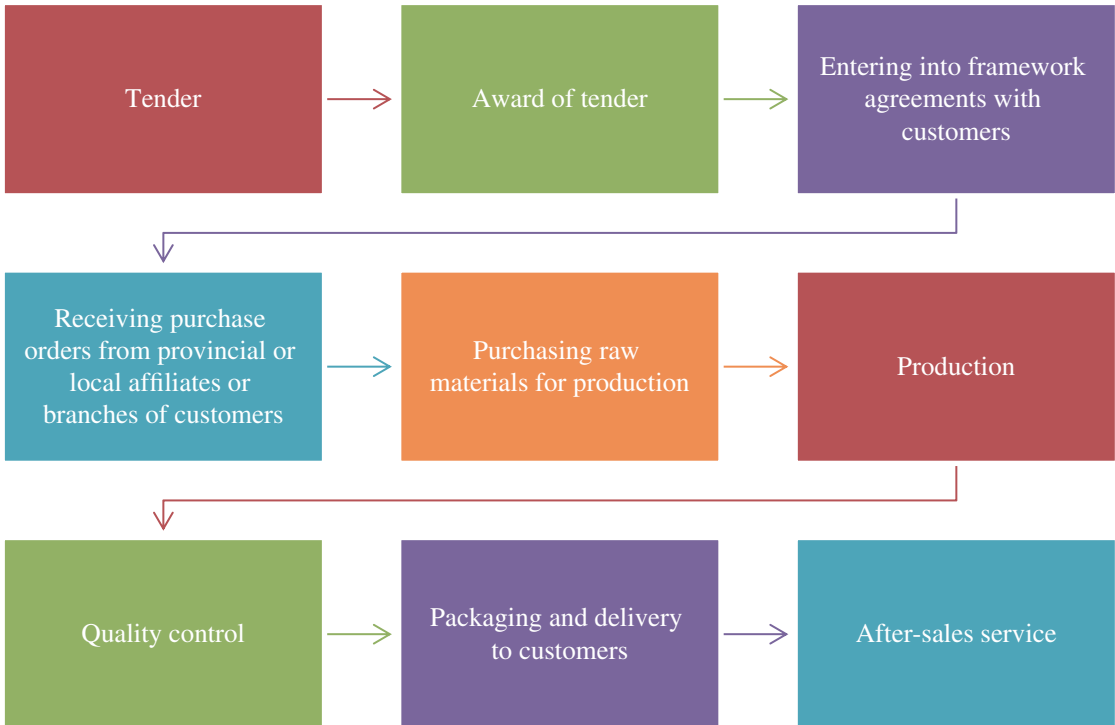
Headquartered in Changzhou, Jiangsu Province, Nanfang Communication is principally engaged in manufacturing and sales of communication products. As one of the leading companies in the optical fibre cables market in the PRC, the Group offers various models of optical fibre, optical fibre cable supporting products and auxiliary products to meet the needs of different customers in the telecommunication industry, such as mobile communication networks, internet networks and fixed telephone networks. The customer base of the Group includes national and regional telecommunications network operators and telecommunications supporting service providers. The Group is committed to establishing a stable and long-term relationships with its customers and maintaining a trusted brand to ensure the sustainable business operations of the Group.

## Development History



## Operating Model

The following diagram shows the operating model of the Company from tender to after-sales service:



## Corporate Vision, Mission, Value and Strategy

### Corporate value

- Dare to innovate, achieve excellence and dare to develop

### Corporate talent concept

- Integrity, Initiative

### Corporate vision

- Smart Links Start the Future

### Mission

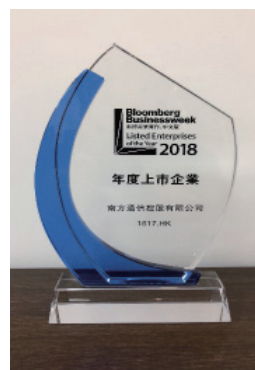
- Coordinating industry upgrades and continuously enhancing innovation drivers

### Strategy

- Increase the market share and penetration rate in the PRC, increase our brand awareness in the PRC, and continue to improve our production capacity
- Strengthen our product research and development capabilities and optimise our products to capture the growth potential of emerging industries
- Vertical integration of our optical fibre cable production value chain with upstream production of major raw materials
- Establish a comprehensive business management information system

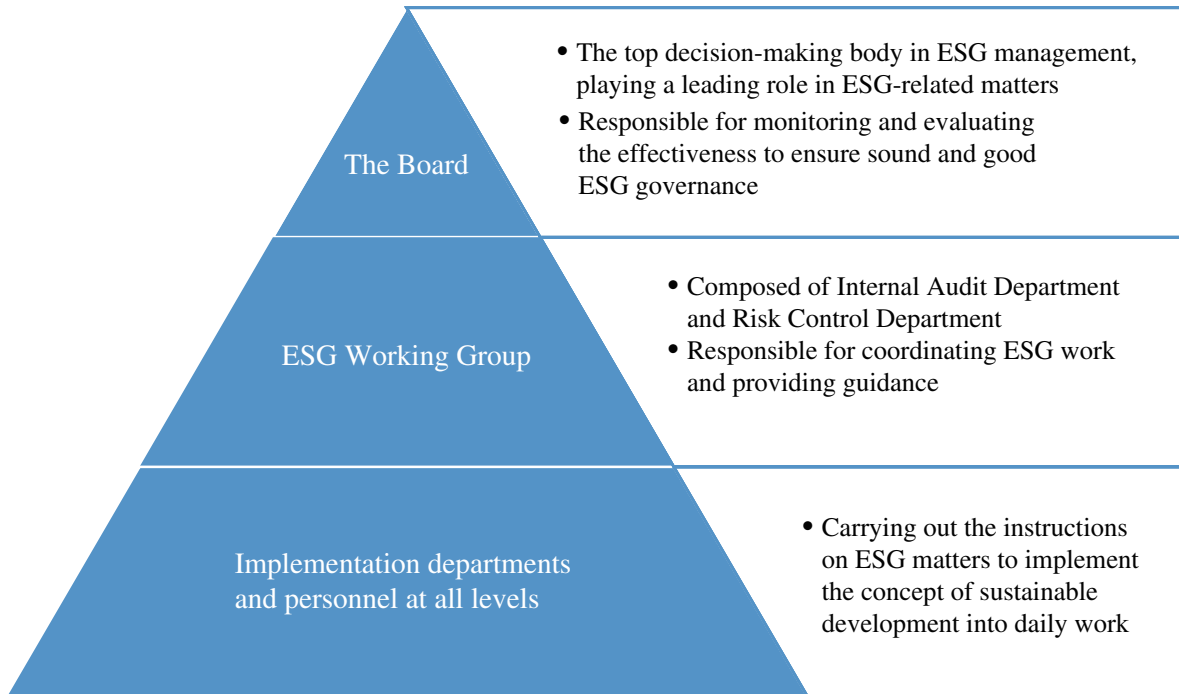
## Certificates and Honors:

