

# SAFTOWER

—— 蜀塔集团 ——

中國蜀塔國際控股集團有限公司

China Saftower International Holding Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 8623



# 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Introduction

### Report Overview

China Saftower International Holding Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**we**” or “**our**”) is a regional manufacturer and supplier of wires and cables, with integrated production facilities situated in Chengdu and Guangyuan of Sichuan Province, the PRC. The Group’s products can be broadly classified into four categories: (i) finished wires and cables; (ii) semi-finished wires; (iii) aluminium products; and (iv) other products, which comprise cable accessories. The Group’s portfolio of finished wires and cables products comprises classic and special products.

This Environmental, Social and Governance Report (this “**Report**”) summarizes the Group’s initiatives, plans and performance in environmental, social and governance (“**ESG**”) and demonstrates its commitment to sustainable development. The Group adheres to a sustainable approach to ESG management and is committed to the effective and responsible management of the Group’s ESG issues as a core part of its business strategy, as we believe this is the key to our continued success in the future.

### ESG Governance Structure

The management of the Group values environmental, social and governance issues and is committed to integrating sustainable development into its business operations during the reporting period. The relevant staff is responsible for collecting relevant information on our ESG aspects for the preparation of this Report. Senior management reports to the Board of Directors (the “**Board**”) to help identify and assess the ESG risks and the effectiveness of the Group’s internal control mechanisms, and also to review and assess our performance in ESG areas for different aspects including environmental, health and safety, labour standards and product responsibility. The Board sets the general direction of the Group’s ESG strategies and ensures the effectiveness of ESG risk control and internal control mechanisms. The senior management has confirmed to the Board of the Company that the relevant ESG risk management and internal control systems were effective and sufficient during the reporting period.

### Report Framework

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 20 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

The Group’s corporate governance practices are set out in the Corporate Governance Report on pages 14 to 23 of the Group’s Annual Report 2020.

### Reporting Period

This Report details the ESG activities, challenges and initiatives achieved by the Group for the year ended 31 December 2020 (the “**Reporting Period**”).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Reporting Scope

This report will cover the Group's efforts and contributions to the environment and society, covering the Group's plants in Guangyuan and Chengdu, the Group's main operating locations in the PRC, as well as the offices of the head office in Chengdu. Save as otherwise specified, we obtained ESG key performance indicators ("KPIs") through the Group's operational control mechanisms. After the Group's data collection system becomes more mature and its sustainability development work is deepened, the Group will continue to expand the scope of disclosure in the future.

## Stakeholder Engagement

We maintain ongoing communication with various stakeholders including shareholders and investors, employees, customers, suppliers and subcontractors, the community and the public, as well as regulators and government agencies, in an effort to balance the views and interests of all parties in order to set the long-term direction for us and the communities in which we operate.

The Group's communication channels with key stakeholders and their expectations and concerns about the Group are as follows:

Stakeholders	Expectations and concerns	Communication channels
Shareholders and investors	<ul style="list-style-type: none"><li>• Compliance with laws and regulations</li><li>• Risk management</li><li>• Corporate governance system</li><li>• Investment return</li><li>• Information transparency</li></ul>	<ul style="list-style-type: none"><li>• Annual general meetings and other general meetings</li><li>• Financial Reports</li><li>• The Group's announcements and notices</li><li>• The Group's website and email</li><li>• Meetings/conference calls</li></ul>
Employees	<ul style="list-style-type: none"><li>• Entitlements and benefits</li><li>• Employee health and safety</li><li>• Career development and training</li><li>• Labour rights</li><li>• Corporate culture</li></ul>	<ul style="list-style-type: none"><li>• Training and seminars</li><li>• Regular performance evaluation</li><li>• Employee suggestion box</li><li>• Internal announcements and newsletters</li><li>• Cultural and sports activities</li><li>• Work sessions/special sessions</li><li>• Career development communication mechanism</li></ul>
Customers	<ul style="list-style-type: none"><li>• Safe and quality products</li><li>• Customer service</li><li>• Compliance with laws and regulations</li></ul>	<ul style="list-style-type: none"><li>• Customer support hotline and email</li><li>• Meetings</li><li>• Customer satisfaction survey</li><li>• Visits and communication</li></ul>
Suppliers and subcontractors	<ul style="list-style-type: none"><li>• Fair competition</li><li>• Stable demand</li><li>• Maintenance of a good relationship with the Company</li><li>• Corporate social responsibility</li></ul>	<ul style="list-style-type: none"><li>• Business meetings, emails and phone calls</li><li>• Audit and evaluation</li><li>• Opinion survey</li><li>• Instant messaging software</li></ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Expectations and concerns	Communication channels
Community and public	<ul style="list-style-type: none"> <li>• Information transparency</li> <li>• Environmental protection</li> <li>• Community engagement</li> <li>• Economic development</li> </ul>	<ul style="list-style-type: none"> <li>• Community events</li> <li>• Environmental, Social and Governance Report</li> <li>• Media</li> <li>• Press releases/announcements</li> <li>• Results announcement</li> <li>• Management interviews</li> </ul>
Regulators and government agencies	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Promotion of economic development and employment</li> <li>• Fulfillment of tax liabilities</li> <li>• Stable business operations</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance advisors</li> <li>• Site visits</li> <li>• Financial Reports</li> <li>• Progress reports</li> <li>• Meetings</li> <li>• Contact by phone/email</li> <li>• Supervision and inspection</li> </ul>

We are committed to working and communicating with our stakeholders to enhance the Group's ESG performance and to continue to create greater value for our country and society.

