



南方通信
Nanfang Communication

Nanfang Communication Holdings Limited

南方通信控股有限公司

(Incorporated in Cayman Islands with Limited Liability)

Stock Code: 1617

2022

ENVIRONMENTAL, SOCIAL and
GOVERNANCE REPORT



智慧聯接 啟動未來

SMART LINKS START THE FUTURE

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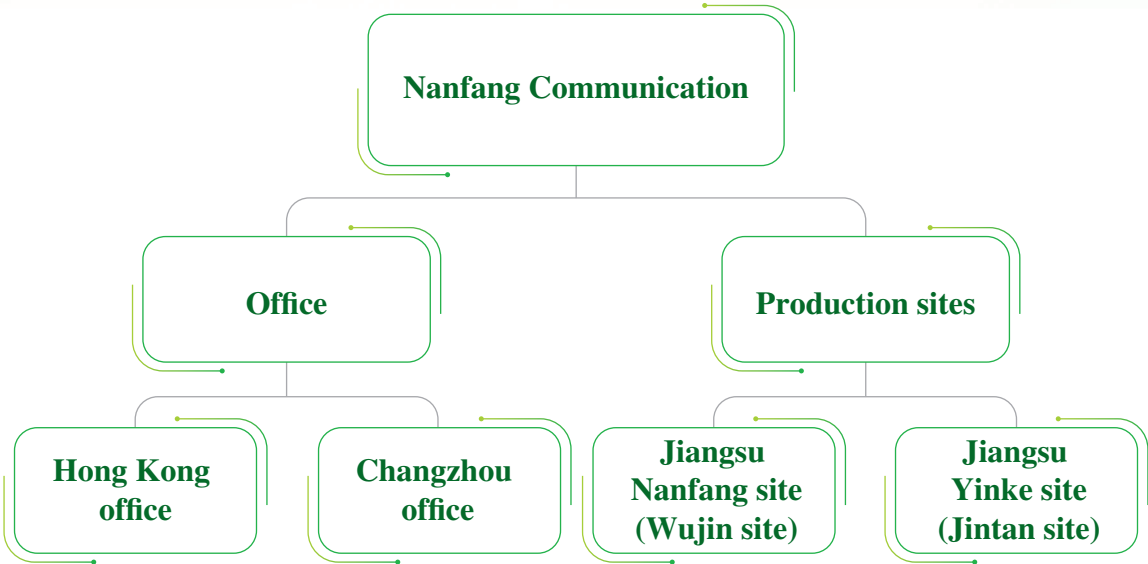


ABOUT THIS REPORT

Nanfang Communication Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “we”, “Nanfang Communication” or the “Group”) is a well-established supplier of optical telecommunication products and a leading company in the optical fibre cables market in China, with the Group’s headquarters based in Changzhou City, Jiangsu Province, China. The Group is principally engaged in the manufacture and sales of a wide range of optical fibre cable products and related devices as well as the processing and sales of prepainted steel sheets, which meet the application needs of different customers in the telecommunications industry and other industries. Committed to building long-term and mutual trust with the industry and with community stakeholders, we are pleased to present our 2022 environmental, social and governance (“ESG”) report (the “Report”). The Report summarises our ESG performance and initiatives over the past year and describes our vision and targets regarding the implementation of our sustainability strategy.

Reporting Scope

The Report addresses our governance approach to ESG matters and covers the respective ESG performance of the Group’s two production sites located in Wujin and Jintan of the People’s Republic of China (the “PRC” or “China”) and our two offices located in the PRC and Hong Kong from 1 January 2022 to 31 December 2022 (the “Reporting Period”, “2022” or the “Year”). Considering the size of our Hong Kong office and the distribution of our employees and revenue, and in accordance with the principle of materiality, the disclosure of key performance indicators (“KPIs”) covers our businesses in the PRC only. Unless otherwise stated, the scope of the Report is the same as that of our ESG report published last year.



Reporting Standards

The Report has been prepared in accordance with Appendix 27 “ESG Reporting Guide” (the “ESG Reporting Guide”) to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEx”). The reporting principles of materiality, quantitative, balance and consistency have been adopted for its preparation, as described below:

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

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

Feedback

We endeavour to build trust with communities and formulate business strategies that are in the best interest of stakeholders. Therefore, we value your comments on the Report and on our sustainability performance. If you have any comments or suggestions, please feel free to contact us through our email address info@jsnfgroup.com, which will help us optimise our sustainability policy.

MESSAGE FROM CHAIRMAN

The Company's vision, "Smart Links Start the Future", essentially refers to the ability to use technology to better benefit people. Leveraging industry upgrades and upholding high-quality management standards, we will continue to optimise our internal management system, enhance innovation drivers, and help promote the development of intelligent manufacturing.

After being certified as a national-level green factory, Nanfang Communication has been working hard with its suppliers to continuously promote green production methods and explore a series of green innovation practices, such as the green circular economy. Meanwhile, the Company's project, namely "Optical Fibre and Optical Fibre Cables for 5G Communication as a Strategic Emerging Industry", has been approved as a pilot project for strategic emerging industries and service industry standardization in Jiangsu Province, which is of great significance in the context of striving to achieve low-carbon goals.

We have always been people-oriented and adhered to integrity. The stable development of the Company is contributed by the efforts of everyone in Nanfang Communication. We safeguard the rights and interests of our employees in an effective manner, care for them, work hand in hand with them and take our corporate social responsibility seriously. In 2022, we also saw more of our employees devote themselves to volunteer services for public welfare, charity and pandemic relief. Nearly 60 of our employees devoted themselves to various volunteer services and public welfare projects last year, totaling more than 100 hours.

In 2022, we made considerable progress towards the goal of sustainable development. Looking forward to 2023, we will continue to improve our ESG performance. The future is full of challenges, but we firmly believe that hard work will pay off and a bright future is awaiting us. We will work hard to embrace a new era and focus on innovation for the future.