While achieving its own business development and creating profits, Nanfang Communication has been committed to fulfilling the responsibilities to employees, customers, the environment and the society. During the Reporting Period, we have maintained a steady development momentum and worked together to obtain certificates and honors in various aspects:



## OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH

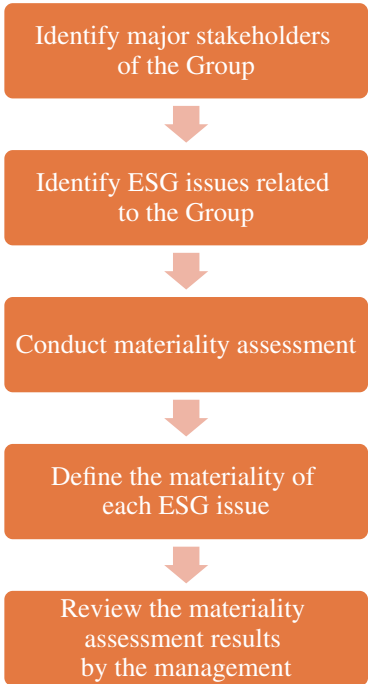
The Company has established an ESG Working Group led by the Internal Audit Department and the Risk Control Department, responsible for coordinating ESG work; thus ensuring that the relevant ESG tasks are effectively implemented at all levels and that guidance is provided. The working group regularly reports the progress to the senior management. The Board is responsible for monitoring and evaluating the effectiveness of the system to ensure sound and good ESG governance.



## STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Opinions of various stakeholders play a crucial role in establishing a sustainable development management framework. Therefore, the Group attaches great importance to their opinions and continuously communicates with stakeholders through various channels to enhance its understanding of the potential risks of business operations and to meet the needs and expectations of stakeholders. The following table illustrates the major stakeholders of the Group and the communication channels:

Stakeholders	Interaction Channels
Shareholders and investors	<ul style="list-style-type: none"> <li>Company website</li> <li>Regular investor meetings</li> <li>Annual general meetings</li> <li>Annual and interim reports</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Company website</li> <li>Annual and interim reports</li> <li>Customer satisfaction survey</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Trainings</li> <li>Internal network</li> <li>Regular performance evaluation</li> <li>Team building activities</li> <li>Comment boxes</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Supplier assessment</li> <li>Procurement procedures</li> <li>On-going communications</li> </ul>
Government organisations and regulatory agencies	<ul style="list-style-type: none"> <li>Forum</li> <li>Involvement in the drafting of industry standards</li> </ul>
Community	<ul style="list-style-type: none"> <li>Charitable donation</li> <li>Public welfare activities</li> </ul>



In addition, to understand the views of stakeholders on the Group’s ESG issues, we have conducted a materiality assessment by questionnaire and invited internal and external stakeholders (such as the Board, employees and suppliers) to express opinions on the significance of twenty-seven issues to the business operations and stakeholders, among which cover labour treatment, environmental protection, supply chain management, products and services delivery, and community investment. The assessment results are used to analyse ESG issues that are significant to the Group, and we will give the priority to the important issues. Based on the results of the questionnaire, we plot the following materiality matrix:

### Materiality Matrix



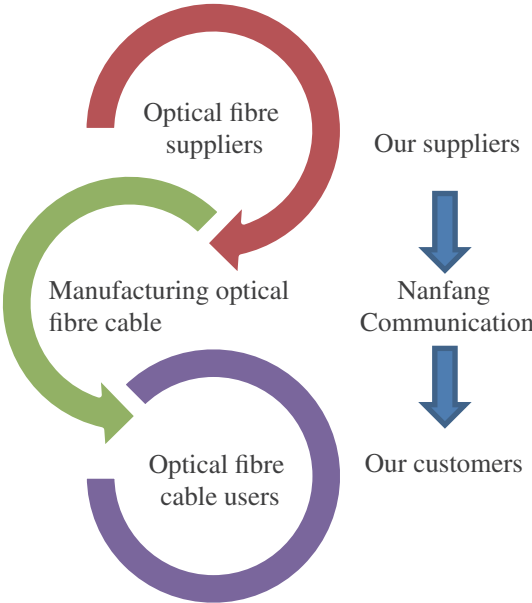
High Priority		Medium Priority		Low Priority	
11	Talents retention	4	Energy efficiency	1	Gas emission
14	Occupational health and safety	8	Environmental compliance	2	Greenhouse gas emissions
17	Prevention of child labour and forced labour	9	Employment rights	3	Climate change
18	Customer satisfaction	15	Employee training	5	Water consumption and sewage
19	Quality of customer service and complaint handling	16	Employee development	6	Use of materials
20	Health and safety of customer	22	Intellectual property	7	Waste management
23	Customer privacy and data confidentiality	27	Social contributions	10	Labour relations
24	Supply chain management			12	Diversity and equal opportunity
25	Business ethics			13	Anti-discrimination
26	Socio-economic compliance			21	Marketing and product and service labels



Based on the results shown in the above matrix, we found ten ESG issues of high materiality. Based on these materiality issues, we will develop corresponding ESG strategies, policies and goals to identify opportunities for continuous improvement and sustainable development.

**CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN**

**Product Value**



**System Management:**

The quality management systems of Wu Jin Factory and Jin Tan Factory have obtained ISO 9001:2015 certificates. In 2018, Nanfang Communication has effectively integrated Quality Management System ISO 9001, Environmental Management System ISO 14001, Occupational Health and Safety Management System OHSAS 18000 and Quality Management System for Communication Industry TL 9000. During the Reporting Period, the Group was not aware of any violations of laws and regulations that are related to the health and safety of the products and services provided, advertising, labeling and remedies that have a significant impact on our operations.

**6S Lean Production Management:** Through 6S lean production promotion work, we reduce quality loss, reduce inventory (excluding reasonable raw materials and finished products), shorten production cycle, and reduce the outage rate of equipment, while improving the ability of employees to identify and solve problems in the sophisticated production process of the workshop. We improve employees' ability to master and apply modern management techniques, and develop employees' standard working habits.

**RoHS Control Management:** The Company has developed the “RoHS Control Management Process”, which defines the products' environmental control operation process, the relevant persons in charge and their responsibilities, to enable various processes to be effectively managed, including inspection of supplier evaluation, sample evaluation and procurement, workflow design and control, as well as product shipments, so that the hazardous substance level of the shipped products can meet the requirements of customers.



Internal Quality Control:

In order to ensure the continuous effectiveness of test results, the testing center has established and implemented a laboratory management system based on the requirements under ISO/IEC 17025:2005 “General Requirements for Inspection and Calibration of Laboratory Capabilities”, and has obtained the accredited laboratory qualification from the China National Accreditation Service for Conformity Assessment in 2018. To fully guarantee the quality of the products, the Manufacturing Department strictly commences production according to the requirements of the guidance documents, and performs the first inspection and self-inspection of the products in a timely manner. With the combination of standard requirements and customers’ requirements, the Quality Department has established strict quality inspection requirements for testing and controlling the performance indicator of materials and optical cables throughout the process from raw materials to product manufacturing, and strengthened the production process inspection to strictly control packaging and shipping of products, ensuring that the finished products are reliable.

Procurement Control:

Procurement personnel select suppliers from the “Qualified Suppliers List” in strict compliance with the “Outsourcing Process Control Procedures”, and the raw material inspectors strictly inspect each batch of incoming raw materials in accordance with the technical requirements and inspection specifications. Unqualified raw materials that fail to pass inspection must not be used.

**Unqualified Control:**

The Company has developed the “Unqualified Output Control Procedures”, taking appropriate control measures based on the unqualified sources to ensure that products that do not meet product requirements are identified and controlled, with a view to preventing unexpected use or delivery. In case of defects found during the construction process and usage by the users, product quality issues or other feedback will be processed based on “Customer Complaints and Feedback Processing Procedures” to ensure customer satisfaction.

**Product Research and Development:**

Nanfang Communication annually invests a huge sum of capital in developing new products, and has cooperated with Nanjing University of Posts and Telecommunications to promote the development of new products. We have been recognised as “High-tech Enterprise” by Jiangsu Provincial Science and Technology Department. We continuously make breakthroughs in technology research and development, keep abreast of the industrial development to develop new products and new technologies, and improve the quality of products by improving production equipment, production methods and production processes in technical aspects. The applied patent “Optical Cable Ointment Device and Ointment Replenishment and Filling Method”, the optical cable ointment system of which has been improved, not only reduces the waste of materials, but also lowers the water seepage of the optical cable and improves the product quality of optical cable.

### Case Sharing - Product Research and Development

In 2017, Nanfang Communication and Jiangsu Telecom jointly developed an all-dielectric light thunder proof optical fibre cable, which contains no metal, and applies FRP tapes or FRP rods (non-metallic fiberglass reinforced tape or rod) as the reinforcing component of the optical fibre cable with tensile property, good lateral pressure resistance and rat biting resistance property. It mainly includes three kinds of structures: GYQFXTF, GYQFXTBY and GYQFTY featuring small in size



and light in weight (the weight is less 30~50% per kilometre as compared with the traditional one), saving material resources. The entire optical fibre cable is an insulator, which is not affected by lightning strikes and strong electromagnetic fields, and is convenient to construct and requires no grounding treatment, reducing construction costs. It has obtained 2 patents, “A Thunder Proof Optical Fibre Cable” and “A Thunder Proof Communication Optical Fibre Cable”. At present, this kind of light thunder proof optical fibre cable has been widely applied in access networks, rural links, mountainous areas and areas with many thunder and serious magnetic fields.

In June 2018, Nanfang Communication invested in the research and development of 5G base stations for remote photoelectric cable, the cable conductor of which consists of non-metallic reinforcement, tight fiber, insulated wire and LSZH or PE sheath. The project mainly involves the control of optical attenuation of the press-packed unit, design and development of sheath mold, and study of the adaptability of requirements and application of indicators such as the transmission performance, electrical performance, mechanical performance and environmental performance of the 5G base stations with the remote optical power composite cable. At present, the sample test has been completed. The project can provide a new solution for the integration of 5G base stations' communication and power supply in the future.