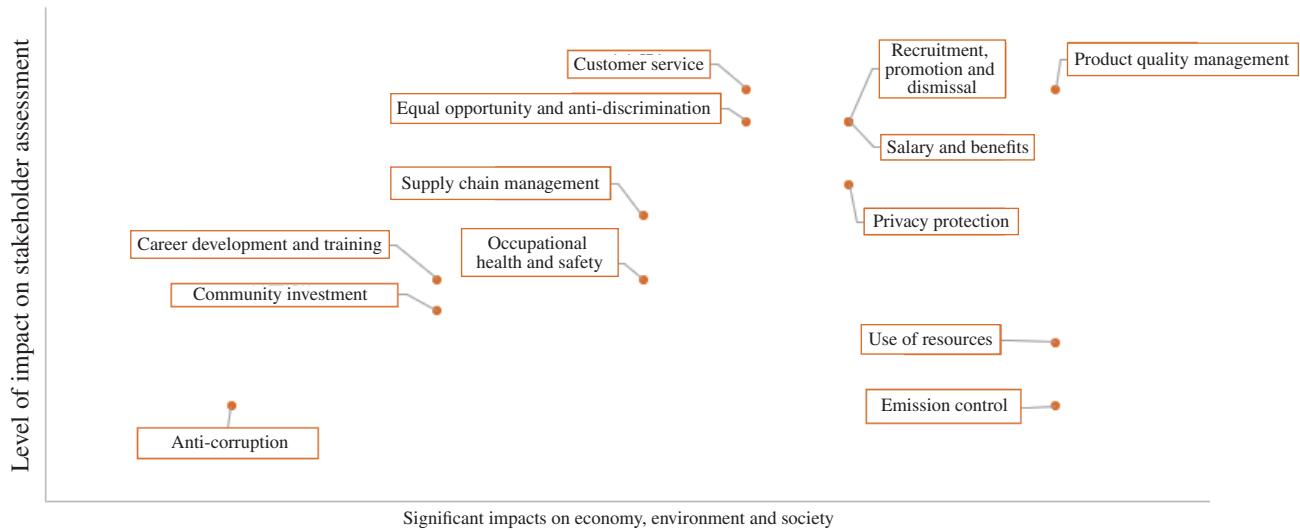
## Evaluation of important areas

The management and staff of each of the Group's key functions have been involved in the preparation of this Report to assist the Group in reviewing its operations and identifying relevant ESG issues. In order to better understand stakeholders' views and expectations of the Group's ESG performance, we have developed a questionnaire based on ESG key issues. We distributed questionnaires to the Group's stakeholders, including but not limited to employees and management, and analysed the results of the questionnaires and compiled a materiality matrix.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following is a matrix of the significant ESG issues of the Group as set out in this report:

Matrix of significant ESG issues for the Group



During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and control systems for ESG matters and that the disclosures made were in compliance with the requirements of the ESG Reporting Guide.

## A. Environment

### Emissions

The Group adheres to a sustainable development strategy in its operations, emphasizes good environmental management, and has established procedures to protect the environment and make every effort to reduce the environmental impact of existing business activities, while supporting nature and environmental conservation programmes. During the Reporting Period, the Group was not aware of any material breach of the relevant laws and regulations on environmental protection that have a significant impact on the Group, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Promoting Clean Production, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution. In addition, the Group has strictly complied with all national and local standards on emission control, pollution and discharge to surface and groundwater, and noise control.

## **Emission control**

### *Air emission*

In the course of the Group's operations, emissions are mainly from fuel consumed for transportation, which mainly includes nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>) and particulate matter (PM). To address the above-mentioned emissions, the Group is actively taking the following emission reduction measures.

- We replaced the original high energy-consuming daily office vehicles with economical vehicles and the daily delivery vehicles with new energy vehicles, thereby significantly reducing emissions;
- We take good care of the vehicles to ensure that they are in the best possible condition. We perform checks on the tire pressure and motor oil. We improve the efficiency of the vehicles by removing heavy objects from the vehicles when we don't need them;
- We pay attention to the oil-discipline coordination when driving, ensure the vehicles are kept at the economic speed, and try to start smoothly. We try to avoid idling the engine when waiting in line, in a traffic jam or waiting for passengers. If the vehicle is to be stopped for over 1 minute, then the engine should be turned off.
- Our production department is equipped with dust removal facilities in the relevant workshops where exhaust and dusts are produced, such as installing exhaust fans and ventilations in the operating room to effectively control the steam, fumes, and dust generated in the cooking, baking and dust and other processes; and
- The production department conducts regular inspection and maintenance of equipment, piping and valves to maintain good air tightness of the devices.

Through the implementation of the measures above, the employees' emission reduction awareness has been increased.

The summary of the Group's air emissions performance for the Reporting Period is set out below:

<b>Types of emissions</b>	<b>Unit</b>	<b>Emissions</b>
NO <sub>x</sub>	kg	152.45
SO <sub>x</sub>	kg	0.35
PM	kg	12.83

### *Greenhouse gas ("GHG") emissions*

The Group's GHG emissions are mainly from fuel consumed by traffic and transportation as well as mobility machines, natural gas consumed by canteens and boilers (Scope 1) and energy indirect GHG emissions from purchased electricity (Scope 2). The Group actively adopts electricity saving and energy saving measures to reduce GHG emissions, which include strict control over the use of air-conditioning and the usage of production equipment, as described in the section headed "Energy efficiency" in Aspect A2. Through the implementation of the measures above, the employees' carbon reduction awareness has been increased.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The summary of the Group's GHG emissions performance for the Reporting Period is set out below:

Indicators <sup>(1)</sup>	Unit	Emissions
Direct GHG emissions (Scope 1)	tonnes of CO <sub>2</sub> equivalent	94.86
<ul style="list-style-type: none"> <li>Fuel consumed by traffic and transportation</li> <li>Fuel consumed by mobility machines</li> <li>Natural gas consumed by canteens and boilers</li> </ul>		
Indirect GHG emissions (Scope 2)	tonnes of CO <sub>2</sub> equivalent	1,912.90
<ul style="list-style-type: none"> <li>Purchased Electricity</li> </ul>		
<b>Total (Scopes 1&amp;2)</b>	<b>tonnes of CO<sub>2</sub> equivalent</b>	<b>2,007.76</b>
Intensity (Scopes 1&2)	tonnes of CO <sub>2</sub> equivalent/million in revenue <sup>(2)</sup>	3.87

(1) GHG emissions data are presented in terms of carbon dioxide equivalent with reference to The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard from the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD), the newly released China regional grid baseline emission factors, the global warming potential (GWP) values in the Fifth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC), and How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs published by the Stock Exchange.