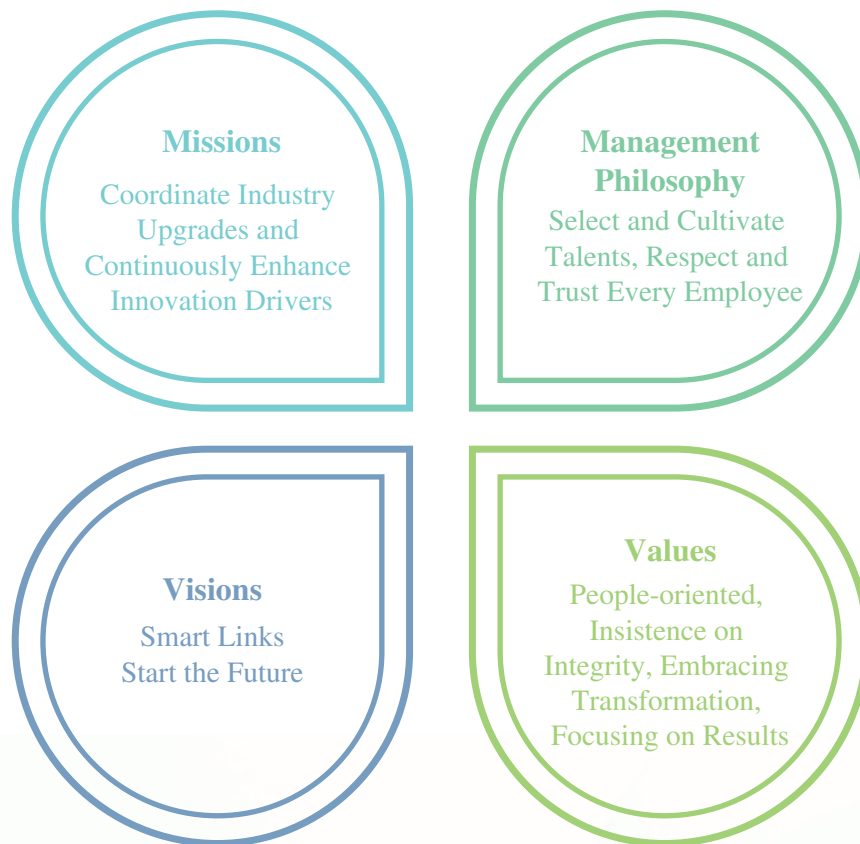
Nanfang Communication Holdings Limited

Yu Jinlai

Chairman

SUSTAINABLE DEVELOPMENT

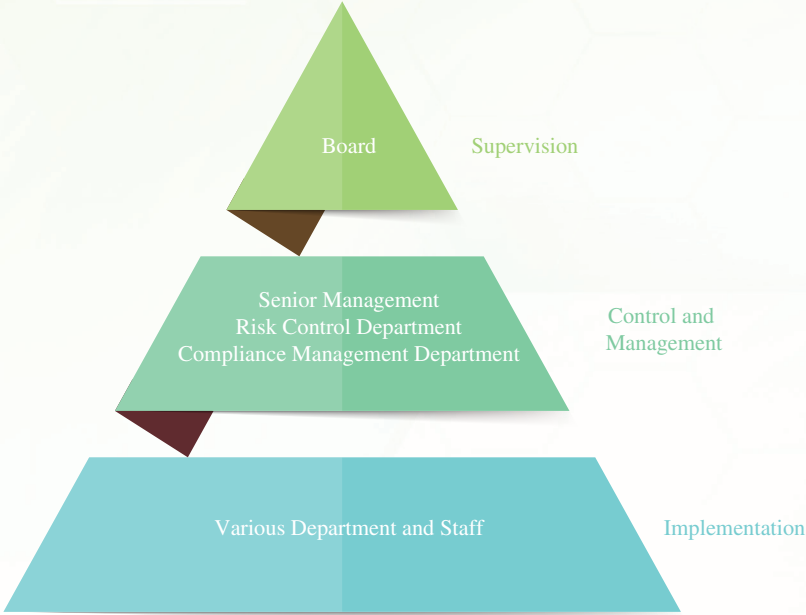
Sustainability, being the foundation of the future business success of the Group, is an important pillar of our corporate culture. Therefore, not only have we complied with national environmental regulations, but we have also formulated corresponding policies and system to protect the health of our employees, and ensure that our production process can use energy in an efficient way, conserve energy, reduce emissions, and develop in harmony with the environment.



As one of the leading enterprises in the optical cable market in the PRC, Nanfang Communication has continuously implemented strict quality control and safety standards. At present, we have obtained several international standard certifications, including ISO9001:2015 Quality Management System, ISO14001:2015 Environmental Management System, ISO45001:2018 Occupational Health and Safety Management System, ISO10012:2003 Measurement Management System and ISO/IEC27001:2013 Information Security Management System. These management systems not only provide the Group with systematic and integrated management to ensure product quality, but also guide us in the direction and principles of sustainable development.

ESG Governance Structure

In order to integrate the ESG concept into the management approach of the Group, we have established a comprehensive ESG governance structure with clear responsibilities and reporting mechanism at various levels, and at the same time maintained close communication to systematically handle ESG-related matters and manage ESG risks. The specific ESG governance structure levels and division of labour are as follows:



The Board, as the top decision-making body for the Group’s ESG management, plays a leading role in ESG-related matters. The Board is responsible for monitoring and evaluating the effectiveness of our ESG work to ensure sound and good ESG governance. It is also responsible for reviewing and approving the Report. In addition, the Board also convenes meetings of the Risk Control Committee to manage various risks (including ESG risks) on a regular basis.

The Board has delegated its authority to the management, consisting of the senior management, Risk Control Department and Compliance Management Department, respectively. The senior management is responsible for formulating ESG policies and supervising their implementation, reporting to the Board and the Risk Control Committee, as well as organising or commissioning external professional organisations to conduct evaluation on the effectiveness of the Company’s ESG compliance management on a regular basis, and resolving problems in compliance management in a timely manner. The Risk Control Department is responsible for identifying, evaluating and managing ESG risks in the business operations of the Group, and reporting relevant risk information and control measures to the Compliance Management Department on a regular basis. The Compliance Management Department is responsible for regulating ESG compliance and legal risks, providing ESG compliance consultation to all departments and employees, identifying ESG compliance risks and providing compliance consultation.

The implementation level is composed of departments and employees at all levels, responsible for providing ESG information and policies, adheres to the implementation of the instructions on various ESG matters, and integrates the sustainable development concepts into our daily operation.

Certificates and Awards

As a leading supplier of optical communication products in the PRC, Nanfang Communication will continue to create value, improve corporate performance and capabilities, and move towards the vision of “Forging an Evergreen Enterprise in the Communication Industry”. During the year, the optical fiber secondary molding workshop in Jiangsu Yingke site was recognised as the Changzhou Smart Workshop in 2022, and Jiangsu Nanfang Communication Technology Company Limited, a subsidiary of the Group, was nominated by Changzhou City as a four-star up-cloud enterprise. Other certificates and awards we have received include:



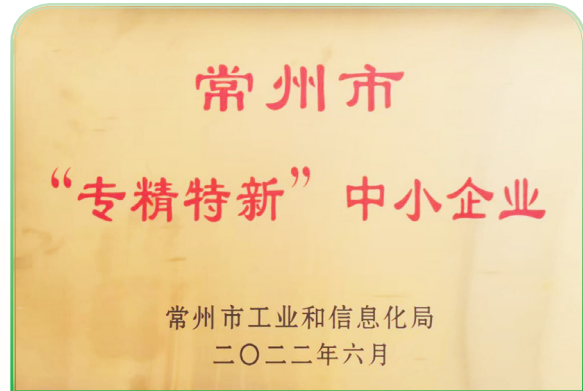
Certificate of High- and New- Technology Enterprise (Wujin site)



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



Certificate of Enterprise Credit AAA Grade



Certificate of Specialized and New Small and Medium-Sized Enterprise in Changzhou City



Integration of Informationization and Industrialization Management System Certificate



