

# **Nanfang Communication Holdings Limited**

南方通信控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1617)

2017

ENVIRONMENTAL, SOCIAL and GOVERNANCE REPORT

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## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Nanfang Communication Holdings Limited (hereinafter referred to as "We", "Nanfang Communication", the "Company") is delighted to present our Environmental, Social and Governance ("ESG") Report in which discloses the ESG information from 1 January 2017 to 31 December 2017 (the "Reporting Period"). It is prepared with reference to the Appendix 27 Environmental, Social and Governance Reporting Guide set out by the Hong Kong Exchanges and Clearing Limited ("HKEx"). This report covers the major operations of our Company – two production sites for the manufacturing of our optical fibre cable products in Wu Jin and Jin Tan of the People's Republic of China (the "PRC"), and two offices in the PRC and Hong Kong (collectively, the "Group").

Adhering to our enterprise values – "Honesty, Respect, Cooperation, Innovation and Bravery", we have grown into a well-established optical fibre cable supplier. We also received numerous awards and recognitions for our product quality from government authorities, customers and industry associations over the Reporting Period. To continue our success, we will continually improve our ESG performance and work towards sustainability. Your comment and feedback on this ESG Report and our sustainability strategy is valuable to us. Please leave us your opinion via email at info@jsnfgroup.com.



The Group values the opinions of our stakeholders as they play a vital role in establishing our sustainability management framework. In order to understand the concerns and expectations of our stakeholders on ESG related issues, with the help of an independent professional advisor (BDO Financial Services Limited), we have engaged both our internal and external stakeholders such as Board of Directors, employees and suppliers to participate in an ESG survey via an online questionnaire. These key stakeholders were invited to rate the relative importance on 22 ESG related topics. Their responses were then used to conduct a materiality assessment, as presented below:

# **High Priority Medium Priority** Low Priority - Product quality and safety – Use of materials - Customer satisfaction - Diversity and equal - Customer privacy opportunity - Occupational health and - Air emission - Marketing communications safety Employee development Labour rights - Ethical business - Supply chain management - Intellectual properties - Product and service labelling - Forced labour - Child labour - Hazardous waste generation - Community support - Energy use

- Water use

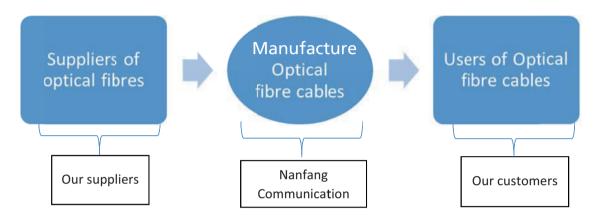
- Non-hazardous waste generation - Greenhouse gas emission

Through this materiality assessment, we are able to understand the relative importance of each ESG topic to our stakeholders, and thus enable us to formulate a proper ESG strategy to address their concerns. In the light of these identified priorities, more details on our efforts during the Reporting Period are presented in the later sections of this report. With the results in mind, the Group will look for opportunities for continuous improvements and work towards sustainability.



#### OPERATIONAL EXCELLENCE

As a well-established supplier in the communication type optical fibre cable market in the PRC, we strive to manufacture quality products and services to satisfy our customers' expectations. Through systematic quality control, customer-oriented after-sale service and supply chain management, we have established a value chain that helps us meet our customers' high expectations.



# **Quality Control**

It is our mission to create outstanding and quality services and products to our customers. The Group has established a quality management system that is certified to internationally recognised ISO 9001:2008 and ISO 14001:2004 standard for the manufacturing of optical fibres, and has been recognised by the Science and Technology Department of Jiangsu Province in the PRC as a "High & New Technology Enterprise" since 2010.

Our strict quality control procedures guide us in controlling quality issues of our products, customer care service to satisfy customers, and research and development ("R&D") plan to continuously develop new production techniques and new products.





Under our quality control procedures implemented by our professional quality control team, we follow national laws and regulations, industry and ISO standards, and customers' requirements to perform quality control inspection from raw materials testing to final products, ensuring quality compliance and minimising defective finished products to be delivered to customers. All materials, semi-finished products and final products are well-labelled to avoid confusion and misuse, as well as facilitate traceability.



We also plan to cooperate with Nanjing University of Post and Telecommunications on the quality detecting online system for optical fibre cable production to upgrade our quality control system. With our strengths in quality control and research ability, we believe recognition of our products in the market is highly enhanced.

## **Customer Satisfaction**

In our after-sales service, we provide extensive support to customers in handling the issues they encounter in our products and assisting emergency situations that could happen in customers' companies. In addition, we actively conduct R&D on our products and manufacturing processes to continuously improve our current products and offer new products and solutions that meet our customers' needs.