(2) During the Reporting Period, the Group's total revenue was approximately RMB518.16 million. The data will be used to calculate other density data.

## Waste Management

The Group adheres to the principles of waste management and strives to manage and dispose of waste generated from its business activities in a rational manner to reduce the impact of waste on the environment. The Group strictly complies with the relevant environmental laws and regulations and will maintain high standards in waste reduction and encourage employees to be aware of the importance of sustainable development, thereby achieving the goal of waste reduction at source. In order to reduce the pollution generated by solid waste to the environment, hazardous waste and non-hazardous waste are specified in accordance with the type of storage location and disposal methods.

### Hazardous waste

The Group's hazardous waste mainly arises from the manufacturing process of electric wires and cables, and the hazardous waste generated during the production process is mainly waste mineral oil and waste activated carbon. The Group standardizes the management and disposal of hazardous wastes generated by each department and sets up special facilities for separate collection, storage and keeping. All sites where hazardous waste is stored have dedicated staff to enhance management and to register hazardous waste. In order to reduce the pollution caused by hazardous waste to the environment, the Procurement Department will notify the suppliers to collect the waste centrally or hire a qualified hazardous waste collector to handle the waste. The staff will also keep the equipment hygienic at all times, make sure the oil supply system is intact and normal and the amount of oil is reasonably filled to eliminate overflows and drippings. Based on the above policies, the awareness of waste reduction among employees has been effectively enhanced.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The summary of the Group's hazardous waste disposal performance during the Reporting Period is set out below:

Type of hazardous waste	Unit	Amount disposed of
Waste mineral oil	tonne	0.20
Waste activated carbon	tonne	0.20
<b>Total</b>	<b>tonne</b>	<b>0.40</b>
Intensity	tonne/million in revenue	0.00077

## Non-hazardous waste

As a wire and cable manufacturer, the Group's non-hazardous waste mainly includes waste copper, waste aluminium, waste plastic pellets, waste wood pallets, domestic waste, food waste and office paper. The Group identifies waste in its daily production and business processes and reduces or eliminates waste by means of project controls to reduce the amount of waste generated, thereby reducing the overall amount of waste generated. At the same time, the Group has adopted environmental measures to reduce paper consumption in its operations. We encourage our employees to use double-sided printing or photocopying whenever possible, and to communicate externally through internal email and electronic format documents to conserve paper. With the above policies, the awareness of waste reduction among employees has been effectively enhanced.

Due to the limitation of the data collection system, the Group could not collect the waste wood pallets in tonnes. The Group will continue to improve its data collection system in the next few years. The summary of the Group's non-hazardous waste disposal performance during the Reporting Period is set out below:

Type of non-hazardous waste	Unit	Amount disposed of
Obsolete copper (blue, yellow copper), obsolete aluminium	tonne	18.48
Waste plastic pellets	tonne	16.02
Domestic waste	tonne	5.72
Food waste	tonne	5.30
Paper	tonne	0.78
<b>Total</b>	<b>tonne</b>	<b>46.30</b>
Intensity	tonne/million in revenue	0.09
Waste wood pallets	pallet	120
Intensity	pallet/million in revenue	0.23



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Use of resources

The Group integrates resource conservation and environmental protection concepts into its business operations and is committed to optimizing the use of resources in all its business and production operations. The Group focuses on the management of major energy-consuming equipment and standardizes the equipment operation process in order to fully and effectively utilize energy.

## Energy efficiency

The energy consumed by the Group in the course of its operations includes fuel consumed by traffic and transportation as well as mobility machines, natural gas consumed by canteens and boilers and purchased electricity. In order to reduce the consumption of energy and other resources and improve the sustainability of production and operation, the Group has prepared the Environmental Management Operation Control Procedures in accordance with the relevant environmental laws and regulations to conserve energy and resource consumption through controlling and assessing the usage of energy and resources, and to implement various energy saving and emission reduction management regulations.

For the operation of electricity, the Group will consider the performance of production equipment in terms of energy saving when selecting the equipment and prioritize the equipment with mature technology and low energy consumption. At the same time, the Group requested all departments to strengthen their electricity consumption management and establish a sustainable concept of energy conservation among employees. Each production department should also use production equipment with variable frequency control technology as much as possible, and the Facilities Management Department should take good care of the maintenance and repair of electricity equipment to ensure that the equipment can maintain high efficiency in order to achieve electricity saving. The person in charge of each department should turn off the power of all electronic equipment before the end of each day, and require employees to turn off the lights before leaving to avoid wasting power. The temperature of the air conditioner should not be lower than 26°C during summer and not higher than 20°C during winter.

For the natural gas used in the canteen, the Group reasonably distributed the amount of meals to reduce the use of natural gas. As for the fuel consumed by vehicles and mobility machines, in addition to the measures described in the section headed “Emission Control” in Aspect A1, the Group will also rationalize the arrangement of travel of its employees, such as using public transportation as much as possible and grouping employees when using the Company’s vehicles. Through the implementation of these measures, employees’ awareness of energy conservation has been increased.