Jiangsu Premium Brand Certification



Laboratory Accreditation Certificate

STAKEHOLDER ENGAGEMENT

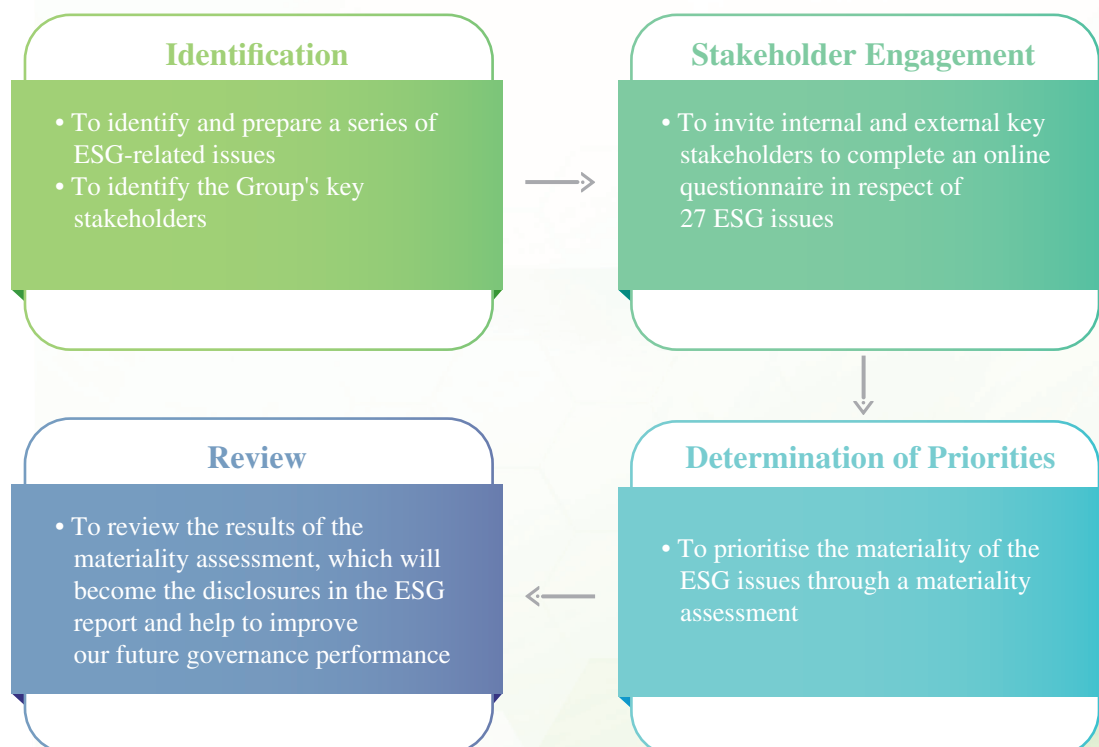
The Group believes that stakeholder engagement is an integral part of ESG management. To understand the views and concerns of various stakeholders, we have established several communication channels and, where practicable, incorporated the comments received into the ESG strategy of the Group. The table below summarises our engagement with key stakeholders during the Reporting Period.

Stakeholder groups	Major concerns	Communication channels
Investors and shareholders	<ul style="list-style-type: none"> • Compliance operation • Risk management • Economic performance 	<ul style="list-style-type: none"> • Company website • Meetings, investor hotline • Annual general meeting • Annual and interim reports
Customers	<ul style="list-style-type: none"> • Protection of customers' privacy • Quality of products • Health and safety 	<ul style="list-style-type: none"> • Phone enquiries about quality consistence • Customer service communication • Customer information and privacy communication • Customer satisfaction surveys • Company website
Employees	<ul style="list-style-type: none"> • Employees' interests • Employees' health and safety • Employees' training and development • Good working environment 	<ul style="list-style-type: none"> • Meetings such as regular general management meetings, coordination meetings and regular quality management meetings • Training • Intranet, telephone • Regular performance appraisals • Team-building activities • Comment boxes • Bulletin board
Suppliers and business partners	<ul style="list-style-type: none"> • Business integrity and ethics • Fair competition • Mutual benefit 	<ul style="list-style-type: none"> • Tendering and procurement processes • Constant communication • Anti-corruption campaigns • Assessments and evaluations, on-site inspections • Supplier training • Teleconferences

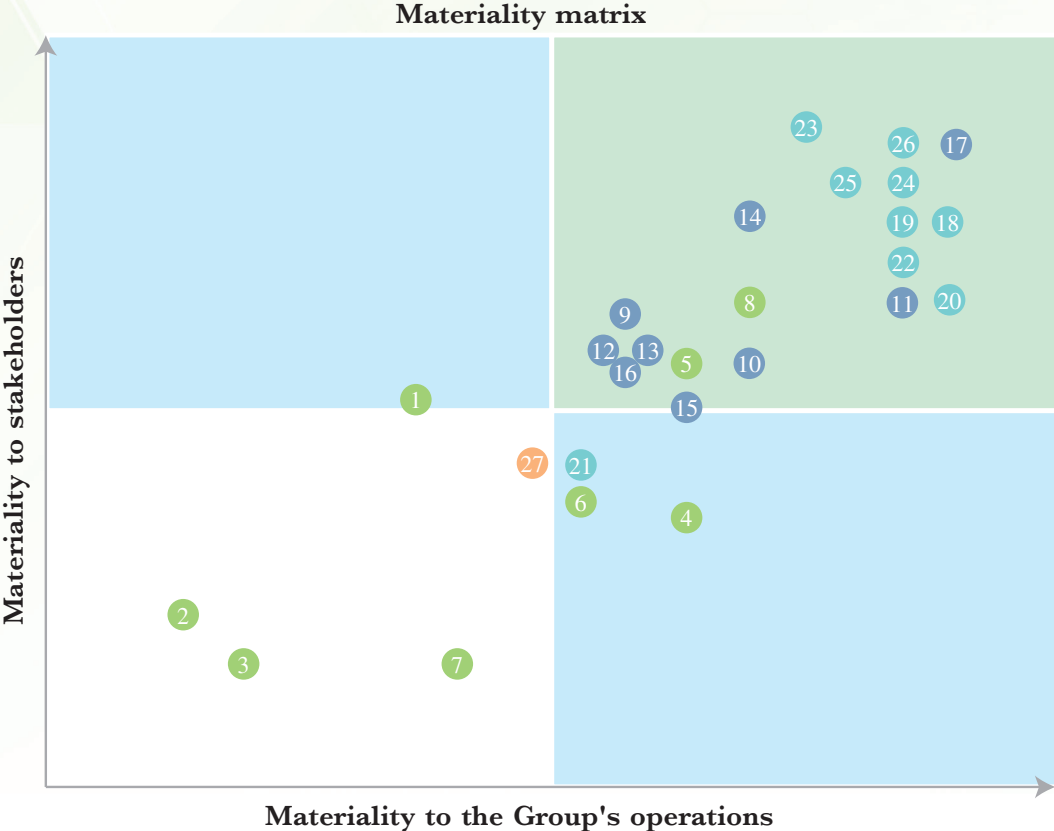
Stakeholder groups	Major concerns	Communication channels
Government organisations and regulatory agencies	<ul style="list-style-type: none"> • Compliance with national laws and regulations • Implementation of management requirements of the government • Corporate responsibility 	<ul style="list-style-type: none"> • Participation in the drafting of industry standards • Forums • Site investigations and visits • Meetings with government authorities and information disclosure
Community	<ul style="list-style-type: none"> • Participation in public welfare business • Community investment • Environmental protection 	<ul style="list-style-type: none"> • Charitable donations • Contributions to the community • Charity activities and press releases • Volunteer activities

MATERIALITY ASSESSMENT

To identify relevant issues of material sustainable development affecting the Group, we have engaged an independent consultant to assist the Group in conducting a materiality assessment by way of online questionnaire, invited stakeholders to prioritise and express their views on 27 ESG issues. Key stakeholders of Nanfang Communication include management, employees and suppliers. We conducted the materiality assessment based on the views and opinions of the stakeholders and formulated the framework of the Report. To effectively identify and reduce ESG risks, the Group holds management meetings on a regular basis to evaluate various ESG risks and opportunities and further develop ESG strategies, policies and objectives.