## Customer Satisfaction

In addition to ensuring the quality and safety of our products, we are committed to providing comprehensive after-sales services and enhancing user experience. Through 24-hour hotline service of the support platform service, customers can gain assistance from professional technicians of Nanfang Communication by telephone. The support platform provides quick consultation through the Support Department in the province where the customer resides or the headquarters of the Company nearest to the customer, or communicates directly with customers at any link in the service rendering process. In order to provide customers with more thoughtful and faster services, Nanfang Communication has established offices and service centers in 30 cities across the country and formed a highly capable and efficient response service team and network with extensive experience.

Meanwhile, we continue to strengthen cooperation and exchanges with research institutes such as Nanjing University of Posts and Telecommunications, which greatly enhances our technical support capabilities for providing quality services to various operators. According to customers' needs, we provide technical seminars and demonstrations in relation to optical fibre and cable to customers without charge, covering optical fibre and optical cable testing technology, optical cable installation technology solutions, and optical cable connection demonstrations.

### Case Sharing - Customer Support

On-site optical cable construction training of a telecom construction team in Jiangsu: through training, the optical cable construction process has been standardised and the damage to the performance and transmission performance of the optical cable sheath during the construction has been reduced. Furthermore, the fusion welding loss has been reduced through the optical fiber fusion training to meet the line link attenuation requirements.



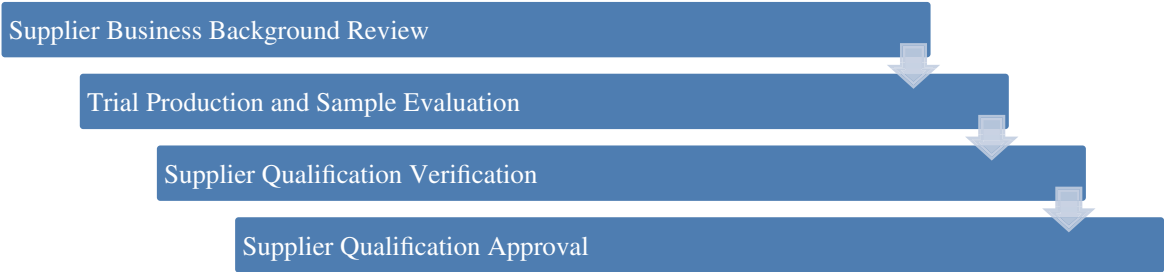
It is important to listen to our customers' opinions and feedback on our products and services, as this allows us to gain a better understanding of their current satisfaction level, future needs and expectations. In this regard, we conduct customer satisfaction surveys through interviews and surveys on a regular basis to meet the needs of our customers. Based on the survey results, we are able to improve and refine our quality management system to further enhance customer satisfaction.

In addition, we have developed the “Customer Complaints and Feedback Processing Procedures”, pursuant to which, upon receiving complaints from customer, we will review and confirm the complaints and promptly adopt the corresponding solutions. Subsequently, we will follow up on the effectiveness of the complaint handling to ensure customer satisfaction, while we will develop an improvement plan to prevent the recurrence of similar incidents in the future. According to the “Customer Satisfaction Survey Results and Analysis Report” of each year, the Quality Department transmits relevant information to the Marketing Department and Production Management Department. Relevant departments will formulate and implement improvement plans, while the Quality Department is responsible for inspection and assessment, forming closed-loop management.

### Supply Chain Management

Due to the close relationship between optical fibre suppliers, our daily operations and the quality of product service, the supply chain has a significant impact on our long-term business development. Therefore, we have developed a supplier selection and performance assessment management procedure to select qualified material suppliers and service providers. When selecting potential suppliers, the Group has the following requirements and standards:

- Having a registered national business licence with corresponding business scope
- Effective quality assurance capability, having a significant number of facilities or equipment, technical capabilities, processing capabilities or operating standards, management level and inspection methods
- Good credibility and the ability to provide satisfactory after-sales services
- Compliance with RoHS requirements to reduce negative impacts on the environment and users
- Other qualification certificate documents: third-party test reports, SGS reports, etc.





For new suppliers, we will require them to fill out the supplier selection questionnaire, including the company's business profile, quality assurance capabilities, legal compliance and after-sales services. If necessary, we will conduct on-site inspection of capability verification with the inspection scope including organisation quality, technology and production. The business review team will conduct on-site review, and the performance shall meet the requirements of the Group before applying for inclusion in the qualified suppliers. If any of them is not up to standard, it shall rectify within the prescribed time limit and arrange for re-examination until the approval is granted.

For existing suppliers, we conduct a monthly performance assessment, involving quality, price, delivery and services, to ensure that suppliers comply with our product quality standards, and meet the demands of customers. Underperforming suppliers shall promptly rectify and determine corrective action plans, and those who fail to meet the requirements or standards will be disqualified.

At the same time, suppliers are required to strictly abide by our Supplier Code of Conduct ("CoC"), which covers nine areas related to ESG: legal compliance, child labour, forced labour, remuneration, working hours, equality and fair workplace, freedom of association, intellectual property protection and environment, health and safety, and work together to maintain a sustainable supply chain; thus bringing mutual benefits in improving environmental and social performance. In addition, suppliers are encouraged to exceed the minimum standards of CoC. In terms of anti-corruption management, suppliers are also required to sign a Supplier Integrity Commitment to prevent any unfair competition and violation of the laws and regulations.

### Anti-Corruption

Under the business philosophy of "Integrity and Trustworthiness", the Group prohibits any form of corruption. To monitor the conduct of the Group and other related parties (such as employees, suppliers and customers), we have established an anti-commercial bribery team consisting of the Administrative Center and the deputy general manager and an anti-commercial bribery system.