The summary of the Group’s energy consumption performance during the Reporting Period is set out below:

Types of energy	Unit	Consumption
<b>Direct energy consumption</b>	<b>MWh</b>	<b>386.81</b>
Petrol	MWh	152.38
Diesel	MWh	109.72
Natural gas	MWh	124.71
<b>Indirect energy consumption</b>	<b>MWh</b>	<b>2,227.67</b>
Purchased Electricity	MWh	2,227.67
<b>Total</b>	<b>MWh</b>	<b>2,614.48</b>
Intensity	MWh/million in revenue	5.05

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Water consumption**

In order to conserve water resources, the Group has been promoting water conservation to its employees and recycling cooling water during operation to enhance employees' awareness of water conservation. In addition, the Group also requires the Facilities Management Department to formulate relevant measures to urge the relevant departments to conduct regular inspections of the drainage pipes and deal with all irregularities in a timely manner to reduce wasting water resources. The domestic water is treated in septic tanks and used for agricultural irrigation. Through the implementation of these measures, employees' awareness of water conservation has been increased.

Due to the geographical location of its operations and the nature of its business, the Group does not have any issues in sourcing water that is fit for purpose.

The summary of the Group's water consumption performance during the Reporting Period is set out below:

<b>Water consumption</b>	<b>Unit</b>	<b>Consumption</b>
Total water consumption	m <sup>3</sup>	19,036
Water consumption intensity	m <sup>3</sup> /million in revenue	36.74

## **Use of packaging materials**

The Group produces a wide range of products, and therefore it is not possible to calculate the packaging materials consumed by each individual production unit. Moreover, due to the limitation of the data collection system, the Group was not able to collect all the packaging materials in tonnes. The Group will continue to improve its data collection system in the next few years. During the Reporting Period, the major packaging materials used by the Group included woven fabric, packing tape, cable paper, wood-related packaging materials, bamboo curtains and plastic pockets. Among them, the total amount of woven fabric, packing tape and cable paper was 24.73 tonnes, the total amounts of bamboo curtain for the Chengdu plant and the Guangyuan plant were 16.02 tonnes and 3,450 sheets, respectively, the total amount of wood-related packaging materials (such as all-wood trays and iron-wood trays) was 12,965 pieces, and the total amount of plastic pockets was 840 pieces.

## **The environment and natural resources**

The Group continues to pursue environmental protection and focuses on the impact of its operations on the environment and natural resources. We integrate the concept of environmental protection into our internal management and daily operation activities, and strive to reduce our impact on the environment. Our manufacturing processes generally do not generate large amounts of hazardous waste, wastewater or other industrial waste. As a result, the Group's production processes have limited negative impact on the environment. However, the Group has taken various measures to ensure its compliance with applicable environmental laws and regulations, including (i) making sure that the wastewater is treated in accordance with national standards before discharge; (ii) managing non-hazardous and hazardous wastes separately; and (iii) implementing noise isolation for major machinery.

For noise emissions, maintenance of equipment should be enhanced during production to ensure good lubrication and all equipment should work in a noise-free condition. When new equipment is to be added, the noise index should also be evaluated and priority should be given to equipment with low noise levels. We have taken measures to reduce noise emissions from equipment that emits strong noise, and we have enhanced the maintenance of forklifts to reduce transport noise. We also conduct noise monitoring of the plants annually and provide timely advice or measures for improvement if abnormalities are found.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group has an Environmental Factors Identification and Assessment Control Procedure, which identifies environmental factors that can be controlled or affected by the Group's activities, products and services in the past, present and future in eight areas, including "emissions to air", "emissions to water", "emissions to land" and "use of raw materials and natural resources", and controls and updates them in a timely manner to ensure that the environmental impact of the Group's operations is minimised. The Group has also formulated the Air Emission and Solid Waste Management Policy to regulate the management of air emission and solid waste pollutants, improve the working environment, reduce the generation of the three wastes and the pollution caused to the environment, and protect the physical and mental health of personnel.

## B. Social

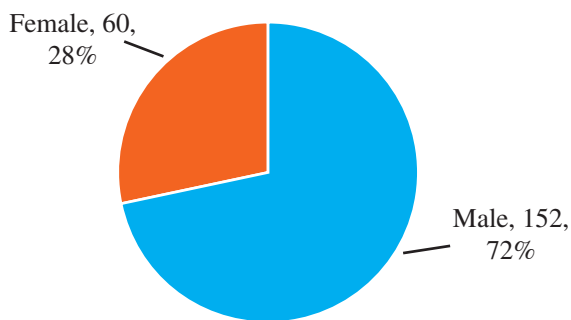
### Employment

Human resources are the core of the Group's greatest and most valuable asset and competitive advantage, and the Group's sustainable growth relies on good recruitment and retention practices. The Group adheres to a people-oriented approach, respects and protects the legitimate rights and interests of its employees, actively promotes diversity in the workplace and strives to create a friendly and harmonious working environment.

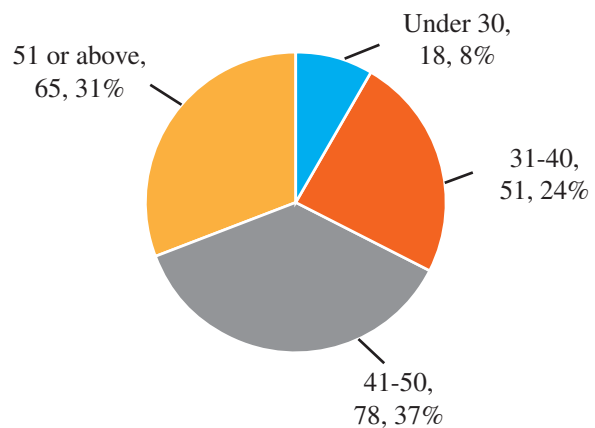
During the Reporting Period, the Group was not aware of any material breach of laws and regulations related to employment that have a material impact on the Group, including but not limited to the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China.

