



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

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 1617)**



**SMART LINKS**  
**START THE FUTURE**

智慧聯接 啟動未來

**2020** Environmental, Social and  
Governance Report

## CONTENTS

ABOUT THIS REPORT .....	2
MESSAGE FROM CHAIRMAN .....	3
SMART LINKS START THE FUTURE .....	4
ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE .....	7
STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT .....	8
COORDINATING INDUSTRY UPGRADES AND CONTINUOUSLY ENHANCING INNOVATION DRIVERS .....	10
ADHERENCE TO THE PEOPLE-ORIENTED AND INTEGRITY PRINCIPLES .....	17
CREATING VALUE FOR THE ENVIRONMENT .....	28
CREATING VALUE FOR THE COMMUNITY .....	35
APPENDIX – ESG REPORTING GUIDE INDEX .....	39

## ABOUT THIS REPORT

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

### Reporting Scope

The scope of this Report covers two production sites of the Group located in Wujin and Jintan of the People’s Republic of China (the “PRC”), and our offices located in the PRC and Hong Kong. The reporting period covers from 1 January 2020 to 31 December 2020 (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 and is in line with the reporting scope of previous year.

### 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 of directors of the Company (the “Board”).

### Feedback

The Group recognises the importance of stakeholder opinion and therefore, if you have any comments on the Report or the Group’s sustainability performance, please feel free to contact us through the email address [info@jsnfgroup.com](mailto:info@jsnfgroup.com) for improving our sustainability policy.

## MESSAGE FROM CHAIRMAN

Nanfang Communication continues to strive for higher standards of corporate governance and compliance and continues its commitment to exploit innovative advantages with social responsibility, so as to achieve sustainable growth and capture new business opportunities, thereby creating value for its employees, customers, supply chains, shareholders, the environment and the community.

2020 was an extraordinary and challenging year, with the disruption of our pace of work and life, and highly impacted on the global economy by the sudden outbreak of Novel Coronavirus (“COVID-19”), which resulted in a profound impact on the operation of society and livelihood. Under such adverse circumstances, the Company rapidly coordinated the procurement of pandemic prevention supplies and arranged human resources to resume operations and production, hence ensuring the normal operation of production and supply chain. With the continuous effort from all employees of the Company, Wujin Factory was awarded as the national-level “Green Factory” and the provincial-level “3-Star Cloud Enterprise” of Jiangsu Province, receiving recognitions from the energy management system, the information security management system as well as the measurement management system. Our Jintan Factory won recognitions including the provincial-level “Green Factory” of Jiangsu Province, “4-Star Cloud Enterprise” of Jiangsu Province and the provincial-level industrial e-commerce application model enterprise in Jiangsu Province. All of these honours and recognitions are encouragement and affirmation on the quality internal corporate governance of Nanfang Communication, and a solid assurance of the sustainable development of the Company.

Currently, the major telecommunication network operators in the PRC are at the core of 5G industry development, and operators need to accelerate the progress that has been delayed by COVID-19 in 2021. Therefore, it is expected that the capital expenditure of the operators will remain at a high level and their demands for optical fibre and optical fibre cables will increase, thereby stimulating the prices of optical fibre and optical fibre cables to rebound from the current low levels. In the meantime, the support from national policies will facilitate 5G technology to develop at a faster pace, and it is expected that demands for optical fibre and optical fibre cables will recover in 2021. The Group will seek further opportunities for industry chain integration and improve the capability of controlling raw material costs, thereby reinforcing the cost control to improve the competitive strengths and profitability of the Company. The Group will further develop diversified businesses that are centered on the telecommunication industry.

The outbreak of COVID-19 has not completely receded in 2021. We believe that the impact of the COVID-19 pandemic on the Group’s operations and future prospect will depend on how long the pandemic will last, the regulatory policies to be implemented, and the relevant protective measures that may affect the business environment of where the Group operates its businesses in. The Group will stay alert on the development of COVID-19, continuously assess its impact on the Group’s financial position and operating result and adopt necessary measures to minimise its business risk.

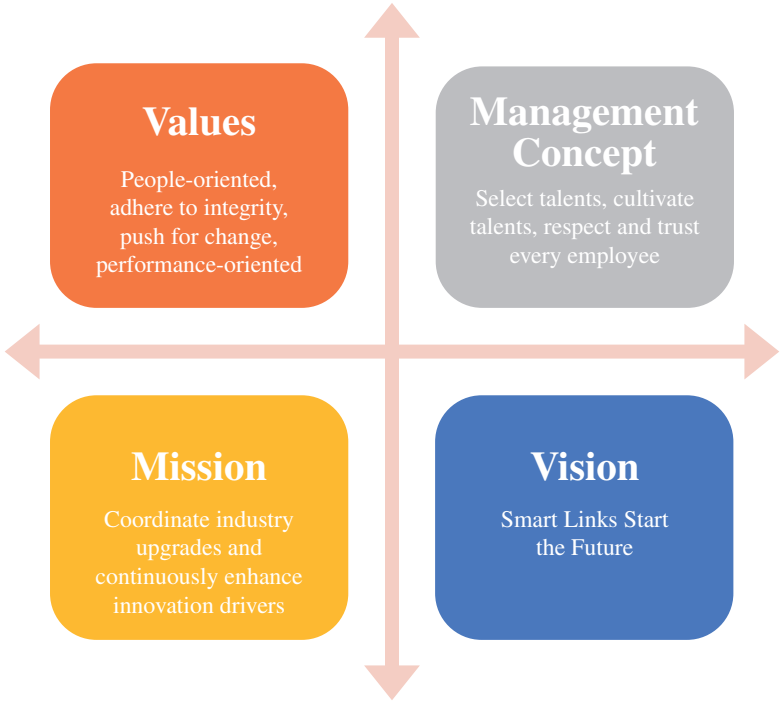
Looking forward, Nanfang Communication will adhere to the corporate vision of “Smart Links Start the Future” and strive to diversify its development in terms of industry chain enhancement, technological innovation and intelligent manufacturing, geographical expansion and capital operation together with proactive strategies, to connect the intelligent future with a bold and aggressive spirit!

**Nanfang Communication Holdings Limited**

**Yu Jinlai**

*Chairman*

**SMART LINKS START THE FUTURE**



**Knowing Nanfang**

The Company has been listed on the main board of the Stock Exchange since December 2016 (stock code: 1617). We are a well-established supplier of optical telecommunication products with the Group’s headquarters based in Changzhou City, Jiangsu Province, the PRC, and is principally engaged in manufacturing and sales of a wide range of optical fibre cable products and related devices. The Group has developed a complete industry chain along the optical fibre preforms and optical fibre business through its joint venture entity and associate. As one of the leading enterprises in the PRC optical fibre cable market, the Group offers various models of optical fibre cables and related devices to meet the application needs of different customers in the telecommunications industry. Such optical fibre cables are used in different applications, such as mobile communication networks, internet networks, and fixed telephone networks in the telecommunications industry, which can be installed under different conditions and are sold nationwide. We rely on technological leadership to build corporate research and development (“R&D”) capabilities as a long-term development strategy, expand foreign markets, continue to develop communication products and build service systems, and achieve rapid development of the national market through high-quality products and services.

**Leading the Industry**

Nanfang Communication stands out from its peers in the domestic optical fibre cable market. The Group was awarded Quality Management Systems ISO 9001:2015, Environmental Management System ISO 14001: 2015, Energy Management System ISO 50001: 2018, Information Security Management System ISO/IEC 27001: 2013, Occupational Health and Safety Management System ISO 45001:2018 and OHSAS 18001:2017 certificates in relation to the manufacturing of optical fibre cable products. Since 2018, we have effectively integrated our management systems and established the “Quality/ Environment/Occupational Health and Safety Management Manual”, which sets out the Group’s management guidelines for quality, environment and occupational health and safety, clarifies the management duties and authorities, serves the guideline and code of action for the Group in conducting quality, environmental and occupational health and safety management, and establishes the code of conduct for the production, services and operations management for all employees.

## Awards for Excellence

Nanfang Communication has made remarkable achievements in different fields (from industry credit to high and new technology). By bringing the green factory production model into the high and new technology field and showcasing our corporate image with a top industry credit rating, we have reinforced the promotion of sustainable 5G network construction. The awards and honours received by Nanfang Communication demonstrate that we are walking on a path to worldwide recognition and success.