In addition, our staff handbook specifies codes of conduct, which requires employees to discipline themselves, strictly control employees' acceptance of gifts or benefits, and prevent any conflicts of interest and bribes in their daily work. To raise the awareness among employees, the Group conducts training activities in this regard from time to time. Furthermore, we have established a reporting mechanism to ensure that every employee is able to exercise the whistleblowing right when necessary and report suspected corruption through the whistleblowing box and hotline to protect the integrity of the Group. We also undertake strict confidentiality to protect the identity of the whistleblower.

During the Reporting Period, the Group was not aware of any violations of laws and regulations related to bribery, extortion, fraud and money laundering that have a significant impact on our operations.

## Confidentiality and Intellectual Property Protection

In order to effectively protect the Group's intellectual property rights, motivate employees to make inventions, strengthen research and development results management, promote technological innovation activities, and improve its market competitiveness, we has developed a sound information security management under supervision of specific personnel. During the Reporting Period, the Group was not aware of any violations of laws and regulations related to customer data privacy and intellectual property that have a significant impact on our operations.

As of 2018, the Company was granted eighty technical patents, including eighteen invention patents and sixty-two utility model patents. Currently, the Company has applied for a total of twenty-three patents, including seven invention patents, sixteen utility model patents, has five domestic registered trademarks and one registered trademark in Hong Kong. Some invention patents are as follows: a nano-water emulsion waterproof sheathed optical cable, a modified waste refractory waterproof coated optical cable, and a novel high polymer modified water emulsion asphalt waterproof coated optical cable.



## CREATING VALUE FOR EMPLOYEES

### Human Resources

The Group provides employees with competitive compensation and benefits, including basic salary, compensation, fixed working hours, rest time, holidays, medical insurance, mandatory provident fund, social security, meal allowance and dormitory supply, and regularly reviews the remuneration packages to ensure that employees receive remuneration that meets the market rate. Meanwhile, the Company adheres to the principle of “openness, equality, competition and excellence”. We provide equal opportunities for all employees during recruitment, promotion and training, and only consider their performance and abilities regardless of factors such as gender, nationality, ethnicity or religious beliefs.

During the Reporting Period, the Group was not aware of any violations of laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other welfares and benefits that have a significant impact on our operations.

### Prevention of Child Labour and Forced Labour

The Group is committed to preventing child labour and forced labour, and strictly reviewing employee identification documents and job qualifications during the recruitment phase. We respect free choice of work and do not allow any form of forced labour, such as by intimidation, physical abuse, etc.

During the Reporting Period, the Group was not aware of any violations of laws and regulations related to child labour and forced labour that have a significant impact on our operations.

### Occupational Health and Safety

The Group attaches great importance to safety management and occupational health of employees. Safety is the premise of production and operation and safeguarding safety has been the core task of our enterprise. Occupational health and safety hazards and risks will be minimised by providing employees with a good working environment and guaranteed safe production, and the sound operation of an occupational health and safety management system OHSAS 18001. We strictly comply with relevant requirements of laws and regulations such as the “Labour Law of the People’s Republic of China”, “Safety Production Law of the People’s Republic of China”, the “Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance” (《用人單位職業健康監護監督管理辦法》), “Regulations on Supervision and Administration of Occupational Health in Workplaces” (《工作場所職業衛生監督管理規定》), and “Provisions on Supervision and Administration of Labour Protective Articles” (《勞動防護用品監督管理規定》). During the Reporting Period, the Group was not aware of any violations of laws and regulations related to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on our operations, and has not experienced any deaths due to work-related injuries.

In order to enhance employees’ awareness and skills in respect of health, safety and environment (“HSE”), the Group conducts three levels of education for all new employees, namely company training, department training and team training. In addition, the Group organises training and exercises on fire protection and chemicals to enable employees to grasp the use of relevant facilities, and increase their safety awareness and sense of responsibility, thus ensuring that they are able to respond in an effective and quick manner in the event of an accident, to minimise the hazard.



## Training and Development

Performance management is the strategic goal that shall be achieved by the enterprise. Through the continuous cycle of performance planning, performance implementation, performance appraisal and performance feedback, the Group improves the performance of employees to enhance the management process of departments and overall performance of the Company. The results of the performance appraisal are applied to the employee's evaluation of the year, the year-end bonus and the internal promotion. We has established a career development channel for employees to achieve vertical upgrading of their position based on their capability improvement in accordance with the established standards.

The Group provides a good platform and training opportunities to each employee, and offers strong assistance in their career development, including induction training for new employees (safety training, corporate culture training, workflow and regulations training, etc.), on-the-job training for employees (specific trainings for the serving management, team leader, office staff and back office administrators, sales staff and front-line staff) and financial support for further external training. We also has an established mechanism featuring apprentices coached by tutors to arrange experts to conduct one-on-one guidance and regular exchanges to impart apprenticeship skills and experience.





## Employee Relationships

The Group has established numerous communication channels with employees and organised various team-building activities to create a harmonious corporate atmosphere and enhance employees' happiness index and sense of belonging. It maintains open communication between employees and the management through various communication channels, including meetings, comment boxes, e-mails and telephone.