As at 31 December 2020, the Group had 212 full time staff workers, all working in Mainland China, with the following breakdown:

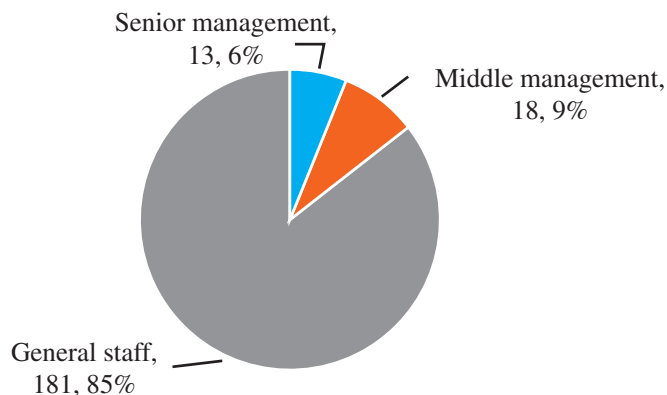
Number of employees by gender



Number of employees by age



Number of employees by employment type



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group's overall employee turnover rate was approximately 25%, with the following breakdown:

Category	Number of employees	Turnover rate
<b>Gender</b>		
Male	32	21%
Female	21	35%
<b>Age Group</b>		
<30	7	39%
30-39	14	27%
40-49	12	15%
>50	20	31%
<b>Region</b>		
The PRC	53	25%

The Group has established relevant personnel management policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, and is committed to safeguarding the welfare of its employees. The Group also encourages and advocates diversity of employees and strives to reduce unfair treatment so that they can actively integrate their personal pursuits into the long-term development of the Group. We have formulated the Labour and Personnel Management Policy in accordance with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Basic Internal Control Norms for Enterprises and other relevant laws and regulations to clearly define the recruitment conditions, remuneration, working hours and leaves, other entitlements, benefits and post-employment management, and are committed to providing equal opportunities in the cultivation of talents.

## ***Salary and benefits***

The Group has established a fair, just, reasonable and competitive remuneration system and remunerates its staff based on the principles of fairness, competition, motivation, reasonableness and lawfulness. The remuneration package for our employees includes salary, commission, bonus and allowances. In addition, the Group signs and fulfils labour contracts with its employees in accordance with the Labor Contract Law of the People's Republic of China in accordance with the law. The Group contributes to "5 insurances and 1 fund", the endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, for its employees in accordance with the law to ensure that employees are protected by social insurance. The Group practically protects the legitimate rights and interests of labourers in accordance with the requirements of the Labor Law of the People's Republic of China and other relevant national and local laws and regulations, respects the rights of employees to rest and leave, and regulates the working hours of employees and their rights to various types of rest periods and holidays.

## ***Recruitment, promotion and dismissal***

The Group has been actively implementing the strategy of strengthening the enterprise with talented professionals and has been establishing and improving the talent recruitment and selection system. In accordance with the provisions of the Labor Law of the People's Republic of China and based on the principle of "fairness, impartiality and openness" in the employment environment and recruitment conditions, the Group conducted a comprehensive assessment of those who met the employment requirements for the positions and determined the employment results after a rigorous recruitment process.

The Group has clearly set out the principles of promotion in the Labour and Personnel Management Policy and strives to provide every employee with opportunities for promotion and advancement in accordance with the actual needs of its operation and management. The Group believes that moral and performance are of equal importance. We give promotion and advancement to outstanding staff based on the annual appraisal results, work ability, development potential, moral quality and overall quality. The Group also has clear procedures for the termination, dismissal and retirement of employees. For employees who have reached the retirement age stipulated by the State, their employment contracts with the Company are terminated and the Human Resources Department handles the retirement procedures for them in accordance with the law.

## ***Equal opportunity and anti-discrimination***

The Group provides equal employment opportunities and fair treatment in employment, does not make discriminatory demands, does not discriminate against any employee at work on the basis of gender, race, marriage, physical condition, family name, geography, religious beliefs, and other aspects and protects the right of workers to equal employment. We endeavour to provide fair treatment to our employees at every stage of recruitment, remuneration, training, promotion, termination of employment contracts and retirement. We also strive to recruit professionals from different backgrounds to join the Group, to eliminate identity discrimination, to make anti-discrimination our social responsibility and to strongly prohibit any unfair treatment.

## ***Health and safety***

The Group pays great attention to the health and safety of its employees and is committed to providing them a healthy, safe and comfortable working environment. We aim to protect the safety and health of our employees at work by eliminating all potential health and safety hazards in the workplace and by managing all aspects of safety.

During the Reporting Period, the Group was not aware of any material breach of relevant laws and regulations on health and safety that have a significant impact on the Group, including but not limited to the Labor Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Fire Control Law of the People's Republic of China. The Group did not have any accidents resulting in death or serious dismemberment and no work-related loss of days during the Reporting Period, and no claims or compensation were paid to our employees as a result of such events.

## ***Occupational health and safety***

We are committed to providing a healthy and safe working environment for all staff, insisting on the principle of “safety first, prevention is the key”, implementing the responsibility system for safe production, focusing on safety management to ensure personal safety and machine safety, and practically achieving the principles of three no-harms (no harm to others, to yourself, and from others) and three no-give-ups (not giving up until the cause of the accident is clarified, until the person responsible for the accident is educated and those who should be educated are educated, and until the person responsible for the accident is punished). In addition, we strictly prohibit unauthorised operation and instruction, and we always check the safety equipment and protect it in accordance with the regulations. At the same time, all safety precautions are taken as required during the production process. We do not allow the normal operating procedures of the machine to be violated, always remember that personal safety and machine safety are the first priority. We wear ear plugs and masks in work areas with exhaust gases, dust and high noise levels, and should wear the correct protective items as required.