### Certification of High and New Technology Enterprise



Wujin Factory



Jintan Factory

### Green Factory



Wujin Factory



Jintan Factory

## District Mayor Quality Award



Wujin Factory



Jintan Factory

## Enterprise Credit Evaluation Credit Grade AAA Enterprise

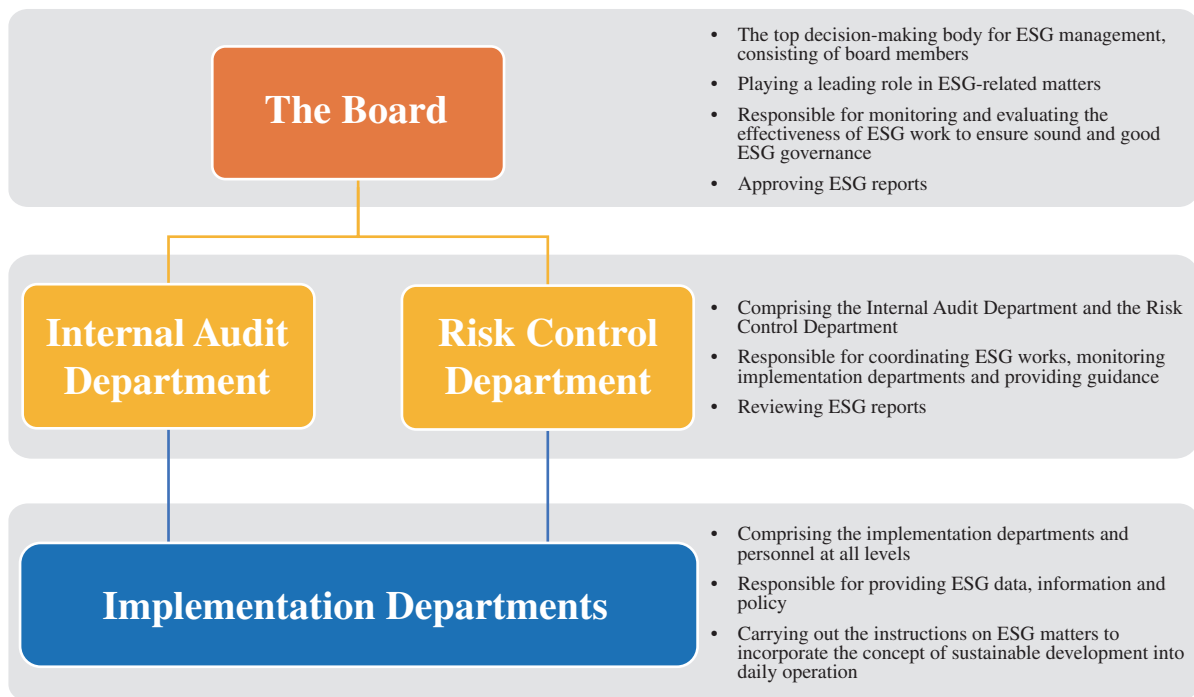


With the support of national policies, this year is a critical year for 5G commercial breakthroughs. The digital “New Infrastructure” led by 5G is entering an acceleration phase. The Group strengthens its core strengths, cooperates with the active promotion of 5G network construction and application development, and enters into in-depth cooperation agreements with Changzhou City Government in areas such as the construction of new generation information infrastructure, 5G innovative services, and informatization applications to jointly promote the in-depth integration of information technology and economic and social fields, strengthens the new momentum of the digital economy, and at the same time enhances our competitiveness and market share, and strives for satisfactory returns for our shareholders.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

Our ESG working group, led by the Internal Audit Department and the Risk Control Department, is responsible for coordinating ESG work and ensuring that the relevant ESG plans and tasks are effectively implemented by departments and personnel at all levels. The Risk Control Department assists managers of the Group to identify, evaluate, and manage and control ESG-related risks in business operations; and the Internal Audit Department is responsible for regular post-audit inspections and evaluations of the establishment and implementation of the Group’s internal control mechanism system, as well as to put forward suggestions for improving the internal control deficiencies, urge responsible departments to make timely response, and perform post-event supervision. The working group regularly reports the progress to the management. The Board is responsible for monitoring and evaluating the work effectiveness to ensure sound and good ESG governance. The details of the responsibilities at all levels are set out below:



The Group’s ESG management aims to identify and proactively manage, prevent and eliminate ESG compliance risks through the establishment of a sound management system, raise the ESG compliance awareness of all employees, establish a long-term mechanism to effectively avoid ESG compliance risks, ensure the Company’s compliance with ESG standards and promote its sustainable development.



**STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT**

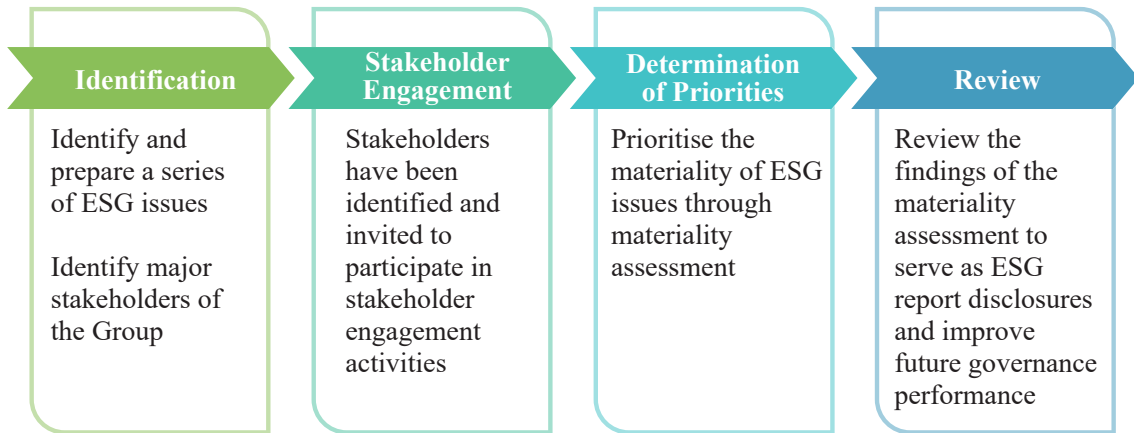


Nanfang Communication takes full account of stakeholders’ interests and values their views as we believe that stakeholder engagement is critical to the implementation of corporate social responsibility (“CSR”) and the continued success of ESG management. To understand the concerns of our stakeholders, we have conducted a number of stakeholder engagement activities on an ongoing basis through various channels. During the Reporting Period, we reached out to key stakeholders, both internally and externally, to listen to their views:

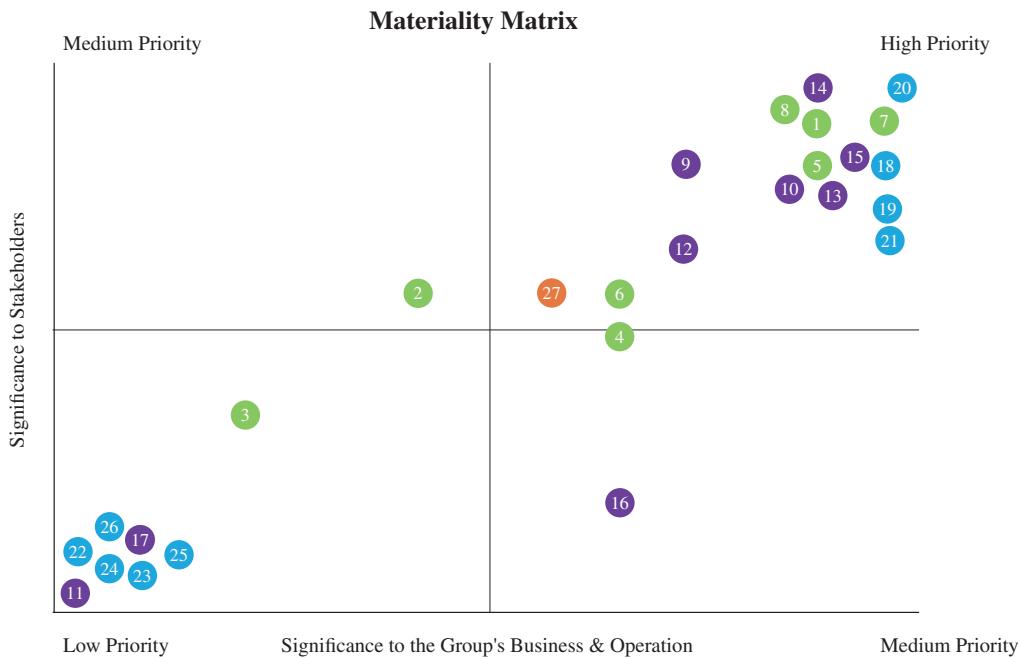
Stakeholder groups	Communication Channel
Investors and shareholders	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Meetings</li> <li>• Annual general meetings</li> <li>• Annual and interim reports</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Annual and interim reports</li> <li>• Customer satisfaction survey</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Trainings</li> <li>• Various meetings such as integrated management meetings, co-ordination meetings and regular quality management meetings</li> <li>• Intranet, phone</li> <li>• Bulletin board, notice board</li> <li>• Regular performance reviews</li> <li>• Team building activities</li> <li>• Comment boxes</li> </ul>
Suppliers and business partners	<ul style="list-style-type: none"> <li>• Evaluation</li> <li>• Tendering &amp; procurement process</li> <li>• Ongoing communications</li> </ul>
Government organisations and regulatory agencies	<ul style="list-style-type: none"> <li>• Forum</li> <li>• Participation in the drafting of industry standards</li> <li>• Field study</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Charitable donation</li> <li>• Public welfare activities</li> </ul>



In order to identify key themes related to the Group’s sustainability, an online questionnaire was conducted to invite internal and external stakeholders to express their views on the materiality of 27 ESG issues to business operations and to stakeholders, covering topics such as labour treatment, environmental protection, supply chain management, product and service provision and community investment, the materiality assessment of which was conducted according to the following process:



By an analysis based on the results of the questionnaire, we plot the following materiality matrix:



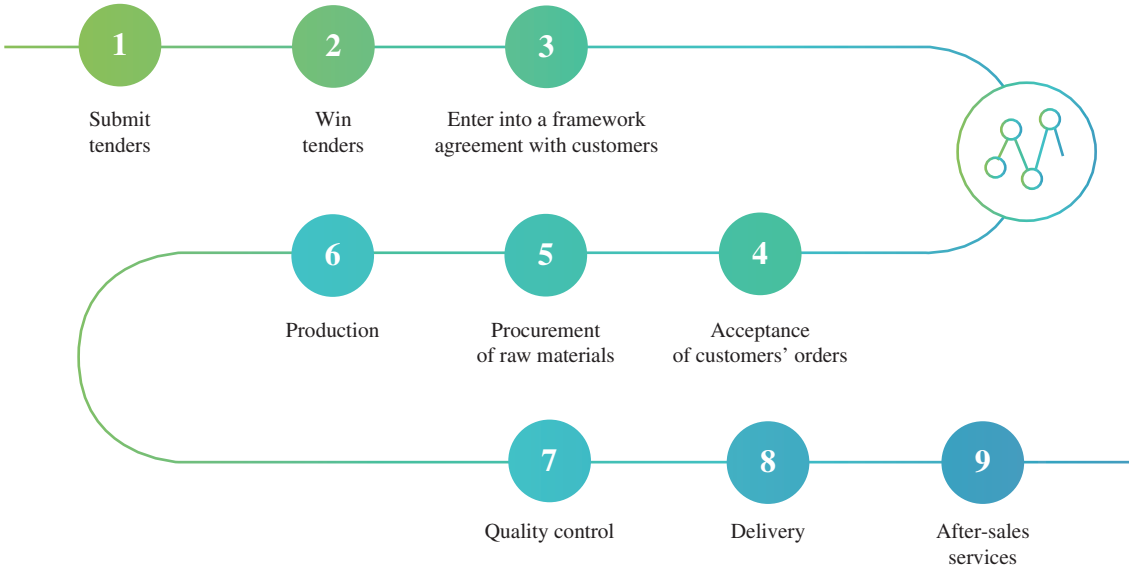
- |                            |   |  |                      |
|----------------------------|---|--|----------------------|
| ● <b>Environment</b>       | ● <b>Employment</b>                             | ● <b>Operation</b>   | ● <b>Community</b>   |
| 1 Air emission             | 9 Labour rights                                 | 18 Customer satisfaction   | 27 Community support |
| 2 Greenhouse gas emission  | 10 Labour-management relations                  | 19 Customer service quality and complaints handling                      |                      |
| 3 Climate change           | 11 Employee retention                           | 20 Customer health and safety  |                      |
| 4 Energy efficiency        | 12 Diversity and equal opportunity              | 21 Compliance of marketing and product and service labelling regulations |                      |
| 5 Water and effluents      | 13 Non-discrimination                           | 22 Intellectual property   |                      |
| 6 Use of materials         | 14 Occupational health and safety               | 23 Customer privacy and data protection                                  |                      |
| 7 Waste management         | 15 Employee training                            | 24 Responsible supply chain management                                   |                      |
| 8 Environmental compliance | 16 Employee development                         | 25 Business ethics   |                      |
|                            | 17 Prevention of child labour and forced labour | 26 Socio-economic compliance   |                      |

According to the results of the materiality assessment, we divide the issues into three categories: high, medium and low priority. In the upper right corner of the matrix, it is defined as the most relevant issues of the Group and that is of concern to stakeholders for better strategic planning and resource allocation. Based on the results shown in the above matrix, we found 9 ESG issues of high priority, including customer health and safety, waste management, employee training, customer satisfaction, occupational health and safety, air emission, water and effluents, customer service quality and complaints handling, and non-discrimination. The Group’s management adopts appropriate methods, such as regularly convening operation and management meetings to continuously monitor and evaluate these high-priority ESG issues, aiming to effectively identify, eliminate, or mitigate risks, and take full advantage of potential development opportunities, thus ensuring that the expected results of the Group’s business efficiency and quality, environmental and occupational health and safety management systems are realised. Based on these material issues, we strive to continuously improve our business strategies and develop corresponding ESG strategies, policies and goals to implement sustainable development.

**COORDINATING INDUSTRY UPGRADES AND CONTINUOUSLY ENHANCING INNOVATION DRIVERS**

Nanfang Communication has always adhered to its mission of “Coordinating Industry Upgrades and Continuously Enhancing Innovation Drivers” and dedicated itself to creating sustainable values for its business partners and the community, striving to establish long-term relationships with customers, supply chain and the community and work alongside them to advance to the future.

**Creating Value for Customers**



Nanfang Communication upholds the business philosophy and fine tradition of “Be Professional, Stay Focused, Ensure High Quality, Strive for Continuous Innovation”, providing customers with high-quality and reliable products and services. As a result, the Group attaches great importance to quality control measures and their execution.

### *Expansion of Customer Base*

Customers are of crucial importance to enterprises and Nanfang Communication is no exception. We actively solicit new customers to expand our customer base, thereby enhancing our competitiveness and market share.

### *Procurement of Raw Materials*

Sound procurement control not only improves the operating efficiency of the Group, but also has a significant impact on the quality of our products. In view of that, we have implemented strict procedures in selecting and managing suppliers and subcontractors to meet the standards and requirements of the Group. Procurement personnel select suppliers from the “Qualified Suppliers List” during the procurement process 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.

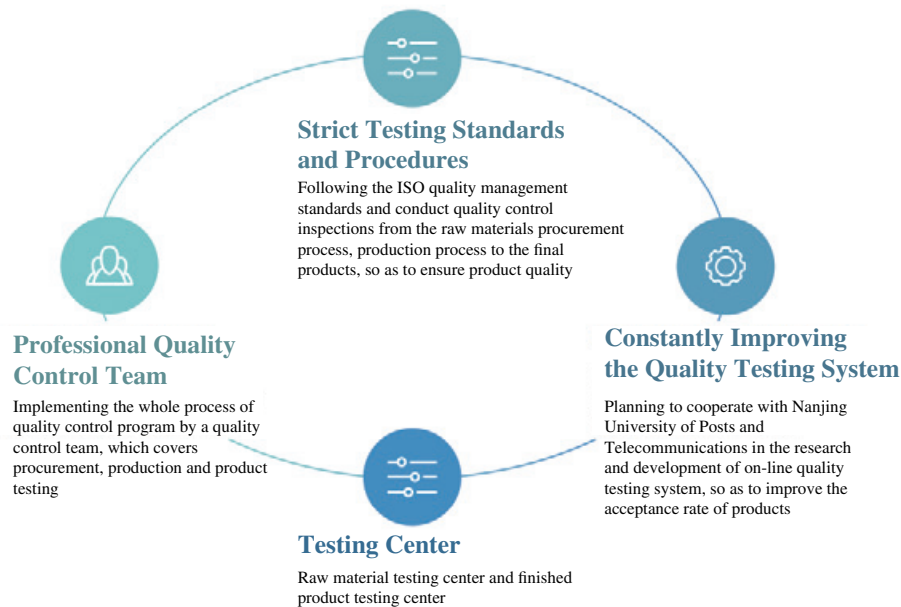
When selecting suppliers of hazardous chemicals, the Procurement Department conducts studies or investigations of the suppliers’ environmental and safety conditions, which provide the assessment criteria for identifying qualified suppliers. When discovering any non-compliance, different degrees of punishments such as warning, economic penalty and return of goods will be imposed based on the actual circumstances. For those who caused environmental pollution, remedial actions will be requested to be taken within a fixed period of time in accordance with relevant national laws and regulations. The supplier will be disqualified if remedial actions are ineffective. We have also developed the “RoHS Control Management Process”, which defines the products’ environmental control operation process and sets out the relevant persons in charge and their responsibilities, thereby enabling various processes to be effectively managed, including supplier evaluation, sample evaluation and inspection of procurement, process design and control, as well as product shipments, so that the hazardous substance level of the shipped products can meet the requirements of customers.

### *Production*

Efficient production management helps improve our production efficiency. 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. Our sheathing production line is equipped with automatic cable installation device and large reel steel belt device to reduce the splicing frequency, thereby reducing the workload of employees and increasing the overall efficiency of the production lines by 30%.

## Quality Control

Our products comply with the requirements under the international and national industry standards. We have years of experience in optical fibre cable products and related devices production and have large-scale manufacturing capacity, with leading level of product quality in the PRC. The Wujin Factory and Jintan Factory of the Group were both awarded the District Mayor Quality Award of the year. The award requires enterprises to implement a sound quality management system and a comprehensive after-sales service system, as well as to actively promote technology innovation and management innovation, with good social contribution, integrity record, social reputation and customer satisfaction. In regard to quality management, we have set up strict quality assurance process, and the Manufacturing Department is required to commence production according to the requirements of the guidance documents, and perform the first inspection and self-inspection of the products to ensure the quality of products. The Quality Department is responsible for establishing strict quality inspection requirements for testing and controlling the performance indicator of materials and optical fibre cables throughout the process from raw materials to product manufacturing, so as to ensure that the standards and client requirements are met. In addition, we have strengthened the production process inspection to strictly control packaging and shipping of products, ensuring that the finished products are reliable. Both of our production sites have obtained the Quality Management Systems ISO 9001:2015 certificates. Our Quality Management Systems provides a framework for the establishment of quality policies and objectives, corrective and preventive actions of our production process. Furthermore, the Group has been granted AAA grading in quality credit by the China Association of Communication Enterprises, which demonstrates our commitment to the highest quality of products.



To achieve high level of customer satisfaction, the Group 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 installation 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. During the Reporting Period, the Group did not violate any laws and regulations that are related to the health and safety of the products and services provided, advertising, labelling and remedies that have a significant impact on our operations. Furthermore, there were no products sold or shipped that were subject to recalls for safety and health reasons during the Reporting Period.

### Delivery and After-Sales Services

We take “Acutely Seize Popular Trends, Rapidly Meet Customers’ Needs” as our first priority. We strive to be customer-oriented, exceed customer expectations and improve customer satisfaction. We have set up a support platform offering 24-hour hotline service, so as to provide round-the-clock services to our customers. Customers can obtain assistance from professional technicians of Nanfang Communication by telephone. The support platform provides prompt consultation with the Support Department in the province where the customer resides or the nearby province or communicates directly with customers during the service rendering process. Nanfang Communication has established offices and service centers in 30 cities across the country and formed an experienced, competent, efficient and responsive service team, which, together with a comprehensive network and professional service quality, aims to provide customers with more comprehensive, swifter and more appropriate services.



Listening to our customers’ opinions and feedback helps us improve the quality and standards of products and services continuously. We communicate with them, considering it as an input to our quality planning process. According to the “Customer Satisfaction Management Procedure”, we regularly investigate and collect customer satisfaction information through questionnaires, visits, telephone calls, etc. Upon receiving any opinions, suggestions or complaints made by our customers, we will report the same to the management in a timely manner, and handle them in an appropriate manner and improve proactively. Based on the results of the survey, we are able to improve and refine our quality management system, as well as to further improve customer satisfaction.