To understand the degree of our customers' current satisfaction levels and their future expectations, we have constantly carried out investigations on customer satisfaction through interviews and surveys. Based on the investigation results, we will improve and polish our quality management system in order to enhance customers' level of satisfaction continuously.



## **Supply Chain Management**

Optical fibre suppliers are crucial business partners to our business. We have supplier onboarding assessment and monthly evaluation on existing suppliers' performance to ensure that they can meet our standards, which would ensure the quality of our products and ultimately, the satisfaction of our customers.

In addition, all suppliers are required to strictly follow the "Supplier Code of Conduct", which consists of nine aspects of compliance. Apart from the criteria on quality of raw materials, we also take the environmental and social performances of suppliers into consideration.



For instance, we restrict the levels of hazardous substances in raw materials and hence, require our suppliers to comply with the Restriction of Hazardous Substances Directive ("RoHS"). We also require our suppliers to comply with our anti-forced labour and child labour policy for protecting the welfare of their workers and children.

# ETHICAL BUSINESS

We emphasize on the importance of integrity and compliance in our business. We are committed to advocating the culture of integrity in the workplace and following a set of ethical standards to ensure integrity in our business. In the compliance management system, we monitor and identify potential violations of laws and regulations, in the areas such as conflict of interests, commercial bribery and customer complaints, through inspection, internal control platform and recording compliance reports submitted by every department.

## **Anti-Corruption**

Any form of corruption is strongly prohibited in the Group. In order to monitor the conduct of the Group and other related parties such as employees, suppliers and customers, we have formulated an Anti-bribery policy to comply with the related laws and regulations.

In addition, the Code of Conduct as stipulated in the Employee Handbook sets out rules on how employees should behave when conducting business - to control employees in receiving gifts or benefits and to prevent any conflict of interest and bribery in the daily work of employees.

Furthermore, we have established a reporting system to ensure every employee can exercise the right of whistleblowing where necessary to safeguard integrity of the Group. If there are suspicious cases of bribery, employees and other related parties are encouraged to report to our Group's Anti-bribery Team. The investigation process is kept strictly confidential so as to protect whistleblowers' identities.

During the Reporting Period, no violation of laws and regulations relating to bribery, extortion, fraud and money laundering was noted.

# Fair & Equal Employment Practices

We uphold the principle of fairness in our operation to create a respectful workplace and promote competitive markets. All employment practices follow the principles of "Openness, Equality, Competition, and Excellence". We provide equal opportunity to all candidates solely based on the performance and ability, and are regardless of their gender, nationality, race, or religious belief.

#### Prevention of Child & Forced Labour

Child labour and forced labour are strictly forbidden within the Group. Policies and procedures are in place, in accordance with national laws, regulations and international standards such as SA8000, to prevent the occurrence of child and forced labour. During the Reporting Period, no violation of laws and regulations relating to child and forced labour was noted.

At the recruitment stage, identities of candidate are checked to prevent any under-age employment. In case of discovery of child labour at our workplace, we will follow the procedures to ensure that their legal rights are granted and offer necessary supports such as financial assistance and education to them.

We also ensure that all of our employees work consensually in order to safeguard their personal freedom. No form of forced labour, such as by intimidation or physical abuse is allowed.



## Confidentiality & Intellectual Property Protection

Maintaining confidentiality is important to protecting our customers' properties as well as ours. Our confidentiality policies and procedures are established to guide us as to how we should handle confidential information and intellectual properties of our customers and our Group. For all the customers' information involved in our operation, only authorized personnel is allowed to handle the information and such personnel is required to follow our procedure to prevent any leakage of privacy information.

To strengthen the protection of intellectual property, we have procedures to deal with both internal and customer intellectual properties. For all new products developed by the R&D department, we will firstly check if the products have any conflicts with existing patents. If there are no conflicts, we will file trademarks and patents applications for our original products. For the intellectual properties of our customers, besides being handled according to our confidential work control procedure, they are also protected under the agreement signed with our customers.

#### CARE FOR EMPLOYEES

The success of our Group relies greatly on our employees, and thus we strive to create a pleasant working environment and provide employees with development opportunities. Our employment remuneration are in full compliance with national laws and regulations, including remuneration, insurance, compensation and dismissal, recruitment and promotion, working hours, rest periods, and benefits and welfare. In addition, we work with labour unions for our employees to protect their rights. We also constantly listen to the opinions from employees and encourage them to involve in the management of our business. During the Reporting Period, no violation of laws and regulations relating to employment practices was noted.