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



Environment		Labour		Operations		Community	
1	Air emissions	9	Labour rights	18	Customer satisfaction	27	Community investment
2	Greenhouse gas emissions	10	Labour relations	19	Customer service quality and complaint handling		
3	Climate change	11	Employee retention	20	Customers' health and safety		
4	Energy efficiency	12	Diversity and equal opportunity	21	Compliance with regulations on marketing and product and service labelling		
5	Use of water resources and effluent discharge	13	Non-discrimination	22	Intellectual property		
6	Use of materials	14	Occupational health and safety	23	Protection of customer privacy and information		
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		

CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN

The Group adheres to strict ethical standards in all our business operations, regards “Coordinating Industry Upgrades and Continuously Enhancing Innovation Driver” as our mission, and endeavours to create sustainable value to customers and supply chain for future empowerment. Through comprehensive quality management system and supply chain management, we aim to provide customers with one-stop optical communication product solutions and comprehensive services.

Customer-oriented

As a leading supplier of optical communication products in the PRC, we have years of experience in manufacturing optical cable products and relevant equipment. Nanfang Communication always adheres to the customer-oriented principles and is keen to grasp the application trends and meet customer needs in an efficient manner, while striving to improve customer satisfaction by ensuring the quality of our products and services.

Customer Satisfaction

The Group attaches great importance to product quality and customer satisfaction and believes that maintaining close communication with customers is conducive to building mutually beneficial and win-win relationships and establishing a loyal customer base. We understand customers’ needs and expectations change over time. In order to understand whether the Group can meet customers’ current and future needs and expectations, we collect the opinions of direct customers, end customers and potential customers through regular surveys. Based on the findings and analysis, customers’ opinions will be reported to the relevant departments in a timely manner for proper handling and improvement to further optimise the quality management system.

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

Quality Management System

As a superior supplier of optical communication products, Nanfang Communication has been committed to pursuing the highest product quality, for which we have established a quality management system accredited by the international standard ISO9001:2015 and given an AAA credit grade by the China Association of Communication Enterprises. We have established quality objectives in accordance with ISO9001:2015, which provides a framework for corrective and preventive measures for our production processes and strictly regulates the entire production process from raw material procurement to finished product output. All raw materials are programmed to be sourced from the “Qualified Suppliers List”, and each batch of raw materials is thoroughly inspected. In addition, we have established the “ROHS Control Management Process” in accordance with the EU standards to ensure that the hazardous substance content of our products meets the requirements, in which we establish the product environmental control workflow and the related rights and responsibilities to effectively control the production process to protect the environment and human health.



We have promoted commencement of work through 6S lean production plan to reduce quality loss, reduce inventory (excluding reasonable raw materials and finished products), shorten production cycle, and reduce equipment breakdown rate. At the same time, we have improved the ability of our employees to identify and resolve problems during the process. We have enhanced the ability of employees to master and apply modern management techniques, and cultivate employees with good habits of working in a standardized manner. At the same time, we conduct regular quality checks on semi-finished and finished products in accordance with the “Non-conforming Output Control Program” to prevent unintended use or delivery of non-conforming products. If any non-conforming products are found, the Quality Department will be responsible for developing and implementing corrective measures, including recall and removal of the products. To ensure product quality and process traceability, the Group has established the “Product Marking and Traceability Control Program” to mark all materials, semi-finished products and finished products. During the Reporting Period, the Group is not aware of any material violations of laws and regulations relating to health and product safety, advertising and labelling in relation to the provision of products and services and their correction methods, and no products sold or shipped have been subject to recall for safety and health reasons.



ISO9001:2015 Certificate



ISO10012:2003 Certificate



ISO/IEC27001:2013 Certificate

Information Security Management

The Group attaches great importance to the protection of information and privacy of all stakeholders and understands that this is an essential element in building a relationship of mutual trust. To ensure the importance of confidential information to Nanfang Communication, we have established an information security management system, which is accredited by the international standard ISO/IEC27001:2013. We have strictly complied with the “Personal Data (Privacy) Ordinance” of Hong Kong and the “Regulations on Safety Protection of Computer Information Systems” of the PRC and other laws and regulations, and actively completed a series of systems such as the “Information Security Management Procedures”, the “Confidentiality Control Procedures”, and the “Data Backup Management Procedures” to regulate data and information security management and protect the operation of information systems. We have required each department to set up a double backup system to back up important information and hand it over to the relevant department for proper storage. Employees are not allowed to connect the computers linked to the local area network to the international Internet without prior approval to avoid information leakage. If a breach of confidentiality is found, we will take immediate remedial action to address the potential loss. During the Reporting Period, the Group was not aware of any significant non-compliance with laws and regulations on customer data privacy that had a significant impact on its operations.

Protection of Intellectual Property Rights

In 2022, we were granted 32 patents, including the yarn-free cable production system and separate butterfly photoelectric hybrid cables. In addition, a total of 31 of our patent applications are being entertained, including 6 invention patents and 25 utility models patents. We have 5 registered trademarks in China and 1 registered trademark in Hong Kong.

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

Green Supply Chain

The Group believes that green development of enterprises can win lasting competitiveness. To this end, we have incorporated the green supply chain management concept into our long-term development strategic plan and insisted on the quality-driven principle, hoping to fully leverage our role as a benchmarking company in the construction of a green manufacturing system. In the future, we will continue to optimise the green supply chain to ensure constant provision of products that meet the Company’s green manufacturing requirements, thereby creating long-term sustainable value for our customers, shareholders, communities and suppliers. This year, we partnered with 41 suppliers, all of which from mainland China, and in 2021, we partnered with 33 suppliers located in mainland China.

Introduction of Suppliers

In response to and in support of our country's efforts to promote the establishment of a green manufacturing system, Nanfang Communication has established an effective and fair mechanism for selection of suppliers in accordance with the ISO9001:2015 Quality Management System. All potential suppliers must first pass a rigorous background check. We use questionnaires to understand the suppliers' business profile, quality assurance capability, legal compliance, after-sales service, etc.. For suppliers who initially meet the requirements, we evaluate their samples and require them to make small batch trial production to determine the suitability of the suppliers. Finally, we will arrange the supplier review team to conduct on-site review on suppliers based on different needs, and only those suppliers who pass the review will be included in the qualified suppliers list. If the score does not meet the standard, the suppliers will be arranged for rectification within a prescribed period.

When selecting potential suppliers, the Group has the following requirements and criteria:

- They should hold a state-registered business license with corresponding business scope
- They should have efficient quality assurance capabilities, such as possessing adequate facilities or equipment, technical capabilities, processing capabilities or business regulation standards, high management level and efficient testing methods
- They should have good credit and be able to provide high quality after-sales service
- They should have other qualification documents, such as third-party test reports or SGS certification

Selection and Evaluation of Suppliers

The Group has been upholding the concept of green development and has defined the objectives of green supply chain. To improve our environmental and occupational health and safety performance, we have established a "Related Party Control Program" to ensure that our suppliers are aware of the environmental and social management policies of the Group. At the same time, we strive to reduce the carbon footprint of our supply chain to ensure that our stakeholders, such as suppliers, waste handlers, maintenance service providers and transporters, comply with the environmental, health and safety standards of the Group. In addition, the Purchasing Department selects suitable suppliers from the list of qualified suppliers for each purchase to ensure that their quality, delivery and service standards meet our production standards.