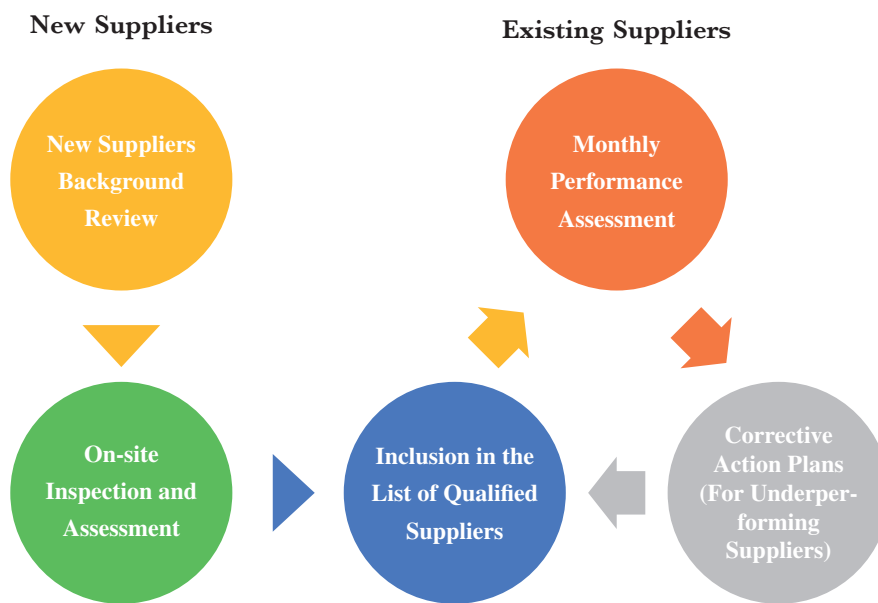
During the Reporting Period, the Group received 2 customer complaints about products and services. In respect of customer complaints, we have formulated the “Customer Complaints and Feedback Processing Procedures”, in order to rapidly respond and timely process in order to improve the overall customer satisfaction. Complaints and feedback are handled and classified according to the seriousness of the issues. For the general and occasional product quality and service quality issues, it shall be directly transmitted to the relevant responsible departments for analysis, and thus solved by taking appropriate handling measures. For the substantial product quality or service quality issues, it shall be dealt with upon the instruction of the general manager, and the corresponding correction or prevention measures shall be taken in a timely manner, with a view to obtaining the understanding and satisfaction of the customers. Similar or common issues shall be timely transferred to other relevant customers and shall be properly handled. Subsequently, we will follow up on the effectiveness of the complaint handling to ensure customer satisfaction, as well as 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 the 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.

**Creating Value for Supply Chain**

During the Reporting Period, the Group cooperated with 46 suppliers, all of which were from China. A sound supply chain not only improves the production capacities of the Group, but also has a significant impact on the quality of our products. In view of that, we have implemented the strict procedures in selecting and managing suppliers and subcontractors to ensure that the quality of raw materials meet the standards and requirements of the Group as follows.



We conduct stringent background review on all new suppliers to understand their business profile, quality assurance capabilities, legal compliance and after-sales services by way of questionnaire. If necessary, we will also conduct on-site inspection of new suppliers' capabilities on 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 list of 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 approval is granted.



In order to ensure that existing suppliers maintain their quality and continue to comply with our required quality standards and requirements, we conduct monthly performance assessments on their quality, price, delivery and services. We will require underperforming suppliers to promptly rectify their shortcomings and determine corrective action plans. Those who fail to meet the requirements or standards will be disqualified.

Through the “Related Party Control Procedures”, we put restraints on our suppliers to ensure that they understand the Group’s management practices and strive to meet our environmental and occupational health and safety requirements to prevent, reduce and control the environmental and safety impact arising from the related party’s operations, and to enhance the Company’s overall environmental and occupational health and safety performance. 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 with us 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.



**Creating Value for Future**

In the 5G era featuring rapid development of information-based construction, as a key player in the 5G industry chain, we recognise we cannot be complacent. To achieve better and sustainable development of the Company and the industry, Nanfang Communication continues to invest significant resources in innovation and development. Both of our two production sites were recognised by the Science and Technology Department of Jiangsu Province in the PRC as a high and new technology enterprise. As a leading enterprise in the supply of optical fibres and optical fibre cables, the Group also participated in the drafting of the national and telecommunications industry standards for optical fibre cables in the PRC that was initiated by the China Communications Standards Association for publication by the government authorities, thus establishing our leading position. The Group believes that, by leveraging the Group’s strengths on product quality and research ability, the Group has successfully enhanced its product recognition in the market.



**Doctoral Students’ Visit to Nanfang Communication**

Nanfang Communication focuses on development of future and society, and organize on-site visits on a regular basis. In 2020, we exchanged ideas with the doctoral students from the National School of Development at Peking University. Mr. Shi Ming, the chief executive officer of the Company, shared development history and management concepts of the Company and strategic plan in future 5G era with the students, and jointly discussed corporate management experience. In addition, the doctoral students visited our production plants to understand the production technology and manufacturing processes of modern communication products, and exchange modern management.



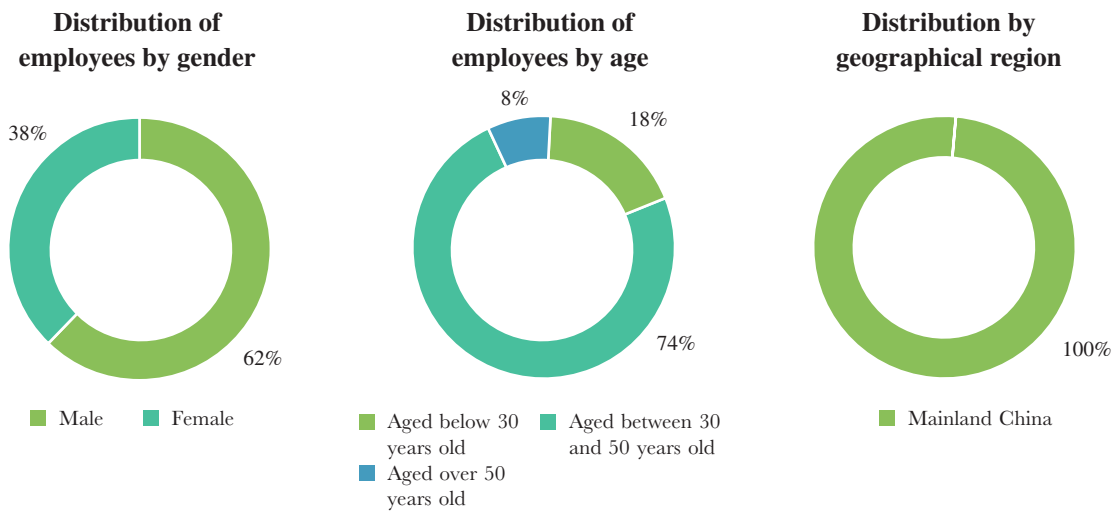


## ADHERENCE TO THE PEOPLE-ORIENTED AND INTEGRITY PRINCIPLES

### People-Oriented

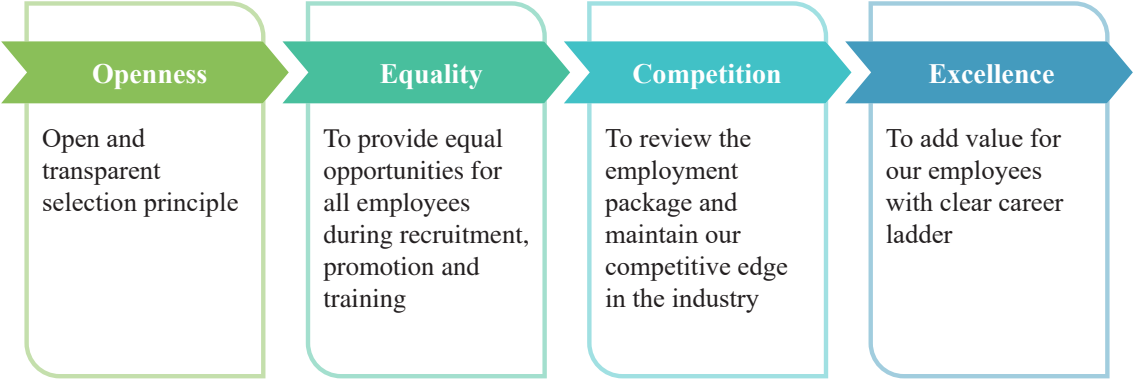
#### Human Resources

Our employees are important to drive the Company’s performance and success. Nanfang Communication always regards “Selecting and Training Talents, Respecting and Trusting Every Employee” as its top management priority, puts people first, takes good care of every employee, and strives to maintain the benefits and welfare of its employees and provides them with good development space and training programs, with an aim to identify and retain talents to work and grow together with the Group. As at the end of 2020, the Group had a total of approximately 390<sup>1</sup> full-time employees mainly located across Mainland China. Employees aged between 30 and 50 years old accounted for 74% of the total number of employees, while those aged below 30 years old and over 50 years old accounted for 18% and 8%, respectively. Male and female employees accounted for 62% and 38% of the total number of employees, respectively. During the Reporting Period, the overall employee turnover rate was 28%, of which the turnover rate of those aged 30 to 50 years old was 15%, and the turnover rates of those aged below 30 years old and over 50 years old were 30% and 29%, respectively. Male employee turnover rate was 17%; female employee turnover rate was 21%.



<sup>1</sup> The total number of employees includes the number of employees in our Changzhou office, Wujin Factory and Jintan Factory as of 31 December 2020.

In order to promote mutual growth, Nanfang Communication endeavours to provide a harmonic workplace that treasures the performance and diversity of our employees. We see their values and treat our employees fairly with dignity and respect, and comply with the relevant employment laws and regulations such as the “Labour Law of the People’s Republic of China” and the “Labour Contract Law of the People’s Republic of China”. We expect our employees to feel like home at Nanfang Communication. The Group regularly evaluates the employment condition of our employees which is guided by four principles, namely openness, equality, competition and excellence.