New employees must undergo safety training and skills training and be assessed by the production authority before they are allowed to start work. All employees on the production site are required to undergo the necessary safety and technical training and be qualified. For staff whose work involves the use of combustible materials (such as acetylene, oil, oxygen and lacquer thinner), we require them to be familiar with the properties of these materials and the rules for fire and explosion protection.

We also encourage our staff to do the “three checks” before they start work, which is to check safety concepts, safety measures and safety equipment, and every staff has the right to refuse to perform work that may cause injury (such as equipment with serious potential hazards that may cause personal injury, dangerous operations with inadequate safety measures). At the same time, we are trying to eliminate and stop habitual violations. We make every employee consciously aware of the importance of safe production. Safety helmets must also be worn by workers during the installation of equipment and lifting of goods or during dangerous operations to avoid injury to personal safety.

The Group strictly complies with the Work Safety Law of the People’s Republic of China and other relevant regulations, and has also obtained OHSAS 18001 certification and developed a Production Safety Management Policy to ensure that our operations comply with applicable production safety laws and regulations and prevent production accidents from occurring. The Group’s safety management team conducts regular safety inspections of production facilities, and production equipment and machinery are equipped with protective devices and warning labels to ensure compliance with safety regulations and safe operation. Production staff receive regular training on the operation of production equipment and occupational safety equipment. We have complied in all material respects with all applicable occupational health and safety laws and regulations.

## ***Our response to the COVID-19 pandemic (the “COVID-19 pandemic”)***

The global outbreak of the COVID-19 pandemic during the Reporting Period posed a serious health risk. The Group takes the potential health and safety impact of the COVID-19 pandemic on its employees and customers very seriously. In order to ensure the safety and health of all staff, the Group monitored the situation closely at the beginning of the pandemic and made its best efforts to minimize the risk of cross-infection among staff and promptly set up a pandemic prevention and control working group led by the executive directors to implement various preventive measures, including:

- To improve the environmental hygiene of the Chengdu plant, the Guangyuan plant and the office buildings through regular cleaning and disinfection of all areas including offices, production plants, laboratories, canteens and washrooms;



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- To require all staff to undergo mandatory temperature checks before and after work every day;
- To minimise face-to-face meetings; and
- To require our staff to wear masks at all times during work and to report to us immediately when they feel unwell.

The Group also made detailed deployments and arrangements for the return of staff and post-holiday security and resumption of work after the holiday.

## Development and training

The Group focuses on achieving a positive atmosphere for the cultivation, selection and use of talents, and provides each employee with a career path that suits his or her own development and capabilities. We provide on-the-job training and other opportunities to enhance the skills and knowledge of our management and employees. Employees also are to attend external professional training on a regular basis to meet the different needs of different levels and functions of employees, to enhance their skills and to promote the continuous development of the Group's human resources, as well as to help them grow and develop as individuals.

### *Career development and training*

The Group has established training-related procedures to govern the management of staff training. For frontline production staff, in order to ensure that each employee fully understands his or her responsibilities in the production plant, the Group actively arranges for staff to participate in focused training, which includes explaining to staff the main responsibilities and important points to note in each position to enhance their productivity. To ensure that our employees keep up to date, the Group also conducts regular courses for staff on the new version of the wire and cable standards. In addition, the Group also arranges fire drills on a regular basis to test the quick response capability of staff in various positions, enhance their ability to respond quickly to actual fires and strengthen their awareness of fire prevention through on-site fire fighting and self-rescue drills.

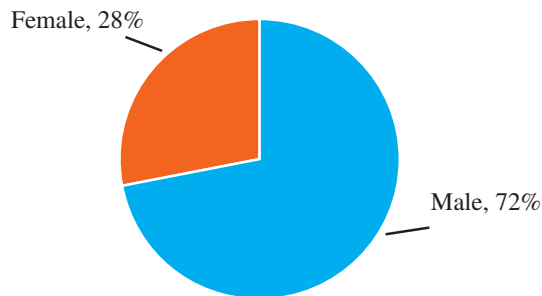
In May 2020, in order to enhance the awareness of fire safety among all staff, promote fire safety knowledge and advance the fire safety promotion work of the Group, we invited the instructor of Deyuan Fire Service Squadron to conduct fire safety training seminars and fire drills. The seminar illustrated the importance of promoting fire safety knowledge and awareness in the form of videos, photos and texts, and all staff further enhanced their fire safety awareness and mastered basic fire fighting knowledge and skills. Under the guidance of the fire-fighting instructor, an evacuation and escape drill and a fire-fighting drill with fire extinguishers were conducted.



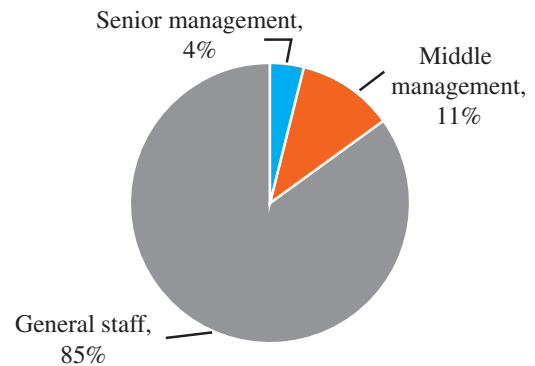
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group had 129 trained employees, representing a training rate of 61%. Specific information on staff training (calculated as 100% of the total for the same category) is as follows:

## Percentage of employees trained by gender



## Percentage of employees trained by employment type



The average number of hours of training completed by each employee during the Reporting Period, by gender and employment type, is as follows:

Category	Total training hours	Average training hours
<b>Gender</b>		
Male	6,475	42.60
Female	2,077	34.62
<b>Employment type</b>		
Senior management	352	27.08
Middle management	1,280	71.11
General staff	6,920	38.23

## Labour standards

During the Reporting Period, the Group was not aware of any material breach of relevant laws and regulations on the prevention of child labour or compulsory labour that have a significant impact on the Group, including but not limited to the Labor Law of the People's Republic of China, the Provisions on the Special Protection on Juvenile Workers and the Provisions on the Prohibition of Using Child Labor of the People's Republic of China.