In order to continue to provide reliable and high-quality products, we regularly evaluate the performance of our suppliers to ensure that their performance meets the standards of the Group. Nanfang Communication has established a "Supplier Performance Management Control Program" to govern the daily assessment on suppliers, and we conduct a comprehensive evaluation of suppliers on quality, delivery, service and price every month. We also conduct review once to twice a year based on the type of suppliers. We provide opportunities for rectification to suppliers that do not meet the objectives of the Group, and if they fail to meet the standards after repeated assessment, we will terminate the relationship with them and remove them from the list of qualified suppliers.

Supplier Ethics

The Group looks forward to working with suppliers who are committed to incorporating sustainability principles into their business. To this end, we have developed the “Code of Conduct for Suppliers” to describe the requirements for social responsibility and environmental management. Suppliers are required to strictly comply with the requirements in several ESG-related areas, including legal compliance, child labour, forced labour, remuneration, working hours, equal treatment, freedom of association, protection of intellectual property and environmental, health and safety standards. Suppliers are also encouraged to require their outsourcers to adopt this code. The following is a summary of the “Code of Conduct for Suppliers”:

Labour Rights

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

Health and Safety

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

Environmental Management

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

Business Ethics

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

Business integrity

Nanfang Communication has always adhered to the value of anti-corruption and integrity and has adopted a zero-tolerance attitude towards unethical practice such as corruption and bribery. We are committed to integrating the concepts of fairness, honesty and legal compliance into the entire business process and creating a favorable business environment together with our partners. The Group has strictly complied with anti-corruption related laws and regulations, including but not limited to the “Anti-money Laundering Law of the People’s Republic of China” and the “Prevention of Bribery Ordinance” of Hong Kong. During the Reporting Period, the Group was not aware of any material breach of the laws and regulations relating to bribery, extortion, fraud and money laundering, nor were there any legal proceedings concluded against the Group or its employees for corrupt practice.

We have established a business philosophy based on honesty, integrity and compliance with the laws. Our employee handbook explicitly prohibits any illegal acts and sets standards of conduct, including avoiding conflicts of interest, not seeking personal gain for ourselves or others, strictly prohibiting bribery and accepting gifts or benefits from employees, putting the best interests of the Group first, and ensuring that no reputation is tarnished by fraud, disloyalty, corruption or other illegal acts. At the same time, the Group has established the “Anti-commercial Bribery System” to promote anti-corruption efforts in business activities. All employees and suppliers have signed an undertaking of integrity and shall strictly fulfill the commitments made in the agreement. If any violation of the undertaking is found, the Group reserves the right to impose penalties, terminate the contract and suspend the qualification of suppliers, and refer to the judicial authorities for criminal responsibility.

Whistleblowing and Investigation

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

CREATING VALUE FOR EMPLOYEES

The Group believes that our employees are the cornerstone of business development of the Group and an inevitable factor towards our success. To enable our employees to grow strong in our enterprise, we choose to respect and trust each of the employees and strive to create a diversified workplace to develop together with them. At the same time, we also hope that our employees will adhere to the “Five Attributes” established by the Group, which include diligence, loyalty, passion, team spirit and a sense of ownership, and together we will show the best spirit of Nanfangers. During the Reporting Period, the Group was not involved in any violations of laws and regulations relating to remuneration and termination, recruitment and promotion, working hours, holidays, equal opportunity, diversity, antidiscrimination and other treatment and benefits that have a significant impact on our operations.



As of 31 December 2022, the Group had a total of 315 employees. Our employees mainly work full-time in the PRC and Hong Kong. The detailed information of employees is summarised as follows:

		2022	2021
Total number of employees		315	316
Number and percentage by gender	Male	209 (66.35%)	210 (66.46%)
	Female	106 (33.65%)	106 (33.54%)
Number and percentage by age group	Below 30	39 (12.38%)	62 (19.62%)
	30 to 50	228 (72.38%)	224 (70.89%)
	Above 50	48 (15.24%)	30 (9.49%)
Number and percentage by employment category	Full-time	315 (100%)	316 (100%)
	Part-time	0 (0%)	0 (0%)
Number and percentage by geographical region	China and Hong Kong	315 (100%)	316 (100%)
Employees turnover rate¹		12.70%	10.44%
Percentage by gender	Male	15.31%	12.38%
	Female	7.55%	6.60%
Percentage by age group	Below 30	15.38%	19.35%
	30 to 50	13.60%	9.38%
	Above 50	6.25%	0%
Percentage by geographical region	China and Hong Kong	12.70%	10.44%

¹ Calculation of turnover rate of employees:

$$\text{Turnover rate of employees} = \frac{\text{Number of employees left during the Reporting Period}}{\text{Total number of employees as of 31 December 2022}} \times 100\%$$

Labour Relations

Adhering to our people-oriented values, Nanfang Communication is committed to creating a healthy and harmonious working environment for our employees. Therefore, the Group strictly complies with the “Labour Law of the People’s Republic of China”, the “Labour Contract Law of the People’s Republic of China” and the “Employment Ordinance” of Hong Kong, and other labour and employment-related laws and regulations applicable to the country and the place of operation, and has formulated a series of rules and regulations to regulate the management of staff recruitment and dismissal, promotion, remuneration and benefits, working hours, holidays, equal opportunities, etc..

Fair Employment

The Group adheres to the employment principles of “Ethics-above-all, Meritocratic, Talent-and-virtue, Play to People’s Strengths”, and pursues the principles of openness, equality, competition and selection of the best. We have established a “Recruitment Management System” to standardise and regulate the recruitment process, giving priority to internal promotions or transfers when there are vacancies or new positions available in the Company. Only the experience, performance, qualifications, skills and work ethics of employees or potential candidates are evaluated in the recruitment, promotion and training process, regardless of non-job-related factors such as gender, ethnicity and religious beliefs. We are committed to creating a diverse and respectful working environment that embraces different cultures and values.

Remuneration and Benefits

We understand that providing market-competitive remuneration and benefits is the best way to recognise employees’ contributions and retain talents. Therefore, we have formulated a comprehensive “Remuneration Management Plan” to share the benefits of the Company’s development with our employees. The remuneration of our employees consists of basic salary, seniority salary, grade salary, performance salary and year-end bonus. Through an open and fair promotion and reward mechanism, we encourage our employees to enhance their productivity. We evaluate the contribution and capability of our employees through annual appraisal, and those with outstanding performance will receive promotion opportunities and bonus. In addition to compensation, we also provide a wide range of benefits to our employees in consideration of their needs. Depending on the needs of different positions, we provide meal allowances and dormitories for our employees, as well as housing funds, medical insurance, pension funds and unemployment insurance in accordance with local laws and regulations. In addition, employees are also entitled to receive holiday payments or gifts during major holidays.



Giveaways in Dragon Boat Festival

On the occasion of each of the Dragon Boat Festival and Mid-autumn Festival, in order to let every employee feel the warmth given by Nanfang Communication, and also to thank every employee for their hard work, we issued generous gifts and benefits to all employees, so that every employee can enjoy a satisfying festival.