The Group always adopts “Adding Emphasis on Integrity, Stressing Both Moral Integrity and Professional Ability, and Assignment on the Basis of Merit and Skill” as its employment strategy, and is committed to providing a fair ground for every employee in the recruitment, promotion and training process. We only assess the ability of our employees or potential candidates based on their qualifications, experience, skills, job ethics and work performance. Gender, nationality, ethnicity, religious beliefs and other traits that are not relevant to the job position are not considered and non-discrimination is promoted to create an environment of mutual trust, openness and respect.

We are committed to providing our employees with competitive remuneration, as well as thoughtful and humane management, including basic salary, compensation, fixed working hours, rest time, holidays, medical insurance, mandatory provident fund, social security, meal allowance and dormitory supply, etc. We also adjust our remuneration and benefits in line with market rate to maintain our competitiveness in the market. During the Reporting Period, the Group did not violate any 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*

Human rights is another main focus of our employment principles. Any forms of child labour and forced labour are strictly prohibited in our business operations. To ensure the applicants have reached the legal age for working, a stringent document authentication and job qualification investigation is conducted during the recruitment stage. At the same time, we respect free choice of work and will ensure that all candidates are employed on a voluntary basis for the purpose of forced labour prevention. Their labour rights are safeguarded by legally binding labour contracts. If any untrue situation is found, we will terminate such recruitment or employment. During the Reporting Period, the Group did not violate any laws and regulations related to child labour and forced labour that have a significant impact on our operations.

### *Occupational Health and Safety*

Nanfang Communication attaches great importance to the protection of the well-being of its employees. Work safety is the basis and foundation on which business operations are unfolded and safeguarding work 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, adequate labour protection supplies and guaranteed safe production, and the sound operation of an occupational health and safety management system OHSAS 18001:2007 and ISO 45001:2018. We strictly comply with the requirements under relevant 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”, “Regulations on Supervision and Administration of Occupational Health in Workplaces”, and “Provisions on Supervision and Administration of Labour Protective Articles”.

The Group has formulated the “Emergency Preparedness and Response Control Procedures”, which provides guidelines for the measures for prevention and handling of potential risks or emergencies, with a view to preventing or reducing the potential risks or environmental impacts and occupational health and safety hazards, including fire, chemical leakage, mechanical work-related accidents, etc. We regularly inspect fire protection facilities and equipment, establish a fire safety management network, and equip high-risk areas such as the lighting and power supply of chemical warehouses and woodworking houses with anti-explosion devices. The procurement, storage and use of chemicals shall be governed by the provisions of the “Hazardous Chemicals Management System”, so as to reduce the risk of leakage. The safety operating rules for various equipment shall be formulated, and all operators shall strictly follow the operating rules for the machine platform, and the hazardous parts shall be marked with conspicuous warning signs, and annual inspections shall be conducted according to the requirements of the Technical Quality Supervision Bureau, and the operators shall work with the required licenses. We also make every effort to minimise our losses and reduce the impact of incidents that have occurred in accordance with the “Accident Investigation and Handling Management Procedures” to ensure that our environmental and occupational health and safety management meets the stipulated requirements.

In terms of the implementation of safe production, the Group conducted regular safety meetings according to the annual plan to summarise the safety management work in the previous stage and strictly improve the problems found during inspection. We strive to raise the safety awareness of our employees through safety promotion and training. New employees are required to attend occupational health and safety courses when they start working for the Company to understand their own responsibilities concerning occupational health and safety and occupational safety guidelines. We also remind our existing employees of the importance of workplace safety from time to time to prevent any laxity. We hold “Safety Production Month” on a regular basis to raise employees’ safety awareness in the form of activities.



**”Safety Production Month” Activities**

**Contents**

**Purposes**

**Emergency Evacuation and Escape Drill**

Adoption of fire and smoke simulation to organise evacuation and escape drills

- To acquire methods to respond under emergency conditions
- To strengthen mutual cooperation, improve overall emergency response abilities

**Fire-fighting Knowledge and Fire Drills**

Fire prevention knowledge, emergency evacuation, basic knowledge of fire-fighting, use of equipment

- To enhance employees’ awareness of fire safety

**Safety Training on Mechanical Injuries and Preventive Measures**

Improvement of our safety protective equipment, familiarization with mechanical injury prevention and emergency procedures

- To identify the possible mechanical damage
- To understand the mechanical safety risks and preventive measures

### **Nanfang Communication Giving a Briefing to District Committee Leaders about Production Safety and Emergency Response Plans**

On 15 January 2020, Li Lin, secretary of Wujin District Committee, and Xue Jianzhong, deputy mayor of Wujin District, led a team of major leaders from the Bureau of Industry and Information Technology, Emergency Management Bureau and Luoyang Town to visit Nanfang Communication to conduct on-site studies on the Company's current development status. They studied the Company's entire production process and listened to the Company's detailed report on production safety and emergency response plans. Secretary Li expressed his affirmation on the progress and development made by Nanfang Communication in recent years, and encouraged further intensification of innovation to comprehensively enhance the Company's competitiveness with our core technology.

During the Reporting Period, the Group did not violate any laws and regulations related to the provision of a safe working environment and the protection of employees from occupational hazards that have a significant impact on our operations, and no work-related fatalities or working days lost due to work-related injuries were recorded.

### **Concerted Effort to Prevent and Contain the Pandemic**

The sudden outbreak of the COVID-19 pandemic had exerted an impact on the global economy and business activities, and the Group's operations had also been affected to a certain extent. We have promptly developed a prevention and control plan in early 2020 to protect the safety of the public and the physical health of our employees in accordance with the requirements of the "Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases" and the "Notification of Level 1 Response to Public Health Emergencies in Changzhou City". We were able to ensure that the pandemic was preventable and controllable through the cohesive efforts of our employees.

### **Providing Employees with a Safe and Healthy Working Environment**

We always prioritize the health of our employees, and have developed various pandemic prevention measures to ensure that employees work in a safe and healthy environment.

### Raising Awareness of Pandemic Prevention

- Employees with cold, fever, or cough are prohibited from going to work, and they can apply for leave through relevant process
- Require employees to wear masks and provide masks for those who do not wear them
- Require employees to take and record their body temperature before entering the workplace and apply sanitizer
- Require employees to wash hands thoroughly with hand sanitizer after using the toilet

### Implementing a Safe Dining Policy

- Coordinate arrangements for the mealtime of the employees, reduce the number of employees dining at the same time and avoid face-to-face dining at the same table
- Monitor the health condition of the canteen staff

### Maintaining Environmental Hygiene

- Disinfect public areas every 12 hours, focusing on toilets, restaurants, passageways, trash cans, etc.
- Open the doors and windows of the public office area as much as possible to maintain ventilation
- Implement access control, restrict the vehicles of employees and visitors to enter the factory, and require the vehicles to be parked at designated locations

### Provision of Pandemic Prevention Supplies

- Provide employees with supplies such as masks, infrared thermometers, hand sanitizers, environmental disinfection products and tools, laundry detergent, etc.

### Rise to the Challenges, Full Resumption of Work

Despite the sudden outbreak of the pandemic, we have been paying close attention to the resumption of work and have officially resumed production in early 2020 thanks to the joint efforts of the respective functional departments of Nanfang Communication and the guidance of government officials. We remain dedicated to our duties and maintain the daily operations of the Group. Employees who are involved in various production functions such as coloring, cable finishing, cable sheath production, butterfly cable production, optical distribution network production, laboratory, testing, mechanical repair, warehousing, logistics, cleaning, security have successively returned to their positions in order to keep on creating value for customers during the pandemic.





## Grow Together

Exploring the potential of our employees is our objective to drive their personal growth along with the Group. Improving their skills can enhance their knowledge and sense of belonging to the Company that leads to the Company development. In guiding the competence enhancement, the staff training and development management system is established to outline the principles and procedures of the annual training development programme and evaluation.

With the Group’s business development plan and the growth of the employees in mind, an annual training plan tailored to the work requirements and skills in the job positions is formulated by identifying the training needs. The training programmes include the company-wise training, departmental training for specialty enhancement and individual training for personal competence improvement. We provide employees with on-the-job specific training and financial support to pursue external training. Orientation trainings are also organized for all new employees to understand the corporate safety systems, corporate culture, workflow, etc. All the training programmes are evaluated for the effectiveness and practicability in fulfilling the training objectives after completion of the training, for providing better training programmes in the future.

During the Reporting Period, the Group organised training activities in different aspects, including “One District, One City” pioneer activities, Luokai Trophy, the Mastery Challenge, etc, based on the training principles of effectiveness, practicality, and relevance.

### “Acquiring and Applying New Knowledge” and “One District, One City” Mastery Challenge

In order to train employees in a more effective manner, consolidate employees’ daily training, and facilitate external interaction, we regularly participate in open competitions to enable employees to demonstrate their knowledge. In August 2020, we participated in the “Acquiring and Applying New Knowledge” and “One District, One City” Mastery Challenge. In the competition, representatives from Nanfang Communication competed with other teams on the knowledge quiz, improving their theoretical knowledge, political ability and business skills during the competition.