## ***Prevention of child labour and forced labour***

The Group strictly prohibits the employment of any child labour and requires new employees to provide true and accurate personal information when they join the Group. Recruiters strictly check entry data, including academic proof, identity card and account details. The Group has well-established recruitment processes that require checking of candidates' backgrounds to prevent any child labour or forced labour in its operations. The Human Resources Department will ensure that identity documents are carefully checked. If a breach is involved, it will be dealt with as appropriate.

In addition, employees work overtime on a voluntary basis to avoid violating labour standards and to protect their rights and interests, and we are required to provide overtime pay or paid leave. The Human Resources Management Department will also regularly check records of working hours and if overwork is found, it will be investigated immediately.

## **Supply chain management**

The Group highly values the management of potential environmental and social risks in the supply chain. As such, the Group has established a stringent procurement policy system and supplier selection process to more effectively regulate and monitor the supply chain and procurement process.

## ***Supplier management***

We identify suitable suppliers based on actual requirements, and collect information on quality, material selection and price as a basis for selection. Interested suppliers are required to complete the "Basic Supplier Information Form". The procurement committee will conduct preliminary evaluation of the "Basic Supplier Information Form" and draw up a shortlist of suppliers based on the evaluation, which will be submitted to the person in charge of the Supplies Department for review and approval, and provide relevant supporting documents for toxic and dangerous goods to ensure that the suppliers comply with government laws and regulations and safety requirements.

In addition, in conjunction with other relevant departments, the Supplies Department will conduct on-site supplier evaluations and make corresponding suggestions and recommendations to ensure that the quality of the supplier is up to standard. The supplier evaluation criteria include the following four main aspects:

- i. Qualifications, operating conditions, credit rating and service of the supplier;
- ii. Payment terms requested by the supplier;
- iii. Quality of the goods; and
- iv. Prices and delivery times for procurement.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group maintains stable relationships with its various suppliers and has never encountered any significant problems in obtaining sufficient raw materials to meet its production needs. The Group also does not rely on specific suppliers for its raw materials as other suppliers are readily available for such raw materials. We also source raw materials only from qualified suppliers after assessing their track record, pricing, timely delivery, financial position, production capacity and market reputation. The Group will review the performance of suppliers annually to ensure that they maintain high standards. During the Reporting Period, the Group had five major suppliers from Mainland China.

### **Product responsibility**

The Group has obtained ISO 9001, ISO 14001 and OHSAS 18001 certifications from the China Quality Certification Centre (“CQC”) in recognition of its quality management, environmental management and occupational health and safety. The Group has also passed the China Compulsory Certification (CCC) and CQC certifications, and has been awarded honorary titles as National Production License for Industrial Products, High-tech Enterprise, Chengdu Famous Trademark and Sichuan Famous Brand Product.

During the Reporting Period, the Group was not aware of any breach of relevant laws and regulations on health and safety, advertising, labelling and privacy matters in relation to products and services that had a significant impact on the Group, including but not limited to the Product Quality Law of the People’s Republic of China, the Advertising Law of the People’s Republic of China, the Trademark Law of the People’s Republic of China, the Patent Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China, the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests and the Law of the People’s Republic of China on Technology Contracts.

### **Product quality management**

The Group has developed effective quality control systems designed to demonstrate its ability to provide products that meet customer, regulatory and legal requirements. In addition, some of the wires and cables we supply are used in public sector projects that require strict quality assurance of the power supply and distribution system, therefore we place great emphasis on the quality of our products. The Group also regularly reviews and upgrades its quality control systems from time to time to meet industry standards and to meet or exceed customer expectations.

The insulation layer of the Group’s eco-friendly wires and cables is made of unique materials that prevent the emission of harmful pollutants into the atmosphere under high temperature conditions. Eco-friendly wires and cables are not only better for the environment, they are also a safer choice. The use of fire-resistant materials also enhances the safety of eco-friendly wires and cables. The Group has obtained two patents in the development of unique wires and cables, which were the “Aluminium Alloy Eco-friendly Fire-resistant Electronic Cable” and the “Aluminium Alloy Eco-friendly Fire-resistant Cables”.

As at 31 December 2020, the Group’s quality management team has 7 members, some of whom have over 10 years of experience in the wire and cable industry. The Group conducts quality tests and checks at each major stage of the production process. During the Reporting Period, the Group did not receive any cases of recall of sold or delivered products for safety and health reasons, nor did it receive any complaints about products and services.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have adopted the following quality control measures to ensure the production of high quality and safe products:

- *Raw material inspection and test*  
We inspect and test raw materials from our suppliers in accordance with our “Inspection and Test” quality procedures prepared in accordance with ISO 9001. The purpose of these inspections and tests is to verify that the raw materials purchased, technical requirements, external conditions and other requirements are suitable for use in production. The inspections and tests are carried out by the Group’s quality control staff by sampling.
- *Production quality control*  
We carry out quality control tests at all stages of the production process, known as “in-process testing”. The objective is to ensure that the product meets quality requirements (including cable diameter, thickness, voltage testing and insulation) and that quality problems are identified and resolved in a timely manner. The unfinished products will be moved to the next production process after passing the inspection.
- *Final inspection and testing*  
We carry out quality checks on all finished products to ensure that they meet the specifications of our customers and national industry standards. Based on the specifications of the finished products, the Group conducts tests on samples from the finished products.