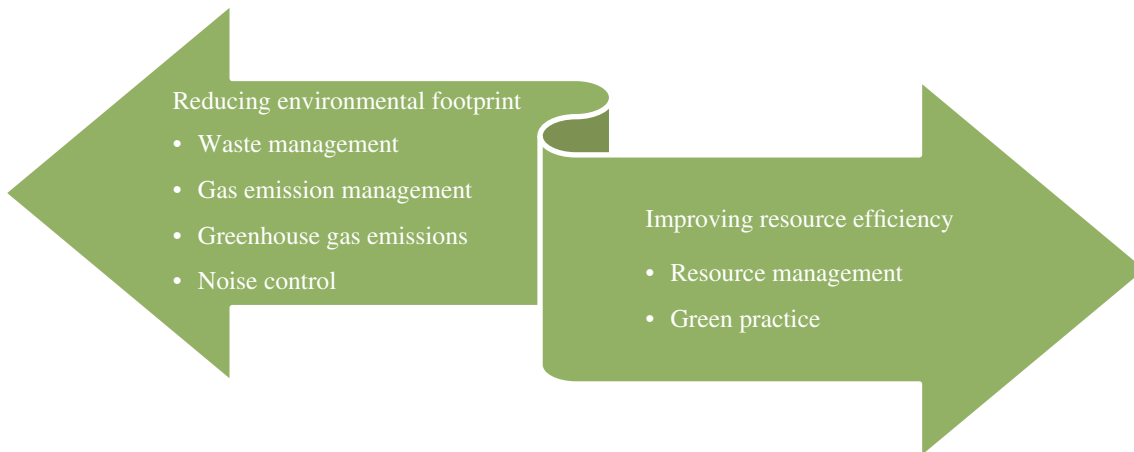


During the Reporting Period, the Group held a variety of employee activities, including lantern riddles, Women's Day celebration, hiking activities, and Annual Dinner, etc.



## CREATING VALUE FOR THE ENVIRONMENT

We are committed to reducing our impacts on the environmental in two ways: reducing environmental footprint and efficiently using resources.



Our Wu Jin Factory has established ISO 14001:2015 environmental management system that complies with the international standard, comprehensively identifying, managing, monitoring and controlling our impacts on the environment. In order to gain continuous improvements, we identify all major environmental risks in the production process and ensure that we take effective measures to manage such risks.

We attach importance to compliance with all applicable environmental laws and regulations. During the Reporting Period, the Group was not aware of any violations of laws and regulations related to air and greenhouse gas, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on our operations.

## Waste Management

To effectively reduce impacts on the environment, we have established waste control procedures to ensure full compliance with relevant environmental regulations and to provide guidance on the generation, classification, storage, collection and disposal of waste.

Recyclable waste	<ul style="list-style-type: none"><li>• including paper, carton box, plastic and metal</li><li>• processed by a qualified recycler</li></ul>
General industrial waste and domestic waste	<ul style="list-style-type: none"><li>• non-recyclable</li><li>• handled by the Environmental and Hygiene Department of the Government</li></ul>
Hazardous waste	<ul style="list-style-type: none"><li>• including waste oil, empty oil drums and other chemicals</li><li>• handle by qualified hazardous waste collectors</li></ul>

Waste is divided into four categories for further processing: recyclable waste, general industrial waste, domestic waste and hazardous waste. Based on different types, waste will be placed at designated storage locations with clear marks and precautions taken. To prevent secondary pollution, it is strictly forbidden to dump and place waste in non-storage areas. We also reuse or recycle waste as much as possible to reduce the amount of waste ended up in landfills.

During the Reporting Period, the Group produced only a small amount of hazardous waste, which was disposed of by qualified hazardous waste collectors. For non-hazardous waste, it is estimated that each employee produces domestic waste of approximately 0.5 kg per day, with a total of approximately 66.15 tonnes produced for 300 working days and an intensity of 0.001 tonnes per RMB ten thousand of revenue. In the future, if circumstances permit, the Group will review and carry out waste data tracking.

## Air and Greenhouse Gas Emissions

As an optical fibre cable supplier, air pollutants are released during our production process, such as coloring and sheathing. Through the installation of secondary discharge equipment of photo-catalytic oxidation and activated carbon fiber, we strictly ensure that the air quality meets the requirements of relevant emission standards before it is discharged. In addition, we will engage relevant qualified inspection units to inspect the exhaust gas from the air outlet every year to ensure that our emissions are stable and meet the standards.



In terms of vehicle exhaust, all vehicles of the Company shall use unleaded gasoline to reduce air pollution. At the same time, we conduct annual emission assessments to ensure that all cars are in good condition. If necessary, an exhaust gas purification device will be installed for the vehicle to comply with national standards. Our air pollutants are mainly nitrogen oxides, sulfur oxides and particulates matter in vehicle exhaust. During the Reporting Period, the Group's air emissions were as follows:

Air Emissions <sup>1</sup>	Unit	2018	2017
Nitrogen oxides	Kg	14.46	10.94
Sulfur oxides	Kg	0.30	0.26
Particulate matter	Kg	1.06	0.81

To alleviate the challenges brought by climate change, we are committed to reducing our carbon footprint through effective energy use, details of which are further set out in the section headed by "Resource Management" in the Report. During the Reporting Period, the Group discharged a total of approximately 10,441.40 tCO<sub>2</sub>e greenhouse gases with an intensity of approximately 0.12 tCO<sub>2</sub>e per RMB ten thousand of revenue. As compared with the same in 2017, the Group's total greenhouse gas emissions decreased by approximately 9%.

Greenhouse Gas Emissions	Unit	2018	2017
Scope 1 <sup>2</sup>	tCO <sub>2</sub> e	47.91	46.26
Scope 2 <sup>3</sup>	tCO <sub>2</sub> e	10,390.93	11,416.72
Scope 3 <sup>4</sup>	tCO <sub>2</sub> e	2.56	12.25
Total	tCO <sub>2</sub> e	10,441.40	11,475.23
Intensity	tCO <sub>2</sub> e per RMB ten thousand of revenue	0.12	0.13

<sup>1</sup> The air emissions data focuses on road vehicles with travelling distance record.

<sup>2</sup> Scope 1 – direct greenhouse gas emissions are generated from burning fuels by vehicles owned by the Group.

<sup>3</sup> Scope 2 – indirect greenhouse gas emissions are generated from the use of purchased electricity by the Group.

<sup>4</sup> Scope 3 – other indirect greenhouse gas emissions are generated from business trips of employees of the Group by air.

## Resource Management

During our operations, the main resources used are energy, water and materials. To integrate and manage our resource utilisation, we collect monthly data and set consumption quotas to monitor our consumption patterns.