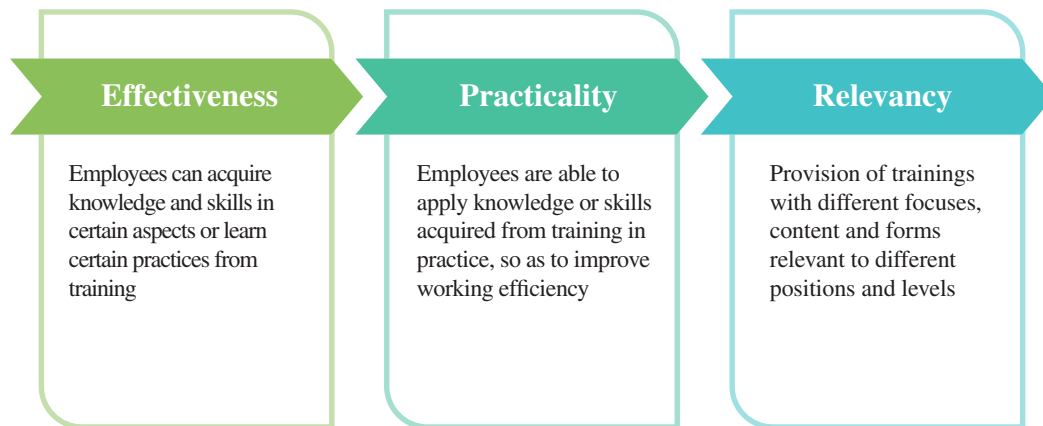
### Learning and Developing Through Competition

In September 2020, we participated in the “Luokai Trophy” Occupational Skills Competition for Forklift Workers held in Luoyang Town. The two contestants of Nanfang Communication won the “First Prize” and “Second Prize” respectively, which is a full recognition of the professionalism of our employees and the effectiveness of Nanfang Communication’s skill training.





Performance management is the strategic goal that shall be achieved by an enterprise. Through the continuous cycle of four stages including performance planning, performance implementation, performance appraisal and performance feedback, employees are continuously motivated and given opportunities to show their talents 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, with an aim to achieve mutual growth of the employees and the Company, and enhance the personal and social values of the employees. We have also established a career development channel for employees to receive job promotions based on their capability improvement in accordance with the established standards.



### Care for Employees

Employees are the real heroes for the development of an enterprise, and it is one of the development responsibilities of an enterprise to seek happiness for its employees. It is our development strategy to attract talent all over the country to join the Nanfang Communication family. Nanfang Communication has established a sound employee protection and welfare mechanism and eased our employees' concerns to a great extent, as a result, many employees have regarded Nanfang Communication as their second home. We have built a close relationship with our employees and have not only prepared different heart-warming benefits for them, but also established numerous communication channels with employees and organized 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 and build up employee cohesion.

Nanfang Communication is deeply convinced that our sincere commitment to our employees will comfort them and build up cohesion. Making employees feel a sense of belonging is fundamental to the development of an enterprise.



### Employees Return Home by a Chartered Bus for Reunion

Every year, going home is the most important thing for everyone during the Spring Festival. The Reporting Period is the sixth consecutive year that we have prepared an exclusive chartered bus for our employees to travel to and from their hometowns, so that non-local employees can return to their hometowns for the holidays in a timely and safe manner and avoid exhaustion of the tiring journey all the way.

### Passing On Love During Lantern Festival

The secretary of the Party Committee of Nanfang Communication led a team to visit employees' homes to care and ask after non-local employees, bringing them a small token of appreciation such as cooking oil, rice and instant noodles, and urging them to do well in self-protection against the epidemic, so that the grass-roots employees could feel the warmth and care from the Nanfang Communication family.



### Employee Health Check

The Group has always cared about the health of its employees. We believe that employees are the foundation of business development and that a healthy body can induce more active involvement in the business development. Providing them with a comprehensive body check can not only better understand their health conditions, but also make them get the necessary treatment in time by early diagnosis.

### New Year's Eve Party

Although we have experienced a difficult year in 2020, we were still able to stand firm thanks to the assistance from all parties and employees. On 31 December 2020, we held the "Collaborate to Create the Future" new year's eve party to celebrate with all our employees and turn a new page for the future.



## **Adherence to Integrity**

### ***Anti-Corruption***

Nanfeng Communication always pursues a stringent anti-corruption policy. All employees must strictly comply with codes of conduct specified in our staff handbook and ensure due compliance at all times, and they are strictly prohibited from accepting gifts or benefits or any conflicts of interest and bribes in their daily work, so as to ensure that the reputation of the Group will not be damaged by fraud, infidelity, corruption and other illegal acts. Employees shall maintain the highest professional standards when doing business, and must not seek competitive advantages and promote the business interests of the Company through unethical or illegal business practices. All employees must comply with the applicable laws, regulations and rules of the jurisdiction in which the Company conducts business. Employees shall avoid any conflicts of interest and must not abuse their positions or powers in the Group in order to seek personal benefits. In terms of supplier management, suppliers are also required to sign a “Supplier Integrity Commitment”, in which the suppliers undertake to strictly comply with relevant laws and regulations to ensure that their employees have a sense of anti-corruption, integrity and self-discipline and that they are prohibited from providing any form of gifts and hospitality to the Group’s employees and their relatives as well as from obtaining company secrets from the Group’s employees, with an aim to prevent any unfair competition and violation of the laws and regulations. The Group reserves the right to impose penalties, terminate the contracts and suspend the qualification of the suppliers if any violation of the commitment is found.

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 order to cultivate a corruption-free workplace culture, a whistle-blower system has been established so that suspected misconducts can be reported through telephone hotline and whistleblowing box. We also undertake strict confidentiality to protect the identity of the whistleblower. During the Reporting Period, the Group did not violate any laws and regulations related to bribery, extortion, fraud and money laundering that have a significant impact on our operations. Furthermore, there were no concluded legal cases regarding corrupt practices that were brought against the Group or its employees during the Reporting Period.

### ***Confidentiality and Intellectual Property Protection***

We have been making the greatest effort to protect the interest of the stakeholders by exercising the highest standards of business ethics. The Group has established ISO/IEC 27001: 2013 Information Security Management System to ensure the protection of intellectual property and confidential information of the Group. To enhance the confidence of the business partners in conducting business with our Group, we prevent the misuse and leakage of confidential information. We have formulated the “Information Security Management Control Procedure”, which clearly stipulates the usage and security measures of the Group’s computer facilities and related supporting equipment and regulates the use of computer equipment by our employees to be in compliance with the “Regulations of the People’s Republic of China for Safety Protection of Computer Information Systems” and other laws and regulations. Any violation on the internal rules and guidelines may result in disciplinary actions.

During the Reporting Period, the Group was granted a total of 8 patents, including 5 invention patents. As of 31 December 2020, the Company was granted 86 technical patents, including 23 invention patents. Some invention patents are as follows: sinusoidal stranded method for stranded optical fibre cable, wavy metallic tape oleamen coating control method and coating equipment.

**Case study of technical patents- Sinusoidal stranded method for stranded optical fibre cable**

The stranded unit is stranded around the reinforcement in a sinusoidal curve with a rotation angle of 180 degrees to 270 degrees. Under this type of sinusoidal stranded method, all stranded residual length of the buffertuber in the optical fibre cable can form the structural residual length of the optical fibre cable, which maximizes the structural residual length of the optical fibre cable. The required structural residual length of the optical fibre cable can be obtained using less stranded lengths of buffertuber, thereby improving the utilization of fibres and other materials. When the optical fibre cable is stretched, the performance of the optical fibre inside the buffertuber will not be affected. As a result, both stretching and temperature resistance performances of optical fibre cables can be improved.

**Case study of technical patents- wavy metallic tape oleamen coating control method and coating equipment**

This patent is for the filling and control of oleamen on the surface of optical fibre cable metallic tape. This technology applies a pneumatic reciprocating control mechanism to drive the air cylinder in order to drive the reciprocating motion of the coating head to attain the control of the coating area and wave spacing of the oleamen coating equipment. The coating equipment consists of an oil tank, coating head and reciprocating device. The oil tank is connected to the coating head for the delivery of oleamen to the coating head mounted on the reciprocating device. The coating head is driven by the reciprocating device in a straight line to form a wavy oleamen route on the surface of the metallic tape in order to meet the water penetration performance requirements of the optical cable, avoiding waste of materials such as excessive use of oleamen while ensuring satisfactory water penetration performance of the optical cable. The patent has been widely used throughout the Company's sheath production lines.

In terms of intellectual property protection, we value the efforts and achievements made by our employees in inventions and do not tolerate any forms of infringement that undermines our business integrity. In order to effectively protect the Group's intellectual property rights, motivate employees to make inventions, strengthen R&D results management, promote technological innovation activities, and improve the Company's market competitiveness, we have developed a sound information security management under the supervision of specific personnel. During the Reporting Period, the Group did not violate any laws and regulations related to customer data privacy and intellectual property rights that have a significant impact on our operations.

## CREATING VALUE FOR THE ENVIRONMENT

Climate change has been a common challenge for the international community. As an industry leader, Nanfang Communication has always strictly complied with the “Environmental Protection Law of the People’s Republic of China”, the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”, the “Law of the People’s Republic of China on Prevention and Control of Water Pollution”, the “Law of the People’s Republic of China on Prevention and Control of Environmental Noise”, the “Law of the People’s Republic of China on Prevention and Control of Solid Waste Pollution”, the “Energy Conservation Law of the People’s Republic of China”, the “Work Programme on Control of Greenhouse Gas Emission under the 13th Five-year Plan” issued by the State Council, the “Notice of the State Council on Printing and Issuing the Three-year Action Plan for Blue Sky Protection Campaign” and other environmental protection and energy conservation laws and regulations of the regions where we operate. During the Reporting Period, the Group did not violate any laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on our operations.