## **Customer service**

We always “focus on the customer” in all our work processes, fully communicate and understand customer requirements to ensure that they are identified and met. The Group’s standardised service quality, humanized service process and regulated service management provide customers with a quality and warm service experience.

We collect customer satisfaction information in the following ways:

- We regularly collect written information by having the Marketing Department organising customer satisfaction surveys and collecting information by sending Customer Satisfaction Survey Forms to customers;
- Our Marketing Department directly communicates with customers, such as holding seminars with customer representatives, making return visits to customers, and sending representatives to customers to listen to their opinions;
- We collect customer satisfaction information through customer complaints and after-sales service information; and
- We collect evaluations through higher authorities, the China Consumers Association or the media.

The information we collect is analysed statistically to identify patterns in customer satisfaction, identify gaps in relation to set targets and competitors, and summarise the main current issues. We have also established the Non-conforming Product Control Procedures to identify and control non-conforming products, prevent unintended use and delivery of non-conforming products and take appropriate action against non-conforming products. If customers find out that the product is unqualified after delivery and after the start of use, the Group will immediately recall such product. After it is confirmed as an unqualified product, it will be scrapped. Meanwhile, similar products will be inspected to ensure that the products are qualified. Once unqualified products are discovered, they will also be recalled and scrapped.

## ***Privacy protection***

The Group endeavours to protect the legitimate interests of its customers, respects the rights of its customers' information assets and strictly adheres to its customers' information security management systems and standards. The sensitive information of the Group's customers is used only for its intended purpose to avoid disclosure of customers' privacy. The relevant business personnel are trained to respect the confidentiality of customers' information and only authorised personnel have access to customers' sensitive information. The Group will not use personal data for marketing purposes or provide personal data to any person for such purposes unless with the written consent of the customer. Access to employee information systems is also restricted to authorised personnel with respect to employee privacy. In addition, employees are required to sign a confidentiality agreement and will be held liable for any unlawful disclosure of information.

## ***Intellectual property***

We continue to focus on product development and product quality improvement, and intellectual property rights play an important part in our business. In order to safeguard the efforts of the Group's development team, the Group actively applies for patents for its products and technologies in order to protect its intellectual property rights. As at 31 December 2020, we have obtained 29 registered trademarks in Mainland China and Hong Kong, and 62 patents in the PRC for the development and technical registration of wire and cable products that are significant to our business. We are committed to being a leader in our industry through continuous innovation.

During the Reporting Period, we are not aware of any material infringement of any of the Group's intellectual property rights that has adversely affected our business, nor are we aware of any pending or potential litigation or legal proceedings against us for infringement of any intellectual property rights owned by a third-party.

## ***Advertising and labelling***

The Group conducts limited advertising activities and therefore does not involve significant advertising-related risks. We strictly abide by the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other relevant laws and regulations. All information about the Group's products and businesses is subject to strict review before it is made public to eliminate any use of false information in advertising, promotion and exhibitions to mislead customers.

## ***Anti-corruption***

As a corruption-free corporate culture is vital to the Group's sustainable development, we value the anti-corruption efforts and institutional development. The Group has anti-corruption policies, including prevention of bribery, extortion, fraud and money laundering, in place and clearly stipulates the expectations of the Group for employees in relation to anti-corruption matter to ensure that the Group operates in compliance with national and industry regulations. At the same time, the Group strives to create a fair, open, impartial, standardised and efficient internal management environment and requires its employees, especially the management, to adopt honesty, integrity and honesty as the most basic standards of conduct. The Group will investigate suspicious cases and will take the necessary disciplinary and legal action once identified.

During the Reporting Period, there were no concluded corruption proceedings against the Group or its employees. Furthermore, the Group is not aware of any material breach of relevant laws and regulations on bribery, extortion, fraud and money laundering that have a significant impact on the Group, including but not limited to the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Company Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China.

## ***Community investment***

The Group believes that giving back to the community by participating in social activities and contributing to society is a form of corporate citizenship. As a member of the community, the Group has always been committed to the concept of public welfare, taking public welfare as its corporate responsibility and mission, always paying attention to the difficulties and needs of the society and the disadvantaged groups, and taking the initiative to give back to the society and contribute to the society to promote social harmony. In this regard, the Group has developed relevant guidelines to encourage staff to participate in social welfare activities so that the civic awareness of staff can be enhanced to establish proper values, which not only benefits the society but also fosters a good corporate culture.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Index Table of the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited

Aspects, General Disclosures and KPIs	Description	Section/Statement
General Disclosures	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, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Emission control
KPI A1.2	Greenhouse gas emissions (in tonnes) intensity.	Emissions — Emission control
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Waste management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste management
KPI A1.5	Description of emissions measures taken and achievements.	Emissions — Emission control, Waste management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction measures taken and achievements.	Emissions –Waste management
<b>Aspect A2: Use of Resources</b>		
General Disclosures	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy efficiency
KPI A2.2	Water consumption in total and intensity.	Use of Resources — Water consumption
KPI A2.3	Description of energy use efficiency plans and achievements.	Use of Resources — Energy efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency enhancement plan and achievements.	Use of Resources — Water consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of packaging materials

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosures	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
<b>Aspect B1: Employment</b>		
General Disclosures	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, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
<b>Aspect B2: Health and Safety</b>		
General Disclosures	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.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B3: Development and Training</b>		
General Disclosures	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
<b>Aspect B4: Labour Standards</b>		
General Disclosures	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.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
<b>Aspect B5: Supply Chain Management</b>		
General Disclosures	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
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.	Supply Chain Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B6: Product Responsibility</b>		
General Disclosures	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.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
<b>Aspect B7: Anti-corruption</b>		
General Disclosures	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.	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 cases.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosures	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.	Community Investment