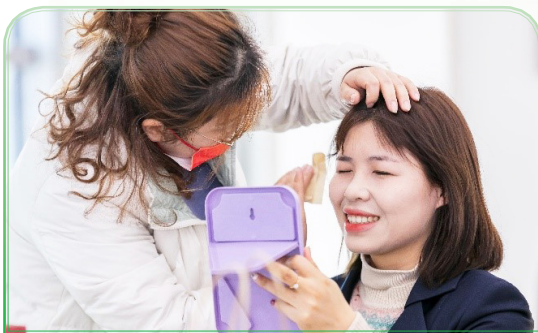
Labour Standards

The Group attaches great importance to human rights and labour rights and strictly complies with the “Labour Contract Law of the People’s Republic of China”, the “Law of the People’s Republic of China on the Protection of Minors” and other laws and regulations. We adopt a zero-tolerance attitude towards any form of child labour and forced labour, and actively avoid misuse of child labour and forced labour in our operations through a unified recruitment process. To ensure that job applicants are of legal working age, our policy governs the entire hiring process, the first step of which is to strictly verify their identity documents and qualifications. We also respect freedom of choice, to ensure that employees are employed voluntarily, all employees are protected by legally binding labour contracts. If any misrepresentation is found, the recruitment or employment will be terminated immediately. At the same time, we continue to work closely with our suppliers to extend the Group’s labour standards to our supply chain to ensure that our suppliers meet our standards for preventing child labour and forced labour. During the Reporting Period, there were no significant violations of laws and regulations relating to the prevention of child labour and forced labour.

Work-life Balance

The Group is committed to promoting work-life balance to enhance the mental health of our employees. We adopt a standard working hour system to ensure that employees have sufficient rest time. Employees are required to work five days a week, eight hours a day, with Saturday and Sunday shifts. At the same time, we do not encourage non-essential overtime work. Employees who have to work overtime will be compensated with extra wages. In addition to the annual leave and statutory holidays stipulated by the “Labour Law of the People’s Republic of China”, employees are entitled to additional personal leave, sick leave, work injury leave, marriage leave, maternity leave and funeral leave.

We continue to develop corporate culture to further enhance the happiness index of our employees and strengthen their centripetal force and cohesion towards our enterprise. This year, we organised different social activities for our employees, such as Spring Festival party, lantern riddle quiz, poetry recitation contest and mid-autumn garden party.



Makeup for a Brand-new Day
in Goddess Festival



Rice Dumpling Wrapping Activity



Poetry Recitation Contest

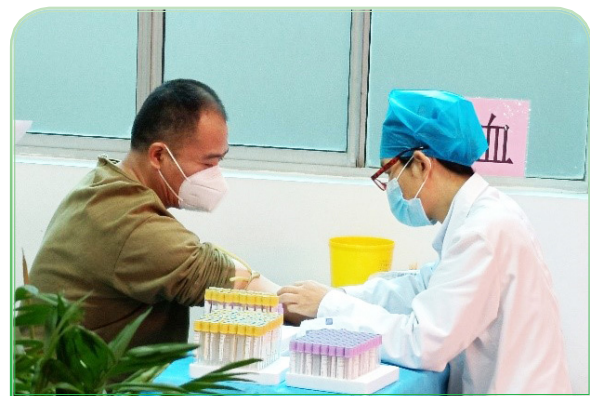
Health and Safety

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



ISO45001:2018 Certificate

Nanfang Communication is committed to reducing occupational health and safety risks. To systematically prevent accidents in the workplace, the Group has established a comprehensive occupational health and safety management system certified by the international standards ISO45001:2018. We arrange induction training on safe production for all new employees and job changers to ensure that they understand various hazards, risks and related precautions in the factory. Personnel responsible for special type of work are also required to complete relevant technical training and obtain qualification certificates after examination by the national statutory authorities before they can serve in the operating positions. Meanwhile, we organise annual health check-ups for our employees and arrange for hospital staff to visit our sites for detailed examination to raise their awareness of self-protection. We hope that our employees can be aware of and understand their own health status in a timely manner, so that they can be treated in an early stage if they are diagnosed with any disease and put into the best condition to work.



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

Relevant policies and system

- 6S management requirements
- Emergency preparation and response control procedures
- Accident investigation and management procedures
- Personal protective equipment management requirements
- Crisis management procedures
- Identification of source of hazard, risk evaluation and control procedures
- Safety and security work management requirements
- Safe production management system
- Safety protection and safety facility management requirements
- Flammable and explosive control procedures
- Motor workshop management requirements
- Fire safety management requirements
- Electrical equipment installation requirements
- Air compression operation procedures
- Occupational health and labour protection control procedures
- Occupational diseases and occupational health prevention management requirements
- Facilities and working environment control procedures

Safe Production Management

- A leading group for safe production has been set up, which is led by the management and heads of different departments to coordinate and monitor safe production, study and develop safe production technical measures as well as labour protection plans, and investigate and handle accidents.
- The leading group is also responsible for educating employees on safe production and formulating implementation rules and operating procedures for safe production.
- Each department implements the 6S management system for safe production on a daily basis, inspects on-site situations regularly, and rectifies identified problems in a timely manner.

Emergency Plans

- The Group has established a leading group for the command of emergency rescue operations and formulated a sound contingency plan under the supervision of the management and the coordination of different departments.
- In the event of a health and safety accident, the leading group will play a coordinating role and organise emergency rescue operations. The contingency plan lists groups to notify and actions to take as well as escape and rescue plans in detail in the event of an accident.
- We strictly abide by administrative provisions on fire safety, inspect firefighting equipment regularly, ensure that escape routes are unobstructed, and install explosion-proof devices for lighting and power supplies in high-risk areas such as chemical warehouses and woodworking rooms.
- We have developed a hazardous chemical management system to regulate the procurement, storage and use of chemicals and reduce the risk of leakage.

Personal Protective Equipment and Prevention of Occupational Hazards

- The Group will strive to protect its employees from the exposure to dust, toxic substances, radiation, heatstroke and noise at the workplace.
- Our employees will be given personal protective equipment according to the nature of their work and be instructed how to use the protective equipment properly.
- Personnel engaged in high-risk operations will receive an annual physical examination. Proper arrangements will be made for employees diagnosed with occupational diseases, such as job transfers.



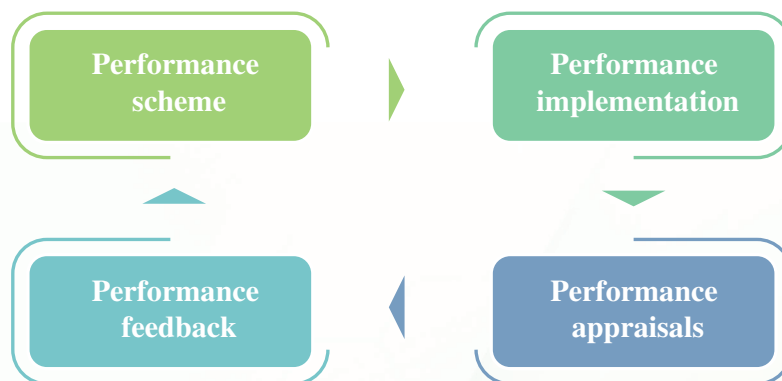
Fire Drills

In order to fulfill the responsibility of fire safety, the Group regularly maintains the firefighting facilities and equipment to ensure that they can be used normally in case of fire, and also strengthens the duty inspection to prohibit the occupation, blockage or closure of safety exits and evacuation routes. This year, we organised fire drills for our employees in our plants, from discovering the source of fire, reporting it, judging the fire situation and making emergency response, activating the plan, putting out the fire at the simulated scene, and evacuating the staff to the assembly point for head count and report.