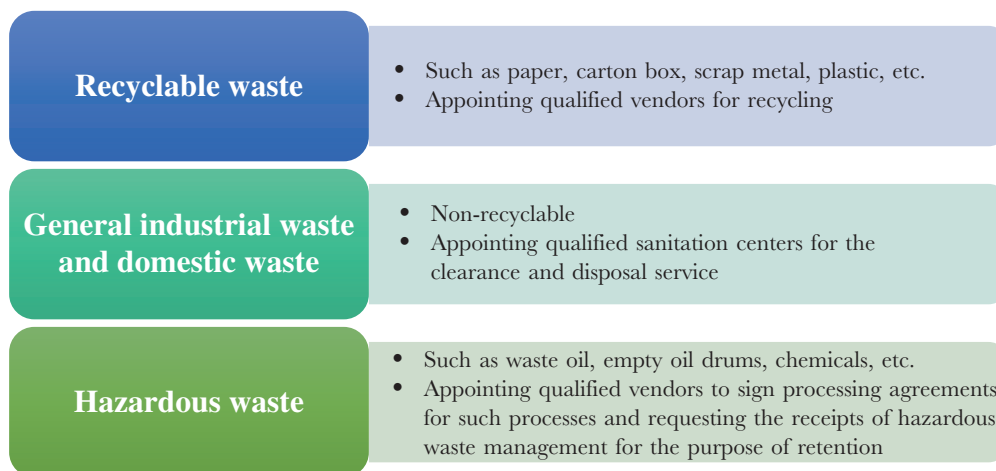
The construction supervision is focused on the rectification of hazards, improvement of environmental protection awareness, and practice of ecological-based green development. To mitigate the impact of construction on the environment, the Group requests the contractors to explain in detail the environmental protection guides and specific measures to be adopted during the construction, including but not limited to reduction of waste water and waste gas generated during construction, noise control measures, energy saving and emission reduction measures, disposal measures of solid wastes, etc.

Both of our factories have established ISO 14001:2015 certified environmental management systems that comply with international standards, 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. Through the establishment and compliance of various control procedures such as the “Waste Water, Waste Gas and Noise Control Procedure”, the “Hazardous Chemical Control Procedure”, the “Waste Control Procedure and the Energy Management Control Procedure”, the Group ensures that the significant environmental factors and the significant hazardous sources are both effectively controlled among the relevant activities, products and services during the production process, and thereby influences the environmental behaviors of the relevant parties, with a view that the management system will not deviate from the management guidelines of the Group, thus ensuring the realisation of management objectives and indicators.

We are committed to building a green brand by working closely with the local governments, suppliers and other stakeholders and proactively promoting practices of environmental protection in daily operations, so as to provide people with an eco-friendly, healthy and comfortable living environment. During the Reporting Period, Jintan Factory was included in the first batch of green factories in Jiangsu Province. Yang Jun, deputy director of the Changzhou Municipal Bureau of Industry and Information Technology, and Zhou Guoping, deputy director of the Jintan District Bureau of Industry and Information Technology, awarded the “Changzhou Green Factory” medal to Jintan Factory and held discussions with relevant persons in charge of the factory. At the forum, Yang Jun, deputy director of the Municipal Bureau of Industry and Information Technology, and other leaders listened to special reports from relevant persons in charge. Jintan Factory has been upgraded and reconstructed according to the principle of “Factory Intensifying, Raw Materials Detoxifying, and Resource Recycling”. It proactively responded to the national policies, and vigorously invested in modern facilities, in order to cooperate with the national implementation of green manufacturing projects. During the forum, the city leaders highly affirmed the development achievements of Jintan Factory in its transformation and upgrading, green development and other aspects.

### Waste Management

To effectively reduce impacts on the environment, we have established the “Waste Control Procedure” to ensure full compliance with relevant environmental regulations and to provide guidances on the generation, classification, storage, collection and disposal of waste. Waste is divided into four categories for further processing: recyclable waste, general industrial waste, domestic waste and hazardous waste. Based on different types, waste is 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 quantity of hazardous waste which has been treated by qualified hazardous waste collectors. During the Reporting Period, the Group generated a total of 0.94 tons of hazardous waste such as activated carbon and waste packaging bottles, with an intensity of 0.00002 tonnes per RMB ten thousand of revenue. In respect of non-hazardous waste, it is estimated that about 500g of domestic waste is generated per employee per day, thus a total of about 58.5 tons of domestic waste is generated in 300 working days with an intensity of 0.001 tonnes per RMB ten thousand of revenue. In the future, if circumstances allow, the Group will review and carry out waste data tracking.

**Air Pollutants 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 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. As for the vehicle exhaust, we carry out the vehicle pollution emission test every year according to the regulations, so as to ensure that all our vehicles are in good condition. If vehicles are found to be not complying with national emissions standards, exhaust purification devices will be installed.

Our air pollutants are mainly nitrogen oxides, sulfur oxides and particulates matter in vehicle exhaust. During the Reporting Period, we achieved outstanding results in the reduction of various types of air pollutants, details of which were as follows:

<b>Air Emissions<sup>2</sup></b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>
Nitrogen oxides	Kg	41.02	43.38
Sulfur oxides	Kg	0.23	0.35
Particulate matter	Kg	3.71	3.84

<sup>2</sup> The air emissions data focuses on road vehicles with travelling distance record.

To alleviate the challenges brought by climate change, we are committed to reducing our carbon footprint through efficient 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 emitted a total of 9,271 tCO<sub>2</sub>e greenhouse gas with an intensity of 0.15 tCO<sub>2</sub>e per RMB ten thousand of revenue. We will continue to seek opportunities to reduce our carbon footprint and to promote our green operation ideas.

Greenhouse Gas Emissions	Unit	2020	2019
Scope 1 <sup>3</sup>	tCO <sub>2</sub> e	38.05	57.02
Scope 2 <sup>4</sup>	tCO <sub>2</sub> e	9,191.49	8,453.68
Scope 3 <sup>5</sup>	tCO <sub>2</sub> e	41.82	21.16
<b>Total</b>	tCO <sub>2</sub> e	9,271.36	8,531.86
Intensity	tCO <sub>2</sub> e per RMB ten thousand of revenue	0.15	0.11

## Resource Management

During our operations, the main resources used are energy, water and materials. We have formulated the “Energy Management Control Procedure” to strengthen the Company’s efficient energy use and management in order to achieve the resources saving targets, details of which are as follows. To integrate and manage our resource utilisation, we also collect monthly data and set consumption quotas to monitor our consumption patterns.

### Industrial Water Management

- The Operation Department formulates the industrial water consumption quota and indicators for the year
- The Production Management Department conducts spot checks on major industrial water points every month, and promptly takes corrective and preventive measures when problems are found
- The process cooling water (which does not require the use of fresh industrial water) should be recycled water from the sewage treatment system as far as possible

### Domestic Water Management

- Install water meters in the office and living areas, and formulate water consumption quotas based on the domestic water consumption of the previous year and the specific conditions of this year
- The person in charge of each department is responsible for daily water management and inspection, advocating water conservation and avoiding waste such as drips, long running water, etc.

<sup>3</sup> Scope 1 – direct greenhouse gas emissions are generated from the combustion of fuels by vehicles owned by the Group.

<sup>4</sup> Scope 2 – indirect greenhouse gas emissions are generated from the use of purchased electricity by the Group.

<sup>5</sup> Scope 3 – other indirect greenhouse gas emissions are generated from business trips of employees of the Group by airplane.



## Energy Saving Management

- The Operation Department formulates the electricity consumption quota and indicators for the Reporting Period
- If the main production equipment 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 turned off
- Each department is responsible for the management of lighting and electricity consumption of the office area to save electricity by shutting down the electricity facilities when applicable
- Before purchasing equipments, the Production Management Department is responsible for evaluating the energy consumption of the selected equipments to avoid purchasing those with low energy efficiency

## Energy Consumption

The Group has obtained ISO 50001: 2018 Energy Management System certification to ensure that the Group has formulated policies and set relevant goals to improve energy efficiency. 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 avoid purchasing equipment with low performance as possible. We have always implemented improvement projects at our production plants 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 770 kWh, 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 30,000W.
- Purchase of 10 cable production lines to replace the original 6 production lines with inefficient capacity, which improved the overall efficiency by approximately 30%.
- Installation with a photovoltaic power generation project in the Jintan Factory with a total power of 1.54 MW and an actual annual power generation of 2 million kWh.
- Installation of automated cable installation device for sheathing production lines to enhance the overall efficiency by approximately 30%.

During the Reporting Period, the Group consumed a total of 11,603,950 kWh of electricity, 12,429 litres of unleaded gasoline and 3,189 litres of diesel oil. The intensities are as follows:

Resources	Unit	2020	2019
Electricity	kWh	11,603,950.00	10,506,685.52
Intensity	kWh per RMB ten thousand of revenue	185.26	132.49
Unleaded gasoline	litre	12,429.00	19,353.00
Intensity	liter per RMB ten thousand of revenue	0.20	0.24
Diesel oil	litre	3,189.00	4,145.00
Intensity	liter per RMB ten thousand of revenue	0.05	0.05

### Water Conservation

As mentioned above, we have spared no effort in reducing water consumption by continuously monitoring consumption through industrial and domestic water management. During the Reporting Period, the Group did not experience any major problems in sourcing water that is fit for purpose, with a total water consumption of 32,809.45 cubic meters and an intensity of 0.52 cubic meters per RMB ten thousand of revenue.

Water Resource	Unit	2020	2019
Water consumption	m <sup>3</sup>	32,809.45	37,614.00
Intensity	m <sup>3</sup> per RMB ten thousand of revenue	0.52	0.47

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.

## Use of Materials

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 2.08 tonnes of office paper with an intensity of 0.00003 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 2,375.44 tonnes of wood with an intensity of 0.04 tonnes per RMB ten thousand of revenue.

Material Consumption	Unit	2020	2019
Office paper	tonnes	2.08	3.56
Intensity	tonnes per RMB ten thousand of revenue	0.00003	0.00004
Packaging materials (wood)	tonnes	2,375.44	2,120.75
Intensity	tonnes per RMB ten thousand of revenue	0.04	0.03

## Noise Control

During our production process, machines will inevitably generate noise. In order to minimise disturbance to the environment, we regularly inspect, maintain and lubricate our production facilities to ensure that all the facilities work properly without any abnormal noise and are in compliance with the “Emission Standard for Industrial Enterprises Noise at Boundary”. If the operator finds that the machine is operating abnormally and the noise level increases, the operator shall shut it down immediately and report to his/her supervisor in a timely manner. We also provide our employees with personal protective equipment and require them to wear protective earplugs during working hours and install cushions, soundproof covers, pneumatic silencers, etc. in production sites to protect their health.