#### Occupational Health & Safety

It is our basic responsibility to provide a healthy and safe workplace for our employees, particularly for those who work in factories and face relatively higher Occupational Health and Safety ("OHS") hazards. To safeguard the health of our employees, we have a comprehensive OHS management system in place, which is certified against the international OHSAS 18001 standard, and our Wu Jin Factory has obtained the OHSAH 18001 certification.

In order to ensure the health and safety of our employees, further to continuously improving our OHS performance, we have set up the Occupational Health and Labour Protection Control Procedures. All employees are required to participate in various mandatory safety training and safety activities to strengthen their awareness of self-protection. Topics covered in the OHS training include indoor air quality, fire safety, use of electrical equipment, and handling of flammable substances, etc. A series of safety procedures are also set up to guide employees on performing different production activities in a safe manner. Employees must operate in accordance with the specified procedures for the particular operations and wear suitable protective equipment.

We ensure that our workplaces comply with all applicable labour and safety laws and regulations. Health inspections are provided to all existing and new employees annually. For those employees who are subject to higher OHS risks working environment, we provide them with additional health inspections related to the corresponding OHS risks. During the Reporting Period, no violation of laws and regulations in relation to working environment and occupational hazards was noted.

# Training and Development

We truly believe that the key to continuous success and growth is learning, as it not only helps the professional development of employees, but also, in return, supports the growth of the Group. Therefore, we are committed to create a culture of interactive and continuous learning. Upon entry, all new staff members are provided with induction training in order to let them swiftly adapt to a new working environment. Based on the Group's strategic development and the needs of employees, we provide a wide range of internal training programmes on job-related skills and personal development.

We also cooperate with Nanjing University of Post and Telecommunication to provide the latest knowledge and updates in our industry to employees, as well as provide subsidies on external training, such as foreign language and professional qualification courses.

## **Employee Communication**

Employees are the most important assets of the Group and thus we are committed to respecting and valuing their opinions by fostering open communication with employees through various channels such as meetings, opinion boxes, telephone and emails.

We value the relationship with our employees by promoting a healthy, work-life balance environment and creating a supportive and harmonious workplace for all members. To strengthen employees' sense of belonging, we have organized a range of activities during the Reporting Period such as annual dinner, Lantern Festival celebration, picnic on Women's Day and Father's Day activity.



Picnic activity on Women's Day



Lantern Festival celebration





Annual dinner

#### **COMMUNITY SUPPORT**

As a responsible citizen, the Group strives to fulfil our corporate social responsibility by supporting the communities where we operate. Governed by the Donation Management Policy, we set budget on donations annually with the following focuses:

- Public welfare: Support social development such as education, culture, hygiene and medical and environmental protection.
- Relief: Support the minorities, the poor and those who suffer from natural disasters.







#### **GREEN MANUFACTURING**

We are dedicated to reducing our impacts on the environment from operations. We achieve that through two key approaches: (1) mitigating our environmental footprints, and (2) utilizing resources efficiently.

# Mitigating environmental footprints

- •waste management
- greenhouse gas emissions
- •noise generation

# Utilizing resources efficiently

- green practices

Our Wu Jin factory has established an environmental management system, which is certified to be in conformity with the international standard ISO 14001:2004, to identify, manage, monitor and control our environmental impacts in a holistic manner. We emphasize importance in maintaining full compliance with related environmental laws and legislation in our operations, and striving for a continual improvement on our performance by tracking all significant environmental risks in our manufacturing process and ensuring high effectiveness of our measures to manage such risks.





## Waste Management

The Group is committed to reducing the generation and the impact of waste on the environment, and has formulated the "Waste Control Procedure" to control the generation and treatment of waste in an integrated manner. Apart from maintaining full compliance with environmental laws and regulations, our waste management strategy strives to achieve waste recycling to its greatest extent. Wastes generated at our entities are sorted into three major types, namely recyclable waste, non-recyclable waste and hazardous waste. The sorted wastes, especially the hazardous wastes are stored at designated areas with precautionary measures to prevent leakage during rainy season, are then handled specifically by respective dedicated personnel.

# Recyclable waste

- Include paper, plastic, metal etc.
- Handled by appointed qualified recyclers

# Nonrecyclable waste

- ·Include domestic and general industrial waste
- Handled by the environment and hygiene department of the Government accordingly

# Hazardous waste

- •Include waste oil, empty oil barrels, and other chemicals
- Handled either by the raw material suppliers for reusing or qualified third-party to ensure legal compliance

Information on the amount of domestic waste generated in the Hong Kong office is not available as it has been handled by the property management company. Whereas for the factories, it is estimated that a worker generates approximately 0.5kg domestic waste a day. Accordingly, it is estimated that a total amount of 55.95 tonnes domestic waste was generated during the Reporting Period in a total of 300 working days.