Training and Development

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

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



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

	2022	2021
Total training hours of employees	646.5	126
Average training hours per employee (percentage of employees trained)	2.05 (100%)	0.4 (39.87%)
Average training hours by gender (percentage of employees trained)		
Male	2.15 (100%)	0.44 (43.81%)
Female	1.87 (100%)	0.32 (32.08%)
Average training hours by employment type (percentage of employees trained)		
Management	1.29 (100%)	0.46 (45.83%)
Staff	2.09 (100%)	0.39 (38.81%)

Gold Medal Worker

Chen Tao, the team leader of Research and Development (“R&D”) and Process Technology Department, joined Nanfang Communication in September 2015. He has been following the Company’s progress and continuously improving his business capability with the opportunity of expatriation, growing from a front-line employee to the backbone of technical R&D. He has achieved excellent results in different positions. In his technical position, Chen Tao made many rationalisation suggestions such as improvement on optical cable craftsmanship, which reduced the production cost for the Company; he followed the market demand closely for the innovation projects and developed new products to broaden the product range of the Company. In 2022, he was awarded the “Gold Medal Worker” by the authority of Wujin District, Changzhou City.



Driving the Future

Nanfang Communication has always adhered to the mission of “Smart Links Start the Future”. We are now in the stage of steady development, which is a critical period for employment. Meanwhile, we also hope to broaden the career path of students, cultivate practical talents and achieve mutually beneficial and win-win results. In October 2022, we invited third-year students from the School of Optical Engineering of Changzhou Institute of Technology to visit Nanfang Communication and join the exchange activities to experience the production process and lay the foundation for their future internship and integration into society. This is the sixth year for Changzhou Institute of Technology teachers and students to come to Nanfang Communication for exchange. In the future, we will further increase our school-enterprise cooperation, focusing on exploring and developing new areas and new ways of school-enterprise cooperation.



Training and Exchange of Product Techniques and Knowledge



Introduction of Enterprise and Explanation on Talent Mechanism

CREATING VALUE FOR THE COMMUNITY

Nanfang Communication is passionate about building long-term community partnerships and actively practicing social responsibility to give back to society. We communicate and maintain long-term relationships with various stakeholders through pro bono and social investment activities to promote social engagement. During the critical stage of the pandemic, we worked around the clock with many volunteers to fight against the pandemic and donated tents for nucleic acid testing sites to spread positive energy. We also recognised the educational needs of the communities where we operate, so we made donation to Luoyang Central Primary School in Wujin District, Changzhou City, to help the development of next generation in the community. Donations were also made to various county-level governments and organisations to help alleviate poverty, including the Changzhou Wujin District Guangcai Project Promotion Association, the Wujin District Charity Federation, the Organisation Department of CPC Luopu County Committee and the People’s Government of Kumusiliq Township in Shule County. During the year, the Group made charitable and other donations amounting to approximately RMB425,000.



Assisting in COVID-19 Antigen Test in the Community

CREATING VALUE FOR THE ENVIRONMENT

Nanfang Communication actively responds to the “Dual Carbon” target that our country insists on, i.e. to achieve carbon peak by 2030 and carbon neutrality by 2060. To this end, we adhere to the concept of “Green Manufacturing, Low-carbon Development, Respecting Resources and Giving Back to Society”, and continue to explore and promote the renovation of energy-saving technology, push forward green production, energy saving and emission reduction through various measures, build a sustainable supply chain, and strive to enhance the standard of green manufacturing. We have established an environmental management system and an energy management system, which are accredited by the international standards ISO14001:2015 helping Nanfang Communication build a green and harmonious home.

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



ISO14001:2015 Certificate



ISO50001:2018 Certificate

Emissions Management

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

The Group understands that human activities are the source of climate change, and with the current trend of climate change, we will face tremendous economic and social risks in the near future. As a leading supplier of optical communications products, we are committed to carbon reduction and have set aggressive targets. Based on 2018, the Group needs to reduce greenhouse gas emissions intensity by 80% by the end of 2030. As our carbon footprint is mainly due to indirect emissions from electricity consumption, we have implemented a number of initiatives to reduce electricity consumption, as detailed in the section of resource usage. During the Reporting Period, the Group emitted a total of 8,769.43 tonnes of carbon dioxide equivalent (“tCO₂e”) of greenhouse gases at a density of 0.10 tCO₂e per RMB ten thousand of revenue.



In the face of climate change, we understand that greenhouse gases are the source of temperature rise. In order to implement the concept of green development, the Group organised and called on our employees to participate in tree planting activities on the Arbor Day to increase the storage of greenhouse gases through the function of carbon dioxide absorption by trees, so as to slow down the rate of temperature rise and add a piece of green to build a beautiful PRC.

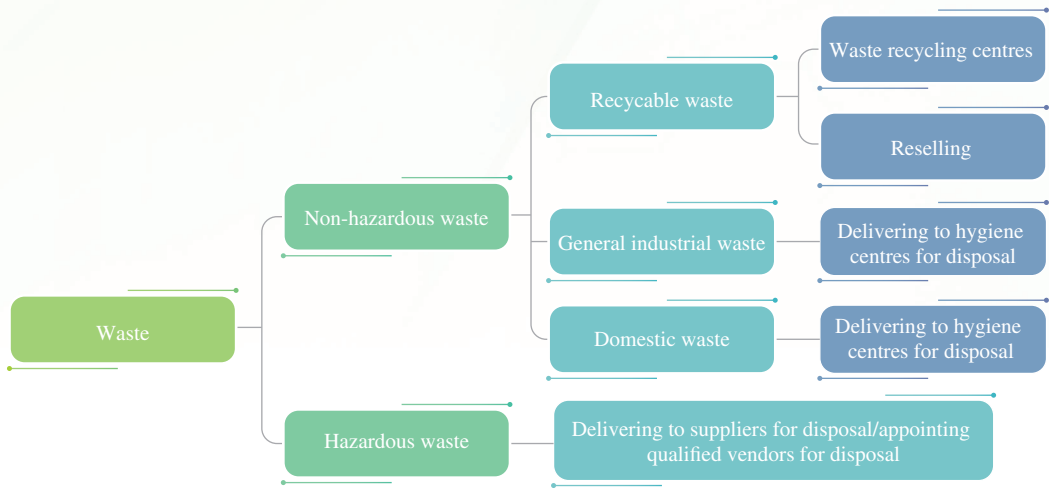
Target Progress

Emission reduction target (target year: 2030)	Base year data	Data of the Year	Target Progress
To reduce the emission density of total greenhouse gases (tCO ₂ e per RMB ten thousand of revenue) by 80%, with 2018 as the base year	0.12 (base year: 2018)	0.10	21%
To reduce total absolute greenhouse gas emissions by 20%, with 2017 as the base year	11,475.23 (base year: 2017)	8,769.43	100%

Waste Management

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

During the Reporting Period, the Group generated 6.03 tonnes of hazardous waste and 47.25 tonnes of non-hazardous waste.



Target Progress

Emission reduction target (target year: 2030)	Base year data	Data of the Year	Target Progress
To reduce the generation of non-hazardous waste (tonnes) by 30%, with 2018 as the base year	66.15 (base year: 2018)	47.25	95%

Use of Resources

Nanfang Communication mainly makes use of energy and water resources in the course of business operations. In order to promote sustainable development of the enterprise, we have actively developed energy-saving and consumption reduction measures and applied innovative technologies to reduce the use of resources in our production process. We have also implemented the green office and 3R principles to reduce, reuse and recycle resources as much as possible. To manage the use of resources of the Group in an integrated manner, we collect monthly information and set consumption quotas to monitor our mode of consumption.