## Green Production

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. We will also maintain a green procurement system and include environmental protection as one of the criteria when selecting suppliers, such as considering whether the suppliers have obtained ISO 14001 certification and passed the RoHS environmental protection system audit for suppliers as well as their environmental philosophies, etc.



## CREATING VALUE FOR THE COMMUNITY

Nanfang Communication adheres to the principle of “Benefiting from Society, Giving Back to Society”, and while it develops, it never forgets its own social responsibilities. Therefore, we are committed to fulfilling our corporate responsibilities by supporting the communities in which we operate, understanding the needs of the local communities and serving the public with concrete actions. We fully support the development of the communities in which we operate, so as to actively communicate with local communities. Among them, the public welfare areas that we have focused our support on include social welfare, community construction, education support, etc.

### Community Construction

Social capital is the capital of an enterprise. We are committed to investing in community construction and contributing to the development of infrastructure in the area where the Company is located. As a leading supplier for optical telecommunication products, we hope that the people in the vicinity of the Company’s premises can also benefit from the advantages of and the new opportunities in the 5G era. We take our advantage to promote the development of 5G network construction and application development, and carry out in-depth cooperation with Changzhou City in areas such as the construction of new-generation information infrastructure, 5G innovative services, and information-based applications. At the Changzhou New Infrastructure Development Promotion Conference in 2020, we signed a contract with Changzhou City Government on cooperation in 5G supporting industry projects, thereby building a benchmark for future smart communities in Changzhou City.



### Education Support

We are fully aware that supporting education is to support the future. Nanfang Communication has always played its role as an innovation mainstay and is committed to promoting school-enterprise cooperation. During the Reporting Period, we negotiated with Yangzhou University in respect of developing industry-university-research docking to jointly cultivate the next generation of scientific research talents. We hope to take this opportunity to establish a platform for promoting the seamless connection of scientific research results and industrial development, promoting the integration of production, education, research and use, and thereby creating value for the community, and sharing prosperity with the community.



### Talents Cultivation

In order to achieve sustainable development in the industry, scientific research talents cultivation is indispensable. Nanfang Communication has worked closely with various colleges and universities, promoting industry-education integration and the school-enterprise cooperation, in order to play the main role of innovation. Specifically, in 2020, we negotiated with Yangzhou University in respect of business-education-research collaboration and cooperated with universities to build a bridge of cooperation in nurturing new talents in scientific research. We had in-depth discussions with universities over technical issues, such as smart and automatic manufacturing software research and development and reached a preliminary consensus on our cooperation model, which included technology transfer, talents development and construction of research and development platform. Through the college-enterprise cooperation model, Nanfang Communication hopes to solve technical issues, enhance our core competitiveness and promote a seamless linkage between the scientific research results and business development, as well as to build our talent pool to ensure its corporate sustainability.

## Social Welfare

We are fully aware that the support of the general public has been a valuable driving force for our continuous progress. In order to give back to the community, we attach great importance to public welfare support. Upon the implementation of the “Measures for the Administration of Donations”, 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 CSR. We have set up the Nanfang Fund especially for social welfare, which caters to a wide range of social needs. With respect to education, the Group made capital contributions through the Nanfang Fund to Wujin Luoyang Primary School to sponsor the expenses of graduation classes. In terms of poverty alleviation, the fund has donated to various county-level governments and organizations to assist in poverty alleviation, including the People’s Government of Yanyuan County, the Organization Department of the Communist Party of China Tanyuan County Committee, the China Society for Promotion of the Guangcai Program of Wujin District, Changzhou, the Wujin Charity Federation, etc. During the Reporting Period, the Group made charitable and other donations in an aggregate amount of approximately RMB745,000.



### “One District, One City” Pioneer Activities

In order to help patients in need and promote frugality, we launched a clothing donation activity in October 2020. With the active support of our colleagues, we collected approximately 300 pieces of clothing for donation to the mental illness patients in the Wujin Third Hospital.



## Respecting the Elderly on Double Ninth Festival

While nurturing the next generation, we also value the contributions the previous generation has made for us. Nanfang Communication actively pays attention to the physical and mental health of the elderly, and is committed to carrying out public welfare activities for the elderly to advocate the whole society to respect and honor the elderly by turning love into action, and to encourage everyone to actively participate in the team that loves and cares for the elderly. In October 2020, Nanfang Communication coordinated volunteers to visit the Luoyang Nursing Home. They sent greetings and blessings to the elderly, and cared for their health conditions, diet and daily life, showing them the warmth of society.





## APPENDIX – ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		For Details, Please See the Section Headed as Below/Other Remarks
<b>Subject Area A. Environmental</b>		
<b>A1 Emissions</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 air and greenhouse gas emissions, discharges into water and land, generation of hazardous and nonhazardous wastes.</li> </ul>	“Creating Value for the Environment – Waste Management, Air Pollutants and Greenhouse Gas Emissions”
KPI A1.1	The types of emissions and respective emissions data.	“Creating Value for the Environment – Air Pollutants 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).	“Creating Value for the Environment – Air Pollutants 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).	“Creating Value for the Environment – Waste Management”
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”
KPI A1.5	Description of measures to mitigate emissions and results achieved.	“Creating Value for the Environment – Waste Management, Air Pollutants and Greenhouse Gas Emissions”
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	“Creating Value for the Environment – Waste Management”
<b>A2 Resource Usage</b>	Policies on efficient use of resources including energy, water and other raw materials.	“Creating Value for the Environment – Resource Management”



Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		For Details, Please See the Section Headed as Below/Other Remarks
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 – Energy Consumption”
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	“Creating Value for the Environment – Water Conservation”
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	“Creating Value for the Environment – Energy Consumption”
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 – Water Conservation”
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 – Use of Materials”
<b>A3 The Environment and Natural Resources</b>	Policies on minimising the issuer’s significant impact on the environment and natural resources.	“Creating Value for the Environment – Noise Control, Green Production”
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 – Noise Control, Green Production”
<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>	“Adherence to the People-oriented and Integrity Principles – People Oriented – Human Resources”
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	“Adherence to the People-oriented and Integrity Principles – People Oriented – Human Resources”



Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		For Details, Please See the Section Headed as Below/Other Remarks
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	“Adherence to the People-oriented and Integrity Principles – People Oriented – Human Resources”
<b>B2 Health and Safety</b>	Information on: – the policies; and – 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.	“Adherence to the People-oriented and Integrity Principles – People Oriented – Occupational Health and Safety”
KPI B2.1	Number and rate of work-related fatalities.	“Adherence to the People-oriented and Integrity Principles – People Oriented – Occupational Health and Safety”
KPI B2.2	Lost days due to work injury.	“Adherence to the People-oriented and Integrity Principles – People Oriented – Occupational Health and Safety”
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	“Adherence to the People-oriented and Integrity Principles – People Oriented – Occupational Health and Safety”
<b>B3 Development and Training</b>	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	“Adherence to the People-oriented and Integrity Principles – People Oriented – Grow Together”
KPI B3.1	The percentage of employee trained by gender and employee category (e.g. senior management, middle management).	Our Group has been improving our methods in collecting relevant data. The KPI will be disclosed in the report for next year.

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		For Details, Please See the Section Headed as Below/Other Remarks
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Group has been improving our methods in collecting relevant data. The KPI will be disclosed in the report for next year.
<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>	“Adherence to the People-oriented and Integrity Principles <ul style="list-style-type: none"> <li>- People Oriented – Prevention of Child Labour and Forced Labour”</li> </ul>
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	“Adherence to the People-oriented and Integrity Principles <ul style="list-style-type: none"> <li>- People Oriented – Prevention of Child Labour and Forced Labour”</li> </ul>
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	“Adherence to the People-oriented and Integrity Principles <ul style="list-style-type: none"> <li>- People Oriented – Prevention of Child Labour and Forced Labour”</li> </ul>
<b>B5 Supply Chain Management</b>	Policies on managing environmental and social risks of the supply chain.	“Coordinating Industry Upgrades and Continuously Enhancing Innovation Drivers <ul style="list-style-type: none"> <li>- Creating Value for Supply Chain”</li> </ul>
KPI B5.1	Number of suppliers by geographical region.	“Coordinating Industry Upgrades and Continuously Enhancing Innovation Drivers <ul style="list-style-type: none"> <li>- Creating Value for Supply Chain”</li> </ul>

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		For Details, Please See the Section Headed as Below/Other Remarks
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	“Coordinating Industry Upgrades and Continuously Enhancing Innovation Drivers – Creating Value for Supply Chain”
<b>B6 Product Responsibility</b>	Information on: – the policies; and – 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.	“Coordinating Industry Upgrades and Continuously Enhancing Innovation Drivers – Creating Value for Customers”
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	“Coordinating Industry Upgrades and Continuously Enhancing Innovation Drivers – Creating Value for Customers – Quality Control”
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	“Coordinating Industry Upgrades and Continuously Enhancing Innovation Drivers – Creating Value for Customers – Delivery and After-Sales Services”
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights.	“Adherence to the People-oriented and Integrity Principles – Adherence to Integrity – Confidentiality and Intellectual Property Protection”

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		For Details, Please See the Section Headed as Below/Other Remarks
KPI B6.4	Description of quality assurance process and recall procedures.	“Coordinating Industry Upgrades and Continuously Enhancing Innovation Drivers – Creating Value for Customers – Quality Control”
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	“Adherence to the People-oriented and Integrity Principles – Adherence to Integrity – Confidentiality and Intellectual Property Protection”
<b>B7 Anti-corruption</b>	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	“Adherence to the People-oriented and Integrity Principles – Adherence to Integrity – Anti-Corruption”
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 case.	“Adherence to the People-oriented and Integrity Principles – Adherence to Integrity – Anti-Corruption”
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	“Adherence to the People-oriented and Integrity Principles – Adherence to Integrity – Anti-Corruption”
<b>B8 Community Investment</b>	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”