The factories generated only small amount of hazardous waste (assessed to be less than 1.5 tonnes at Wu Jin factory in 2016), which has been collected by qualified collectors for proper handling. In future, the Group will review and commence tracking the amount of wastes where practicable.

During the Reporting Period, no non-compliance cases related to waste disposal in violation of laws and regulations were noted.

## Resource Management

Knowing the use of resources is indispensable to our operation, we strive to increase the efficiency of their usages and thus, reduce our carbon footprint. We closely monitor and evaluate our consumption pattern through collecting monthly data. Quotas are also set to limit our usage and to fulfil our reduction targets. In case of any abnormal or excessive consumption, an investigation will be carried out to find out the reasons and look for rectification measures. Looking ahead, we are continuously looking for practical reduction opportunity in our operation.

#### **Energy Consumption**

Aiming to reduce our resource consumption and thus the corresponding greenhouse gas emission responsibly, we strive to identify opportunities to reduce electricity use. Rules are established to promote electricity-saving practices such as setting air-conditioners to the most efficient temperature and turning off the facilities or equipment when they are not in use. In addition, we also take the energy efficiency into consideration before purchasing any electrical appliances. Assessment is conducted to ensure equipment with low energy efficiency will not be purchased.

Major types of energy resources of the Group are electricity and unleaded petrol for vehicle use, and their total consumptions during the Reporting Period were 14,119.121.00 kWh and 17,390.51 litres respectively.

Energy	Consumption	Unit
Electricity	14,119,121.00	kWh
Intensity	504.85	kWh per RMB'000
Unleaded petrol	17,390.51	litres
Intensity	0.62	litres per RMB'000

#### Water Conservation

Understanding how precious our water resource is, we strive to manage our water consumption by setting consumption quotas and indicators based on previous Reporting Period's usage. We practise the concept of "water-saving" by preventing water leakage, conducting regular inspection and carrying out timely maintenance work. We also reuse the circulating water of the sewage treatment system as the cooling water for processes, such as drawing and sheathing, to lower our water consumption. During the Reporting Period, the Group consumed a total of 17,138.00 m<sup>3</sup> of freshwater, with an intensity of 0.61 m<sup>3</sup> per RMB'000 revenue.



Water Resource	Consumption	Unit
Freshwater	17,138.00	$m^3$
Intensity	0.61	m³ per RMB'000

Our operations do not generate industrial wastewater, and all the cooling water are properly reused. All the sewage generated from the workers are properly collected and tertiary treated in the dedicated wastewater treatment facilities. During the Reporting Period, no non-compliance cases related to wastewater discharge in violation of laws and regulations were noted.

#### Material Use

The major types of materials consumed by the Group are paper in office and wood for packaging. The total consumption during the Reporting Period was 3,592.84 tonnes, with an intensity of 0.13 tonnes per RMB'000 revenue.

Material	Consumption	Unit
Paper	4.60	tonnes
Wood	3,588.24	tonnes
Total	3,592.84	tonnes
Intensity	0.13	tonnes per RMB'000

To cut our paper usage, we actively promote the use of electronic document and communication channels to avoid unnecessary consumption, and the use of double-sided printing. A collection box is also placed near the printers to collect used paper for reusing.

#### **Air Emission Control**

As an optical fibre cable supplier, the amount air pollutants emitted from our manufacturing processes is limited. The major type of air pollutant is volatile organic compounds, arising from the colouring and coating processes. To minimise the impacts we have installed proper ventilation for the safety of employees and for fulfilling the legal standard of emission to the atmosphere. During the Reporting Period, no non-compliance cases related to air emissions in violation of laws and regulations were noted.

Apart from air pollutants from the manufacturing processes, the use of vehicle fuel is another source of our air emission. Our main types of air pollutants emitted are nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particular matter ("PM"). During the Reporting Period, based on the total amount of fuels consumed, it is estimated that the Group emitted a total of 13.90 kg of air pollutants.

In order to reduce the amount of air pollutants emitted, we opt for lead-free fuel for all of our company vehicles. Emission assessment are conducted annually to ensure all of our cars comply with the national emission standards. If necessary, exhaust gas purification devices are installed for vehicles that do not meet the standards.