## Energy Consumption

Our production sites and offices have implemented various energy-saving initiatives to conserve our resources and reduce our greenhouse gas emissions. For example, production equipment and appliances shall be turned off when not in use; when purchasing electrical appliances, we will consider the power efficiency and do not purchase equipment with low performance as possible. We have implemented improvement projects at our production sites to reduce energy consumption and effectively reduce maintenance costs:

- Provision of technical improvement, and application of a set of Roots blower in the sheathing process and replacement of the original vortex air pump on each line, which reduced electricity consumption by approximately 770KW/h, and lowered the impact of noise generated by equipment operation on the site staff.
- Renovation of workshop lighting by replacing 400W mercury lamps with 150W LED energy-saving lamps, with a total of 120 LED energy-saving lamps replaced, which reduced energy consumption by approximately 30,000W.
- New purchase of 10 cable production lines to replace the original 6 production lines with backward capacity, which improved the overall efficiency of the new production line by approximately 30% as compared to the original one.
- Installation with a photovoltaic power generation project in the Jin Tan Factory with a total power of approximately 1.54 MW and an actual annual power generation of approximately 2 million kWh.

During the Reporting Period, the Group consumed a total of approximately 12,914,401.00 kWh of electricity and approximately 20,562.50 liters of unleaded gasoline. The intensities were as follows:

Energy	Unit	2018	2017
Electricity	kWh	12,914,401.00	14,119,121.00
Intensity	kWh per RMB ten thousand of revenue	142.66	156.65
Vehicle fuel – unleaded gasoline	liter	20,562.50	17,390.51
Intensity	liter per RMB ten thousand of revenue	0.23	0.19

## Water Conservation

Based on previous water consumption, we set a corresponding consumption quota to monitor our water consumption. In order to further improve the utilisation rate of water resource, we use recycled water for production, and try to achieve water reuse and recycling. Thus, our water consumption is mainly for daily use.

To prevent water leakage, we also conduct regular pipeline inspections and maintenance work. We place a water-saving sign near the faucet to remind our employees to conserve water. During the Reporting Period, the Group had experienced no major problems in obtaining applicable water sources, with a total water consumption of approximately 30,034.00 cubic meters and an intensity of approximately 0.33 cubic meters per RMB ten thousand of revenue. Due to the increase in the number of employees and greening maintenance during the Reporting Period, the total water consumption has increased, compared with that in 2017. We will continue to seek ways to conserve water consumption.

Water Resource	Unit	2018	2017
Water consumption	m <sup>3</sup>	30,034.00	17,138.00
Intensity	m <sup>3</sup> per RMB ten thousand of revenue	0.33	0.19

Our production sites have obtained relevant discharge permits. Before waste water is discharged, the sewage generated by the industrial use will be treated in three stages by the sewage treatment facilities to ensure strict compliance with discharge standards.

## Material Use

We actively encourage employees to communicate through electronic channels to reduce unnecessary paper use in the office. During the Reporting Period, the Group consumed a total of approximately 4.54 tonnes of office paper with an intensity of approximately 0.0001 tonnes per RMB ten thousand of revenue. For packaging materials, wood is the main packaging material. During the Reporting Period, the Group consumed a total of approximately 2,564.99 tonnes of wood with an intensity of approximately 0.03 tonnes per RMB ten thousand of revenue.

Material Consumption	Unit	2018	2017
Office paper	tonnes	4.54	4.60
Intensity	tonnes per RMB ten thousand of revenue	0.0001	0.0001
Packaging materials (wood)	tonnes	2,564.99	3,588.24
Intensity	tonnes per RMB ten thousand of revenue	0.03	0.04

## Noise Control

During our production process, machines will inevitably generate noise. To minimise nuisance to the surrounding environment, we regularly inspect, maintain and lubricate our production equipment to ensure they operate in good condition. If the operator finds that the machine is operating abnormally and the noise level increases, the operator shall suspend it immediately and report to his/her supervisor in a timely manner. We also provide our employees with personal protective equipment, require them to wear earplugs during working hours and install cushions, soundproof covers, pneumatic silencers, etc. to protect their health.

## Green Procurement

In addition to implementing green initiatives in our production process, we also conduct green procurement to further reduce our impacts on the environment and to build a green supply chain. We have established a “Green Procurement Standard” to manage the Group’s procurement activities and adhere to the procurement policy of “Reducing Environmental Loads” as a prerequisite for selecting materials and suppliers. When purchasing raw materials, semi-finished products, packaging materials and auxiliary materials, it is prohibited to purchase substances that have a negative impact on the environment or human health.

### Case Sharing - Green Procurement

In early 2015, the optical fibre cable drums of Nanfang Communication used a significant number of wooden drums, resulting in the cutting of nearly 10,000 trees per year. In late 2015, the trial of the waste engineering template was used for re-processing, and quality of the drums met the delivery standard, which reduced by approximately 70% of trees being cut down. Up to now, more than approximately 90% of our machines have used bakelite drums to achieve green procurement.

## CREATING VALUE FOR THE COMMUNITY

As a responsible corporate citizen, the Group is committed to supporting the community where it operates to fulfill our corporate social responsibility. In order to make better use of our resources and expertise to contribute to the community, we have set an annual donation budget. The Group attaches great importance to public welfare support, fulfill social responsibilities, actively participates in and organises various public welfare activities. We strive to enhance the competitiveness of the Company, promote development and focus on the support for the education, public benefits, and the community.



The Group regularly organises public events for the government and the community, and influences our employees, suppliers, customers and all stakeholders through the implementation of corporate social responsibility.