Energy Consumption

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

- 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 closed
- All departments are responsible for supervising the management of lighting and electricity in the office area to save electricity and turn off the electricity facilities in due course
- Before purchasing equipment, the Production Management Department is responsible for evaluating the energy consumption of the selected equipment to avoid purchasing equipment with low energy efficiency
- LED light source is adopted in the plants (energy saving rate up to 30%)

At the same time, we have installed solar panels at our Jintan and Wujin plants to increase the rate of using renewable energy, so as to further reduce our reliance on purchased electricity. During the Reporting Period, the Group consumed a total of 14,232,975.00 kWh of electricity, 17,378.00 litre of unleaded petrol and 4,583.00 litre of diesel.

Water Conservation

Nanfang Communication is aware of the importance of water resources to the earth. In order to promote the continuous strengthening of water management capabilities and improve water efficiency, the Group has adopted various measures to reduce consumption at source or recycle water for reuse. We have posted signs at water taps to enhance the initiatives of the employees to conserve water, and we have also stepped up inspection of water pipes and industrial water points. We will immediately notify the relevant personnel to repair the equipment if problems are found. We also recycle cooling water in the production process to achieve effective recycling of wastewater. During the Reporting Period, the Group's water consumption was 28,473.00m³ and the density was 0.33m³ per RMB ten thousand of revenue.

The Group has obtained the relevant drainage permits to certify that wastewater in the production process is treated in strict accordance with the Tier 1 standard of the "Integrated Sewage Discharge Standard". Through the establishment of internal procedures such as the "Wastewater, Waste Gas and Noise Control Procedures", it is required that all wastewater shall undergo tertiary treatment at wastewater treatment facilities before discharge. We strictly prohibit the washing of vehicles in the plant and require our employees to use rags to wipe off oil and chemicals on the floor to prevent them from flowing into the sewers.

Target Progress

Emission reduction target (target year: 2030)	Base year data	Data of the Year	Target Progress
To reduce electricity consumption (kWh) by 30%, with 2017 as the base year	14,119,121.00 (base year: 2017)	14,232,975.00	To meet the target, we expect to slash the consumption by approximately 30.6% starting from 2022
To reduce water consumption (m ³) by 20%, with 2017 as the base year	17,138.00 (base year: 2017)	28,473.00	To meet the target, we expect to slash the consumption by approximately 51.8% starting from 2022

Coping with Climate Change

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

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

Counter-measures

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



During summer in July, the highest outdoor temperature in Changzhou reached 40°C. Mr. Pan Hongjie, deputy secretary of Luoyang Town Committee and Mayor of Luoyang Town, Wujin District, and Ms. Fei Yeqing, chairman of the Labour Union, on behalf of Luoyang Town Committee and Town Government, sent summer heat prevention and cooling materials to the employees of Nanfang Communication, expressing their condolences to the workers who worked hard in the production line in summer and thanking them for their perseverance and dedication.

Environmental Performance

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

	Unit	2022	2021
Air emissions²			
Nitrogen oxides	kg	33.70	54.24
Sulfur oxides	kg	0.33	0.59
Particulate matter	kg	3.02	4.67
Energy consumption			
Electricity	kWh	14,232,975.00	12,935,295.00
Intensity	kWh per RMB ten thousand of revenue	164.92	295.11
Unleaded gasoline	litre	17,378.00	36,730.00
Intensity	litre per RMB ten thousand of revenue	0.20	0.84
Diesel oil	litre	4,538.00	3,138.00
Intensity	litre per RMB ten thousand of revenue	0.05	0.07
Greenhouse gas emissions			
Scope 1 ³	tCO ₂ e	53.96	95.37
Scope 2 ⁴	tCO ₂ e	8,683.54	10,246.05
Scope 3 ⁵	tCO ₂ e	31.93	29.85
Total	tCO ₂ e	8,769.43	10,371.26
Intensity	tCO ₂ e per RMB ten thousand of revenue	0.10	0.24
Water consumption			
Total	m ³	28,473.00	35,441.00
Intensity	m ³ per RMB ten thousand of revenue	0.33	0.81
Waste			
Hazardous waste	tonnes	6.03	5.70
Intensity	tonnes per RMB ten thousand of revenue	0.00007	0.00013
Non-hazardous waste ⁶	tonnes	47.25	47.40
Intensity	tonnes per RMB ten thousand of revenue	0.0005	0.001
Material consumption			
Office paper	tonnes	2.45	2.93
Intensity	tonnes per RMB ten thousand of revenue	0.00003	0.00007
Packaging material (wood)	tonnes	2,646.35	2,938.14
Intensity	tonnes per RMB ten thousand of revenue	0.03	0.07

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

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

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

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

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

APPENDIX – HKE_x ESG REPORTING GUIDE CONTENT INDEX

General Disclosures and KPIs of the HKE _x ESG Reporting Guide		Explanation/Reference Section
Aspect A Environmental		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes.	CREATING VALUE FOR THE ENVIRONMENT
KPI A1.1	The types of emissions and respective emissions data.	CREATING VALUE FOR THE ENVIRONMENT - Emissions Management, Environmental Performance
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Emissions Management, Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Waste Management, Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Waste Management, Environmental Performance
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	CREATING VALUE FOR THE ENVIRONMENT
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	CREATING VALUE FOR THE ENVIRONMENT - Waste Management

General Disclosures and KPIs of the HKEx ESG Reporting Guide		Explanation/Reference Section
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	CREATING VALUE FOR THE ENVIRONMENT
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Use of Resources, Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	CREATING VALUE FOR THE ENVIRONMENT - Use of Resources, Environmental Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	CREATING VALUE FOR THE ENVIRONMENT - Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	CREATING VALUE FOR THE ENVIRONMENT - Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.	CREATING VALUE FOR THE ENVIRONMENT - Environmental Performance
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	CREATING VALUE FOR THE ENVIRONMENT
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	CREATING VALUE FOR THE ENVIRONMENT
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	CREATING VALUE FOR THE ENVIRONMENT - Coping with Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	CREATING VALUE FOR THE ENVIRONMENT - Coping with Climate Change

General Disclosures and KPIs of the HKEx ESG Reporting Guide		Explanation/Reference Section
Aspect B Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	CREATING VALUE FOR EMPLOYEES – Labour Relations
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	CREATING VALUE FOR EMPLOYEES
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	CREATING VALUE FOR EMPLOYEES
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	CREATING VALUE FOR EMPLOYEES – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	CREATING VALUE FOR EMPLOYEES – Health and Safety
KPI B2.2	Lost days due to work injury.	CREATING VALUE FOR EMPLOYEES – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	CREATING VALUE FOR EMPLOYEES – Health and Safety

General Disclosures and KPIs of the HKEx ESG Reporting Guide		Explanation/Reference Section
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	CREATING VALUE FOR EMPLOYEES – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	CREATING VALUE FOR EMPLOYEES – Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	CREATING VALUE FOR EMPLOYEES – Training and Development
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	CREATING VALUE FOR EMPLOYEES – Labour Relations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	CREATING VALUE FOR EMPLOYEES – Labour Relations
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	CREATING VALUE FOR EMPLOYEES – Labour Relations
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain
KPI B5.1	Number of suppliers by geographical region.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain

General Disclosures and KPIs of the HKEx ESG Reporting Guide		Explanation/Reference Section
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Green Supply Chain
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.4	Description of quality assurance process and recall procedures.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Customer-oriented

General Disclosures and KPIs of the HKEx ESG Reporting Guide		Explanation/Reference Section
B7 Anticorruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN – Business Ethics
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	CREATING VALUE FOR THE COMMUNITY
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	CREATING VALUE FOR THE COMMUNITY
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	CREATING VALUE FOR THE COMMUNITY