Air Pollutant	Emission	Unit
$NO_{X}$	10.94	kg
$SO_{X}$	2.15	kg
PM	0.81	kg
Total	13.90	kg

#### Greenhouse Gas Emissions

We are committed to taking practical actions to minimise our impacts on the environment and to alleviate the challenge of climate change. Main sources of our greenhouse gas ("GHG") emissions are the use of mobile fuel, electricity and due to air travel. During the Reporting Period, the Group emitted a total of 11,475.23 tCO2e of GHG, with an intensity of 0.41 tCO2e per RMB'000 revenue. Energy-saving measures are also implemented, as detailed in the section headed "Resource Management", to lower our GHG emissions.

Greenhous Gas	Emission	Unit
Scope 1		
Use of mobile fuel	46.26	tCO <sub>2</sub> e
Scope 2		
Use of electricity	11,416.72	tCO <sub>2</sub> e
Scope 3		
Air travel	12.25	tCO <sub>2</sub> e
Total	11,475.23	tCO <sub>2</sub> e
Intensity	0.41	tCO <sub>2</sub> e per RMB'000

#### **Noise Generation**

During our manufacturing processes, noise is generated from our machineries in the processes such as wiring, drawing, stranding and sheathing. We have implemented appropriate noise control measures to ensure all applicable noise control standards for both day and night are complied with to avoid posing negative impacts on the surroundings. Machines and equipment are regularly maintained and lubricated to reduce noise generation during their operations. Doors and windows are also closed to reduce noise levels to the surrounding environment. Operators would immediately stop and promptly report to their supervisors if they discover that machineries are running abnormally and with increasing noise generation level. During the Reporting Period, no non-compliance cases related to noise in violation of laws and regulations were reported.



#### **Green Practices**

The Group has always paid attention to the importance of protecting the environment and takes protecting the environment as a common mission of all mankind. We strive to establish a green supply chain to achieve green production. By establishing the Green Procurement Standard, we strive to manage our procurement activities on sourcing raw and auxiliary materials in a green and sustainable manner. Apart from cost, delivery and service, we also consider the materials' impacts on the environment as one of the decision factors, such as the feasibility of materials to be reused or recycled. Furthermore, we adhere to the principle of no wasting of unnecessary resources and tend to choose materials with less harm to the environment, such as those recycled and nontoxic materials.

Internally, we promote green office as our key strategies to reduce our impacts on the environment, as well as provide a pleasant working environment to our employees. We have a Green Office Policy in place to govern our daily office operations, and we encourage our employees to follow the "3Rs" practice – Reduce, Reuse and Recycle. For example, we strive to reduce our consumption of stationery by purchasing refillable pens. Recyclables such as mercury batteries and containers are cleaned and separated for further recycling.

#### HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference Section	
Aspect A Environmental				
A1 Emission	Information on:  - the policies; and  - compliance and material non-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.	<ul> <li>Emission Control Procedure</li> <li>Waste Control Procedure</li> <li>Waste Recycling and Treatment Procedure</li> </ul>	GREEN MANUFACTURING – Waste Management, Greenhouse Gas Emissions, Air Emission Control, Noise Generation	

HKEx ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference Section
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	<ul> <li>Energy         Management         Control         Procedure     </li> <li>Green Office</li> <li>Policy</li> </ul>	GREEN MANUFACTURING – Resource Management
A3 The Environment and Natural Resources	Policies on minimising the operation's significant impact on the environment and natural resources.	<ul> <li>Environmental         Management         System</li> <li>Pilot Green         Procurement         Standard</li> </ul>	GREEN MANUFACTURING – Green Practices
Aspect B Social			
B1 Employment	Information on:  - the policies; and  - 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.	<ul> <li>Staff Handbook</li> <li>Human Resource Policy</li> <li>Recruitment Management Policy</li> </ul>	CARE FOR EMPLOYEES



HKEx ESG Reporting Guide General Disclosures		Policies & Procedures		Explanation/Reference Section
B2 Health and Safety	Information on:  - the policies; and  - compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Control ules Procedure king – Staff Handbook	CARE FOR EMPLPOYEES – Occupational Health& Safety	
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.  Training refers to vocational training. It may include internal and external courses paid by the employer.	-	Staff Handbook	CARE FOR EMPLOYEES – Training and Development
B4 Labour Standard	Information on:  - the policies; and - compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	-	Child Labour Protection Control Procedure  Forced Labour Control Procedure	ETHICAL BUSINESS  – Fair & Equal Employment Practices
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	-	Supplier Code of Conduct Supplier Performance Evaluation Procedure	OPERATION EXCELLENCE – Supply Chain Management