**APPENDIX – ESG REPORTING GUIDE INDEX**

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Policies & Procedures	Other Remarks
<b>Subject Area A Environmental</b>			
<b>A1 Emissions</b>	Information on: – the policies; and – 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, etc.	– Waste Water, Waste Gas and Noise Control Procedures – Waste Control Procedures	For details, please see the section headed “Creating Value for the Environment – Waste Management, Air and Greenhouse Gas Emissions”
KPI A1.1	The types of emissions and respective emissions data.	/	For details, please see the section headed “Creating Value for the Environment – Air and Greenhouse Gas Emissions”
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	/	For details, please see the section headed “Creating Value for the Environment – Air and Greenhouse Gas Emissions”
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	/	For details, please see the section headed “Creating Value for the Environment – Air and Greenhouse Gas Emissions”

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Policies & Procedures	Other Remarks
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	/	For details, please see the section headed “Creating Value for the Environment – Air and Greenhouse Gas Emissions”
KPI A1.5	Description of measures to mitigate emissions and results achieved.	– Waste Water, Waste Gas and Noise Control Procedure	For details, please see the section headed “Creating Value for the Environment – Air and Greenhouse Gas Emissions”
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	– Waste Control Procedures	For details, please see the section headed “Creating Value for the Environment – Waste Management”



Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Policies & Procedures	Other Remarks
<b>A2 Use of Resources</b>	Policies on efficient use of resources including energy, water and other raw materials.	<ul style="list-style-type: none"> <li>- Energy Management Control Procedure</li> <li>- Green Office Operation Regulations</li> </ul>	For details, please see the section headed “Creating Value for the Environment – Resource Management”
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).	/	For details, please see the section headed “Creating Value for the Environment – Resource Management”
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	/	For details, please see the section headed “Creating Value for the Environment – Resource Management”
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	<ul style="list-style-type: none"> <li>- Energy Management Control Procedure</li> </ul>	For details, please see the section headed “Creating Value for the Environment – Resource Management”
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	<ul style="list-style-type: none"> <li>- Energy Management Control Procedure</li> </ul>	For details, please see the section headed “Creating Value for the Environment – Resource Management”
KPI A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.	/	For details, please see the section headed “Creating Value for the Environment – Resource Management”

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Policies & Procedures	Other Remarks
<b>A3 The Environment and Natural Resources</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	<ul style="list-style-type: none"> <li>- Green Office Operation Regulations</li> </ul>	For details, please see the section headed "Creating Value for the Environment – Noise Control, Green Procurement"
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<ul style="list-style-type: none"> <li>- Green Office Operation Regulations</li> <li>- Green Procurement Standard</li> </ul>	For details, please see the section headed "Creating Value for the Environment – Noise Control, Green Procurement"

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide	Policies & Procedures	Other Remarks	
<b>Subject Area B Social</b>			
<b>B1 Employment</b>	Information on: <ul style="list-style-type: none"> <li>- the policies; and</li> <li>- compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</li> </ul>	<ul style="list-style-type: none"> <li>- Staff Handbook</li> </ul>	For details, please see the section headed “Creating Value for Employees – Human Resources”
<b>B2 Health and Safety</b>	Information on: <ul style="list-style-type: none"> <li>- the policies; and</li> <li>- 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.</li> </ul>	<ul style="list-style-type: none"> <li>- 6S Management Regulations</li> <li>- Fire Safety Management Regulations</li> <li>- Safety Production Management System</li> </ul>	For details, please see the section headed “Creating Value for Employees – Human Resources”
<b>B3 Development and Training</b>	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	<ul style="list-style-type: none"> <li>- Staff Handbook</li> </ul>	For details, please see the section headed “Creating Value for Employees – Training and Development”.
<b>B4 Labour Standards</b>	Information on: <ul style="list-style-type: none"> <li>- the policies; and</li> <li>- compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</li> </ul>	<ul style="list-style-type: none"> <li>- Staff Handbook</li> <li>- Child Labour Assistance and Juvenile Worker Protection Control Procedure</li> <li>- Prohibition of Forced Labour Control Procedure</li> </ul>	For details, please see the section headed “Creating Value for Employees – Prevention of Child Labour and Forced Labour”

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Policies & Procedures	Other Remarks
<b>B5 Supply Chain Management</b>	<p>Policies on managing environmental and social risks of the supply chain.</p>	<ul style="list-style-type: none"> <li>- Supplier Code of Conduct</li> <li>- Relevant Party Environmental Occupational Health and Safety Impact Control Procedure</li> <li>- Procurement Control Procedure</li> </ul>	<p>For details, please see the section headed “Creating Value for Customers and Supply Chains – Supply Chain Management”</p>
<b>B6 Product Responsibility</b>	<p>Information on:</p> <ul style="list-style-type: none"> <li>- the policies; and</li> <li>- 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.</li> </ul>	<ul style="list-style-type: none"> <li>- Information Security Management Control Procedure</li> <li>- Confidential Work Control Procedure</li> <li>- Product Monitoring and Measurement Control Procedure</li> <li>- Customer Satisfaction Management Procedure</li> <li>- Customer Complaints And Feedback Handling Procedure</li> </ul>	<p>For details, please see the section headed “Creating Value for Customers and Supply Chains – Product Value, Customer Satisfaction, Confidentiality and Intellectual Property Protection”</p>
<b>B7 Anti-corruption</b>	<p>Information on:</p> <ul style="list-style-type: none"> <li>- the policies; and</li> <li>- compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</li> </ul>	<ul style="list-style-type: none"> <li>- Anti-Commercial Bribery System</li> <li>- Compliance Management System</li> </ul>	<p>For details, please see the section headed “Creating Value for Customers and Supply Chains – Anti-Corruption”</p>
<b>B8 Community Investment</b>	<p>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</p>	<ul style="list-style-type: none"> <li>- External Donation Management Measures</li> </ul>	<p>For details, please see the section headed “Creating Value for the Community”</p>